A BETTER WAY FORWARD

2020

RESULTS

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01 . PRESS RELEASE

PRESS RELEASE

Clermont-Ferrand, February 15, 2021

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Financial information for the year ended December 31, 2020

Against the backdrop of a global pandemic, the Group reported sales of €20 billion, down 15%, and segment operating income of €1.9 billion, representing 9.2% of sales.

- In 2020, the Group focused sharply on protecting its employees and maintaining business continuity, while supporting its host communities.
- With the steep drop in markets over the year, SOI[(1)] came to €1,878 million, a 37% decline that reflected:
  - the Covid-19 crisis, which led to a €1,703 million decrease from the 14% decline in volumes and the under-absorption of production plant fixed costs, as well as to the outlay of around €98 million for dedicated protective measures;
  - the disciplined management of the price-mix (up 1.2%) at a time of declining raw material prices;
  - the €240 million reduction in SG&A expenses,
- Structural free cash flow[(2)] came to €2 billion, thanks to the disciplined cash management during the crisis and the exceptionally low level of year-end inventories due to the sustained recovery in demand in the second half:
  - Gearing stood at 28% at year-end 2020, an 11-point improvement on 2019.
- The Group is continuing to deploy its strategy:
  - Newly acquired companies are being integrated as planned, generating €55 million in additional synergies in 2020; these synergies represent €81 million on an annualized basis;
  - The Group is expanding its business in new areas of growth, by investing in metal 3D printing, hydrogen mobility and, more recently, new recycling technologies.
- €625 million in net income, down €1,105 million, and a recommended dividend of €2.30 per share.

Florent Menegaux, Managing Chairman, said: "In the midst of this major health and economic crisis, I would first like to thank the Michelin teams for their dedication and commitment. Together, we're getting through this; together, we're working hard to protect everyone, the entire Group and our operations. We're also continuing to support our suppliers, our customers and all our communities around the world. In this uncertain environment, the Group is pursuing competitiveness programs and continuing to shift its production toward premium and specialty tires, while also stepping up its expansion in high-tech materials and services & solutions."

- Outlook for 2021:

In 2021, in a still highly uncertain environment as the health crisis unfolds, Passenger car and Light truck tire markets are expected to expand by 6% to 10% over the year, Truck tire markets by between 4% and 8%, and the Specialty markets by 8% to 12%.

In this market scenario, and barring any new systemic impact from Covid-19[(3)], Michelin's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow of around €1 billion.

(1) SOI: Segment Operating Income

(2) 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) Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.

(in € millions)	**2020**	**2019**
Sales	20,469	24,135
Segment operating income	1,878	3,009
Segment operating margin	9.2%	12.5%
Automotive and related distribution	8.3%	11.1%
Road transportation and related distribution	5.6%	9.3%
Specialty businesses and related distribution	14.8%	18.7%
Other operating income and expenses	(475)	(318)
Operating income	1,403	2,691
Net income	625	1,730
Earnings per share	€3.52	€9.69
Dividend for the year	€2.30	€2.00
Segment EBITDA	3,631	4,763
Capital expenditure	1,221	1,801
Net debt	3,531	5,184
Gearing	28%	39%
Provisions for post-employment benefit obligations	3,700	3,873
Free cash flow(1)	*2,004*	*1,142*
Structural free cash flow(2)	*2,010*	*1,615*
ROCE (2016-2020 plan(3))	8.6%	13.7%
ROCE(4)	6.0%	10.0%
Employees on payroll(5)	123,600	127,200

(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) 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) ROCE (2016-2020 plan) after tax and excluding goodwill, acquired intangible assets and equity-accounted companies.

(4) As from 2021, goodwill, acquired intangible assets and investments in equity-accounted companies will be added back to economic assets; amortization of acquired intangible assets and the Group's share of profit from equity-accounted companies will be added back to after-tax earnings calculation (see section 3.6 of the 2020 Annual Results Guide, available on the Group's website www.michelin.com). The Group will use this new indicator as from 2021 to measure the return on capital employed.

(5) At period-end.

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S FINANCIAL POSITION AT DECEMBER 31, 2020

BACKGROUND

The health crisis and the lockdown policies applied by most of the world's governments 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.

The second half saw a quick upsurge in global demand that lifted markets close to and sometimes over 2019 levels in certain business segments, led by robust growth in Original Equipment sales in both the Passenger car/Light truck and Truck tire segments. This positive trend, which began in the third quarter, gained momentum in the last three months of the year.

Tire demand by business segment and region is described on page 6 below.

REVIEW OF THE INFORMATION RELEASED BY THE GROUP DURING 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, 2020, 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, 2020, 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, General Manager 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.
- When it released its interim results after close of trading on July 27, 2020, the Group issued new guidance for the year, reflecting the very sharp slowdown in demand over the first half and assuming that the economic impact of the crisis would be felt over the last six months of the year. "*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 of more than €500 million, barring any new systemic impact from Covid-19 [...]*"
- On October 22, in a press release presenting its third-quarter 2020 sales, the Group responded to the stronger-than-expected upturn in demand by raising its full-year guidance versus the guidance announced on July 27 with the release of the first-half 2020 results. "*With these new forecasts and the cost reductions linked to the circumstances, the Group is revising its guidance for 2020 upwards, with segment operating income in excess of €1.6 billion at constant exchange rates and structural free cash flow in excess of €1.2 billion, barring any new systemic effect from Covid-19.*"

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 plants located in Europe 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, cleaning and disinfection measures resulted in additional costs during the year, in an estimated amount of €98 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 major impact that the first-half plant closures had on output, the lower level of productivity increased the sensitivity of segment operating income to changes in demand, with every one-point decline in volumes reducing segment operating income by €121 million.

While the plants were closed, the Group received financial support from governments to help fund employee furlough programs. These furlough grants totaled €152 million over the year, of which €133 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 3 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 €580 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 in the first half, while the stronger-than-expected upturn in the second half meant that inventory ended the year exceptionally low. Corporate overheads were reduced by €240 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 also 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 December 31, 2020:

- €4.7 billion in cash and cash equivalents;
- €0.3 billion in cash management financial assets;
- a €2.5 billion commercial paper program, of which €898 million had been utilized at December 31, 2020;
- a $0.7 billion commercial paper program, of which $50 million had been utilized at December 31, 2020;
- a €0.5 billion factoring program, of which €15 million had been utilized at December 31, 2020;
- €2.5 billion in confirmed, undrawn lines of credit.

With all the financing mechanisms mentioned 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 continues to unfold.

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 Universal Registration Document.

The supply chain encountered disruptions over the first nine months of the year, but they did not prevent the delivery of critical components, semi-finished products and finished products even though the situation evolved very quickly and required the entire chain to respond accordingly. The impact of the crisis on maritime shipping and other links in the supply chain became particularly noticeable in the fourth quarter, causing deep disruptions that forced the Group to operate with low inventory and respond to a significant increase in transportation costs. Despite these complications, deployment of the Group's business continuity procedures enabled it to avoid any supply issues in 2020.

On the manufacturing side, the Group was able to organize the resumption of operations around the world, as soon as the health situation and regulations allowed, by capitalizing on the feedback from its teams in China, where its industrial 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 sales and administrative operations up and running around the world. However, due to the deeper disruptions seen in recent weeks in the maritime shipping industry – reflected in both longer delivery lead times and higher costs – the Group has observed minor supply interruptions at certain manufacturing plants, mainly for natural rubber. These supply chain pressures are expected to continue for several months, until such time as the shortage of containers from Asia is resolved.

MARKET REVIEW

PASSENGER CAR AND LIGHT TRUCK TIRES

2020/2019 *(in number of tires)*	Western & Central Europe*	Russia & CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	-23%	-15%	-21%	-31%	-4%	-18%	-23%	-17%
Replacement	-11%	-14%	-9%	-22%	-6%	-12%	-17%	-11%

* *Including Turkey.*

Fourth quarter 2020/2019 *(in number of tires)*	Western & Central Europe*	Russia & CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	0%	-3%	0%	+1%	+8%	-2%	+2%	+2%
Replacement	+1%	-14%	+1%	-15%	+2%	+4%	-5%	-1%

* *Including Turkey.*

In 2020, the global Original Equipment and Replacement Passenger car and Light truck tire market was down 13% in number of tires sold.

Original Equipment

- After contracting by 33% in the first six months of the year, when demand collapsed in the wake of automotive plant shutdowns in response to the health crisis, the Original Equipment segment saw a marked improvement in the second six months, with (i) global demand in line with second-half 2019 and (ii) a 2% gain in the final quarter sustaining the third-quarter rebound led by the upturn in world automobile output.
- The Chinese market continued to expand in the fourth quarter, with an 8% increase easing the annual decline to 4%, while in North America, automaker inventory rebuilding lifted demand back in line with 2019 levels in the second half. Fourth-quarter growth was unchanged year on year, in line with the third quarter. The European market excluding Russia returned to 2019 levels in the fourth quarter, led by the recovery in the automotive market.

- Original Equipment markets in South America continued to be hard hit in the third quarter (down 22%) but returned to growth in the fourth (up 1%). In the Africa/India/Middle East region and Asia excluding China, the rebounds observed in the third quarter continued apace in the fourth, with demand ending the year up 2% in the former region and down 2% in the latter.

Replacement

- After an unprecedented 20% drop in demand in the first half, the global Replacement tire market steadily improved throughout the second six months, ending the period 3% down year on year with, in particular, fourth-quarter 2020 demand coming close to the level seen in fourth-quarter 2019.
- In **Europe excluding Russia and the CIS**, the lifting of lockdown restrictions at the end of the second quarter triggered a sharp upturn in mobility, which gradually fed through to an increase in tire demand over the second half despite a particularly mild winter. The recovery was relatively stronger in the southern European countries (France, Spain and Italy), where lockdowns had had the deepest impact in the first half, with demand ending the second half down just 1%. The implementation of Brexit in January 2021 led to a massive buildup of dealer inventory, which lifted the market by 6% in the second half of 2020. Spurred by local currency weakness, the Turkish market expanded by 16% over the year, led by export sales.
- Compared with the rest of Europe, the recovery was much weaker in **Russia and the CIS**, with the market declining by 13% in the second half.
- In **North and Central America**, at a time of economic recovery and speculative buying ahead of possible new US duties on tires imported from South Korea, Thailand, Vietnam and Taiwan, Replacement demand rose by 2% in the second half (4% in the United States), easing the market decline to 9% for the year.
- In **South America**, demand dropped 22% over the full year, as the market struggled to emerge from the crisis in the second half (down 20%), despite a slight improvement in the fourth quarter (down 15%). Only Brazil saw a clear improvement in the second half compared with the first.
- In **China**, Replacement demand ended the year down 6%. After plunging 32% in the first quarter due to Covid-19 restrictions, the market very quickly returned to its structural growth rates (up 6% in the second half), led by the strong growth in Original Equipment sales in recent years.
- Demand in **Asia (excluding China and India)** declined by 12% in 2020, with a smaller decline than in other regions of the world in the first half (down 16%) and an 8% contraction in the second six months, as an upturn in sales in every country offset the impact of a still uncertain health situation. Japan, South Korea, Thailand and Vietnam all saw an increase in demand in the fourth quarter.
- In the **Africa/India/Middle East** region, demand slipped 17% over the year. The Indian market, which was seriously impacted by the crisis in the first half (down 38%), rebounded sharply in the second half (down 8%) with a fourth quarter on a par with 2019. In addition to the health crisis, the other countries in the region were hurt by the impact of the global economic slowdown on commodity prices.

TRUCK TIRES (RADIAL AND BIAS)

2020/2019 *(in number of tires)*	**Western & Central Europe***	**Russia & CIS**	**North & Central America**	**South America**	**China**	**Asia (excluding India & China)**	**Africa/ India/ Middle East**	**Total**
Original Equipment	-18%	-6%	-28%	-17%	+33%	-28%	-48%	+1%
Replacement	-5%	0%	-3%	-10%	-11%	-13%	-15%	-10%

* *Including Turkey.*

Fourth quarter 2020/2019 *(in number of tires)*	**Western & Central Europe***	**Russia & CIS**	**North & Central America**	**South America**	**China**	**Asia (excluding India & China)**	**Africa/ India/ Middle East**	**Total**
Original Equipment	+14%	-6%	-3%	+17%	+29%	-20%	-6%	+15%
Replacement	+6%	-14%	+8%	+2%	0%	+4%	-14%	0%

* *Including Turkey.*

The number of new Truck tires sold worldwide declined by 7% in 2020, mainly due to the impact of the health crisis on the global economy. However, demand rose by 2% over the second half, led by the upturn in the Original Equipment market.

Original Equipment

- The global Original Equipment Truck tire market, as measured by the number of new tires sold, grew by 1% in 2020. After falling by 12% in the first half, the market rebounded in the second six months, boosted by very strong 48% growth in Chinese demand.
- In **Europe excluding Russia and the CIS**, the recovery in Original Equipment demand that began in the third quarter (down 7% after a 34% drop in the first half) gained strong momentum in the final three months (up 14%), particularly in Germany, Italy, Spain and Turkey.
- The **Chinese** market rose by 33% over the year, spurred by new legislation and the economic recovery.
- In **North and Central America**, Original Equipment demand declined by 28% over the year, with a slight improvement in the second half (down 13%) compared with the first (down 41%). The decline eased to 3% in the final quarter, which saw a sharp upturn in OEM orders in the United States.
- In the **rest of the world**, Original Equipment demand remained depressed throughout the second half with the exception of **South America**, where Brazil helped to lift the market almost back in line with 2019 (down 2%).

Replacement

- The global Replacement tire market contracted by a sharp 10% in 2020, primarily due to the steep decline in freight demand in the wake of the worldwide health crisis. As health measures implemented around the world weighed on local economies, the market retreated by an aggregate 18% in the first half before rebounding in the second (down 2%). However, this general improvement varied by region.
- In **Western and Central Europe** and in **North America**, following a first-half decline in freight demand caused by the steep economic slowdown in both regions, where overall demand shrank by 16% and 9% respectively, markets rebounded sharply in the second half, gaining 5% in Western and Central Europe and 3% in North America on a stronger-than-expected upturn in business activity and freight transportation.
- The **Eastern European** market was unchanged over the year.
- The **South American** market declined by 10% over the year, with the second half (down 2%) showing a clear improvement over the first (down 17%). This primarily reflected the upturn in demand in Brazil (up 7% in the second half), with the Argentine market continuing to slip, quarter after quarter, to end the second half down 10% after gaining 7% in the first.
- In **China**, Replacement tire demand declined by 11% over the year. After falling 26% in the first half, the market was stable year on year in the second six months, dampened by the strong growth in Original Equipment sales.
- Markets in **Asia (excluding India and China)** ended the year down 13% but showed an improvement in the second half (down 8%). In particular, the fourth quarter rose by 4% year on year, thanks to a strong 14% rebound in demand in Japan and South Korea.
- In the **Africa/India/Middle East** region, new tire demand contracted by 15% over the year. After falling 23% in the first half, demand improved to a 7% decline in the second six months, led by 8% growth in the Indian market.

SPECIALTY TIRES

- **Mining tires:** The Surface mining tire market, which had held up well in the first half, turned sharply downward in the fourth quarter as China reduced its coal imports and large mining companies adjusted their tire inventories. The Quarries and Underground Mining tire segments were adversely impacted by the economic slowdown.
- **Agricultural and Construction tires:** Since the summer, Agricultural tire markets have been rebounding on the steady improvement in fundamentals (grain prices, farm income, farmer confidence index). The Construction and Infrastructure segments rose sharply in the fourth quarter, led by the market recovery and OEM inventory rebuilding.
- **Two-wheel tires:** Two-wheel tire markets enjoyed sustained demand driven by the surging sales of motorcycles, scooters and bicycles.
- **Aircraft tires:** In the Commercial Aircraft tire market, there are no signs of recovery in the intercontinental flight segment, but the domestic flight segment seems more resilient, especially in China, where it has returned to pre-Covid levels. Demand in the Military and General Aviation segments held up well over the period.
- **Conveyor belts:** Trends in the Conveyor belt market varied over the period, with sustained strong growth in mining operations in Australia and a slowdown in North America due to the closure of certain coal mines and prevailing conditions in the manufacturing industry.
- **Specialty polymers:** Except for energy seals, the specialty polymer markets generally demonstrated greater resilience during the year, particularly in the medical applications segments.

2020 SALES AND RESULTS

SALES

Sales stood at €20,469 million for the year ended December 31, 2020, down 15.2% from 2019 due to the combined impact of the following factors:

- the steep 14% decline in volumes, as the collapse in global demand in the first half due to the health crisis and the ensuing restrictions on movement was partially offset by a stronger-than-expected recovery in the second six months of the year;
- the positive 1.2% price-mix effect. The €104 million gain from prices reflected (i) firm pricing discipline in a more competitive business environment created by plunging markets and (ii) the Group's ability to raise prices to offset the decline in certain currencies against the euro. These positive factors were attenuated by the negative impact of indexation clauses based on raw materials prices. The €196 million positive mix effect reflected the sustained success of the MICHELIN brand's "Premium" strategy, particularly in the 18-inch and larger segment, and the resilience of the Specialty businesses. In the second half, the positive mix effect was dampened by the unfavorable impact of the relative performances of Original Equipment and Replacement tire sales and the decline in surface mining tire sales in the Specialty businesses mix;
- the negative 2.6% currency effect, led by the decline in the US dollar against the euro in the second half;
- the 0.2% 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 €1,878 million or 9.2% of sales, versus €3,009 million and 12.5% in 2019.

The change in segment operating income primarily reflected:

- a €6 million increase from changes in the scope of consolidation, following the inclusion of Masternaut and Multistrada and the disposal of BookaTable;
- a €1,703 million decrease from the 14% collapse in volumes due to the health crisis. The first half saw major fixed cost under-absorption and a loss of industrial productivity, partially offset by government-backed furlough grants. Manufacturing operations, still disrupted by the Covid-19 crisis in the second half but to a lesser extent, were lifted by the stronger-than-expected recovery in demand;
- a robust €300 million increase from the price-mix effect, led by firm price discipline and the continuous enhancement in the value of the product mix;
- a €279 million increase from the decline in the cost of raw materials;
- a €240 million increase from the reduction in SG&A expenses enabled by the cost-saving measures deployed in response to the crisis;
- a €98 million decrease from Covid-19-related expenditure, including the cost of purchasing and producing masks and hand sanitizer;
- a €30 million decrease from the rise in other costs;
- a €125 million unfavorable currency effect.

Other operating income and expenses amounted to a net expense of €475 million, corresponding to the amortization of intangible assets acquired in business combinations (€87 million), restructuring costs (€59 million) and impairment losses on non-current assets (€285 million).

The Group has a plant in India that primarily manufactures truck tires, sold for the most part in the domestic market. In 2020, an impairment loss of €164 million was recognized on the plant in response to the market's structural difficulties and the more subdued growth outlook in the "Premium" segment.

In addition, impairment losses were recorded on the intangible assets of Tablet and Nextraq for €37 million and €19 million respectively.

In all, net income for the year came to €625 million.

NET FINANCIAL POSITION

Free cash flow ended the year at €2,004 million, an €862 million improvement on 2019 as 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. Gearing stood at 28% at December 31, 2020, corresponding to net debt of €3,531 million, down €1,653 million from one year earlier.

SEGMENT INFORMATION

	Sales		Segment operating income		Segment operating margin	
In € millions	2020	2019	2020	2019	2020	2019
Automotive and related distribution	10,103	11,851	839	1,321	8.3%	11.1%
Road transportation and related distribution	5,373	6,448	302	597	5.6%	9.3%
Specialty businesses and related distribution	4,993	5,836	737	1,091	14.8%	18.7%
Group	20,469	24,135	1,878	3,009	9.2%	12.5%

Automotive and related distribution

Sales in the Automotive and related distribution reporting segment declined by 14.7% to €10,103 million, from €11,851 million in 2019.

Segment operating income amounted to €839 million or 8.3% of sales, versus €1,321 million and 11.1% in 2019.

The steep decline was primarily due to the 13.8% drop in volumes caused by the contraction in the Passenger car and Light truck tire markets, which led, notably in the first half, to fixed cost under-absorption 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, the growing proportion of 18-inch and larger tires in the sales mix and the positive impact of lower raw material prices.

Road transportation and related distribution

Sales in the Road transportation and related distribution reporting segment declined by 16.7% year on year, to €5,373 million from €6,448 million in 2019.

Segment operating income came to €302 million or 5.6% of sales, compared with €597 million and 9.3% in 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 16% contraction in volumes, which fed through, mainly in the first half, to fixed cost under-absorption 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 very 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 14.4% in 2020, to €4,993 million from €5,836 million the year before.

Segment operating income amounted to €737 million or 14.8% of sales, versus €1,091 million and 18.7% the year before. With an 11.7% decline in volumes, the Specialty businesses as a whole weathered the crisis better than the Automotive and Road transportation businesses during the year.

Agricultural and Construction tires: Group sales were lifted by the rebound in demand for Agricultural tires and tracks and Construction tires, which was especially robust in the Original Equipment segment.

Surface mining tires: The Surface mining tire market, and therefore Group volumes, did not experience the rebound that lifted the other businesses in the second half. On the other hand, at the very end of the year Group volumes turned upwards on the first signs that the market was bottoming out. It remains to be seen, however, whether this positive trend will continue.

Two-wheel tires: Over the full year, volumes made up almost all of the spring’s precipitous drop, with market share gains, particularly in mature regions, and a sharp increase in bicycle tire sales.

Aircraft tires: Business is still being severely impacted by the health crisis and the collapse in commercial aviation demand, although it remains buoyed by the resilience of the Military and General Aviation segments.

Fenner’s conveyor belt business generally held firm, thanks to record sales in Australia.

MICHELIN'S "ALL SUSTAINABLE" VISION

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

- **To fight against global warming:** In 2020, Michelin pursued its commitment to decarbonizing its operations in line with the targets approved by the Science Based Targets Initiative (SBTi), a leading independent organization that encourages participating companies to set targets for reducing their greenhouse gas emissions.

  As measured by the Michelin Environmental Footprint (MEF) indicator, which stood at 48.9 in 2020 compared with 100 in 2005, the Group met its objective of reducing the environmental footprint of its production plants by 50% compared with 2005, in fulfillment of its sustainable development priorities for the year.

  In a year when the manufacturing operations were adversely impacted by the global health crisis, with production shutdowns and restarts, this solid performance attested to the robustness of the progress made over the years.

  Also in 2020, French magazine *Usine Nouvelle* honored Michelin with the Sustainable Industry Award for the Group's success in transforming the plant in Gravanches, France, into its first "zero CO_2 emissions" facility. The project offers a compelling illustration of the Group's "All Sustainable" vision and its commitment to making the entire manufacturing base carbon neutral by 2050.

- **To support the circular economy:** In 2020, the Group stepped up its commitment to making tires more sustainable, led by a number of plastic waste and tire recycling initiatives that will eventually increase the proportion of sustainable materials in Michelin products. Aware that the speed and nature of innovation in this area require new forms of cooperation, the Group has positioned itself as a unifying force for developing innovative partnerships. Examples include:
  - Enviro: Industrial-scale recycling of end-of-life tires using pyrolysis technology to recover high-quality raw materials such as recovered carbon black, pyrolysis oil, steel and gas.
  - Pyrowave: Using microwaves to recycle waste plastic to make styrene, a synthetic rubber component.
  - Carbios: Breaking down polyethylene terephthalate (PET) waste products using an enzyme-based technology to return them to their original plastic form. Objects regenerated in this way include the polyester yarn used in tire manufacturing.
  - The BlackCycle consortium: A European public-private research program that aims to develop raw materials from end-of-life tires.

- **To attenuate the environmental impact of its products:** In 2020, Michelin unveiled the new eco-responsible MICHELIN e.Primacy, the first MICHELIN tire eco-designed based on a life-cycle assessment. It is also the first tire on the market for which an Environmental Product Declaration (EPD) has been issued.

- **To protect biodiversity:** Michelin plays an active role in preserving biodiversity, as part of its focus on conducting its business sustainably.

  In 2018, the Group formalized its commitment to biodiversity by joining the act4nature international initiative launched by French association *Entreprises pour l'Environnement*.

  Two years later, Michelin presented a detailed video review of its performance in meeting this commitment.

- **To revitalize its manufacturing operations:** In recent years, to support strategic shifts in its business and prepare for the future, the Group has undertaken a number of restructuring projects, plant closures and, lately, a simplification and competitiveness plan in France. 2020 saw the deployment of several revitalization projects, informed by an approach built around a deep concern for the Group's social and environmental responsibility:
  - Dundee: In partnership with the city of Dundee and the Scottish government, Michelin has transformed the site into the Michelin Scotland Innovation Parc, dedicated to innovation in the areas of sustainable mobility and low-carbon energy. Sixty-six companies have applied for premises in the Parc, three of which – Arcola Energy, Low Emissions Resources Global (LERG) and MEP Technologies – have already signed leases.
  - Bamberg: The Cleantech Innovation Park (CIP) program has been launched in collaboration with the district of Bamberg and the city of Hallstadt, and with the support of a Bavaria Land investment program.
  - La Roche-sur-Yon: Michelin is exploring the possibility of launching an ambitious initiative with public and private partners to transform the facility to focus on new energies and sustainable mobility.
  - Clermont-Ferrand, Parc Cataroux: Initiated by Michelin and located on part of its production site in Cataroux, the project is a regional public-private partnership that will be regional, national and international in scope, nurturing the area's vibrant culture and economy, while helping to drive innovation and job creation. Launched in 2021 and scheduled to open in 2024, the new park will be built around four core activities: education/training with the Manufacture des Talents, sustainable materials/biotech businesses, innovation, and a cultural, sports and wellness venue open to local residents.

- **To support gender equality:** Michelin offers its employees a myriad of career opportunities, enabling it to attract the finest talent in every aspect of its business. In the same way, the Group is convinced that gender diversity, like all other forms of diversity, plays a critical role in its growth and future success. In 2020, for example, among the new members appointed to governance bodies:
  - Barbara Dalibard was unanimously elected by the members of the Supervisory Board as the next Board Chairman, to take office following the 2021 Annual Shareholders Meeting.
  - Bénédicte de Bonnechose and Lorraine Frega joined the Group Executive Committee (CEG) on January 1, 2021.

In 2020, Michelin won recognition on several fronts for its approach to sustainable development and mobility:

- **CDP Climate Change & Water Security:** In 2020, for the fifth year in a row, Michelin was ranked first by CDP, a global environmental data reporting agency, with an "A-" rating for its disclosure of its climate strategy and initiatives. Michelin also earned an "A-" for the second year in a row for its sustainable water management. The rankings attest to the Group's efforts to reduce its environmental impact, with ambitious greenhouse gas emission reduction targets validated by the international Science Based Targets initiative (SBTi). Michelin's full response may be found on the CDP platform (https://www.cdp.net/en/responses) and on the Group's website.
- **Sustainalytics:** Sustainalytics has assigned Michelin a low ESG risk rating of 15.2, reflecting the Group's relative lack of exposure to material ESG risks and robust management of ESG issues.
- **Vigeo Eiris Moody's:** Michelin maintained its overall score of 68/100, corresponding to an advanced level of performance and ranking the Group second in the European automotive industry. In this way, the Group remained the benchmark for environmental, social and governance (ESG) performance in the automotive industry and retained its presence in the Ethibel index (Excellence Europe and Excellence Global) and the Euronext Vigeo Eiris index (France 20, Europe 120, Eurozone 120, World 120).
- **MCSI:** Michelin was rated AA in 2020, with a score of 8.4 out of 10, up one point from 2019. The rating affirms the Group's very good performance in environmental, social and corporate governance (ESG) practices.
- **Taking action for safer mobility:** An integral part of Michelin's culture, safety is also an absolute priority in global programs to promote sustainable mobility.

  In line with its tradition of forging close partnerships, Michelin is continuing to work with a wide array of private and public organizations to improve road safety practices as part of its global commitments.

  In December 2020, the Group received one of the most widely acclaimed CSR awards in Argentina for its safe mobility campaign, rolled out with the support of the FIA, Total and Essilor to promote appropriate driving practices among 18-35 year olds.

  Michelin also received several CSR awards in China for its 2020 road safety awareness campaign "Safe Roads, Safe Kids," including a special award in the Corporate category from iFeng Welfare, a subsidiary of iFeng.com, one of China's leading portals.
- **Natural rubber:** At the EuroCham Sustainability Awards 2020 ceremony, held in Singapore, Michelin won the "Smart Mobility" award for its continued efforts to ensure that its natural rubber is sustainably sourced.

  Long a preferred partner to stakeholders across the industry, Michelin very quickly took initiatives to make it more eco-responsible and mutually beneficial for everyone, with the ultimate goal of eliminating deforestation in natural rubber farming.
- **Responsible procurement:** Michelin has reaffirmed its commitment to sustainable procurement by receiving the "Responsible Supplier Relations and Procurement Label" for the sixth year in a row. To date, Michelin is the only company to have been recognized by the Label for all of its purchasing operations worldwide.
- **CDP Supply Chain:** Michelin was named "Supplier Engagement Leader 2020" for its initiatives and strategy to support the energy transition in its supply chain. Only 7% of the companies rated by the CDP were awarded a place on the leader board.

2020 HIGHLIGHTS

- January 17, 2020 – Michelin and HDI Global SE form a partnership to help prevent and reduce road risk for company vehicle fleets, thereby enhancing the Group's offering of connected solutions.
- January 23, 2020 – Proposed support program for employees at the Michelin plant in La Roche-sur-Yon, France is signed by the CFDT, CFE-CGC, SUD and FO trade unions.
- January 27, 2020 – This year, the MICHELIN Guide France 2020 is celebrating sustainable gastronomy by introducing a new green star pictogram.
- February 3, 2020 – Fenner Precision Polymers acquires 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, Michelin reaffirms 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 24, 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 27, 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.
- March 2, 2020 – Fenner, the world leader in polyurethane conveyor belts, launches the new Eagle Poly-V line for roller conveyor applications.
- April 6, 2020 – Covid-19: During the health crisis, in a spirit of solidarity with the community of Michelin employees, the Managers and the members of both the Executive Committee and the Supervisory Board reduce their compensation.

- April 8, 2020 – Covid-19: Michelin and other companies in France’s Auvergne-Rhône-Alpes region step up to mass manufacture reusable face masks.
- April 8, 2020 – Covid-19: Michelin has mobilized on all fronts to produce masks and visors. The Group is also involved in many other projects involving medical device components, patient-positioning cushions and hand sanitizer.
- April 15, 2020 – Michelin partners 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.
- May 21, 2020 – The international Science Based Targets initiative (SBTi), 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.
- June 3-4, 2020 – Rendezvousing with the future of sustainable mobility during “Digital Meetings by Movin'On”.
- June 8, 2020 – All four MICHELIN Power motorcycle tire ranges entirely refreshed.
- June 10, 2020 – Michelin unveils its new MICHELIN Pilot Sport CUP2 CONNECT tire, delivering higher, longer-lasting performance and 100% connect-ready.
- June 10, 2020 – 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.
- June 23, 2020 – The 2020 Annual Meeting of Michelin shareholders was held behind closed doors for the first time.
- June 24, 2020 – Creation of a Corporate Social Responsibility Committee (CSRC) within the Supervisory Board and governance changes.
- June 25, 2020 – New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life.
- July 3, 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 8, 2020 – Michelin joins 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 16, 2020 – Michelin reaffirms its commitment to sustainable mobility by participating in the all-electric MotoE motorcycle racing championship, introducing new tires incorporating bio-sourced and regenerated materials.
- July 17, 2020 – A pioneer in connected tires, Michelin has upgraded its MICHELIN Track Connect solution to add two new modes. In addition to the Leisure mode, which is already available in 26 countries, users can now access the Expert mode, which lets sports car owners optimize their performance and driving experience, and the Motosport mode, which is designed for rally drivers.
- September 3, 2020 – Coordinated by Michelin, the European BlackCycle project aims to establish a circular tire economy by designing one of the world’s very first processes to make new tires from end-of-life tires.
- September 8, 2020 – Michelin expands its X® MULTI™ truck tire range. Intended for regional transport, the new products will help trucking companies to improve their safety performance and lower operating costs.
- September 14, 2020 – Michelin launches a new employee share ownership plan enabling employees to invest in new company shares and deepen their stake in the Group’s growth and expansion as part of a dynamic relationship built on mutual commitments.
- September 15, 2020 – Michelin wins the Sustainable Industry Award, honoring the "zero CO_2 emissions" challenge met by its plant in Gravanches, France.
- September 15, 2020 – Michelin launches a new brand campaign, with critical investments to secure the brand’s future and support the recovery in both its operations and the global economy.
- September 21, 2020 – A 23rd consecutive victory for Michelin at Le Mans 24 Hours Auto.
- October 8, 2020 – Michelin has won an award in the “Transformation of Customer Relations” category at the “Grand Prix de l’Accélération Digitale” event organized by BFM Business.
- October 19, 2020 – Michelin signs a €2.5 billion multi-currency revolving credit facility. Described as a back-up facility, it has been increased, along with the euro commercial paper program, in response to the Group’s expansion. The facility comes with a CSR clause that links its pricing to a set of sustainability performance targets that are material to the Group’s businesses and important to its stakeholders: (i) the engagement rate of the Group’s employees; (ii) the reduction in its Scope 1&2 greenhouse gas emissions; and (iii) the reduction in the environmental impact of its production plants.
- October 20, 2020 – Compagnie Générale des Établissements Michelin has decided to cancel 1,097,540 treasury shares, representing 0.61% of the total shares outstanding. The effective date of the resulting capital reduction was October 20, 2020, as indicated in the Euronext notice dated October 16, 2020. Following the capital reduction, the Company's issued share capital now consists of 177,543,801 shares.
- October 26, 2020 – Michelin successfully places a three-tranche bond offering for a total of €1.5 billion, with 8-, 12- and 20-year maturities respectively. The net proceeds are to be used to meet general corporate financing requirements.
- October 30, 2020 – Camso acquires Chicago-based Metro Industrial Tires. In addition to strengthening Camso’s Off-the-road tire service and distribution presence in North America, the acquisition will also enable the company to offer new and innovative ways to meet its customers’ ever-changing needs.
- November 5, 2020 – Michelin unveils the new eco-responsible MICHELIN e.Primacy, the first eco-responsible MICHELIN tire whose life-cycle assessment has been incorporated into its design, to address all of its lifetime environmental impacts. At the 2020 Automobile Awards, the MICHELIN e.Primacy tire was voted “Best Tire of the Year” and honored with the special jury prize in the Green Innovation category.

- November 12, 2020 – On the recommendation of the Compensation and Appointments Committee, the members of the Supervisory Board unanimously appoint Jean-Michel Severino, replacing Cyrille Poughon, who had resigned, as an independent member of the Board and as a member of its Corporate Social Responsibility Committee. The Supervisory Board also noted the appointment of Delphine Roussy and Jean-Christophe Laourde as new members of the Board representing employees. Taking into account these appointments, the Supervisory Board is now composed of 11 members, of whom two represent employees.
- November 12, 2020 – Camso, a Michelin Group company, opens a new production plant in the United States. Based in Junction City, Kansas, the new facility will manufacture agricultural tracks and employ 50 people.
- November 18, 2020 – To promote safer roads, Michelin forms three key partnerships, with BNP Paribas Cardif, CGI, and Colas, with Essilor and with HDI Global. One example is the Better Driving Community initiative. The four partners are committed to shaping the future of mobility by harnessing the power of big data to raise awareness among their employees and the general public, develop innovative solutions, and nurture a community of engaged, proactive drivers.
- November 18, 2020 – Michelin and Pyrowave, a pioneer in the electrification of chemical processes and in plastic recycling, sign an agreement to process engineer an innovative plastic waste recycling technology. An initial industrial demonstrator will be developed by 2023.
- December 1, 2020 – Michelin has designed air cushion prototypes for patients in intensive care after four months of co-development with the Amiens-Picardie University Hospital.
- December 2, 2020 – Fenner™ Precision Polymers acquires MAV S.p.A., a leading European supplier of keyless-locking devices (KLD), shrink discs, rigid couplings and other metal products.
- December 7, 2020 – The Supervisory Board announces its intention to appoint Barbara Dalibard, a Board member since 2008, as its Chair to replace Michel Rollier, whose term of office will expire at the close of the 2021 Annual Shareholders Meeting.
- December 14, 2020 – Michelin has designed the MICHELIN Pilot Sport Cup N3 for the new Porsche 911 GT3 Cup (992).
- December 22, 2020 – The MICHELIN Guide announces its arrival in two new destinations, Slovenia and Moscow.
- January 6, 2021 – Michelin launches a simplification and competitiveness project to support developments in its operations in France. To prepare for the future, Michelin has launched a three-year project to upgrade and transition its manufacturing, corporate and administrative operations in France. As part of this process, the Group has reaffirmed its commitment to positioning France in the production of premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments. The simplification and competitiveness plan will be supported by an innovative social dialogue approach.

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

PRESENTATION AND CONFERENCE CALL

Full-year 2020 results will be reviewed with analysts and investors during a presentation today, Monday, February 15, 2021 at 6:30 pm CET. 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 CET:

In France	01 70 71 01 59 (French)	PIN code: 17274038#
In France	+33 (1) 72 72 74 03 (English)	PIN code: 72636425#
In the UK	+44 (0) 207 194 3759 (English)	PIN code: 72636425#
In North America	+1 646 722 4916 (English)	PIN code: 72636425#
From anywhere else	+44 (0) 207 194 3759 (English)	PIN code: 72636425#

The presentation of financial information for the year ended December 31, 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

- **Virtual Capital Markets Day:** Thursday, April 8, 2021.
- **Financial information for the three months ending March 31, 2021:** Monday, April 26, 2021 after close of trading.
- **Annual Shareholders Meeting:** Friday, May 21, 2021
- **Ex-dividend date:** Tuesday, May 25, 2021
- **Payment date:** Thursday, May 27, 2021
- **Results for the six months ending June 30, 2021**: Monday, July 26, 2021 after close of trading.
- **Financial information for the nine months ended September 30, 2021:** Monday, October 25, 2021 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

+33 (0) 1 45 66 22 22
groupe-michelin.service.de.presse@relationpresse.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

02. SLIDESHOW


2020
ANNUAL
RESULTS
FEBRUARY 15, 2021
MICHELIN
A BETTER WAY FORWARD

Against the backdrop of a global pandemic, the Group reported sales of €20 billion, down 15%, and segment operating income of €1.9 billion, representing 9.2% of sales.

- The Group successfully protected its employees and maintained business continuity throughout the year, while supporting its host communities
- With the steep drop in markets over the year, SOI* came to €1,878 million, a 37% decline that reflected:
  - the Covid-19 crisis, which led to a €1,703 million decrease from the 14% decline in volumes and the under-absorption of production plant fixed costs, as well as to the outlay of around €98 million for dedicated protective measures;
  - the disciplined management of our price-mix (up 1.2%) at a time of declining raw material prices;
  - the €240 million reduction in SG&A expenses.
- €2.0bn in structural free cash flow, reflecting disciplined cash management during the crisis and an exceptionally low level of year-end inventories following the sustained recovery in demand in the second half
  - Gearing stood at 28% at year-end 2020, an 11-point improvement on 2019.
- The Group is continuing to deploy its strategy:
  - Newly acquired companies are being integrated as planned, generating €55 million in additional synergies in 2020; these synergies represent €81 million on an annualized basis;
  - The Group is expanding its business in new areas of growth, by investing in metal 3D printing, hydrogen mobility and, more recently, new recycling technologies.
- €625m in net income and a recommended dividend of €2.3 per share

2 2020 Annual Results – February 15, 2021

* Segment Operating Income

In 2020, Michelin protected its employees, ensured business continuity and deployed its capabilities to its host communities

"All sustainable"

2 PRIORITIES

1 protecting employee health and safety

2 ensuring business continuity

DEPLOY ITS EXPERTISE AND CAPABILITIES

TO support employees, customers, suppliers and host communities

BY
- donating more than 3 million masks
- innovating and producing visors, masks, positioning cushions, air cushions, and more for the medical community

MICHELIN A BETTER WAY FORWARD

3 2020 Annual Results – February 15, 2021


Michelin is stepping up its competitiveness drive while respecting people and territories
MOVING PRODUCTION CLOSER TO THE CUSTOMER
SIMPLIFYING AND IMPROVING EFFICIENCY IN PRODUCTION FACILITIES AND OFFICES
Ramp-up of Multistrada (Indonesia) and Leon (Mexico) plants
Closure of the plants in Dundee, La-Roche-sur-Yon and Bamberg
Launch of the SIMPLY plan to streamline processes and improve efficiency in SG&A functions
Continuous improvement in industrial efficiency (Digital Manufacturing)
COMPETITIVENESS
&
SOCIAL RESPONSIBILITY
Revitalization and repurposing of the closed sites
Individual support for people
An innovative co-construction and social dialogue process supported by a framework agreement
A reaffirmed commitment to developing new high value-added* businesses in France
Launch of Parc Cataroux in France
4
2020 Annual Results – February 15, 2021
* Particularly in services, sustainable materials, the energy transition and recycling

In 2020, Michelin demonstrated its ability to consolidate its financial performance and expand its initiatives to support people and the environment

(1) Segment operating income

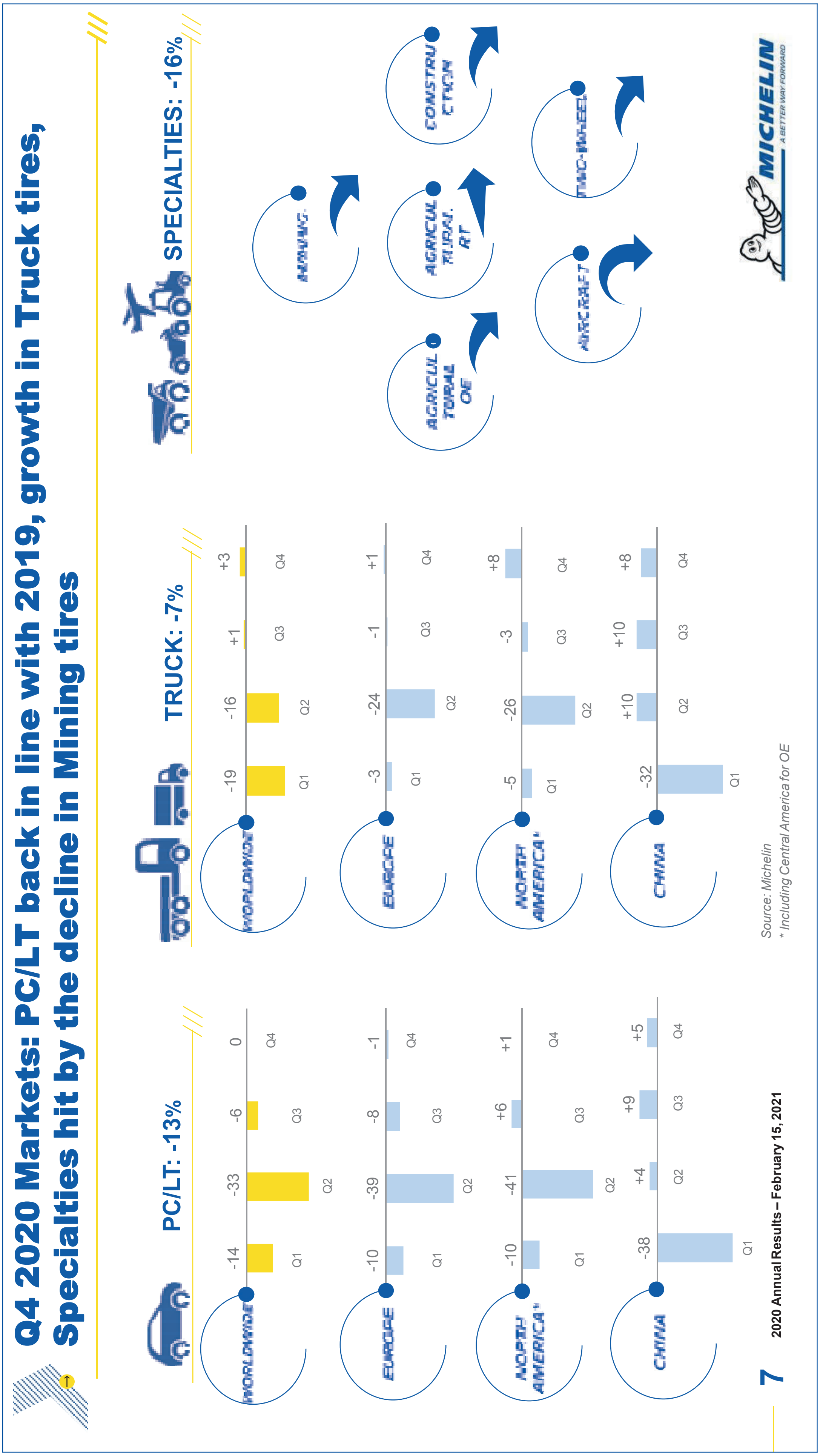
(2) Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories

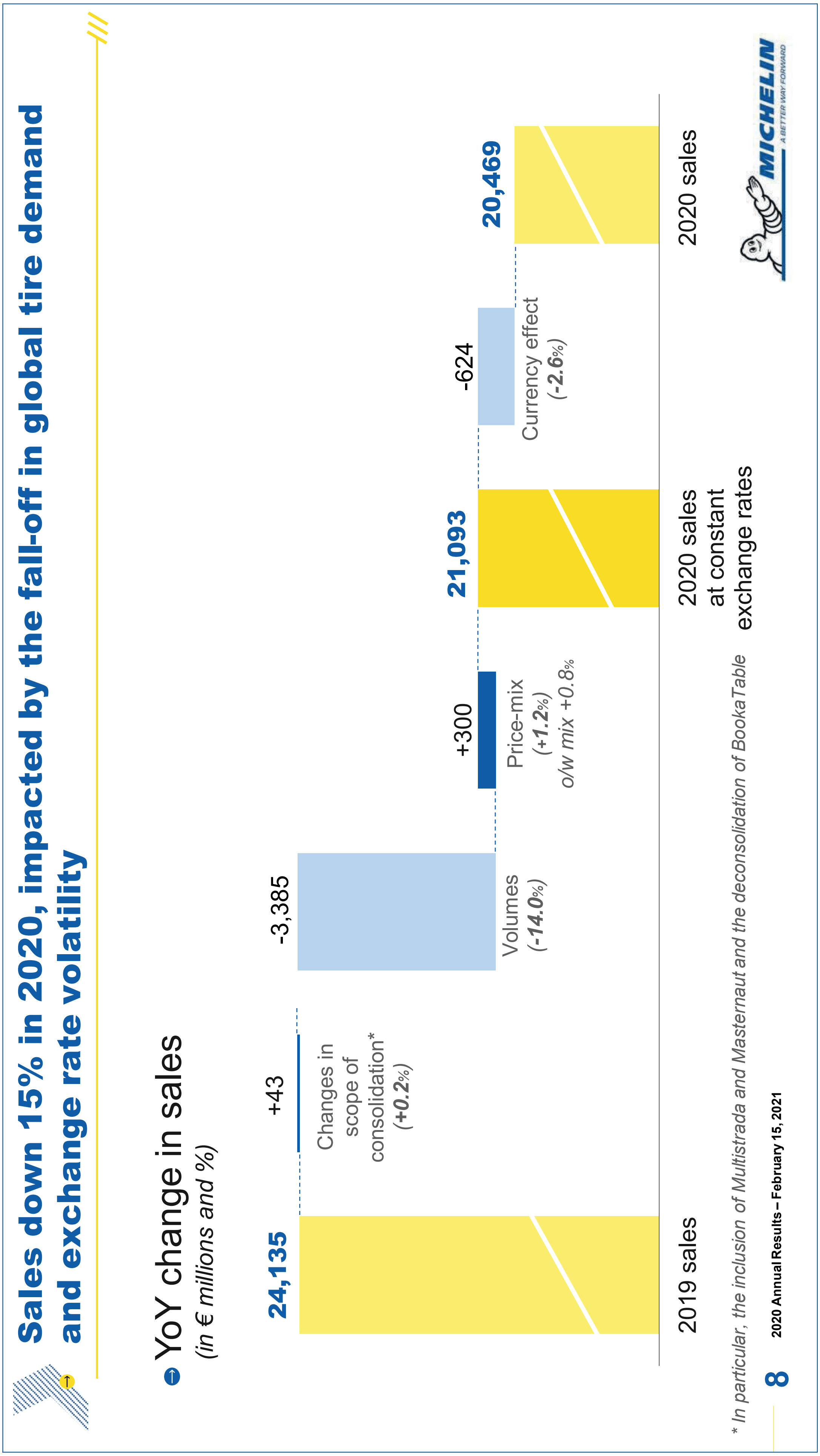
(3) Michelin Environmental Footprint: a composite indicator measuring water and energy use, VOC and CO_2 emissions and the amount of waste generated and landfilled

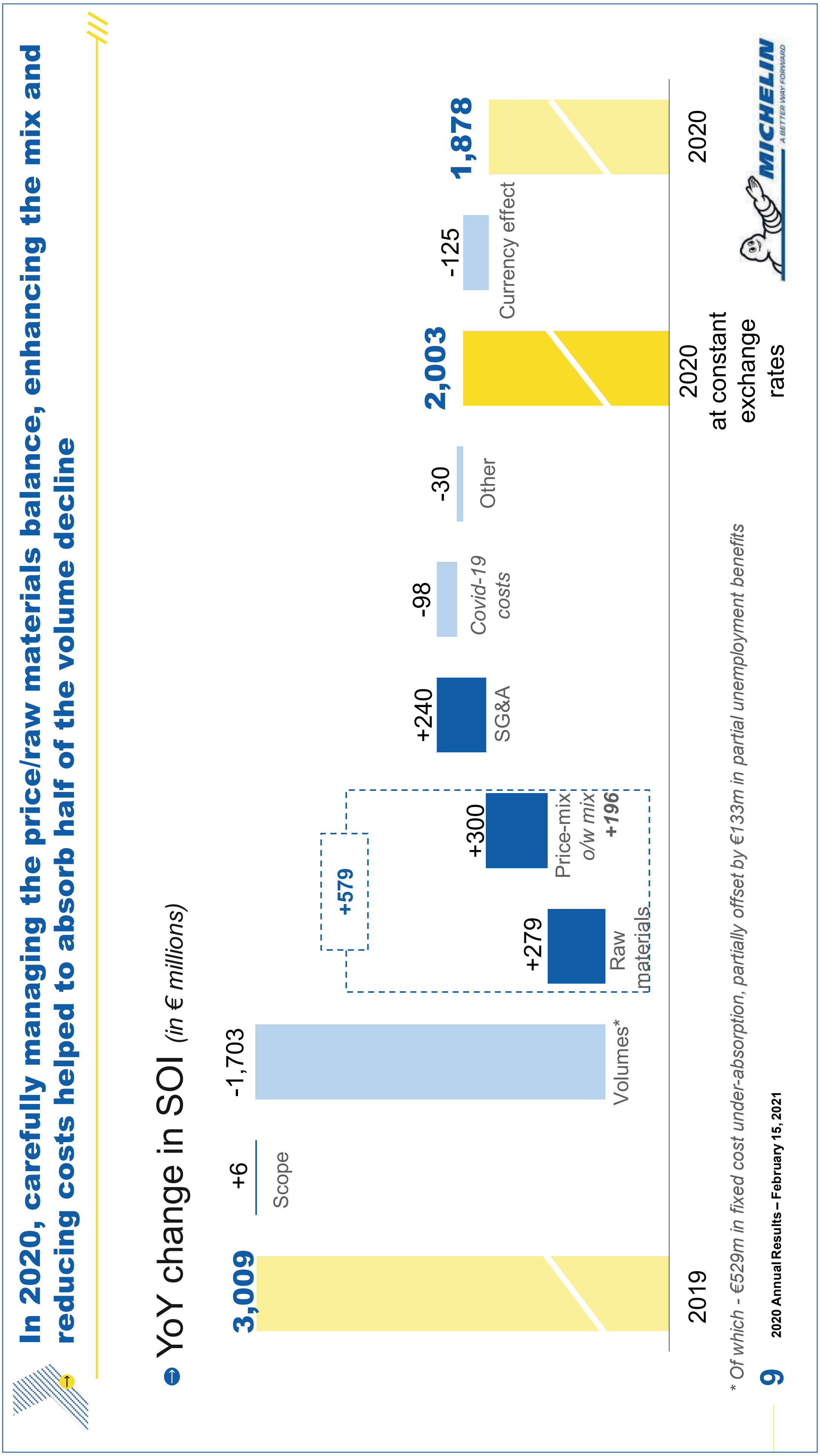
5 **2020 Annual Results – February 15, 2021**

MICHELIN
A BETTER WAY FORWARD


February 15, 2021
2020 Annual Results
2020 ANNUAL RESULTS
01.
MICHELIN
A BETTER WAY FORWARD


Q4 2020 Markets: PC/LT back in line with 2019, growth in Truck tires, Specialties hit by the decline in Mining tires
PC/LT: -13%
WORLDWIDE
-14
-33
-6
0
Q1
Q2
Q3
Q4
EUROPE
-10
-39
-8
-1
NORTH AMERICA*
-10
-41
+6
+1
CHINA
-38
+4
+9
+5
TRUCK: -7%
WORLDWIDE
-19
-16
+1
+3
EUROPE
-3
-24
-1
+1
NORTH AMERICA*
-5
-26
-3
+8
CHINA
-32
+10
+10
+8
SPECIALTIES: -16%
MINING
AGRICULTURAL OE
AGRICULTURAL RT
CONSTRUCTION
AIRCRAFT
TWO-WHEEL
Source: Michelin
* Including Central America for OE
7
2020 Annual Results – February 15, 2021
MICHELIN
A BETTER WAY FORWARD


Sales down 15% in 2020, impacted by the fall-off in global tire demand and exchange rate volatility
YoY change in sales
(in € millions and %)
24,135
2019 sales
+43
Changes in scope of consolidation*
(+0.2%)
-3,385
Volumes
(-14.0%)
+300
Price-mix
(+1.2%)
o/w mix +0.8%
21,093
2020 sales at constant exchange rates
-624
Currency effect
(-2.6%)
20,469
2020 sales
* In particular, the inclusion of Multistrada and Masternaut and the deconsolidation of BookaTable
8
2020 Annual Results – February 15, 2021
MICHELIN
A BETTER WAY FORWARD


In 2020, carefully managing the price/raw materials balance, enhancing the mix and reducing costs helped to absorb half of the volume decline
YoY change in SOI (in € millions)
3,009
2019
+6
Scope
-1,703
Volumes*
+579
+279
Raw materials
+300
Price-mix o/w mix +196
+240
SG&A
-98
Covid-19 costs
-30
Other
2,003
2020 at constant exchange rates
-125
Currency effect
1,878
2020
* Of which - €529m in fixed cost under-absorption, partially offset by €133m in partial unemployment benefits
9
2020 Annual Results – February 15, 2021
MICHELIN
A BETTER WAY FORWARD

In 2020, sales and margins were hurt by plunging markets and currency movements, despite a strong upturn in business in H2

(in € millions)	2020	2019	Change
RS1 sales	**10,103**	11,851	*-14.7%*
Operating income*	***839***	*1,321*	*-36.5%*
Operating margin*	8.3%	11.1%	*-2.8 pts*
*H2 operating margin**	*15.3%*		
RS2 sales	**5,373**	6,448	*-16.7%*
Operating income*	***302***	*597*	*-49.4%*
Operating margin*	5.6%	9.3%	*-3.7 pts*
*H2 operating margin**	*11.2%*		
RS3 sales	**4,993**	5,836	*-14.4%*
Operating income*	***737***	*1,091*	*-32.4%*
Operating margin*	14.8%	18.7%	*-3.9 pts*
*H2 operating margin**	*14.8%*		

- The 1st half demonstrated the resilience of the Specialty businesses
- The 2nd was shaped by the robust upturn in the Automotive and Road transportation segments
- In this context, Michelin maintained its pricing policy and mix enrichment, and continued its competitiveness efforts

* For the segment

10 2020 Annual Results – February 15, 2021

Tight management and exceptionally low year-end inventory helped to generate €2bn in structural free cash flow

Change in structural free cash flow*

(in € millions)

2019 structural free cash flow	**1,615**
Change in EBITDA	(1,132)
Change in trade working capital	+757
Change in interest and taxes paid	+364
Change in capital expenditure	+393
Change in other items	+13
2020 structural free cash flow	**2,010**

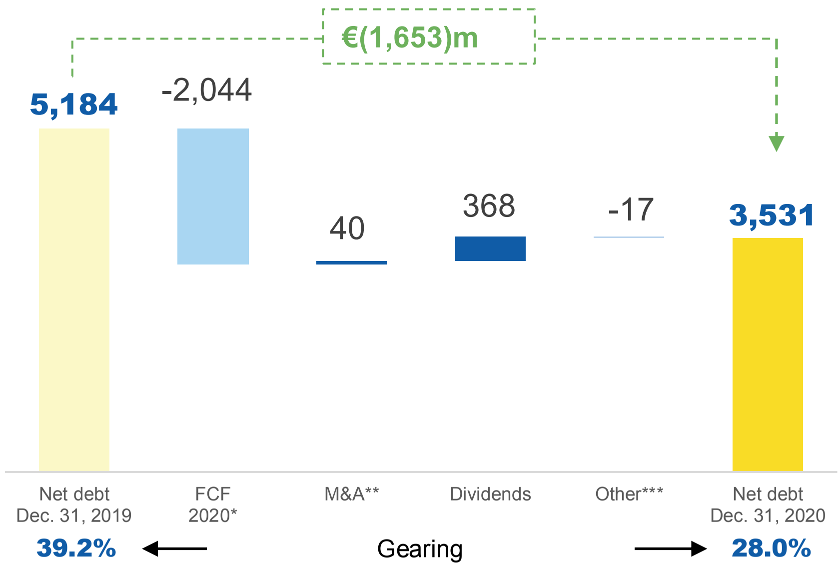
** Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.*

- In 2020, disciplined management helped to offset the drop in EBITDA caused by the collapse in demand
- In addition to the favorable impact of exchange rate movements, the historic decline in WCR reflected:
  - Very tight **customer credit** management in a time of crisis, even as we supported our more vulnerable partners
  - A **structural decline in inventories** (by around €100m), in line with Group's ambitions
  - **Exceptionally low inventory** at year-end (around €400m), due to the much faster-than-expected recovery in demand
- Postponement of investments with a cash impact of approximately €400m.

11 2020 Annual Results – February 15, 2021

Strengthening of the financial situation: management discipline recognized by the rating agencies

Net debt
(in € millions)



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

Credit ratings reaffirmed in 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*	Stable Stable Stable

- In October 2020, Michelin refinanced its five-year, €2.5bn revolving line of credit.
- In October 2020, Michelin successfully placed a €1.5bn bond offering in three tranches, with 8-, 12- and 20-year maturities and an average interest rate of 0.32%.

* 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

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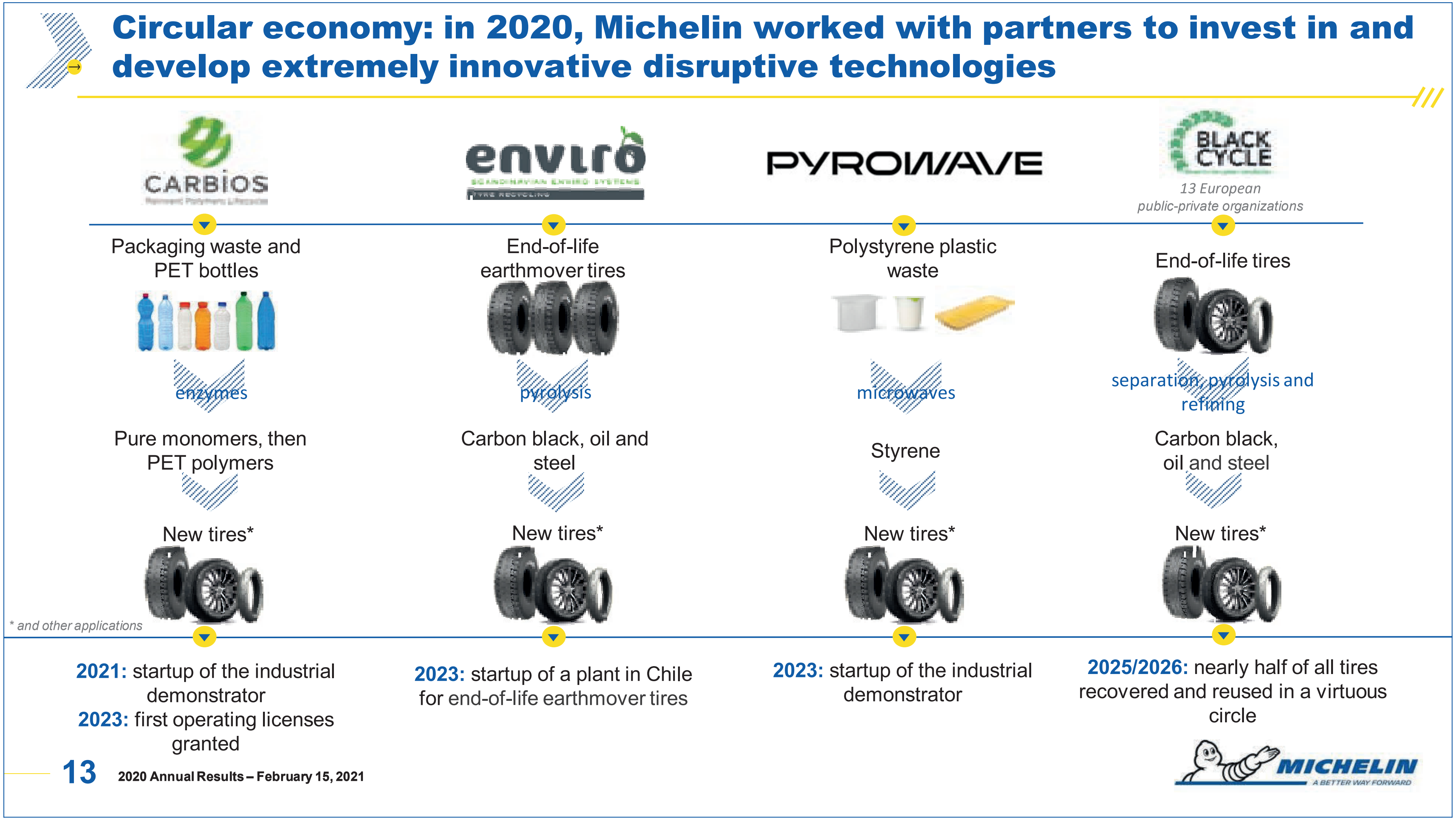
Circular economy: in 2020, Michelin worked with partners to invest in and develop extremely innovative disruptive technologies
CARBIOS
enviro
PYROWAVE
BLACK CYCLE
13 European public-private organizations
Packaging waste and PET bottles
enzymes
Pure monomers, then PET polymers
New tires*
End-of-life earthmover tires
pyrolysis
Carbon black, oil and steel
New tires*
Polystyrene plastic waste
microwaves
Styrene
New tires*
End-of-life tires
separation, pyrolysis and refining
Carbon black, oil and steel
New tires*
* and other applications
2021: startup of the industrial demonstrator
2023: first operating licenses granted
2023: startup of a plant in Chile for end-of-life earthmover tires
2023: startup of the industrial demonstrator
2025/2026: nearly half of all tires recovered and reused in a virtuous circle
MICHELIN
A BETTER WAY FORWARD
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Electric vehicles: the Michelin offer is perfectly suited to this technological and growth opportunity
VEHICLE ELECTRIFICATION ISSUES
Range
the major challenge for EVs
Interior noise
Torque
Battery weight
TIRES FOR EV*: INCREASE DEMAND FOR PERFORMANCE
Interior noise
Wear
Endurance
External noise
Road handling
Rolling resistance
High-performance solutions
aligned with EV* needs
Share of EV* sales in the total market
12% IN 2020
30% IN 2025
Michelin EV* OE share / Total OE share
1.5 TIME
EV* OE/RT loyalty rate
EV* > ICE*
* EV: Electric Vehicle (hybrid, battery-powered and fuel cell-powered); ICE: Internal Combustion Engine
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MICHELIN e.PRIMACY: a technological feat combining environmental benefits, fuel efficiency and high performance

- **1ST** MICHELIN tire eco-designed based on a *life-cycle assessment*
- **1ST** tire on the market for which an Environmental Product Declaration *(EPD) has been issued*
- **1ST** MICHELIN tire that is *carbon neutral at the time of purchase**
- Ranks among the **1%** of tires combining *A-rated rolling resistance and A or B-rated wet grip**
- Voted **BOTH** *"Best Tire of the Year"* and *"Jury Favorite"* in the Green Innovation category at the 2020 Automobile Awards

*For legal information, please visit


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MICHELIN
A BETTER WAY FORWARD

2021 market scenario: recovery trend but not yet back to 2019 levels

PC/LT: +6% / +10%*

- OE: strong recovery expected driven by inventory build up and incentives, but threatened by chips shortage
- RT: despite remaining uncertainty around pandemic impacts, rebounding demand worldwide, not yet coming back to pre crisis level

TRUCK: +4% / +8%*

- OE: strong demand recovery driven by North America and Europe while China is expected to decline after strong 2020
- RT: strong rebound in demand driven by freight activity in every region

SPECIALITIES : +8% / +12%*

- Mining: demand recovery penalized by a slowdown in coal extraction
- Beyond road: acceleration in demand recovery boosted by upcycle trend
- Two-wheel: sustained growth
- Aircraft: growing demand on very low basis

* vs. 2020

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2021 scenario*

	2021
Volumes	In line with markets
Net price-mix/raw materials effect	Slightly positive
Cost impact of raw materials prices and customs duties	Negative
Currency effect**	Strong negative

** Based on the following average prices and exchange rates for 2021: natural rubber: $1.716/kg; butadiene (US, Europe and Asia): $864/t; Brent: $51/bbl; EUR/USD: 1.22*

*** See slide 40*

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MICHELIN A BETTER WAY FORWARD

2021 guidance excluding any new systemic effect from Covid-19*

	2021
Segment Operating Income at constant exchange rates	> €2,500m
Structural Free Cash Flow**	~ €1,000m

* Restrictions on freedom of movement that would result in a significant drop in the tire markets, or any significant supply chain disruption.

** 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.

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MICHELIN A BETTER WAY FORWARD

Michelin invites you to join us on April 8, 2021

On ***CAPITAL MARKET DAY,*** Michelin will present:

- **Its new strategic plan** along with its **growth** and value **creation** objectives in relation to Tires, Services and High-Tech Materials
- **Levers for continually improvement its competitiveness**
- **Its financial commitments and ESG goals for 2023 and 2030**

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03.
APPENDICES
MICHELIN
A BETTER WAY FORWARD

Finance calendar

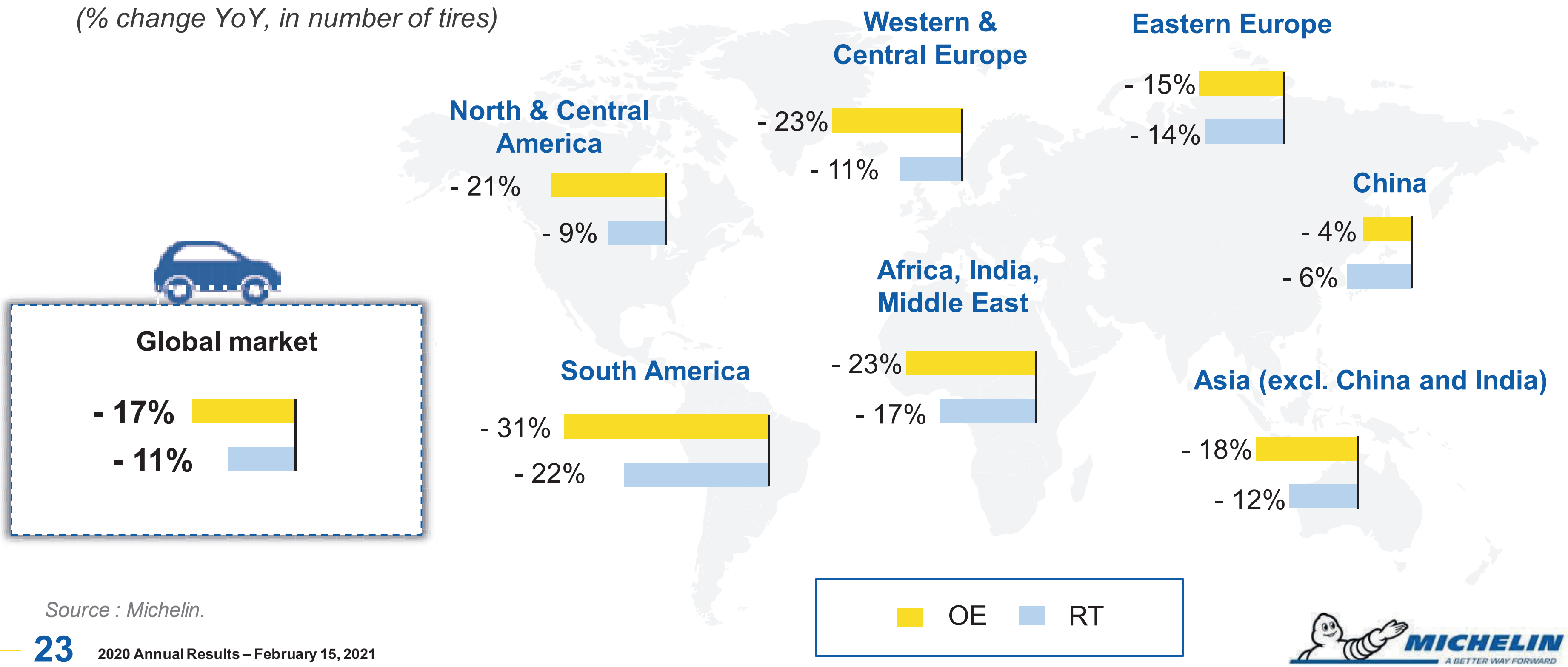
- **Coming events :**
  - **April 8, 2021**: Capital Market Day (digital)
  - **April 26, 2021 (after close of trading)** : First-quarter 2021 sales
  - **May 21, 2021** : Annual Shareholders Meeting
  - **July 26, 2021 (after close of trading)** : First-half 2021 results
  - **October 25, 2021 (after close of trading)** : Third-quarter and 9 months 2021 sales

- **Dividend dates:**
  - **May 25, 2021**: Ex date
  - **May 26, 2021**: Record date
  - **May 27, 2021**: Payment date

PC 2020 : sharp decline in markets in an environment of unprecedented health crisis and the implementation of population containment measures

- Passenger car tire markets in 2020

(% change YoY, in number of tires)



Source : Michelin.

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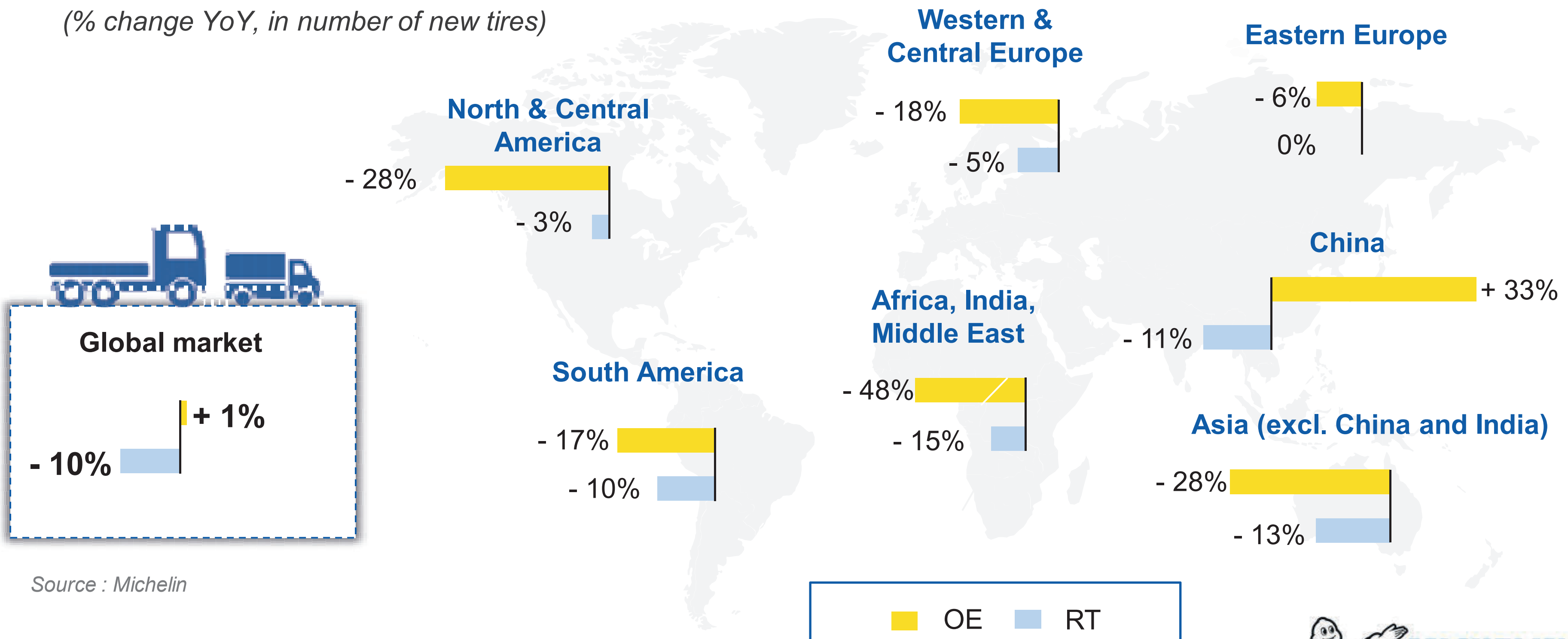
Truck 2020 : sharp decline in markets in an environment of unprecedented health crisis and the implementation of population containment measures. Chinese OE market rebounds strongly due to local regulatory changes

Truck tire markets in 2020

(% change YoY, in number of new tires)

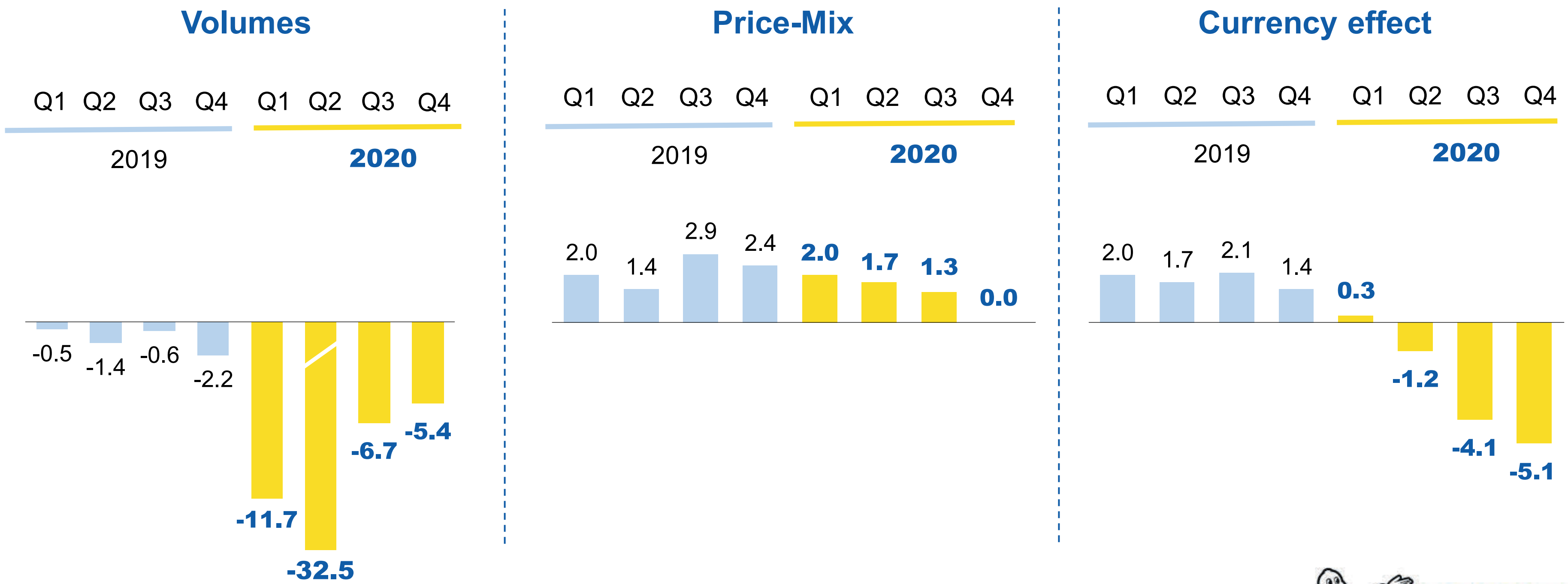


Source : Michelin

In 2020, despite the collapse of global demand for tires and highly volatile parities, Michelin maintained its solid price mix strategy

YoY change, by quarter

(in %)



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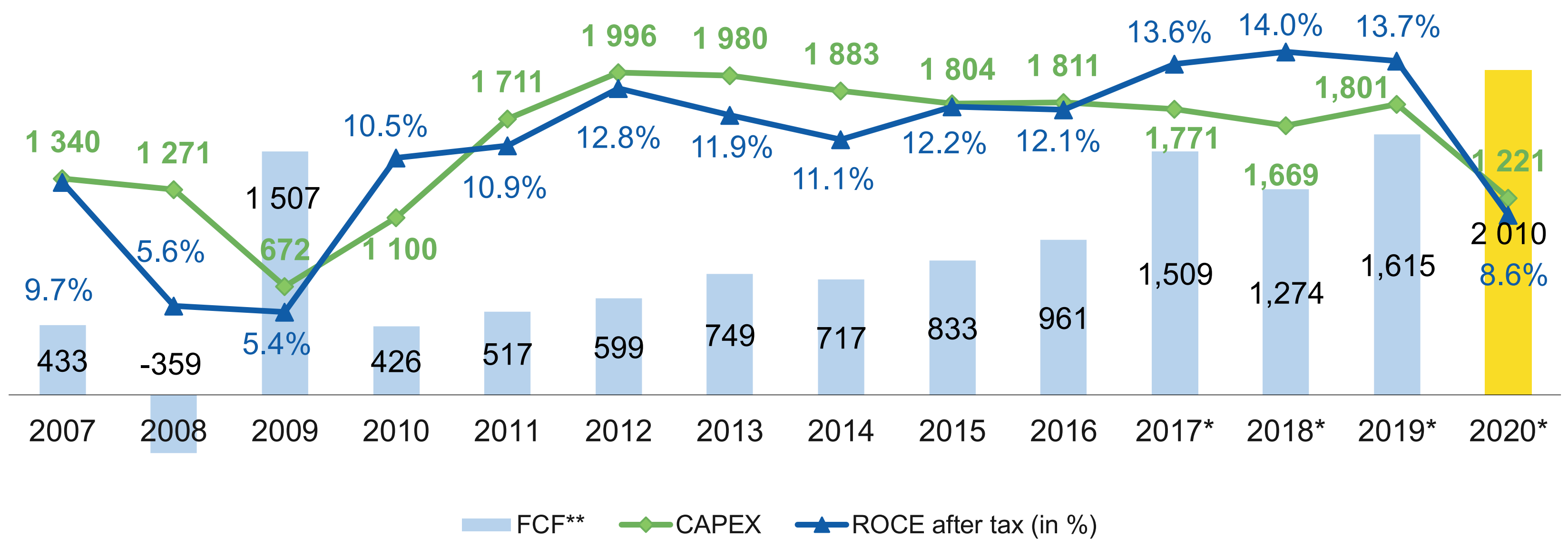
2007 – 2020 : Group capacity to protect and improve its Free Cash Flow generation

- Free Cash Flow, CAPEX and ROCE* 2007 - 2020



Withstandard taxe rate at 28% for 2017 and 26% for 2018 & 2019 and excluding goodwill, acquired intangibles, associates and joint ventures for 2017, 2018, 2019 & 2020

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

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Michelin, a Group built on a strong identity

THE MICHELIN BRAND, a legacy of trust

The first removable tire

1891

Éclair, the first car with pneumatic tires

1895

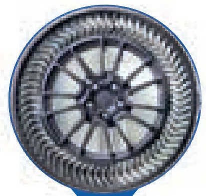
The radial tire

1946

The "green tire"

1992

Uptis



2019

Serving customers and respecting the environment WITH THE POWER OF INNOVATION

83%*

of employees say they are proud and happy to work at Michelin

EMPLOYEE ENGAGEMENT

* In 2020, up 2 points compared with 2019

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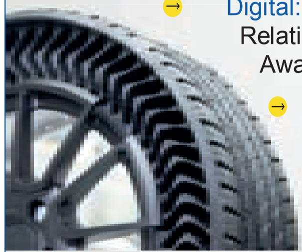
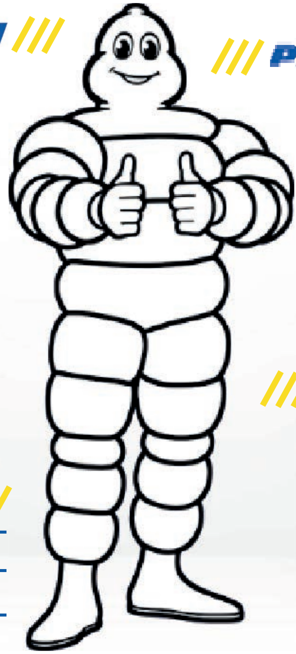
A strong identity embraced by all our stakeholders

THE POWER OF INNOVATION



- Digital: Winner in the Transformation of Customer Relations category at the 2020 Digital Acceleration Awards (*BFM Business*)
- Connected tires: Winner of the Tire Manufacture Producers award at the J2A2020* Awards (*European Rubber Journal**)
- Uptis: Innovation award and Tire Manufacturer of the Year Award (*2020 Tire Technology Expo in Hanover*)

* *Journey to Automation 2020 Award*



PRODUCT PERFORMANCE

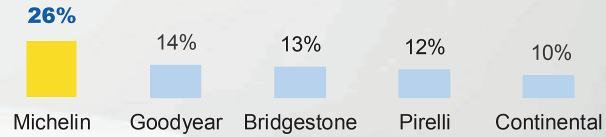
Since 1989, **Michelin has been awarded 93* awards out of the 115** given for OE customer satisfaction

4 TIMES MORE THAN ALL COMPETITORS COMBINED!

* *Source: 2019 J.D. Power U.S. OE Tire Customer Satisfaction Study*

BRAND REPUTATION

- Global Brand Power Score*



* *Top 5, as a % of the total number of consumers in 2019. BCM study conducted by market research institute Millward Brown, based on the reduced brand list of 8 brands*

FINANCIAL STRENGTH AND OPPORTUNITY

17 SELL-SIDE ANALYSTS	
Buy	11
Hold	6

	S&P	FITCH
Long term	A-	A-
Outlook	STABLE	STABLE

ESG PERFORMANCE

MSCI 2020	AA
VIGEO EIRIS 2018	A1+
SUSTAINALYTICS 2020 (risk rating)	LOW RISK

CDP 2020	LEADERSHIP
ECOVADIS 2019	GOLD
ISS-OEKOM 2020	PRIME

A sustained, rapidly evolving need for mobility

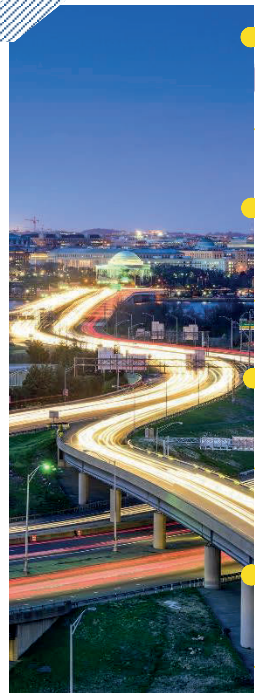
A NEED FOR MOBILITY THAT IS INCREASINGLY SUSTAINABLE

25% INCREASE **in the world's population** *by 2050**

+10 POINTS **urbanization rate** *consequently reaching 70% by 2050***

CAGR OF 3% *Average rate of increase in* **kilometers traveled in** *2021-2030*

AND UNDERGOING RADICAL CHANGE



- VEHICLES REQUIRING LARGER, MORE TECHNICAL TIRES
- CLEANER MOBILITY
- INCREASINGLY DEMANDING END CUSTOMERS
- B2B CUSTOMERS EXPECTING GREATER PRODUCTIVITY

* Source: United Nations, 2019 World Population Prospects
** Source: United Nations, 2018 Revision of World Urbanization Prospects

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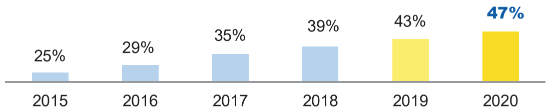
MICHELIN A BETTER WAY FORWARD

Backed by its technological leadership, Michelin is better positioned than ever to meet these mobility needs

LEADER IN 18-INCH AND LARGER TIRES

Wide range of tires delivering high performance whether new or worn, and appreciated by the customers

Contribution of 18-inch and larger tire sales to MICHELIN brand sales (in tonnes)



LEADER IN CLEAN MOBILITY

Products suited to the specific requirements of electric vehicles

and a ramp up of strategic projects

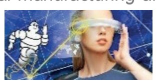
Hydrogen

Reducing CO_2 emissions

CUSTOMER SERVICE DRIVING MICHELIN'S STRATEGY

Continuous improvement in manufacturing and logistics performance

Digital manufacturing and AI



Local to local

and unrivaled market access

Approx. **7,600** dealerships*

AN OPTIMIZED OFFERING FOR FLEET AND THEIR PRODUCTIVITY

High-performance, technology-packed products,

connected to optimize their use and increase productivity

*Directly owned, franchises and minority stakes

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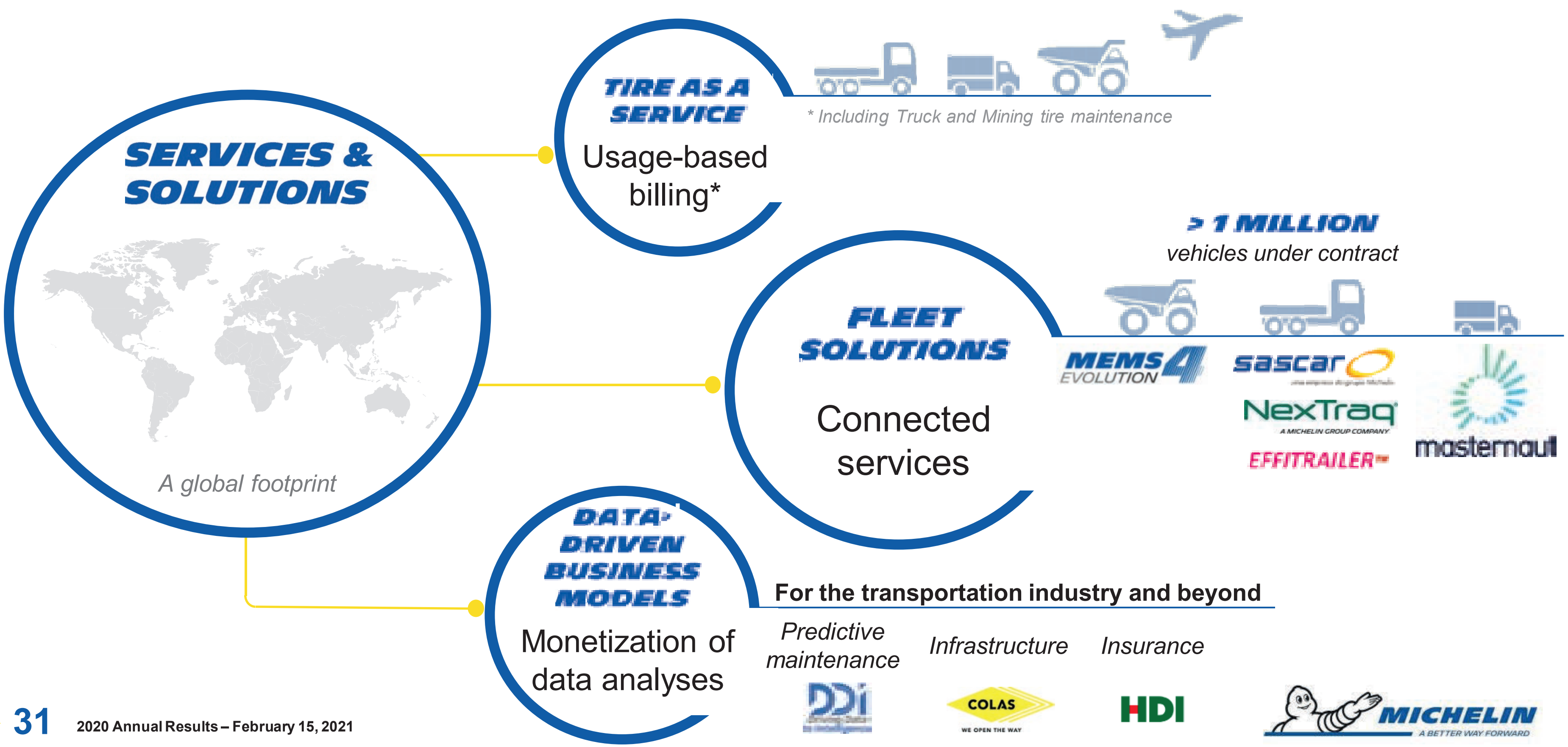
Services & Solutions: an expansive offering suited to B2B customer needs



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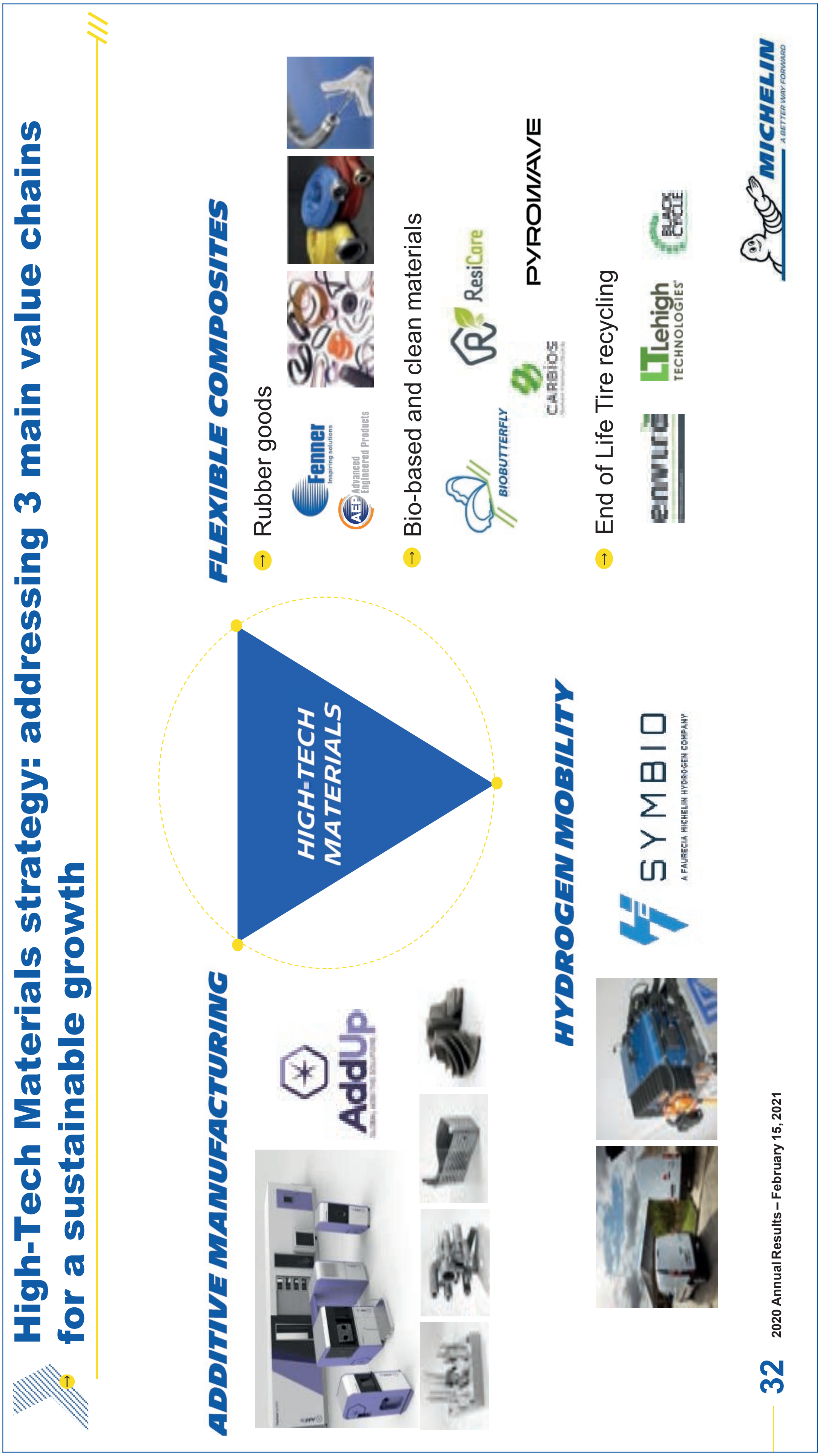
High-Tech Materials strategy: addressing 3 main value chains for a sustainable growth
ADDITIVE MANUFACTURING
AddUp
HIGH-TECH MATERIALS
FLEXIBLE COMPOSITES
Rubber goods
Fenner
AEP Advanced Engineered Products
Bio-based and clean materials
BIOBUTTERFLY
ResiCare
CARBIOS
PYROWAVE
End of Life Tire recycling
enviro
Lehigh TECHNOLOGIES
BLACK CYCLE
HYDROGEN MOBILITY
SYMBIO
A FAURECIA MICHELIN HYDROGEN COMPANY
MICHELIN
A BETTER WAY FORWARD
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Michelin is continuously delivering breakthrough solutions to the challenges of our ever-changing world

MOVIN'ON

An ecosystem initiated by Michelin, which aims at identifying practical solutions in order to meet major mobility challenges

FIRST CARBON-FREE PRODUCTION PLANT

All the electricity used at the Les Gravanches facility in France is generated from guaranteed renewable sources

HYDROGEN

Faster deployment of zero-emission mobility

SYMBIO

UPTIS

New puncture-proof airless concept tire

BIOSOURCED MATERIALS

BIOBUTTERFLY

Construction of France's first demonstrator unit capable of producing butadiene using biosourced ethanol

ResiCare

Creation of a new adhesive resin without any Substances of Very High Concern (SVHC)

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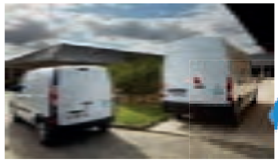
MICHELIN A BETTER WAY FORWARD

Michelin is playing a key role in the emergence of an Hydrogen mobility ecosystem

- **With its more than 15 years expertise in the hydrogen fuel cell technology, notably in the coated membranes technology, Michelin is accelerating the deployment of zero-emission mobility:**

→ By first investing in Symbio in 2014 before creating a JV in partnership with Faurecia in 2019



SYMBIO

€30M / YEAR
will be committed by Michelin

÷ 10
the price of a fuel cell stack + components in the future (due to growing demand)

2030 outlook

12%
market share

~€1,5BN
in sales

→ 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

→ by being a key stakeholder and a trusted third party in hydrogen mobility (Hydrogen Europe, Hydrogen Council, MOVIN'ON…)

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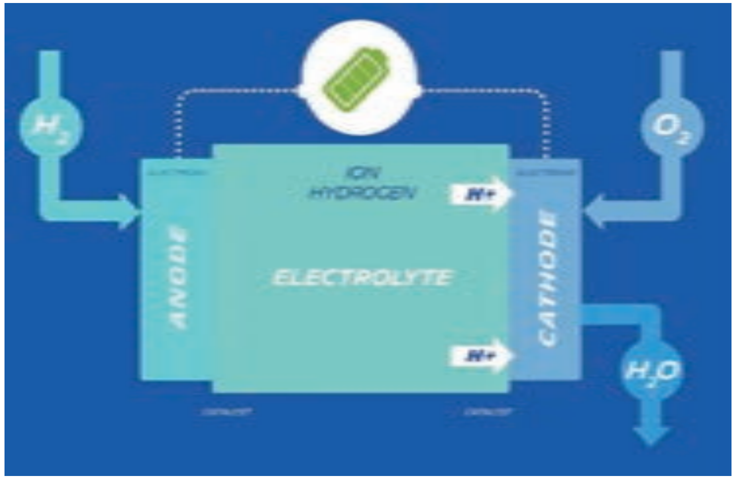
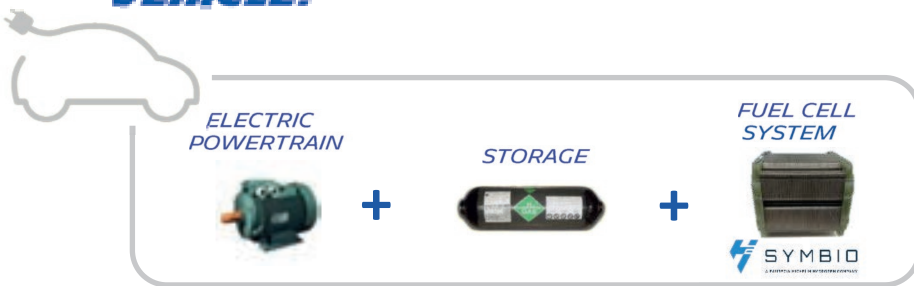
MICHELIN A BETTER WAY FORWARD

3 questions about fuel cells

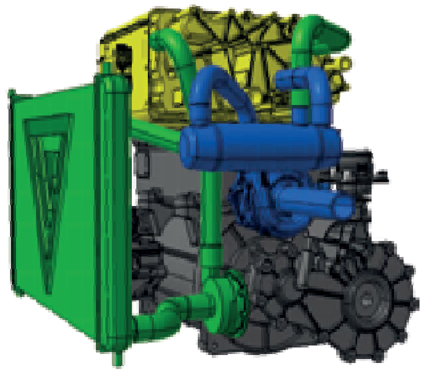
HOW DOES A FUEL CELL WORK?



WHAT IS A FUEL CELL ELECTRIC VEHICLE?



WHAT IS A FUEL CELL SYSTEM?



Electric transmission
Stack
Air system
Cooling system
+ transformer and controller

MICHELIN A BETTER WAY FORWARD

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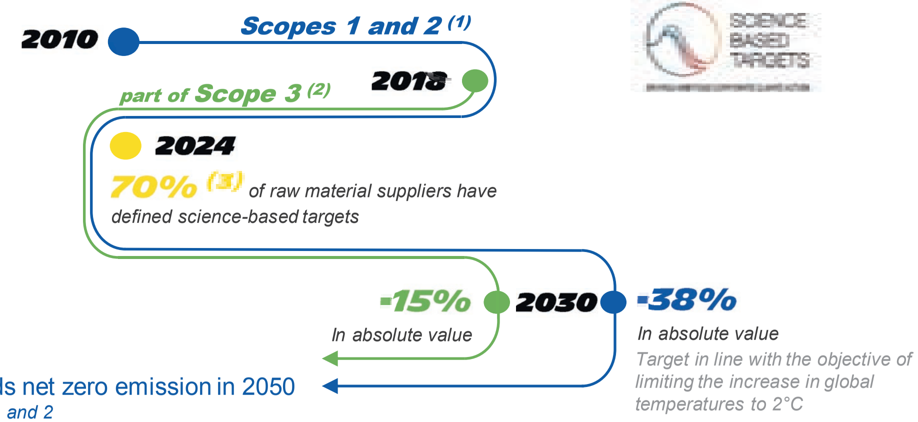
Environment protection: Michelin is a leader in acting against climate change

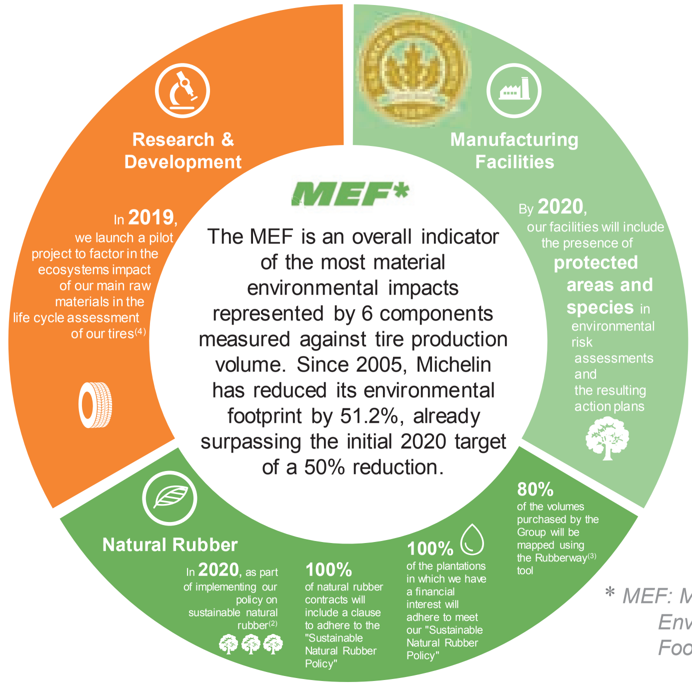
CO_2 EMISSIONS REDUCTION TARGETS

Michelin has ambitious CO_2 emissions reduction targets which have been approved by the **Science Based Targets** initiative (SBTi)



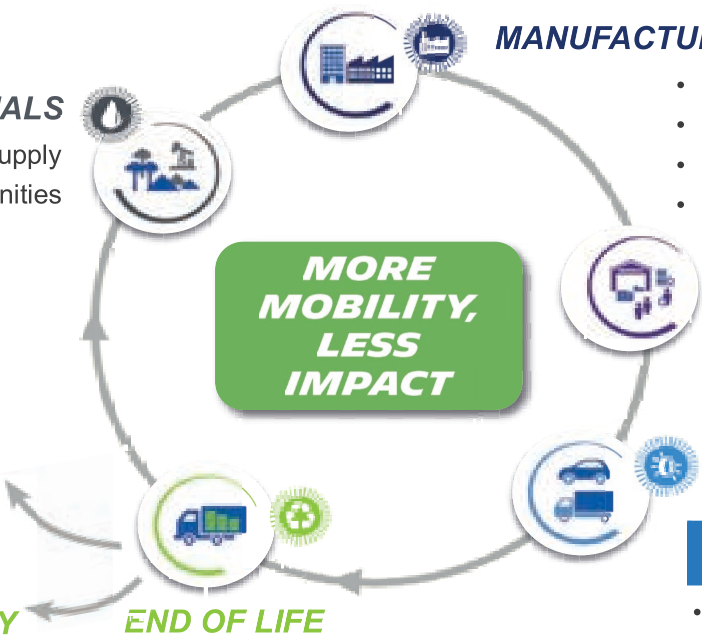
(1) ***Scope 1 and 2*** emissions are emissions either from sources owned or controlled by the company or from the generation of energy purchased and consumed by the company.
(2) ***Scope 3*** emissions from fuel- and energy-related activities; upstream and downstream transportation and distribution; and end-of-life treatment of sold products
(3) % in greenhouse gas emissions

ENVIRONMENT PROTECTION COMMITMENTS



* MEF: Michelin Environmental Footprint

ESG is embedded in Michelin strategy all along its product lifecycle



RAW MATERIALS

- Sustainable natural rubber supply
- Development of host communities

MANUFACTURING

- Reducing impact of manufacturing
- Employees empowerment
- Local employment
- Development of host communities

LOGISTICS

- Reduction of carbon footprint

USE OF PRODUCTS AND SERVICES

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

- Low rolling resistance – reduce CO_2 emissions
- Longer-lasting products
  - Sustainability
  - Customer satisfaction
- Road safety

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

MATERIALS RECYCLING

- Recycling systems
- Circular economy

ENERGY RECOVERY

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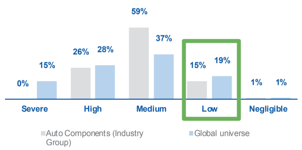
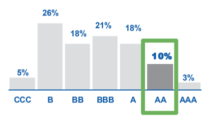
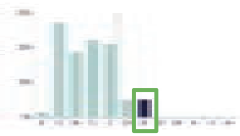
Michelin's non-financial ratings: a leading, and recognized player in sustainable mobility

- Major sustainability rating (As of February 15, 2021)

	SUSTAINALYTICS (risk rating) 2020	MSCI 2020	CDP 2020	ECOVADIS 2019	ISS-OEKOM 2020	VIGEO EIRIS Moody's 2020
Status	LOW RISK	AA	LEADERSHIP	GOLD	PRIME	A1+*
Rating	15.2	8.4/10	A-	78/100	B-	68/100
Ranking / *Distribution of ratings*			*Climate change*: C Light manufacturing; C Europe; C Global Average; A- MICHELIN score *Water security*: B Light manufacturing; B Europe; B Global Average; A- MICHELIN score	*Top 1%(natural rubber)* 		*2nd of 40 in the sector*

* corporate rating 2018

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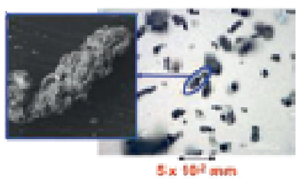
What are Tire and Road Wear Particles (TRWPs)?

- TRWPs are tiny debris produced by the friction between tires and the road; **this friction is what ensures grip and safety on the road**

- TRWP:
  - – Characteristics: mixture of rubber and road surface minerals
  - – High density: 1,8
  - – Diameter : ~100 µm
  - – Degradability rate: **High**

  50% of TRWP disappeared in 16 months



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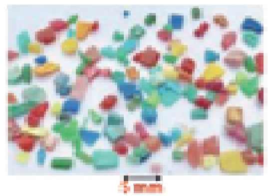

- Microplastics :
  - – Characteristics: bits of plastics floating / suspended in water
  - – Diameter: ~ 5mm
  - – Degradability rate: **very low**

- Scientific studies conducted to date by the TIP*, the ETRMA** and l'EAA*** suggest that:
  - – 2% to 5% of TRWPs reach estuaries
  - – TRWPs represent only a minor fraction of airborne particule matter (PM10 and PM2.5)

* TIP - Tire Industry Project
** ETRMA – European Tyre & Rubber Manufacturers Association
*** Agence Européenne de l'Environnement EEA report 10/2019

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MICHELIN A BETTER WAY FORWARD

Sales by currency and EBIT impact

Currency	% of sales (2020)	2020 € change vs. currency	*Dropthrough* Sales / EBIT*
USD	36%	+2%	35% / 45%
EUR	32%	-	-
CNY	6%	+2%	25% / 30%
AUD	3%	+3%	80% / 85%
GBP	3%	+1%	25% / 30%
BRL	3%	+32%	-30% / -20%
CAD	3%	+3%	25% / 30%
RUB	1%	+13%	25% / 30%
JPY	1%	0%	80% / 85%

Currency	% of sales (2020)	2020 € change vs. currency	*Dropthrough* Sales / EBIT*
CLP	1%	+15%	80% / 85%
MXN	1%	+13%	25% / 30%
THB	1%	+3%	-130% / -100%
TRY	1%	+25%	80% / 85%
SEK	0.8%	-1%	80% / 85%
TWD	0.6%	-3%	80% / 85%
ZAR	0.4%	+15%	80% / 85%
ARS	0.3%	+52%	80% / 85%
COP	0.2%	+14%	80% / 85%
Autres	5.7%	-	-

* *Dropthrough* depends on export base / production / sales

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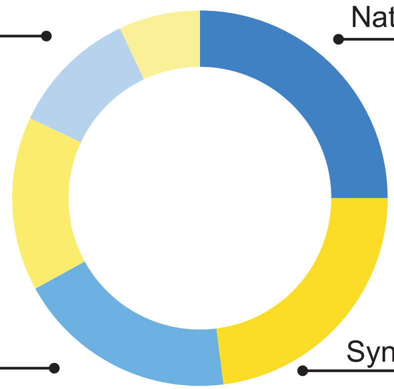
MICHELIN A BETTER WAY FORWARD

Raw materials

- Raw material purchases in 2020 *(€3.8bn)*

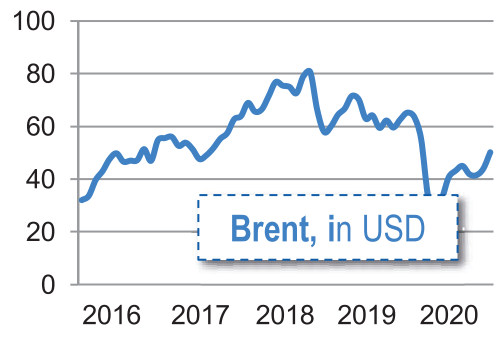


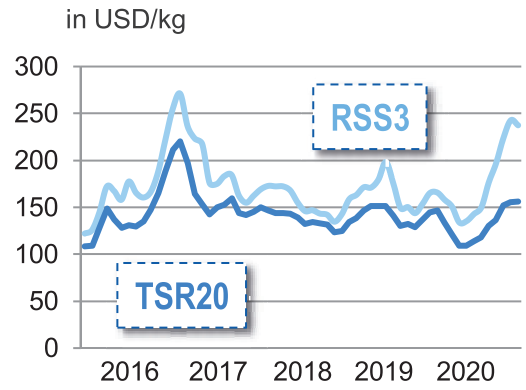
€/$ exchange rate:

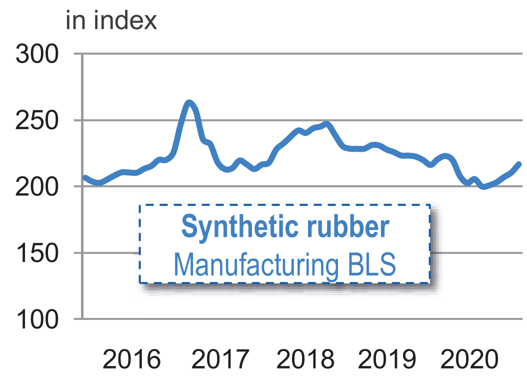
Average 2019: **1.120**

+2%

Average 2020: **1.141**







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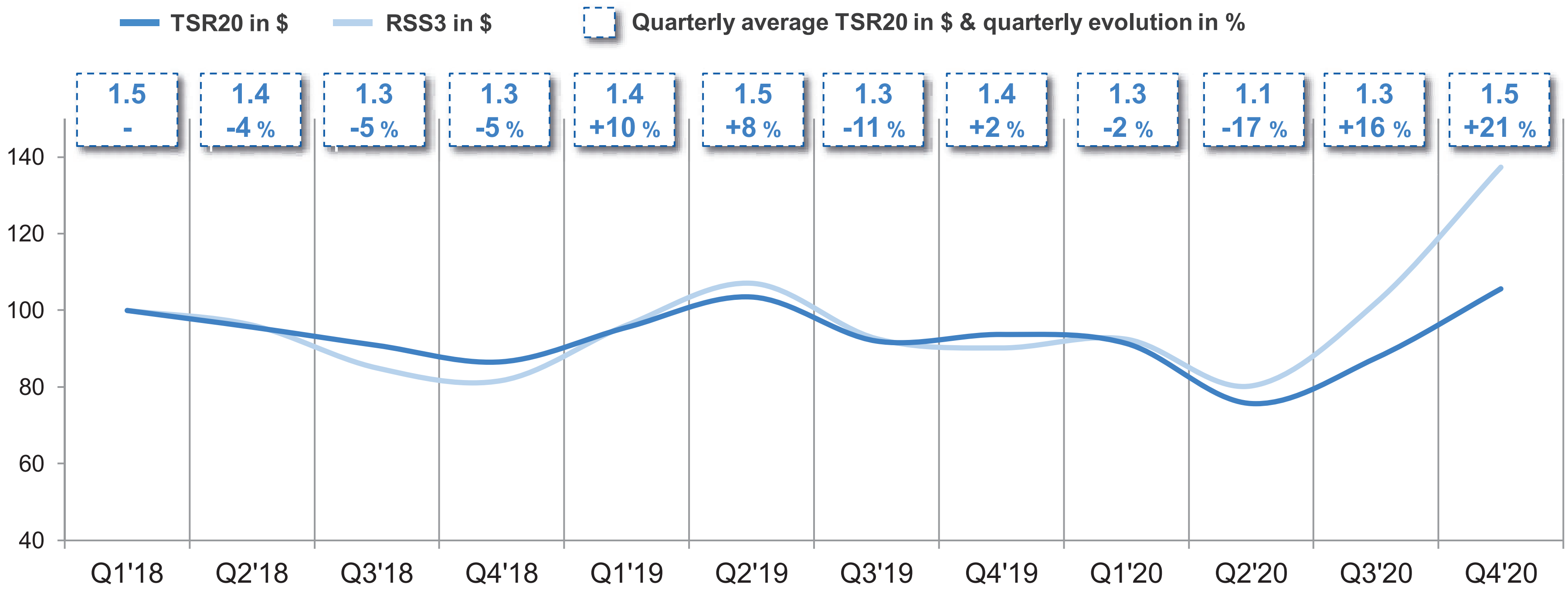
Natural Rubber price trend

- At end of December 2020 *(per kg, base 100 in Q1'18)*



Source : SICOM.

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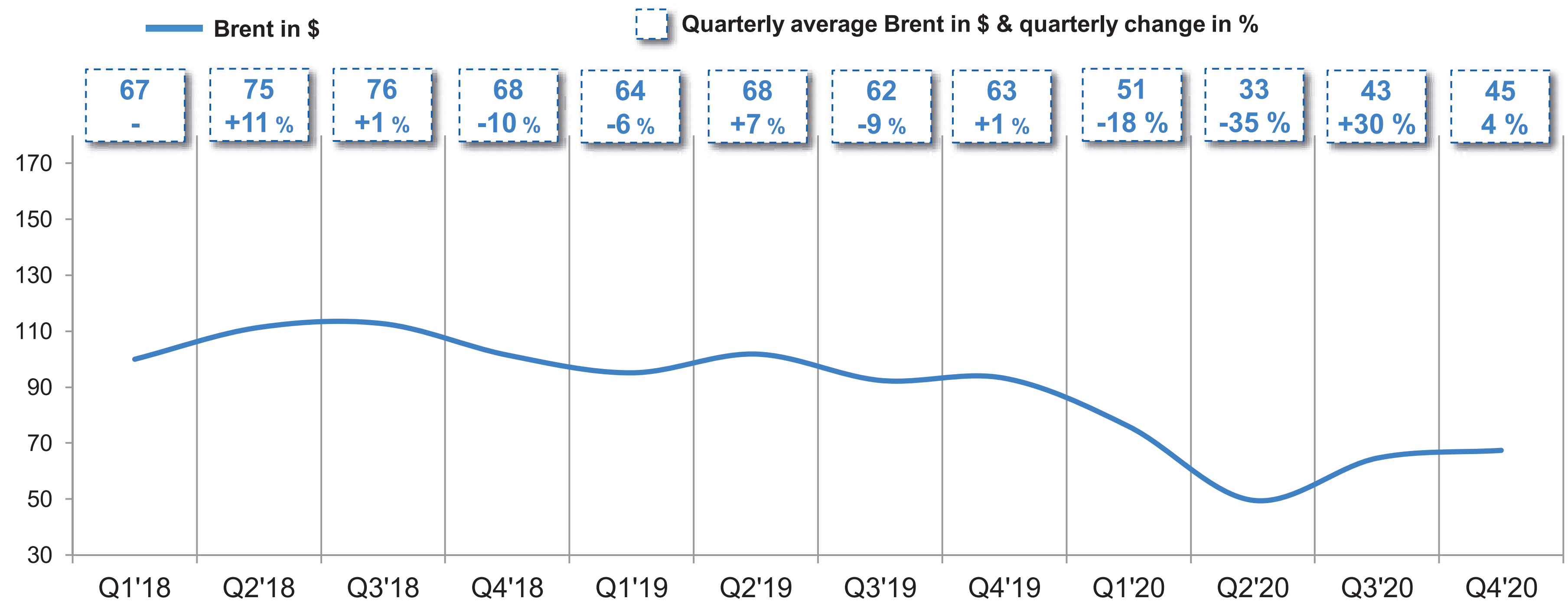
Brent price trend

- At end of December 2020 *(per baril, base 100 in Q1'18)*



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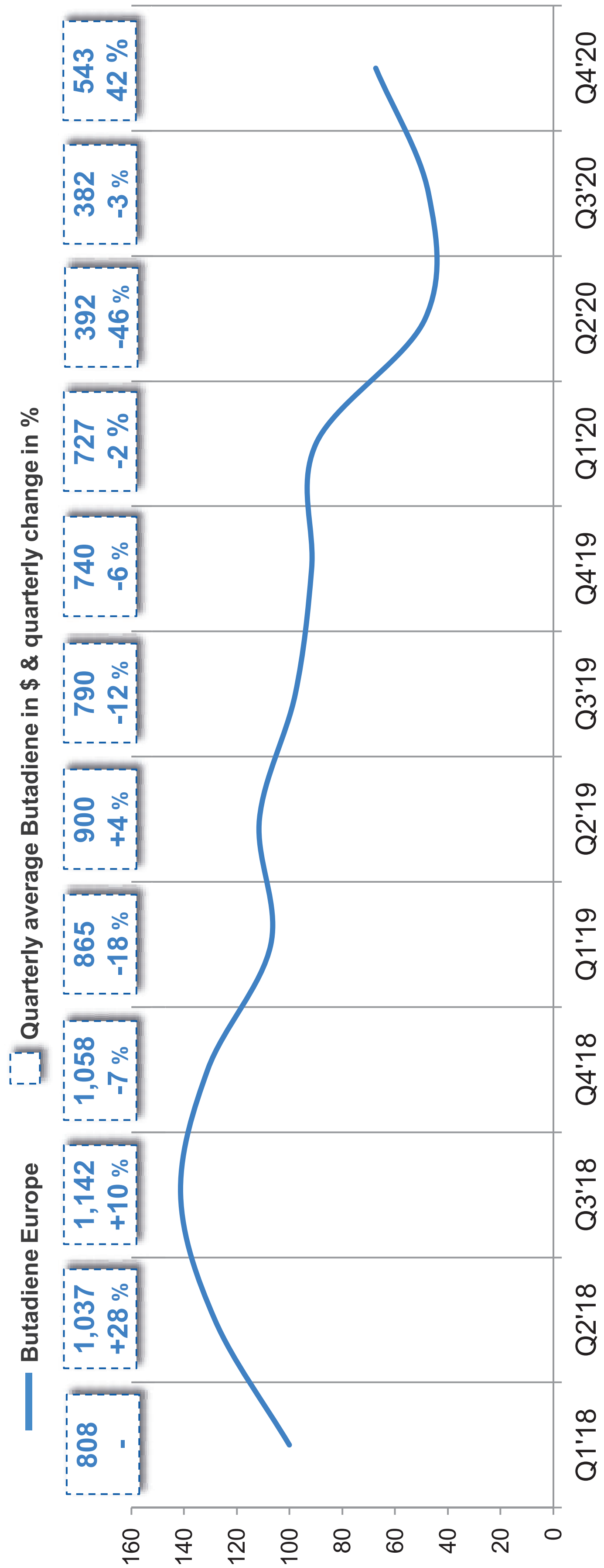
Butadiene price trend

At end of December 2020 *(per tonne, base 100 au Q1'18)*



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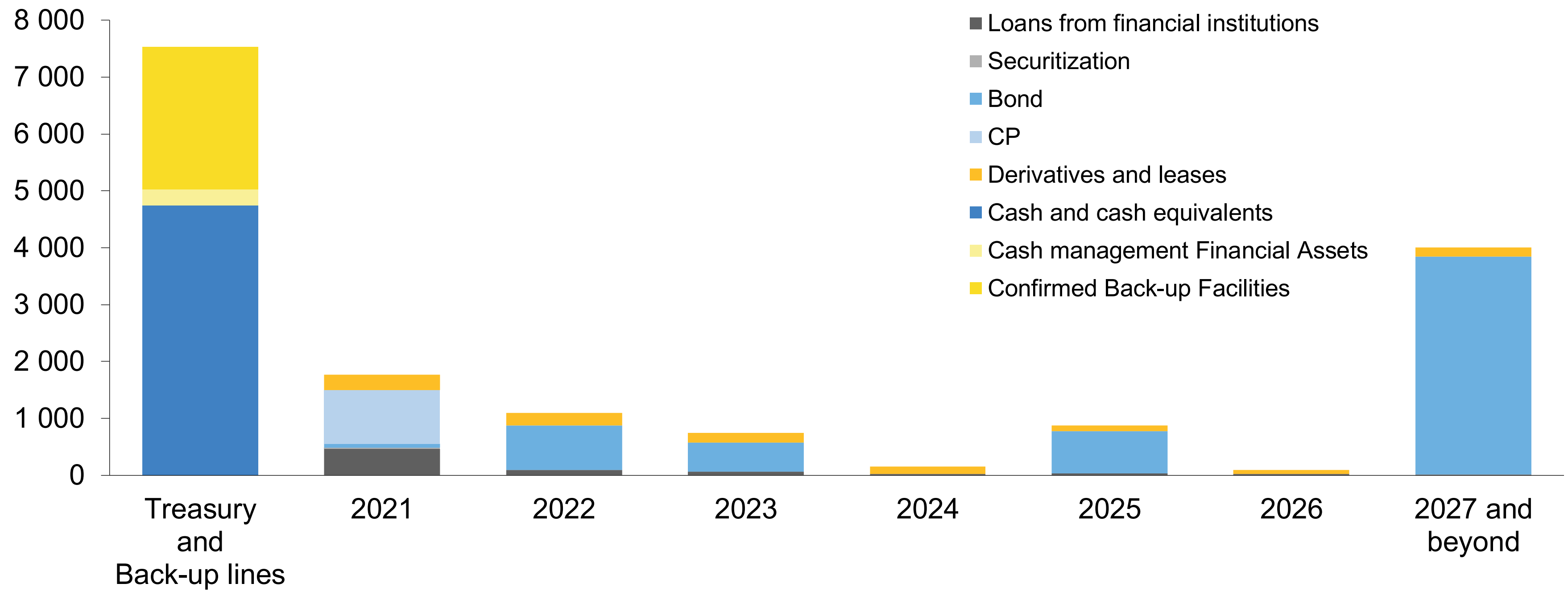
A comfortable cash position

Debt maturities at December 31, 2020 *(carrying amount, in € millions)*



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Outstanding bond issues (as of December 31, 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	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	Compagnie Générale des Etablissements MICHELIN
Issue	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
Type	Convertible	Bond	Convertible	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond
Principal Amount	**$ 500 mn + TAP $100 mn**	**€ 300 mn**	**$ 600 mn**	**€ 750 mn**	**€ 300 mn**	**€ 500 mn**	**€ 1'000 mn**	**€ 500 mn**	**€ 750 mn**	**€ 500 mn**	**€ 302 mn**
Offering price	100% & 103,85%	99,97%	95,500%	99,10%	99,081%	99,89%	99,262%	99,54%	99,363%	99,46%	98,926%
Rating corporation at Issuance date	A- (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)	A- (S&P) A- (Fitch)	A- (S&P) A3 (Moody's)	A- (S&P) A- (Fitch)	A- (S&P) A3 (Moody's)	A- (S&P) A- (Fitch)	A- (S&P) A3 (Moody's)
Current corporation rating	A- (S& P) ; A3 (Moody's) ; A- (Fitch)										
Coupon	ZERO Conv premium 128%	1,125% p.a	ZERO Conv premium 130%	0,875% p.a	1,750% p.a	0,000% p.a	1,750% p.a	0,250% p.a	2,500% p.a	0,625% p.a	3,250% p.a
Issue Date	10-janv.-17 & 05-mai-17	28-mai-15	10-janv.-18	3-sept.-18	28-mai-15	2-nov.-20	3-sept.-18	2-nov.-20	3-sept.-18	2-nov.-20	30-sept.-15 & 30-sept.-16
Maturity	10-janv.-22	28-mai-22	10-nov.-23	3-sept.-25	28-mai-27	2-nov.-28	3-sept.-30	2-nov.-32	3-sept.-38	2-nov.-40	30-sept.-45
Interest payment	N/A	Annual May 28	N/A	Annual Sept 03	Annual May 28	Annual Nov 02	Annual Sept 03	Annual Nov 02	Annual Sept 03	Annual Nov 02	Annual Sept 30
ISIN	FR0013230745	XS1233732194	FR0013309184	FR0013357845	XS1233734562	FR0014000D31	FR0013357852	FR0014000D49	FR0013357860	FR0014000D56	XS1298728707
Denomination	$ 200'000 with min. tradable amount $ 200'000	€ 1'000 with min. tradable amount € 1'000	$ 200'000 with min. tradable amount $ 200'000	€ 100'000 with min. tradable amount € 100'000	€ 1'000 with min. tradable amount € 1'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 1'000 with min. tradable amount € 1'000

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Disclaimer

"This presentation 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 http://www.michelin.com/eng/ website.

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."

Contacts

Edouard de PEUFEILHOUX
Humbert de FEYDEAU
Pierre HASSAÏRI

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

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

investor-relations@michelin.com

03 REPORT OF THE MANAGERS

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S FINANCIAL POSITION AT DECEMBER 31, 2020

Background

Market review

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.

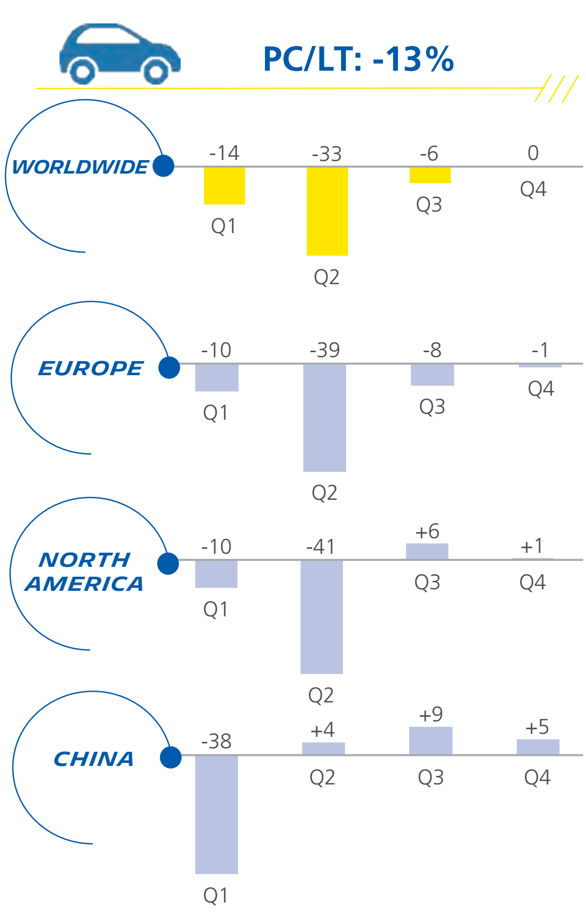
Overall, during the first six months, business in the Automotive and Road transportation segments hit a low point in the first quarter in China but in the second quarter in Europe and North America.

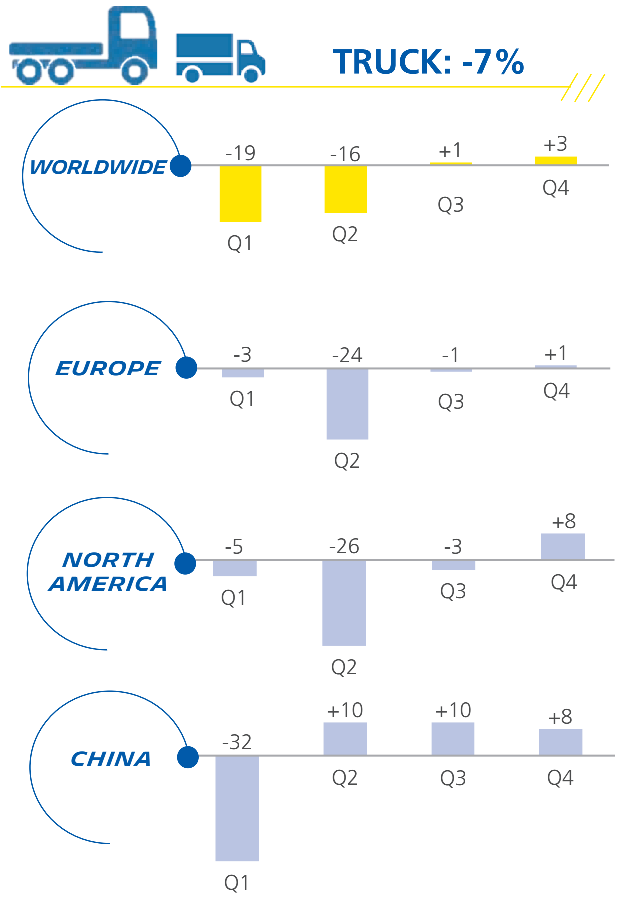
The second half saw a quick upsurge in global demand that lifted markets close to and sometimes over 2019 levels, led by robust growth in Original Equipment sales in both the Passenger car/Light truck and Truck segments. This positive trend, which began in the third quarter, gained momentum in the last three months of the year.

The second-half rebound, which was much stronger than the Group had expected in April 2020(1), helped to limit the full-year decline in demand to 13% year on year in the Passenger car/Light truck segment and to 7% in Truck tires.

Details of demand in each market may be found in section 3.1 *Tire markets* below.

The following charts summarize the quarter-by-quarter change in demand in the Automotive and Road transportation businesses in the leading geographies in 2020, as well as the general trend for the year in the Specialty businesses.

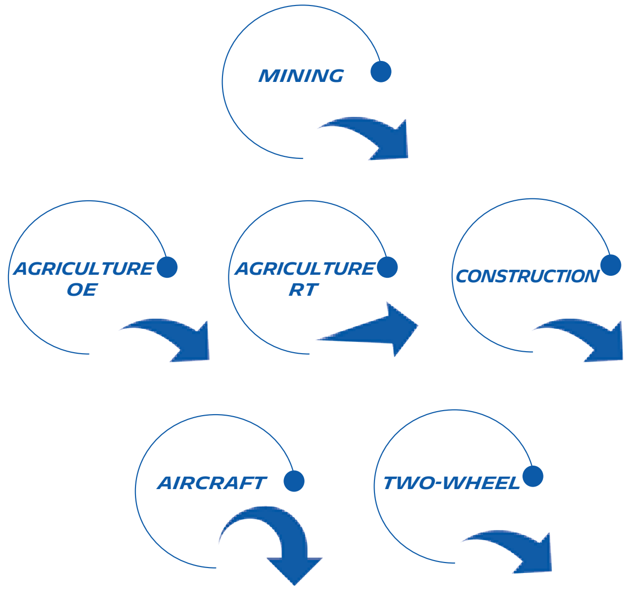




Source: Michelin.

(1) *On April 29, 2020, in the depths of the crisis, 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. The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.*

SPECIALTIES: ~-16%



Source: Michelin.

Review of the information released by the Group during 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, 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.

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 may be in question, 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 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. […]

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

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. […]"

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 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(2).

When it released its interim results after close of trading on July 27, the Group issued new guidance for the year, reflecting the very sharp slowdown in demand over the first half and assuming that the economic impact of the crisis would be felt over the last six months of the year.

This press release read as follows(1):

"[...] 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 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 of more than €500 million, barring any new systemic impact from Covid-19. [...]"

On October 22, in a press release presenting its third-quarter 2020 sales, the Group responded to the stronger-than-expected upturn in demand by raising its full-year guidance versus the guidance announced on July 27 with the release of the first-half 2020 results.

This press release read as follows(1):

"After falling steeply in the second quarter due to the health crisis, global tire demand picked up more strongly than expected in the third quarter.

[...]

(1) The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.
(2) Details of the Group's ratings by S&P, Fitch Ratings and Moody's may be found in section 3.4.11 b) below.

Outlook for 2020: in a still highly uncertain environment, and taking into account the recent change in tire demand, Passenger car and Light truck tire markets are expected to decline by 13% to 15% over the year, Truck tire markets by between 12% and 14% and the Specialty markets by 15% to 19%. With these new forecasts and the cost reductions linked to the circumstances, the Group is revising its guidance for 2020 upwards, with segment operating income in excess of €1.6 billion at constant exchange rates and structural free cash flow in excess of €1.2 billion, barring any new systemic effect from Covid-19."

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 national and regional 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 back in operation.

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. The Bamberg plant in Germany was closed as planned in December 2020.

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 more than eight million 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 over the year, most of which were recognized in the first half.

The cost of purchasing and producing masks and sanitizer, as well as cleaning and disinfecting costs, amounted to €96 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.

The impact of this loss of productivity, combined with the year's generally weak output, may be seen in the heightened sensitivity of segment operating income to changes in volumes, which reflected the decline in the Group's ability to cover its fixed costs at a time when its business was severely impacted by the health crisis, during which certain normally variable costs became irreducible. As of December 31, the sensitivity of segment operating income to a one percentage point change in volumes has been estimated at an annualized €121 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.

While the plants were closed, the Group received financial support from governments to help fund employee furlough programs. These furlough grants totaled around €152 million over the year, of which around €133 million recognized in cost of sales and around €19 million in SG&A.

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 – around three million – 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.

(1) See section 3.3.3 h).

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.

Capital expenditure outlays were reduced by some €600 million, or around one-third of the initially planned amount 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 was 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).

In addition, the Group strengthened its liquidity position in the second half, in particular by raising its revolving line of credit(3) to €2.5 billion from €1.5 billion and by issuing a total of €1.5 billion in bonds in three tranches, maturing in 8, 12 and 20 years respectively(4).

In addition, from the beginning of the crisis, 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 in the first half 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.

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

At December 31, 2020, the Group had a solid balance sheet and was therefore not exposed to any particular liquidity risk:

- €4.7 billion in cash and cash equivalents (note 23 to the consolidated financial statements);
- €3.5 billion in net debt, down €1.7 billion from December 31, 2019 (note 26 to the consolidated financial statements);
- 28% gearing, versus 39% at year-end 2019.

At end-2020, the Group’s very robust liquidity position included €694 million in outstanding commercial paper with maturities from 9 to 12 months, which were issued in spring 2020 at a time of heightened uncertainty and limited market access.

Now that the Group has the sources of financing it needs and unhindered market access, the excess outstanding commercial paper will be redeemed in first-quarter 2021.

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.

In addition, Standard & Poor's raised its outlook for the stock from negative to stable on December 21.

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	Stable	December 21, 2020
	Fitch Ratings	Stable	May 29, 2020
	Moody's	Stable	May 14, 2020

In conclusion, the Group's going concern status is not in doubt and it was not considered necessary to conduct new stress tests at end-December 2020(5).

(1) Details of these financial measures may be found in the April 29 press release presented in the “Review of the information released by the Group during the year” section above.

(2) See section 3.5.2.

(3) The full press release issued on October 19 may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.

(4) The full press release issued on October 26 may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.

(5) Please refer to the “Review of the information released by the Group during the year” section above.

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 Universal Registration Document.

The supply chain encountered disruptions over the first nine months of the year, but they did not prevent the delivery of critical components, semi-finished products and finished products even though the situation evolved very quickly and required the entire chain to respond accordingly. The impact of the crisis on maritime shipping and other links in the supply chain became particularly noticeable in the fourth quarter, causing deep disruptions that forced the Group to operate with low inventory and respond to a significant increase in transportation costs. Despite these complications, deployment of the Group's business continuity procedures enabled it to avoid any supply issues in 2020.

On the manufacturing side, the Group was able to organize the resumption of operations around the world, as soon as the health situation and regulations allowed, by capitalizing on the feedback from its teams in China, where its industrial 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 sales and administrative operations up and running around the world. However, due to the deeper disruptions seen in recent weeks in the maritime shipping industry – reflected in both longer delivery lead times and higher costs – the Group has observed minor supply interruptions at certain manufacturing plants, mainly for natural rubber. These supply chain pressures are expected to continue for several months, until such time as the shortage of containers from Asia is resolved.

Impact of the pandemic on the Group's strategic vision

As it emerges from 2020, 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, and urbanization, with the percentage of people living in cities forecast to rise by more than 10 points to nearly 70% by 2050[1].

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 Aircraft tire revenue, which itself represents less than 10% of the Specialty businesses.

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. Moreover, in 2020, these same services demonstrated their model's very firm resilience by delivering growth in revenue despite the crisis.

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[2].

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 during the year, 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.

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

(2) See chapter 1 of the 2019 Universal Registration Document.

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, 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[1], 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 mining tires as raw materials[2].

In addition, during the first half, the international, UN-backed Science Based Targets Initiative (SBTI) 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 2021, barring any new systemic impact from Covid-19[3], Michelin's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow of around €1 billion.

Details of the scenario on which the outlook is based are provided in section 3.7.1 below.

3.1 TIRE MARKETS

3.1.1 A GLOBAL MARKET WORTH SOME $167 BILLION[4] IN 2019

The global tire market totaled $167 billion in 2019, with light-vehicle tires accounting for around 60% of sales and truck tires 30%[5]. By volume, it represented more than 1.5 billion car and light truck tires and a little more than 220 million truck and bus tires[6]. Around three out of four tires were sold in the replacement market.

Looking beyond 2020, Michelin currently expects overall business activity to return to 2019 levels in the second half of 2022.

Longer term, tire demand is likely to expand by 0-2% a year in mature markets and by 2-4% a year in the new markets. In this environment, Michelin targets growing market segments with high added value, such as the premium segment for its Automotive activity and specialty markets.

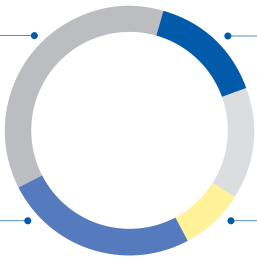
(1) See chapter 1 of the 2019 Universal Registration Document.
(2) See section 3.9.2.
(3) Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.
(4) Source: Tire Business.
(5) Michelin estimates.
(6) Michelin estimates.

Changes in tire standards

In recent years, mandatory tire performance ratings, displayed on standardized labels, have been introduced in the European Union and many other regions and countries around the world. Similar systems with minimum tire performance standards and regulated labeling systems are also under consideration in China, the United States and India.

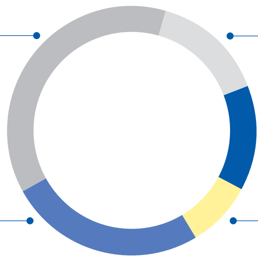
In addition, environmental legislation requiring car and truck manufacturers to reduce CO_2 emissions is helping to drive demand for low rolling resistance tires, of which Michelin is a world-leading manufacturer. For example, the VECTO simulation model now required under European Union regulations integrates the real value of tire rolling resistance as one of the parameters for calculating truck CO_2 emissions.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2019



Source: 2019 sales in US dollars, published in Tire Business, August 2020.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2018



Source: 2018 sales in US dollars, published in Tire Business, August 2019.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

3.1.2 TIRE MARKETS IN 2020

Global tire markets experienced an unprecedented contraction in 2020, in an environment deeply impacted by the Covid-19 pandemic and its economic consequences.

In the Passenger car and Light truck segment, Original Equipment demand was dampened in the first half by automotive plant shutdowns, while the historically more resilient Replacement market suffered from the mobility restrictions enforced worldwide in response to the pandemic. The second half, on the other hand, saw a robust upturn in business in a persistently uncertain environment.

In Truck tires, after a first half impacted by the global economic shutdown, both the Original Equipment and Replacement markets rebounded in the second half of the year, led by the recovery in road freight demand.

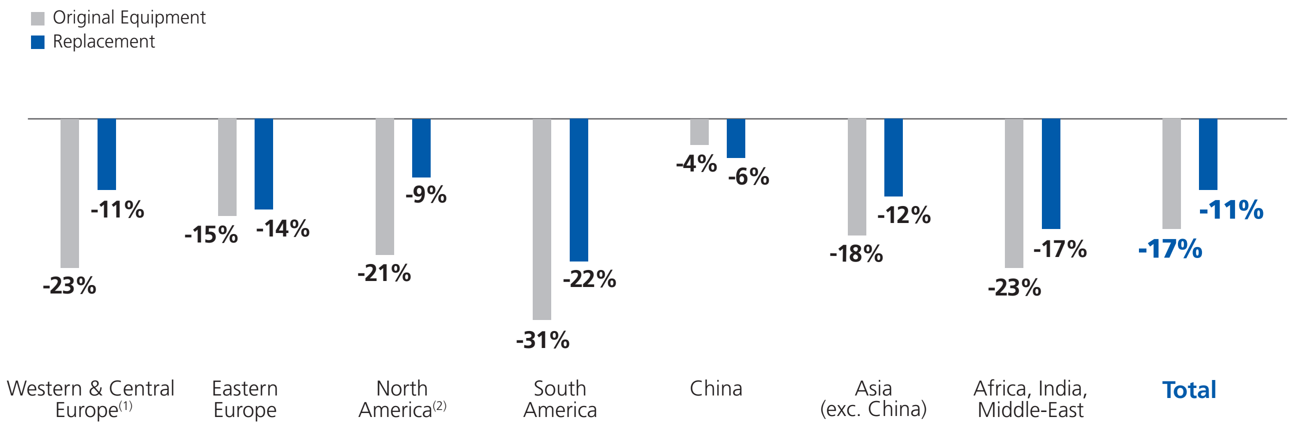
In the midst of this systemic crisis, the Specialty businesses delivered a contrasted performance, with the Two-wheel and Off-the-road markets showing more resilience than the Mining and Aircraft tire businesses.

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.

3.1.3 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS IN 2020

In 2020, the global Original Equipment and Replacement **Passenger car and Light truck** tire market was down 13% in number of tires sold.

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



(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

3.1.3 a) Original Equipment

After contracting by 33% in the first six months of the year, when demand collapsed in the wake of automotive plant shutdowns in response to the health crisis, the Original Equipment segment saw a marked improvement in the second six months, with (i) global demand in line with second-half 2019 and (ii) a 2% gain in the final quarter sustaining the third-quarter rebound led by the upturn in world automobile output.

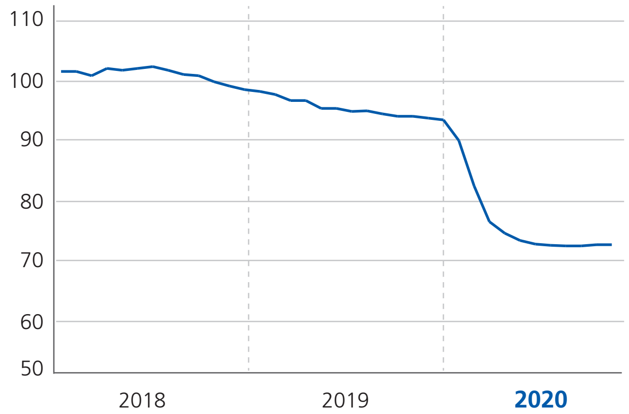
Passenger car and Light truck tire markets Original Equipment *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe(1)	71	92	-23%	-5%	0%	-10%	-39%	-62%	-16%
Eastern Europe	7	8	-15%	-3%	-3%	-2%	-28%	-45%	-9%
North America(2)	62	79	-21%	0%	0%	0%	-40%	-68%	-11%
South America	11	16	-31%	-11%	+1%	-22%	-51%	-82%	-18%
China	112	117	-4%	+9%	+8%	+11%	-19%	+10%	-46%
Asia (excluding China)	64	79	-18%	-8%	-2%	-15%	-28%	-47%	-10%
Africa/India/Middle East	24	31	-23%	-2%	+2%	-6%	-42%	-69%	-18%
TOTAL	**351**	**421**	**-17%**	**0%**	**+2%**	**-3%**	**-33%**	**-43%**	**-22%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

In **China**, the market continued to expand in the fourth quarter, with an 8% increase easing the annual decline to 4%, while in **North America**, automaker inventory rebuilding lifted demand back in line with 2019 levels in the second half. Fourth-quarter growth was unchanged year on year, in line with the third quarter. The **European market excluding Russia** only returned to 2019 levels in the fourth quarter, led by the recovery in the automotive market.

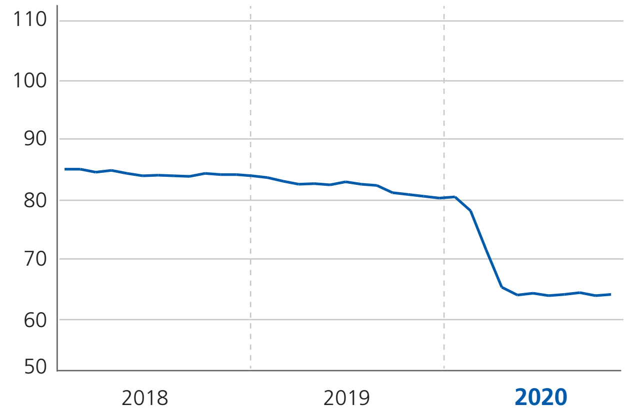
Original Equipment markets in **South America** continued to be hard hit by the health crisis in the third quarter (down 22%) but returned to growth in the fourth (up 1%). In the **Africa/India/Middle East** region and **Asia excluding China**, the rebounds observed in the third quarter continued apace in the fourth, with demand ending the year up 2% in the former region and down a limited 2% in the latter.

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.

3.1.3 b) Replacement

After an unprecedented 20% drop in demand in the first half, the global Replacement tire market steadily improved throughout the second six months, ending the period 3% down year on year with, in particular, fourth-quarter 2020 demand coming close to the level seen in fourth-quarter 2019.

Passenger car and Light truck tire marketsReplacement *(in millions of tires)*	2020	2019	2020/2019	Second half 2020/2019	Fourth quarter 2020/2019	Third quarter 2020/2019	First half 2020/2019	Second quarter 2020/2019	First quarter 2020/2019
Western and Central Europe[1]	281	315	-11%	-2%	+1%	-4%	-20%	-31%	-10%
Eastern Europe	51	59	-14%	-13%	-14%	-12%	-16%	-33%	-2%
North America[2]	286	315	-9%	+2%	+1%	+4%	-22%	-35%	-8%
South America	52	67	-22%	-20%	-15%	-25%	-24%	-46%	-1%
China	127	135	-6%	+6%	+2%	+10%	-17%	0%	-32%
Asia (excluding China)	132	149	-12%	-8%	+4%	-20%	-16%	-25%	-8%
Africa/India/Middle East	91	109	-17%	-9%	-5%	-12%	-25%	-48%	-1%
TOTAL	**1,020**	**1,149**	**-11%**	**-3%**	**-1%**	**-5%**	**-20%**	**-30%**	**-10%**

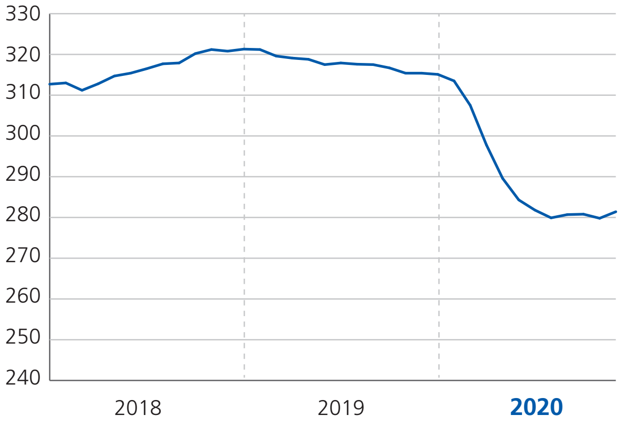
(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

In **Europe excluding Russia and the CIS**, the lifting of lockdown restrictions at the end of the second quarter triggered a sharp upturn in mobility, which gradually fed through to an increase in tire demand over the second half despite a particularly mild winter. The recovery was relatively stronger in the southern European countries (France, Spain and Italy), where lockdowns had had the deepest impact in the first half, with demand ending the second half down just 1%. The implementation of Brexit in January 2021 led to a massive buildup of dealer inventory, which lifted the market by 6% in the second half of 2020. Spurred by local currency weakness, the Turkish market expanded by 16% over the year, led by export sales. Compared with the rest of Europe, the recovery was much weaker in **Russia and the CIS**, with the market declining by 13% in the second half.

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

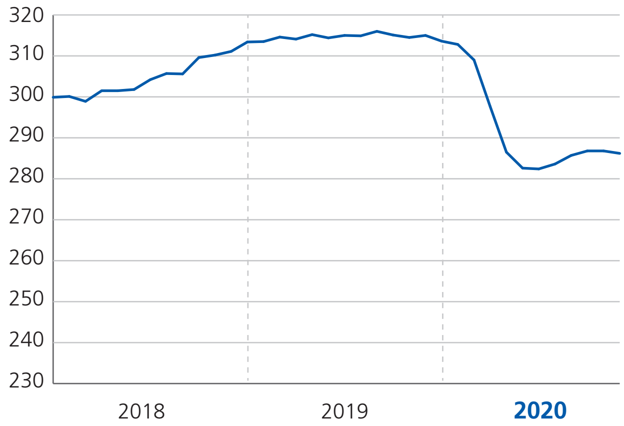
Passenger car and Light truck tires – Replacement	Change vs. 2019
WESTERN EUROPE	**-11%**
▶ France	-12%
▶ Spain	-22%
▶ Italy	-19%
▶ United Kingdom	-10%
▶ Germany	-13%
▶ Poland	-12%
▶ Turkey	16%
EASTERN EUROPE	**-14%**
▶ Russia	-15%

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.

In **North and Central America**, at a time of economic recovery and speculative buying ahead of possible new US duties on tires imported from South Korea, Thailand, Vietnam and Taiwan, Replacement demand rose by 2% in the second half (4% in the United States), easing the market decline to 9% for the year.

In **South America**, demand dropped 22% over the full year, as the market struggled to emerge from the crisis in the second half (down 20%), despite a slight improvement in the fourth quarter (down 15%). Only Brazil saw a clear improvement in the second half compared with the first.

In **China**, Replacement demand ended the year down 6%. After plunging 32% in the first quarter due to Covid-19 restrictions, the market very quickly returned to its structural growth rates (up 6% in the second half), led by the strong growth in Original Equipment sales in recent years.

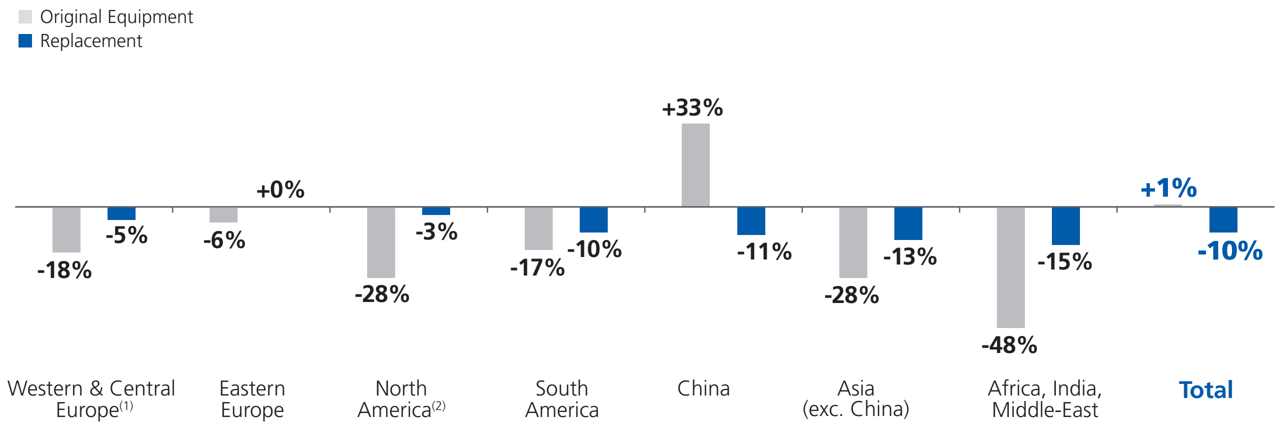
Demand in **Asia (excluding China and India)** declined by 12% in 2020, with a smaller decline than in other regions of the world in the first half (down 16%) and an 8% contraction in the second six months, as an upturn in sales in every country offset the impact of a still uncertain health situation. Japan, South Korea, Thailand and Vietnam all saw an increase in demand in the fourth quarter.

In the **Africa/India/Middle East** region, demand slipped 17% over the year. The Indian market, which was seriously impacted by the crisis in the first half (down 38%), rebounded sharply in the second half (down 8%) with a fourth quarter on a par with 2019. In addition to the health crisis, the other countries in the region were hurt by the impact of the global economic slowdown on commodity prices.

3.1.4 TRUCK TIRE MARKETS IN 2020

The number of new **Truck** tires sold worldwide declined by 7% in 2020, mainly due to the impact of the health crisis on the global economy. However, demand rose by 2% over the second half, led by the upturn in the Original Equipment market.

THE GLOBAL **TRUCK** TIRE MARKET, 2020 VS. 2019



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

Michelin estimates – new tire market only.

3.1.4 a) Original Equipment

The global original equipment Truck tire market, as measured by the number of new tires sold, grew by 1% in 2020. After falling by 12% in the first half, the market rebounded in the second six months, boosted by very strong 48% growth in Chinese demand.

Truck tire markets Original Equipment *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe[1]	4.7	5.8	-18%	+3%	+14%	-7%	-34%	-48%	-21%
Eastern Europe	0.9	0.9	-6%	-5%	-6%	-3%	-7%	-16%	+4%
North America[2]	4.9	6.8	-28%	-13%	-3%	-22%	-41%	-61%	-21%
South America	1.6	1.9	-17%	-2%	+17%	-17%	-32%	-54%	-8%
China	30.4	22.9	+33%	+48%	+29%	+76%	+19%	+57%	-18%
Asia (excluding China)	3.4	4.7	-28%	-28%	-20%	-35%	-29%	-44%	-14%
Africa/India/Middle East	2.3	4.5	-48%	-23%	-6%	-41%	-63%	-74%	-53%
TOTAL	**48.2**	**47.5**	**+1%**	**+18%**	**+15%**	**+21%**	**-12%**	**-2%**	**-22%**

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

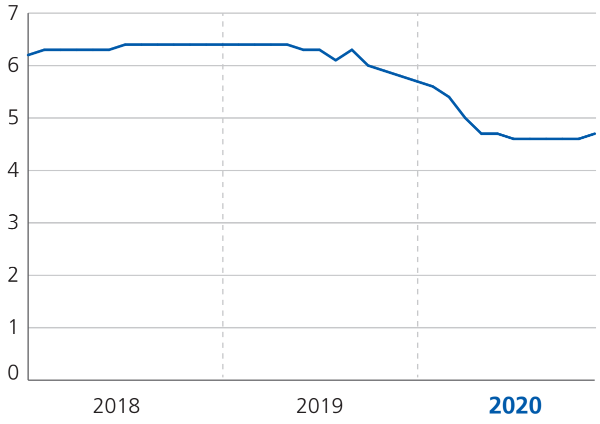
In **Europe excluding Russia and the CIS**, the recovery in Original Equipment demand that began in the third quarter (down 7% after a 34% drop in the first half) gained strong momentum in the final three months (up 14%), particularly in Germany, Italy, Spain and Turkey.

The **Chinese** market rose by 33% over the year, spurred by new legislation and the economic recovery.

In **North and Central America**, Original Equipment demand declined by 28% over the year, with a slight improvement in the second half (down 13%) compared with the first (down 41%). The decline eased to 3% in the final quarter, which saw a sharp upturn in OEM orders in the United States.

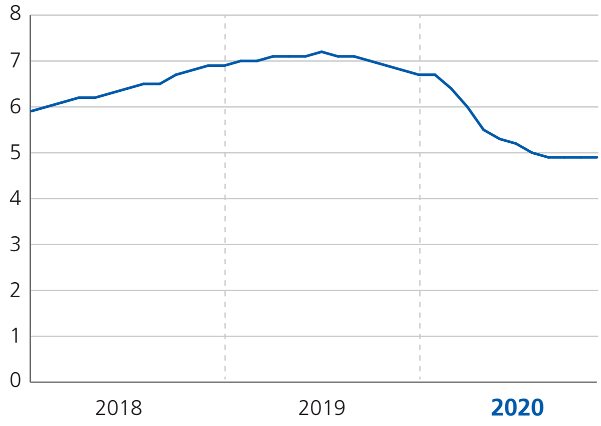
In the **rest of the world**, Original Equipment demand remained depressed throughout the second half with the exception of **South America**, where Brazil helped to lift the market almost back in line with 2019 (down 2%).

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.

3.1.4 b) Replacement

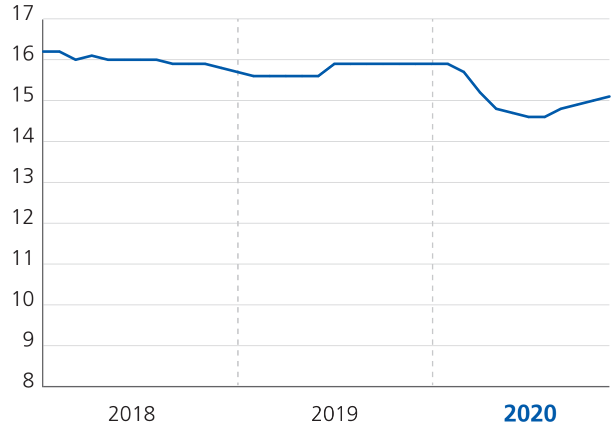
The global Replacement tire market contracted by a sharp 10% in 2020, primarily due to the steep decline in freight demand in the wake of the worldwide health crisis. As health measures implemented around the world weighed on local economies, the market retreated by an aggregate 18% in the first half before rebounding in the second (down 2%). However, this general improvement varied by region.

Truck tire markets Replacement *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe(1)	15.1	15.9	-5%	+5%	+6%	+3%	-16%	-25%	-6%
Eastern Europe	8.3	8.3	0%	-10%	-14%	-6%	+12%	+5%	+21%
North America(2)	26.1	26.8	-3%	+3%	+8%	-2%	-9%	-18%	0%
South America	11.4	12.6	-10%	-2%	+2%	-6%	-17%	-28%	-6%
China	50.3	56.6	-11%	0%	0%	0%	-26%	-14%	-38%
Asia (excluding China)	21.4	24.4	-13%	-8%	+4%	-20%	-18%	-24%	-11%
Africa/India/Middle East	25.6	30.3	-15%	-7%	-14%	-1%	-23%	-34%	-12%
TOTAL	**158.2**	**174.9**	**-10%**	**-2%**	**0%**	**-3%**	**-18%**	**-21%**	**-16%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

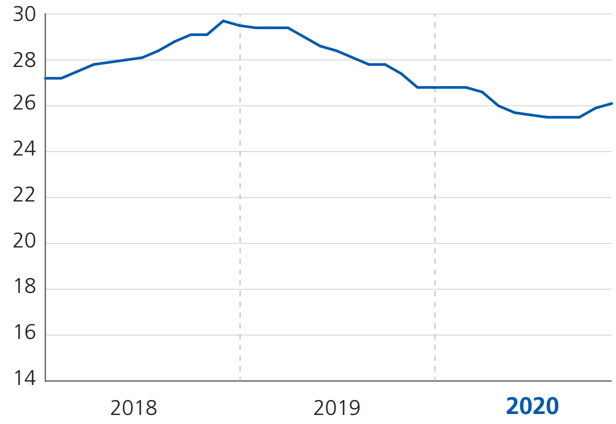
In **Western and Central Europe** and in **North America**, following a first-half decline in freight demand caused by the steep economic slowdown in both regions, where overall demand shrank by 16% and 9% respectively, markets rebounded sharply in the second half, gaining 5% in Western and Central Europe and 3% in North America on a stronger-than-expected upturn in business activity and freight transportation. The **Eastern European** market was unchanged over the year.

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.

The **South American** market declined by 10% over the year, with the second half (down 2%) showing a clear improvement over the first (down 17%). This primarily reflected the upturn in demand in Brazil (up 7% in the second half), with the Argentine market continuing to slip, quarter after quarter, to end the second half down 10% after gaining 7% in the first.

In **China**, Replacement tire demand declined by 11% over the year. After falling 26% in the first half, the market moved back in line with 2019 levels in the second, mainly due to strong growth in Original Equipment sales.

Markets in **Asia (excluding India and China)** ended the year down 13% but showed an improvement in the second half (down 8%). In particular, the fourth quarter rose by 4% year on year, thanks to a strong 14% rebound in demand in Japan and South Korea.

In the **Africa/India/Middle East** region, new tire demand contracted by 15% over the year. After falling 23% in the first half, demand improved to a 7% decline in the second six months, led by 8% growth in the Indian market.

3.1.5 SPECIALTY TIRE MARKETS IN 2020

Mining tires: The surface mining tire market, which had held up well in the first half, turned sharply downward in the fourth quarter as China reduced its coal imports and large mining companies adjusted their tire inventories. The Quarries and Underground Mining tire segments were adversely impacted by the economic slowdown.

Agricultural and Construction tires: Since the summer, Agricultural tire markets have been rebounding on the steady improvement in fundamentals (grain prices, farm income, farmer confidence index). The Construction and Infrastructure segments rose sharply in the fourth quarter, led by the market recovery and OEM inventory rebuilding.

Two-wheel tires: Two-wheel tire markets enjoyed sustained demand driven by the surging sales of motorcycles, scooters and bicycles.

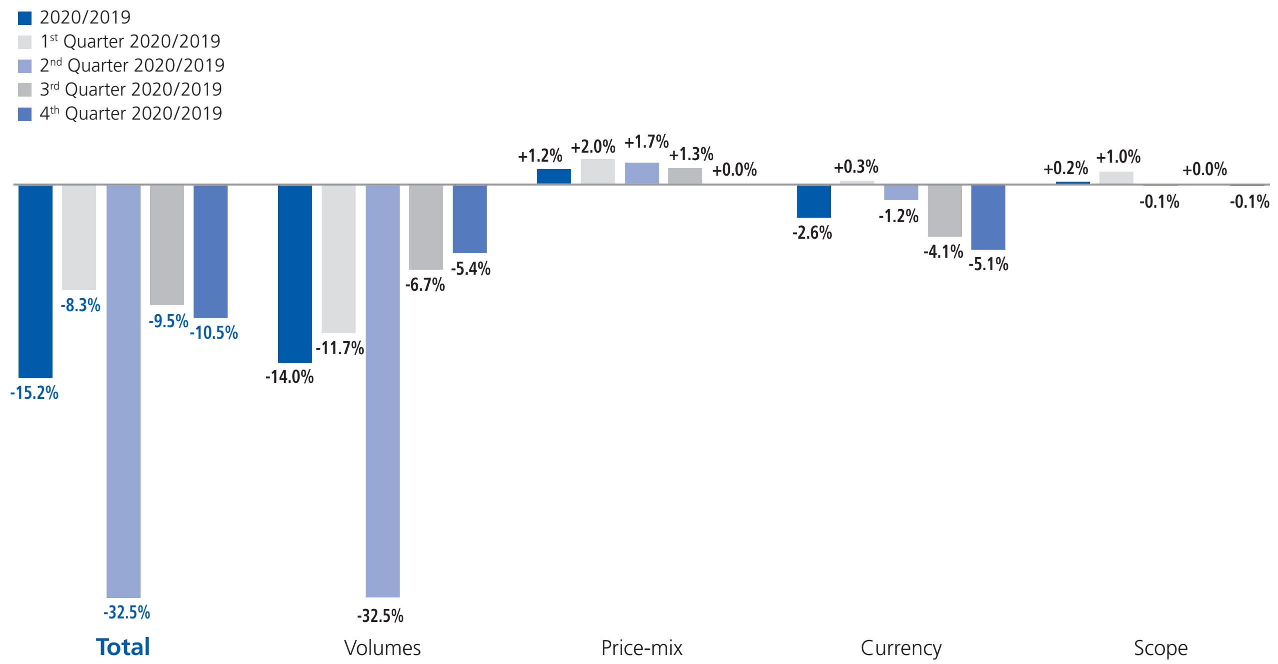
Aircraft tires: In the commercial aircraft tire market, there are no signs of recovery in the intercontinental flight segment, but the domestic flight segment seems more resilient, especially in China, where it has returned to pre-Covid levels. Demand in the Military and General Aviation segments held up well over the period.

Conveyor belts: Trends in the conveyor belt market varied over the period, with sustained strong growth in mining operations in Australia and a slowdown in North America due to the closure of certain coal mines and prevailing conditions in the manufacturing industry.

Specialty polymers: As a whole, these markets demonstrated greater resilience (particularly in the medical applications segments), with the exception of energy seals.

3.2 SALES

3.2.1 ANALYSIS OF SALES



Sales stood at €20,469 million for the year, down 15.2% from €24,135 million in 2019, primarily as a result of the very steep decline in volumes caused by the Covid-19 health crisis. More specifically, the year-on-year contraction reflected the combined impact of the following factors:

- the steep 14% decline in volumes, as the collapse in global demand in the first half due to the health crisis and the ensuing restrictions on movement was partially offset by a stronger-than-expected recovery in the second six months of the year;
- the positive 1.2% price-mix effect. The €104 million gain from prices reflected (i) firm pricing discipline in a more competitive business environment created by plunging markets and (ii) the Group’s ability to raise prices to offset the decline in certain currencies against the euro. These positive factors were attenuated by the negative impact of indexation clauses based on raw materials prices. The €196 million positive mix effect reflected the sustained success of the MICHELIN brand's premium strategy, particularly in the 18-inch and larger segment, and the resilience of the Specialty businesses. In the second half, the positive mix effect was dampened by the unfavorable impact of the relative performances of OE and Replacement tire sales and the decline in surface mining tire sales in the Specialty businesses mix;
- the negative 2.6% currency effect, led by the decline in the US dollar against the euro in the second half;
- the 0.2% positive impact from changes in the scope of consolidation following the acquisitions of Masternaut and Multistrada in 2019 and the disposal of Bookatable.

Note that sales of tire-related services and solutions totaled €986 million in 2020, versus €1,124 million in 2019. The decline reflected both the negative €36 million currency effect and the steady growth in fleet services, which was, however, more than offset by the adverse impact of closing dealerships during the first lockdown phase and the unfavorable change in the scope of consolidation following the disposal of BookaTable in December 2019.

(in € millions and %)	2020	Second half 2020	Fourth quarter 2020	Third quarter 2020	First half 2020	Second quarter 2020	First quarter 2020
SALES	**20,469**	**11,112**	**5,581**	**5,531**	**9,357**	**4,030**	**5,327**
Change, year on year	**-3,666**	**-1,242**	**-658**	**-584**	**-2,424**	**-1,942**	**-482**
Volumes	-3,385	-750	-339	-411	-2,635	-1,958	-677
Price-mix	+300	+83	+3	+80	+217	+100	+117
Currency effect	-624	-567	-316	-251	-57	-76	+19
Scope of consolidation	+43	-8	-6	-2	+51	-8	+59
Change, year on year	**-15.2%**	**-10.1%**	**-10.5%**	**-9.5%**	**-20.6%**	**-32.5%**	**-8.3%**
Volumes	-14.0%	-6.1%	-5.4%	-6.7%	-22.4%	-32.5%	-11.7%
Price-mix	+1.2%	+0.7%	0.0%	+1.3%	+1.9%	+1.7%	+2.0%
Currency effect	-2.6%	-4.6%	-5.1%	-4.1%	-0.5%	-1.2%	+0.3%
Scope of consolidation	+0.2%	-0.1%	-0.1%	0.0%	+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 Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

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 and %)	2020	Second half 2020	Fourth quarter 2020	Third quarter 2020	First half 2020	Second quarter 2020	First quarter 2020
GROUP	**20,469**	**11,112**	**5,581**	**5,531**	**9,357**	**4,030**	**5,327**
Automotive and related distribution	10,103	5,709	2,867	2,842	4,394	1,797	2,597
Road transportation and related distribution	5,373	2,962	1,503	1,459	2,411	1,051	1,360
Specialty businesses and related distribution	4,993	2,441	1,211	1,230	2,552	1,182	1,370
Change, year on year	**-15.2%**	**-10.1%**	**-10.5%**	**-9.5%**	**-20.6%**	**-32.5%**	**-8.3%**
Automotive and related distribution	-14.7%	-7.8%	-10.9%	-4.5%	-22.3%	-37.4%	-6.9%
Road transportation and related distribution	-16.7%	-10.4%	-6.9%	-13.6%	-23.3%	-34.1%	-12.3%
Specialty businesses and related distribution	-14.4%	-14.6%	-13.9%	-15.2%	-14.3%	-21.6%	-6.9%

3.2.2 a) Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution reporting segment declined by 13.8% over the year. In the first half, volumes fell by 24% on the collapse in tire demand caused by the lockdowns enforced by most of the world's governments to prevent the spread of Covid-19. The decline eased to 4% in the second six months, thanks to a stronger-than-expected rebound in demand, beginning in the Original Equipment segment and continuing into Replacement markets. Geographically, the rebound was led by robust gains in China, where the Original Equipment and Replacement markets returned to year-on-year growth in the second half.

During this unexpectedly strong second-half recovery, the Group focused on its carmaker partners and the highest value Replacement segments, while continuing to broaden its product portfolio and deepen its positions in the premium 18-inch and larger segment. It delivered this successful performance while maintaining a disciplined pricing policy at a time of highly volatile exchange rates, commodity prices and freight costs.

In the **Original Equipment** segment, the Group improved its positions by building on its technological leadership and the strength of its brand, which helped to cushion the impact of an unfavorable geographic mix over the year. The Group also continued to benefit from growth in electric vehicle sales, which were especially strong in 2020, spurred by the auto industry support plans deployed in a large number of countries.

In **Replacement** markets, the Group increased its share of the buoyant 18-inch and larger segment and remained the leader in the all-season segment, with its MICHELIN Cross Climate line in the regions where it is sold. In 2020, the Group also stepped up deployment of its distribution strategy by developing its presence in online retailing channels and continuing to expand its franchise network.

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. Across the region, the Group continued to strengthen its positions in the 18-inch and larger segment and in winter tires (particularly in Northern Europe), while diligently applying its pricing policy. In addition, the Group further benefited from its solid positions in the all-season segment, with its MICHELIN Cross Climate line, and from the success of its Tier 2 KLEBER brand lines. In Eastern Europe, the MICHELIN X Ice North 4 studded tire continued to sell well in 2020.

In **North America**, the premium segment suffered more, as in every recession, than the intermediate and entry-level segments, where the UNIROYAL brand remained in strong demand throughout the year, led by its product-line refresh in 2019. In the second half, overall tire demand was driven by Southeast Asian imports, as dealers built up inventory ahead of possible new duties on tires in 2021 from Vietnam, Thailand, South Korea and Taiwan. Given that each segment's weighting has been relatively stable over the long term, market dynamics are expected to be more favorable to the premium segment once the crisis recedes.

Business in **South America** suffered throughout the year from the health crisis, which sharply curtailed mobility, but also from the introduction of import quotas in Argentina, which weighed on Group sales. Despite the unfavorable environment, the Group gained further market share in the 18-inch and larger segment.

Positions in **Asia (excluding India)** were strengthened as business turned upwards year on year in China in the second half and in Southeast Asia in the fourth quarter. The positive momentum in China is being impelled by the government and its commitment to moving the country towards more qualitative growth. This is fueling increasingly strong demand for more sustainable tires, where Michelin is market leader. This major shift, which is just beginning to emerge, and the Group's distribution model enabled Michelin to capture all of the country's robust growth in the second half, while continuing to enhance its mix. In Southeast Asia, the Group also strengthened its positions in the 18-inch and larger segment.

In the **Africa-India-Middle East** region, the Group continued to deepen its positions in the 18-inch and larger segment, despite the difficulties arising from the health crisis and the drop in oil prices.

Sales in the **Michelin Experiences** business, which primarily operates in the fine dining, hospitality and travel segments, were particularly impacted by the lockdowns and border closures. In response, the Group stepped up deployment of its projects designed to digitize the services portfolio.

In January 2020, the MICHELIN Guide teams introduced a new award, represented by a green star, to recognize chefs who are environmentally sensitive and taking a more sustainable approach to their cuisine. This initiative will help to drive faster change in practices around the world and is already attracting interest from culinary industry stakeholders in a number of countries.

In all, sales in the Automotive and related distribution reporting segment declined by 14.7% to €10,103 million, from €11,851 million in 2019. Even as volumes fell a steep 13.8% over the year, the price-mix effect was positive, led by market share gains in the 18-inch and larger segment and by disciplined price management despite highly volatile raw material prices, freight costs and exchange rates. The fact that OE markets rebounded faster than the Replacement segment weighed on the mix, particularly in the fourth quarter. The impact from changes in the scope of consolidation, which was slightly favorable over the year, resulted primarily from the acquisition of Multistrada in first-quarter 2019.

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

Volumes in the Road transportation and related distribution reporting segment contracted by 16.0%, dragged down by a highly negative geographic mix. In the first half, volumes plunged 25% as the health crisis slowed economic activity and amplified the cyclical downturn that began in late 2019 in the North American Original Equipment segment. Volumes ended the second half down 8%, primarily due to an unfavorable geographic mix caused by the strong rebound in Chinese demand. In an environment where growth varied by geography, the Group pursued its strategy of selectively focusing on value-creating market segments and maintaining price discipline around the world.

In the **Original Equipment** segment, demand fell sharply in the first half (outside China), turned upwards in the third quarter and rose significantly year on year in the fourth quarter in Europe and North America. As demand recovered more robustly than expected in the second half, on the whole the Group succeeded in maintaining its market positions over the year.

In **Replacement** markets, new tire demand was seriously dampened by the slowdown in economic activity, particularly in the first half. In the second half, freight demand recovered more briskly than expected, with in particular a return to year-on-year growth in the final quarter in Europe and North America. In this environment, the Group focused on its value-added offerings, led by the MICHELIN brand and retreading solutions. In addition, the resilience of the Services & Solutions business helped to mitigate some of the impact from the slowdown in tire demand. Note that in 2020, the strong growth in online retailing supported demand in most regions in the last-mile delivery segment, where the MICHELIN Agilis 3 tire, launched during the year, was a best seller.

In **Europe**, in a market shaped by the premium segment's relative resilience compared with the intermediate and entry-level segments, the Group strengthened its positions in MICHELIN brand sales and retreading solutions in its leading Western European country markets, supported by the fourth-quarter rebound in demand. The Group also continued to roll out its fleet services during the year. In particular, it launched the new Michelin Connected Fleet offering, developed by leveraging the synergies between Masternaut and Sascar solutions and Michelin Solutions' core offerings. The new solution will be gradually deployed around the world.

In **North America**, the Group's positions were pressured by the much sharper-than-expected rebound in demand, particularly in the fourth quarter. In such fast-growing markets, the Group was not always able to keep up with demand, in particular because production capacity was restrained by the very strict health precautions implemented to protect employees and keep them safe.

Positions in **South America** stabilized in the second half, after being particularly hard hit by the effects of the health crisis in the first six months of the year. Sascar's fleet management solutions remain on a growth trajectory, with a sustained up-market shift in the content of the portfolio.

In **Asia (excluding India)**, and particularly in China, the focus on customers who value Michelin products for their high technological content did not adversely impact Group positions, which held firm in a market down for the year. 2020 also saw the first signs of qualitative growth in demand, in both the Truck and the Passenger car/Light truck segments. This was particularly the case in the last-mile delivery segment, which rose sharply on the strong growth in online retailing over the year. This trend, which is favorable to the Group's products and services, is expected to continue in the future.

In the **Africa-India-Middle East** region, where markets fell sharply during the year, Michelin maintained unit margin integrity by applying strict pricing policies and focusing on the MICHELIN brand.

In all, sales by the Road transportation and related distribution reporting segment declined by 16.7% year on year, to €5,373 million from €6,448 million in 2019. The contraction was attributable to the steep fall-off in volumes, which offset the favorable mix and firm pricing policy stemming from the Group's strategy of building positions in value-creating segments.

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

Surface mining tires: The surface mining tire market, and therefore Group volumes, did not experience the rebound that lifted the other businesses in the second half. On the other hand, at the very end of the year Group volumes turned upwards on the first signs that the market was bottoming out. It remains to be seen, however, whether this positive trend will continue.

Agricultural and Construction tires: The replacement Agricultural tire market demonstrated firm resilience throughout the year, and even turned upwards year on year in the second half. After plunging steeply in the first half, both the Agricultural and the Construction Original Equipment markets showed signs of improvement in the last six months of the year, helping to lift Group sales. The replacement Construction tire market, which closely tracks infrastructure projects, was adversely impacted by the sharp economic slowdown during the year.

Two-wheel tires: Sales ended 2020 only slightly lower than the year before, as demand for two-wheeler tires rebounded sharply following the lockdowns enforced in the spring. In this environment, the Group strengthened its positions, particularly in mature geographies and in the bicycle segment.

Aircraft tires: Sales fell sharply in 2020, dragged down by the impact of the health crisis and the related travel restrictions. During the year, Michelin pursued its research and development programs to maintain its technological leadership and offer increasingly efficient products and services.

Fenner's **conveyor belt** business generally held firm, buoyed by record sales in Australia.

In all, sales by the Specialty businesses reporting segment declined by 14.4% year on year, to €4,993 million from €5,836 million in 2019, as the resilience of the Agricultural segment and the robust performance in the Two-wheel segment failed to offset the slowdown in the Mining and Aircraft tire businesses over the year.

3.2.3 CHANGES IN EXCHANGE RATES FOR THE MAIN OPERATING CURRENCIES

At current exchange rates, consolidated sales declined by 15.2% over the year.

The decrease included a negative €624 million currency effect, stemming primarily from the decline against the euro of a large number of currencies, including several emerging market currencies as well as the US dollar.

Average exchange rate	2020	2019	Change
Euro/USD	1.141	1.120	+1.9%
Euro/CNY	7.873	7.733	+1.8%
Euro/AUD	1.653	1.611	+2.6%
Euro/GBP	0.889	0.877	+1.4%
Euro/BRL	5.815	4.410	+31.9%
Euro/CAD	1.529	1.486	+2.9%
Euro/RUB	81.985	72.469	+13.1%
Euro/JPY	121.814	122.042	-0.2%
Euro/MXN	24.373	21.566	+13.0%
Euro/THB	35.697	34.773	+2.7%
Euro/CLP	902.095	785.316	+14.9%
Euro/TRY	7.930	6.350	+24.9%
Euro/SEK	10.480	10.580	-0.9%
Euro/TWD	33.607	34.607	-2.9%
Euro/ZAR	18.661	16.169	+15.4%
Euro/ARS	79.562	52.281	+52.2%
Euro/COP	4,195.400	3,671.670	+14.3%

Sales break down as follows by currency:

Currency	%	Currency	%
USD	36%	THB	1%
EUR	32%	CLP	1%
CNY	6%	TRY	1%
AUD	3%	SEK	0.8%
GBP	3%	TWD	0.6%
BRL	3%	ZAR	0.4%
CAD	3%	ARS	0.3%
RUB	1%	COP	0.2%
JPY	1%	Other	5.7%
MXN	1%		
TOTAL			**100%**

3.2.4 SALES BY REGION

(in € millions)	2020	2020/2019	Second half 2020	First half 2020
GROUP	**20,469**	**-15.2%**	**11,112**	**9,357**
Europe	7,640	-13.6%	4,258	3,382
of which France	*1,762*	*-16.6%*	*994*	*768*
North America (incl. Mexico)	7,102	-20.2%	3,888	3,214
Other regions	5,727	-10.3%	2,965	2,761

(in € millions)	2020	% of total	2019	% of total
GROUP	**20,469**		**24,135**	
Europe	7,640	37.3%	8,847	36.7%
of which France	*1,762*	*8.6%*	*2,113*	*8.8%*
North America (incl. Mexico)	7,102	34.7%	8,902	36.9%
Other regions	5,727	28.0%	6,386	26.4%

The Group's sales decreased in every region during the year.

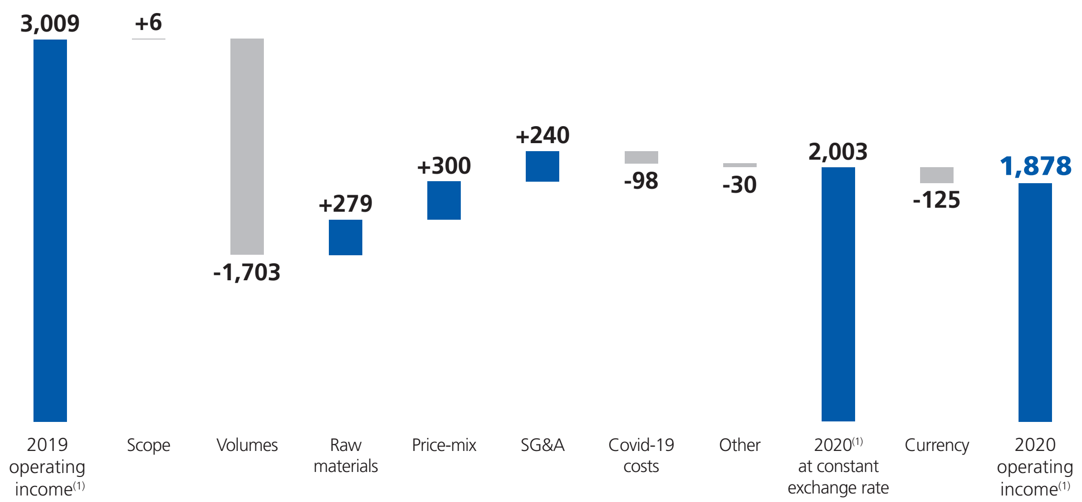
More than 60% of consolidated sales were generated outside Europe and more than 90% outside France.

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per share data)	2020	2019	2020/2019	2020 *(as a % of sales)*	2019 *(as a % of sales)*
Sales	**20,469**	**24,135**	**-15.2%**		
Cost of sales	(14,754)	(17,053)	-13.5%	72.1%	70.7%
Gross income	**5,715**	**7,082**	**-19.3%**	**27.9%**	**29.3%**
Sales and marketing expenses	(1,197)	(1,380)	-13.3%	5.8%	5.7%
Research and development expenses	(646)	(687)	-6.0%	3.2%	2.8%
General and administrative expenses	(1,867)	(1,987)	-6.0%	9.1%	8.2%
Segment other income and expenses	(127)	(19)	+568.4%	0.6%	0.1%
Segment operating income	**1,878**	**3,009**	**-37.6%**	**9.2%**	**12.5%**
Other operating income and expenses	(475)	(318)	**+49.4%**	2.3%	1.3%
Operating income	**1,403**	**2,691**	**-47.9%**	**6.9%**	**11.1%**
Cost of net debt	(242)	(330)	-26.7%	1.2%	1.4%
Other financial income and expenses	(14)	(5)	+180.0%	0.1%	0.0%
Net interest on employee benefit obligations	(56)	(98)	-42.9%	0.3%	0.4%
Share of profit/(loss) from equity-accounted companies	(112)	(22)	+409.1%	0.5%	0.1%
Income before taxes	**979**	**2,236**	**-56.2%**	**4.8%**	**9.3%**
Income tax	(354)	(506)	-30.0%	1.7%	2.1%
Net income	**625**	**1,730**	**-63.9%**	**3.1%**	**7.2%**
▶ Attributable to the shareholders of the Company	632	1,751	-63.9%	3.1%	7.3%
▶ Attributable to the non-controlling interests	(7)	(21)	-66.7%		
EARNINGS PER SHARE *(in €)*					
▶ Basic	3.52	9.69	-63.7%		
▶ Diluted	3.51	9.66	-63.7%		

3.3.1 ANALYSIS OF SEGMENT OPERATING INCOME

(in € millions)



(1) Segment operating income.

Segment operating income amounted to €1,878 million or 9.2% of sales for the year ended December 31, 2020, compared with €3,009 million and 12.5% the year before, primarily as a result of the very steep fall-off in volumes caused by the Covid-19 health crisis.

The €1,131 million year-on-year decline reflected the combined impact of the following factors:

- a slight €6 million increase from changes in the scope of consolidation, mainly related to the inclusion of Multistrada (in March 2019) and Masternaut (in May 2019) and the disposal of BookaTable (in December 2019)[(1)];
- a €1,703 million decrease from the decline in volumes due to the Covid-driven collapse in worldwide demand in the first half. This included €529 million in fixed cost under-absorption, partially offset by €133 million in furlough grants;
- a €300 million increase from the very favorable price-mix effect, reflecting firm price discipline at a time of highly volatile raw material prices, exchange rates and freight costs. Over the year, the favorable mix effect was supported by sustained growth in sales of 18-inch and larger tires in the Passenger car segment and the resilience of the MICHELIN brand in Truck tires. In the Specialty businesses, however, the mix was adversely impacted by the slowdown in the Mining and Aircraft segments;
- a €279 million increase from the decline in the cost of raw materials used in production over the year, despite the sharp cost upturn observed in the fourth quarter;
- a €240 million increase from the year-on-year reduction in SG&A expenses, stemming from effective cost-cutting measures and approximately €19 million in furlough grants. These savings were partially offset by the €98 million cost of purchasing and producing masks and hand sanitizer in response to the health crisis[(2)];
- a €30 million decrease from other unfavorable factors, including the recognition in 2020 of the costs of repurposing the production facility in La Roche-sur-Yon, France;
- a €125 million decrease from the negative currency effect following declines in the currencies of countries hard hit by the crisis, such as Brazil, Argentina and Turkey, and the steep drop in the US dollar against the euro in the second half.

In all, segment operating income at constant exchange rates totaled €2,003 million in 2020, exceeding the guidance issued on October 22, 2019 targeting more than €1,600 million in segment operating income at constant exchange rates for the year.

Other operating income and expenses rose by €157 million year on year, to a net expense of €475 million from a net expense of €318 million in 2019. Other operating income and expenses are described in more detail in section 3.3.3 i) below and in note 9 to the consolidated financial statements.

3.3.2 SEGMENT OPERATING INCOME

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.

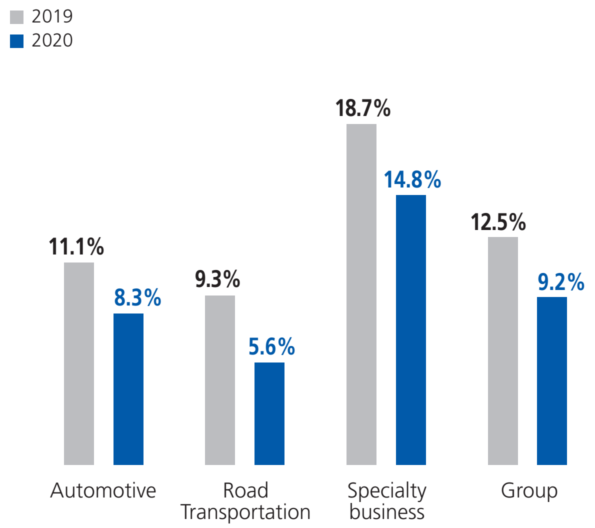
The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

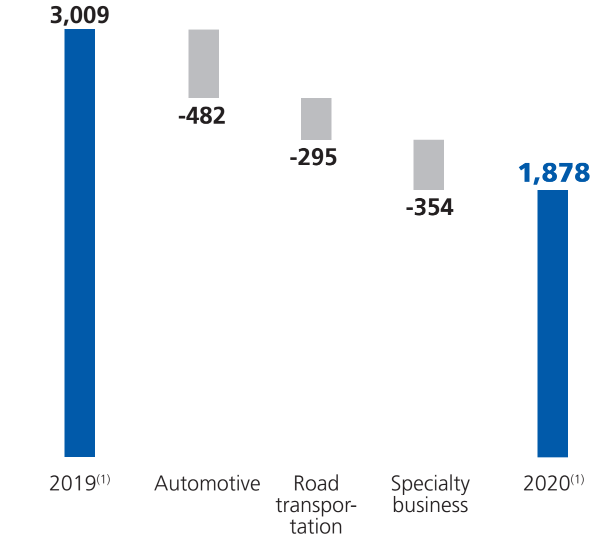
Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

(in € millions)	**2020**	**2019**	**Second half 2020**	**First half 2020**
AUTOMOTIVE AND RELATED DISTRIBUTION				
Sales	10,103	11,851	5,709	4,394
Segment operating income/(loss)	839	1,321	874	(35)
Segment operating margin	**8.3%**	**11.1%**	**15.3%**	**-0.8%**
ROAD TRANSPORTATION AND RELATED DISTRIBUTION				
Sales	5,373	6,448	2,962	2,411
Segment operating income/(loss)	302	597	332	(30)
Segment operating margin	**5.6%**	**9.3%**	**11.2%**	**-1.2%**
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION				
Sales	4,993	5,836	2,441	2,552
Segment operating income	737	1,091	362	375
Segment operating margin	**14.8%**	**18.7%**	**14.8%**	**14.7%**
GROUP				
Sales	20,469	24,135	11,112	9,357
Segment operating income	1,878	3,009	1,568	310
Segment operating margin	**9.2%**	**12.5%**	**14.1%**	**3.3%**

(1) See note 4 to the consolidated financial statements for a detailed presentation of the changes in the scope of consolidation.
(2) At current parity, the cost is €96 millions.

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)*	**2020**	**2019**	**2020/2019**	**2020** *(% of consolidated total)*	**2019** *(% of consolidated total)*
Sales	10,103	11,851	-14.7%	49%	49%
Change in volumes	*-13.8%*				
Segment operating income	839	1,321	-36.5%	45%	44%
Segment operating margin	8.3%	11.1%	-2.8 pts		

Automotive segment operating income came to €839 million or 8.3% of sales, versus €1,321 million and 11.1% in 2019.

The steep decline was primarily due to the 13.8% drop in volumes caused by the contraction in the Passenger car and Light truck tire markets, which led, notably in the first half, to fixed cost under-absorption 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, the growing proportion of 18-inch and larger tires in the sales mix and the positive impact of lower raw material prices.

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

Road transportation and related distribution *(in € millions)*	**2020**	**2019**	**2020/2019**	**2020** *(% of consolidated total)*	**2019** *(% of consolidated total)*
Sales	5,373	6,448	-16.7%	26%	27%
Change in volumes	*-16.0%*				
Segment operating income	302	597	-49.4%	16%	20%
Segment operating margin	5.6%	9.3%	-3.6 pts		

Road transportation segment operating income amounted to €302 million or 5.6% of sales, compared with €597 million and 9.3% the year before.

The collapse in global demand, along with, to a lesser extent, an unfavorable geographic mix and more selective sales policies, led to a sharp 16% contraction in volumes, which fed through, mainly in the first half, to fixed cost under-absorption 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 very 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)*	**2020**	**2019**	**2020/2019**	**2020** *(% of consolidated total)*	**2019** *(% of consolidated total)*
Sales	4,993	5,836	-14.4%	24%	24%
Change in volumes	*-11.7%*				
Segment operating income	737	1,091	-32.4%	39%	36%
Segment operating margin	14.8%	18.7%	-3.9 pts		

Segment operating income from the Specialty businesses amounted to €737 million or 14.8% of sales, versus €1,091 million and 18.7% the year before. With an 11.7% decline in volumes, the Specialty businesses as a whole weathered the crisis better than the Automotive and Road transportation businesses during the year.

Surface mining tires: The surface mining tire market, and therefore Group volumes, did not experience the rebound that lifted the other businesses in the second half. On the other hand, at the very end of the year Group volumes turned upwards on the first signs that the market was bottoming out. It remains to be seen, however, whether this positive trend will continue.

Agricultural and Construction tires: Group sales were lifted by the rebound in demand for Agricultural tires and tracks and Construction tires, which was especially robust in the Original Equipment segment. The Defense and Powersport businesses continued to improve in the final quarter.

Two-wheel tires: Over the full year, volumes made up almost all of the spring’s precipitous drop, with market share gains, particularly in mature regions, and a sharp increase in bicycle tire sales.

Aircraft tires: Business is still being severely impacted by the health crisis and the collapse in commercial aviation demand, although it remains buoyed by the resilience of the Military and General Aviation segments.

Fenner’s conveyor belt business generally held firm, thanks to record sales in Australia.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials** reported in cost of sales has been estimated at €3.8 billion in 2020 versus €5.1 billion in 2019.

It is calculated on the basis of:

- the price and mix of the Group's 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.

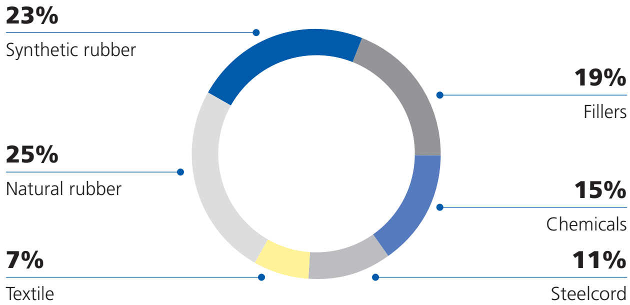
In 2020, the raw materials costs recognized in cost of sales included a €279 million favorable price impact, including the residual currency effect.

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

On the basis of estimated 2020 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

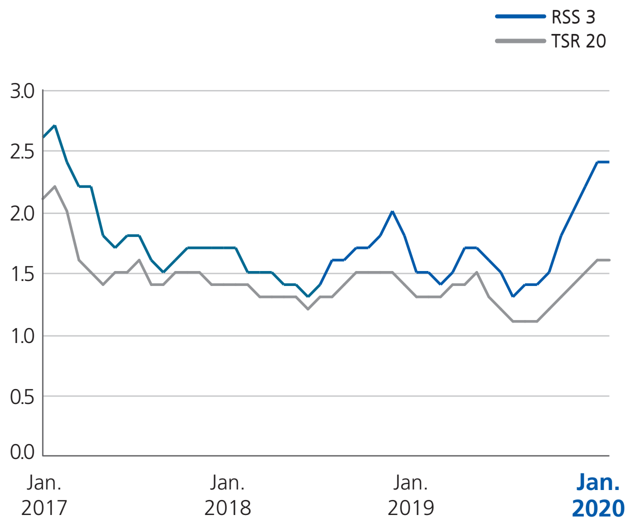
- a USD 0.10 per kg decrease in natural rubber prices would feed through to around an USD 90 million reduction in full-year purchasing costs;
- a USD 1.00 per barrel decline in oil prices would feed through to a USD 9 million decrease in full-year purchasing costs.

RAW MATERIALS RECOGNIZED IN 2020 COST OF SALES (€3.8 BILLION)

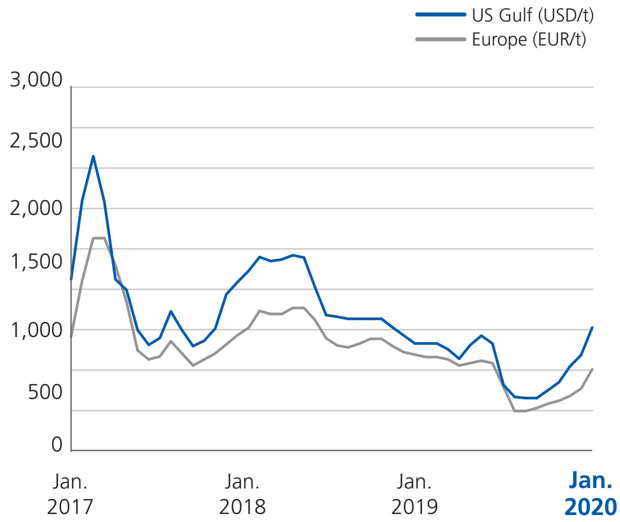


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

At €5,996 million, **employee benefit costs** amounted to 29.3% of sales in 2020. In euro terms, they declined by €369 million year on year, including the €152 million in furlough grants received by the Group during the period. The sharp increase as a percentage of sales was attributable to the 15% fall-off in sales over the year.

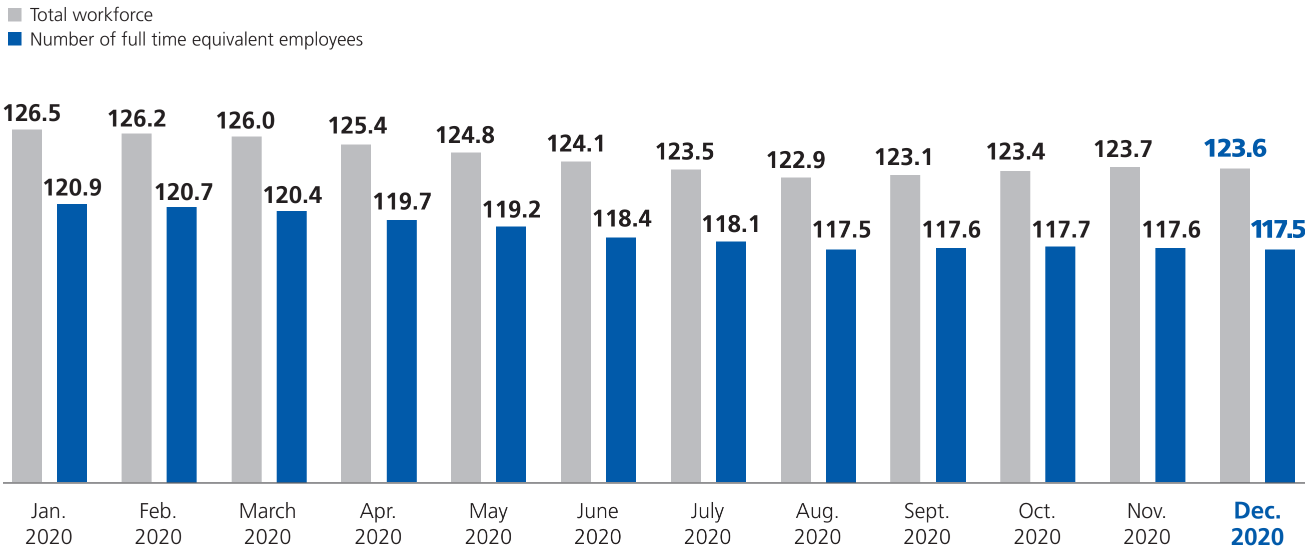
The reduction in euro terms reflected not only the support grants received by the Group but also the sustained decline in corporate and other headcount in high-cost regions during the year as operating procedures were simplified across the Group.

The amount was also reduced by the erosion against the euro of many currencies during the year, including the US dollar in particular.

In 2020, an expense of €5,970 million was recognized in segment operating income, and an expense of €26 million was recognized in other operating income and expenses. Employee benefit obligations recognized in other operating income and expenses are described in more detail in note 9.4 to the consolidated financial statements.

(in € millions and number of people)	2020	2019	Change
Total employee benefit costs	5,996	6,365	-5.8%
As a % of sales	*29.3%*	*26.4%*	*+2.9 pts*
Employees on payroll at December 31	123,600	127,200	-2.8%
Number of full-time equivalent employees at December 31	117,500	121,300	-3.1%
Average number of full-time equivalent employees	118,800	117,800	+0.8%

NUMBER OF EMPLOYEES
(in thousands)



3.3.3 c) Depreciation and amortization

(in € millions)	2020	2019	Change
Total depreciation and amortization	1,840	1,845	-0.3%
As a % of sales	*9.0%*	*7.6%*	

Depreciation and amortization charges edged down by €5 million to €1,840 million for the year. This relative stability primarily reflected the approximately €600 million reduction in capital expenditure compared with the budget for the year. Of the total, €1,753 million was recognized in segment operating income and €87 million in other operating income and expenses (see notes 6 and 9 to the consolidated financial statements).

3.3.3 d) Transportation costs

(in € millions)	2020	2019	Change
Transportation costs	1,095	1,232	-11.1%
As a % of sales	*5.3%*	*5.1%*	

Transportation costs came to €1,095 million or 5.3% of sales in 2020, versus 5.1% in 2019. The positive impact of productivity gains during the year was attenuated by the increase in transportation costs, particularly in the fourth quarter, due to shortages of container space on a large number of routes, particularly outbound Asia to the Americas and Europe. Exchange rate movements also helped to reduce transportation costs.

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 5.8% of sales in 2020, versus 5.7% in 2019. In value, they declined by €183 million to €1,197 million, led by the cost-cutting programs deployed during the year and favorable exchange rate movements.

3.3.3 f) Research and development expenses

(in € millions)	2020	2019	Change
Research and development expenses	646	687	-6.0%
As a % of sales	*3.2%*	*2.8%*	

Research and development expenses stood at €646 million, down just €41 million versus 2019 in a demonstration of the Group's commitment to maintaining its technological leadership and the sustainability of its products and services.

They represented 3.2% of sales for the year, down 0.4 point compared with 2019.

3.3.3 g) General and administrative expenses

General and administrative expenses amounted to €1,867 million, a €120 million year-on-year decrease that primarily stemmed from the cost-cutting programs deployed during the year, the sustained reduction in corporate headcount and the favorable movements in currencies, including the US dollar in particular.

They represented 9.1% of sales for the year, up 0.9 points compared with 2019.

3.3.3 h) Segment other income and expenses

Segment other operating income and expenses represented a net expense of €127 million in 2020, a €108 million year-on-year increase that was mainly attributable to the €96 million cost of purchasing and producing masks and hand sanitizer in response to the health crisis.

3.3.3 i) Other operating income and expenses

Other operating income and expenses rose by €157 million year on year, to a net expense of €475 million from a net expense of €318 million in 2019.

The increase in 2020 primarily reflected the €164 million impairment loss recognized on the Chennai plant in India, which produces truck tires for the domestic market. In response to the market's growing structural difficulties, the Group revised its growth projections for the segment served by the plant. Various initiatives to improve the plant's margins failed to deliver the hoped-for results and the carrying amount of the industrial assets was therefore written down in full.

A €37 million impairment loss was also recorded on the goodwill and intangible assets of Tablet, whose business has been particularly hard hit by the lockdowns and border closures during the year.

Other operating income and expenses also include the costs of restructuring the Dundee, La Roche-sur-Yon and Bamberg facilities, as well as the €87 million in amortization of acquired trademarks and customer relationships in 2020, recognized in particular on the consolidation of Fenner and Camso.

Other operating income and expenses are described in more detail in note 9 to the consolidated financial statements.

3.3.3 j) Cost of net debt

(in € millions)	2020	2019	Change
Cost of net debt	242	330	-88

At €242 million, the **cost of net debt** was down €88 million compared with 2019, primarily as a result of the following factors:

- a €61 million decrease in net interest expense to €238 million, reflecting the net impact of:
  - a €24 million increase due to the €593 million rise in average gross debt during the year,
  - a €90 million decrease from the decline in the average gross interest rate on borrowings to 2.9% in 2020 from 4.0% in 2019,
  - an aggregate €5 million net increase from other factors;
- a €26 million decrease in losses on exchange rate derivatives, mainly due to the around 1.5-point decline in three-year US dollar interest rates and EUR/USD exchange rate change;
- an aggregate €1 million net decrease from movements in other factors.

3.3.3 k) Other financial income and expenses

(in € millions)	2020	2019	Change
Other financial income and expenses	14	5	+9

Other financial income and expenses represented a net expense of €14 million in 2020, a €9 million year-on-year increase caused mainly by currency movements[(1)].

3.3.3 l) Income tax

(in € millions)	2020	2019	Change
Income before taxes	979	2,236	-1,257
Income tax	**(354)**	**(506)**	**-152**
Current tax	(314)	(492)	-178
Withholding tax	(37)	(56)	-19
Deferred tax	(3)	42	+45

Income tax amounted to €354 million in 2020, a €152 million year-on-year decrease that was mostly attributable to the steep decline in income before taxes. The €314 million in current tax recognized for the year corresponds to the income tax payable by the Group's profit-making companies.

The effective tax rate for 2020 was 36.2%, versus 22.6% the year before.

3.3.3 m) Consolidated net income and earnings per share

(in € millions)	2020	2019	Change
Net income	625	1,730	-1,105
As a % of sales	*3.1%*	*7.2%*	*-4.1 pts*
▶ Attributable to the shareholders of the Company	632	1,751	-1,119
▶ Attributable to the non-controlling interests	(7)	(21)	
EARNINGS PER SHARE *(in €)*			
▶ Basic	3.52	9.69	-6.17
▶ Diluted	3.51	9.66	-6.15

Net income came to €625 million, or 3.1% of sales, compared with €1,730 million in 2019.

The €1,105 million decline reflected the following factors:

- unfavorable factors:
  - the €1,131 million decline in segment operating income,
  - the €157 million increase in net other operating expense,
  - the €90 million decline in the Group's share of profit from equity-accounted companies, of which a €39 million impairment loss recognized on a wholesaling company and a €28 million non-recurring gain recognized in 2019;
- favorable factors:
  - the €121 million decline in net financial expense, led by the €88 million reduction in the cost of net debt,
  - the €152 million decrease in income tax expense.

(1) *Note 10 to the consolidated financial statements.*

3.4 CONSOLIDATED BALANCE SHEET REVIEW

To improve the readability of the consolidated financial statements, right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.

Methodological note: translation adjustments primarily stem from the translation into euros of prior-year assets and liabilities at the closing exchange rate.

ASSETS

(in € millions)	December 31, 2020	December 31, 2019[1]	Total change	Translation adjustments	Movement
Goodwill	2,136	2,388	-252	-237	-15
Intangible assets	1,980	2,280	-300	-124	-176
Property, plant and equipment	10,821	12,042	-1,221	-690	-531
Right-of-use assets	1,083	1,127	-44	-57	+13
Non-current financial assets and other non-current assets	865	796	+69	-19	+88
Investments in equity-accounted companies	941	1,087	-146	-58	-88
Deferred tax assets	729	814	-85	-27	-58
Non-current assets	**18,555**	**20,534**	**-1,979**	**-1,212**	**-767**
Inventories	3,959	4,694	-735	-270	-465
Trade receivables	3,018	3,532	-514	-175	-339
Current financial assets	429	396	+33	-4	+37
Other current assets	929	1,055	-126	-19	-107
Cash and cash equivalents	4,747	1,466	+3,281	-42	+3,323
Current assets	**13,082**	**11,143**	**+1,939**	**-509**	**+2,448**
TOTAL ASSETS	**31,637**	**31,677**	**-40**	**-1,721**	**+1,681**

(1) The 2019 figures have been adjusted for comparison purposes (see note 2.7 to the consolidated financial statements).

EQUITY AND LIABILITIES

(in € millions)	December 31, 2020	December 31, 2019[1]	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,746	2,789	-43		-43
Reserves	9,530	10,080	-550	-977	+427
Non-controlling interests	(2)	3	-5	+1	-6
Total equity	**12,631**	**13,229**	**-598**	**-976**	**+378**
Non-current financial liabilities	6,169	5,026	+1,143	-32	+1,175
Non-current lease liabilities	801	897	-96	-44	-52
Provisions for employee benefit obligations	3,700	3,873	-173	-100	-73
Provisions and other non-current liabilities	775	1,104	-329	-31	-298
Deferred tax liabilities	425	455	-30	-27	-3
Non-current liabilities	**11,870**	**11,355**	**+515**	**-234**	**+749**
Current financial liabilities	1,546	932	+614	-223	+837
Current lease liabilities	222	226	-4	-11	+7
Trade payables	2,291	2,627	-336	-122	-214
Trade payables under reverse factoring agreements	437	470	-33	-30	-3
Provisions and other current liabilities	2,640	2,838	-198	-129	-69
Current liabilities	**7,136**	**7,093**	**+43**	**-515**	**+558**
TOTAL EQUITY AND LIABILITIES	**31,637**	**31,677**	**-40**	**-1,725**	**+1,685**

(1) The 2019 figures have been adjusted for comparison purposes (see note 2.7 to the consolidated financial statements).

3.4.1 GOODWILL

Goodwill before translation adjustments was down €15 million from December 31, 2019, as the first-time recognition of €32 million in goodwill on a group of companies acquired in 2020, whose individual goodwill was deemed immaterial, was more than offset by the €13 million reduction in the preliminary goodwill recognized on Multistrada and the aggregate €33 million in impairment losses recorded during the year (of which the €18 million write-down of Tablet goodwill[(1)]). The other impairment losses recognized on goodwill concerned companies whose individual goodwill did not exceed €5 million and was therefore not deemed material.

Impairment tests were performed using a scenario based on assumptions concerning global gross domestic product (GDP). A return to 2019 business levels is expected in 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.

Moreover, in light of the current health situation, sensitivity tests were performed on the business assumptions to assess the risks that could arise should the crisis persist. These tests showed that if the business recovery were delayed by a year and the perpetual growth rate were reduced by 100 basis points (to 0.5% from 1.5%), the resulting impairment losses would be limited to €75 million[(2)].

3.4.2 INTANGIBLE ASSETS

Intangible assets stood at €1,980 million for the year, a €176 million decline from December 31, 2019 (before the negative €124 million translation adjustment). The decrease stemmed from the amortization of other intangible assets (of which €87 million in the amortization of acquired trademarks and customer relationships and €17 million in impairment losses on Tablet intangible assets), which together more than offset the net €11 million increase in software-related assets[(3)].

3.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ended 2020 at €10,821 million, a €531 million decrease (before the negative €690 million translation adjustment) that reflected the scale-back of capital expenditure during the year in response to the major health crisis[(4)]. Additions to property, plant and equipment amounted to €1,041 million for the year, compared with €1,594 million in 2019[(5)].

3.4.4 RIGHT-OF-USE ASSETS

Beginning in 2020, **right-of-use assets** have been recognized separately from property, plant and equipment. They amounted to €1,083 million at December 31, 2020, up €13 million year on year (before the negative €57 million translation adjustment), due to the fact that new leases were more or less in line with amortization charges for the year.

3.4.5 NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

Non-current financial assets and other non-current assets ended the year at €865 million, an €88 million increase (before the negative €19 million translation adjustment) that primarily reflected the matching contribution paid into the employee benefits fund in the United Kingdom, as well as fair value adjustments to derivative instruments.

3.4.6 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Excluding the negative €58 million translation adjustment, **investments in equity-accounted companies** declined by €88 million over the year to €941 million. This decrease was mainly due to the €73 million in losses incurred by these companies for the year[(6)].

(1) See 3.3.3 i) Other operating income and expenses.
(2) Note 13.1 to the consolidated financial statements.
(3) See 3.3.3 i) Other operating income and expenses.
(4) For more details on the measures put in place during the crisis, please refer to the section on the impact of Covid-19 in the introduction above.
(5) Note 31 to the consolidated financial statements.
(6) Note 17.1 to the consolidated financial statements.

3.4.7 DEFERRED TAX ASSETS AND LIABILITIES

At December 31, 2020, the Group held a net **deferred tax** asset of €304 million, representing a year-on-year increase of €56 million before translation adjustments. The reduction in net deferred taxes was due mainly to the change in taxes recorded in other comprehensive income in respect of post-employment benefit obligations[(1)].

In 2020, the €41 million net change in unrecognized deferred tax assets primarily reflects temporary differences arising in China[(2)].

3.4.8 TRADE WORKING CAPITAL

(in € millions)	December 31, 2020	December 31, 2019	Change	2020 *(as a % of sales)*	2019 *(as a % of sales)*
Inventories	3,959	4,694	-735	19.3%	19.4%
Trade receivables	3,018	3,532	-514	14.7%	14.6%
Trade payables	(2,291)	(2,627)	+336	-11.2%	-10.9%
Reverse factoring contracts	(437)	(470)	+33	-2.1%	-1.9%
TRADE WORKING CAPITAL	**4,249**	**5,129**	**-880**	**20.8%**	**21.3%**

As a percentage of sales, **trade working capital** declined by 0.5 points over the year, to 20.8% from 21.3% at end-2019. In euro terms, this represented a €587 million decrease (before the negative €293 million translation adjustment), which was mainly attributable to the sharp €465 million reduction in inventories (before translation adjustments).

At €3,959 million, **inventories** represented 19.3% of sales at year-end, versus €4,694 million and 19.4% in 2019. Before the negative €270 million translation adjustment, this corresponded to a €465 million decrease for the year.

In the first half of 2020, as global demand collapsed due to the spread of the Covid-19 pandemic[(3)], the Group implemented measures to carefully manage output and inventories, so as to conserve its cash. As of June 30, consolidated inventories were relatively low, at 19.9% of sales, versus 22.0% a year earlier[(4)].

Early in the summer, the stronger-than-expected rebound in demand prompted the Group to restore full-capacity production, in compliance with strict employee health and safety protocols. During the second half, robust sales[(5)] meant that the Group was unable to rebuild inventories, which ended the year at an exceptionally low level.

At end-2020, inventories (19.3% of sales) were slightly lower than at year-end 2019 (19.4%), which already represented a low point (21.3% in 2018), reflecting the difficult market conditions in the final quarter and the expectation that 2020 would be a lackluster year.

Another factor reducing the value of inventories in 2020 was the year-on-year decline in raw material costs.

Trade receivables stood at €3,018 million, unchanged from year-end 2019, at 14.7% of sales versus 14.6%. This stability reflected both the highly disciplined management of settlement periods granted during the year and the economic support measures implemented by most of the world's governments. This helped to avoid an unusual increase in past-due receivables, which were also unchanged for the year[(6)].

Trade payables, including those **covered by reverse factoring contracts,** ended the year at €2,728 million, or 13.3% of sales, up 0.5 points from December 31, 2019. In value, they declined by €217 million, primarily due to the reduction in capital expenditure over the year.

(1) Note 18.1 to the consolidated financial statements.
(2) Note 11.1 to the consolidated financial statements.
(3) For a more detailed analysis of demand over the year, please refer to section 3.1 Tire Markets above.
(4) See the 2020 First-Half Financial Report, section 3.4.7 Trade working capital requirement.
(5) For a more detailed analysis of sales by reporting segment, please refer to section 3.2 Sales above.
(6) Note 20 to the consolidated financial statements.

3.4.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €4,747 million, up €3,323 million year on year, before translation adjustments, as a result of the following main factors:

- increases from:
  - the €2,004 million in free cash flow, lifted by the nearly €600 million reduction in capital expenditure compared with the projected budget for the year and the highly favorable change in trade working capital following the steep reduction in inventories over the year,
  - the €1,784 million in new debt, including the €1.5 billion in bonds issued in October 2020 and a €645 million increase in commercial paper outstandings over the year; €352 million in various repayments, of which €245 million in repayments of lease liabilities;
- decreases from:
  - the payment of €368 million in dividends and profit shares,
  - the €44 million in equity-related movements, of which €99 million in share buybacks and €55 million in new shares purchased by employees as part of the Bib'Action 2020 program[1];
  - other unfavorable factors in an amount of €53 million.

3.4.10 EQUITY

Including the negative €976 million in translation adjustments, **total equity** decreased by €598 million over the year to represent €12,631 million at December 31, 2020, primarily due to the following factors:

- increases:
  - €55 million in new shares purchased by employees, in particular as part of the Bib'Action 2020[2] employee share ownership plan,
  - €14 million in service costs on performance share-based payment plans,
  - €4 million in other favorable items;
- decreases:
  - the €204 million comprehensive loss for the year, including:
    - €625 million in net income,
    - the €112 million favorable impact of actuarial gains and losses,
    - the €976 million negative impact from the translation of foreign currencies,
    - the €16 million favorable impact from currency hedges, including hedges of US dollar-denominated convertible bond issues,
    - an aggregate €19 million net increase from other factors;
  - €368 million in dividends and other distributions;
  - €99 million in share buybacks under the shareholder-approved program.

At December 31, 2020, the **share capital** of Compagnie Générale des Établissements Michelin stood at €356,680,172, comprising 178,340,086 shares outstanding corresponding to 243,584,598 voting rights.

3.4.11 NET DEBT

Net debt stood at €3,531 million at December 31, 2020, down €1,653 million from December 31, 2019, primarily as a result of the following factors:

- €1,564 million in net cash flow, which breaks down into five items:
  - €2,004 million in free cash flow for the period,
  - €368 million in distributions, of which €357 million in dividends,
  - €99 million in share buybacks,
  - €55 million in new shares purchased by employees, of which €31 million had been received by the end of the year,
  - €4 million in other outlays;
- €89 million in other non-cash factors decreasing net debt, of which:
  - a €211 million increase from the recognition of new leases,
  - a €262 million decrease from translation adjustments;
  - €38 million in other factors decreasing net debt.

(1) Note 28.3 to the consolidated financial statements.
(2) Note 28.3 to the consolidated financial statements.

CHANGES IN NET DEBT

(in € millions)	2020	2019
At January 1	**5,184**	**4,056**
Free cash flow[1] before M&A	-2,043	-1,606
Investments in new ventures	40	423
Financing of joint ventures and associates	-1	41
Free cash flow[1]	**-2,004**	**-1,142**
Distributions and other	+368	+676
Share buybacks	+99	+141
Employee share issue – Bib'Action	-31	-
First-time application of IFRS 16	-	+815
New finance leases	+211	+217
Change in scope of consolidation	-8	+249
Translation adjustment	-262	+165
Other	-26	+7
AT DECEMBER 31	**+3,531**	**+5,184**
CHANGE	**-1,653**	**+1,128**

(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.

3.4.11 a) Gearing

Gearing declined to 28% at December 31, 2020 from 39% at year-end 2019, primarily due to the very strong free cash flow resulting from the steep reduction in inventories[1], the major scale-back in capital expenditure over the year[2] and the slowdown in the equity investment program.

3.4.11 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	P-2
Long term	Standard & Poor's	A-	A-
	Fitch Ratings	A-	A3
Outlook	Standard & Poor's	Stable	Stable
	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 before raising it back up to stable again on December 21.

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

(1) Inventories declined by €735 million in 2020, to €3,959 million at year-end from €4,694 million at December 31, 2019.
(2) Capital expenditure totaled €1,221 million in 2020, compared to the around €1,800 million budgeted at the beginning of the year.

3.4.12 PROVISIONS

Provisions and other non-current liabilities amounted to €775 million, versus €1,104 million at December 31, 2019. Excluding the negative €31 million translation adjustment, they declined by €298 million year on year, primarily due to the fulfillment of Group commitments undertaken as part of the reorganization and adaptation of its activities in Europe.

3.4.13 EMPLOYEE BENEFITS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other defined benefit plans	2020	2019
At January 1	**1,931**	**1,897**	**3,828**	**3,858**
Translation adjustments	(20)	(74)	(94)	44
Contributions paid to the funds	(142)	-	(142)	(192)
Benefits paid directly to the beneficiaries	(35)	(111)	(146)	(139)
Change in scope of consolidation	-	-	-	8
NET COST RECOGNIZED IN OPERATING EXPENSES				
Current service cost	40	75	115	111
Actuarial (gains) or losses recognized on other long-term benefit obligations	-	1	1	5
Past service cost resulting from the introduction of new plans or plan amendments	-	(2)	(2)	(68)
Past service cost resulting from plan curtailments	1	4	5	(30)
Effect of any plan settlements	9	-	9	(10)
Other items	6	-	6	13
NET COST RECOGNIZED IN OPERATING EXPENSES				
Net interest on net defined benefit obligation (asset)	22	32	54	97
COSTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Actuarial (gains) or losses	(186)	41	(145)	174
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
NET OBLIGATION AT DECEMBER 31	**1,626**	**1,863**	**3,489**	**3,828**

The net defined benefit obligation recognized at December 31, 2020 stood at €3,489 million, a year-on-year decrease of €339 million as reported and of €245 million excluding the €94 million negative currency effect (stemming primarily from the decline in the US dollar, the Canadian dollar and the pound sterling against the euro).

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

- the total €288 million in contributions and benefits paid in 2020 (2019: €331 million), of which:
  - €142 million in contributions paid to fund management institutions (2019: €192 million),
  - €146 million in benefits paid directly to employees (2019: €139 million);
- a €134 million expense recognized in operating income in 2020 (2019: €21 million) that primarily resulted from the €131 million cost of defined benefit plans (2019: €119 million);
- the €54 million in net interest expense on the net defined benefit obligation, recognized outside of operating income (2019: €97 million);
- the €145 million in actuarial gains recorded in 2020 (2019: actuarial losses of €174 million), which corresponded to:
  - €538 million in actuarial losses on defined benefit obligations, resulting mainly from reductions in discount rates,
  - €685 million in actuarial gains on plan assets, due to the fact that the actual rate of return on plan assets was higher than the discount rate.

In addition, contributions paid by the Group to defined contribution plans amounted to €217 million in 2020 (2019: €226 million). The expense recognized in respect of defined contribution plans amounted to €217 million in 2020, down €9 million compared with 2019.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 CASH FLOW FROM OPERATING ACTIVITIES

(in € millions)	2020	2019	Change
Segment EBITDA	**3,631**	**4,763**	**-1,132**
Change in net inventories	552	147	405
Change in net trade receivables	92	-81	173
Change in net trade payables	-19	-135	116
Restructuring cash costs	-206	-172	-34
Other changes in provisions	-185	-240	55
Tax and interest paid	-580	-944	364
Other	81	-17	98
NET CASH FROM OPERATING ACTIVITIES	**3,366**	**3,321**	**45**

At €3,631 million, segment **EBITDA** was down €1,132 million year on year, reflecting the €1,131 million decline in segment operating income over the year, with depreciation and amortization charges holding steady compared with 2019.

Net cash from operating activities rose by €45 million to €3,366 million for the year, as the €1,132 million decline in EBITDA was more than offset by the impact of cash management initiatives undertaken during the year, of which:

- a €694 million increase from the decline in trade working capital;
- a €364 million increase from the reduction in tax and interest paid;
- an aggregate €119 million increase from other factors, including a €55 million reduction in provisions.

Restructuring-related outlays rose by €34 million in 2020, primarily due to the plant closures in Dundee, Scotland and La Roche-sur-Yon, France.

3.5.2 CAPITAL EXPENDITURE

(in € millions)	2020	2019	2020/2019	2020 *(as a % of sales)*	2019 *(as a % of sales)*
Additions to intangible assets and PP&E	**1,221**	**1,801**	**-580**	**6.0%**	**7.5%**
Investment grants received and change in capital expenditure payables	148	(19)	+167	0.7%	(0.1%)
Proceeds from sales of intangible assets and PP&E	(46)	(67)	+21	(0.2%)	(0.3%)
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,323**	**1,715**	**-392**	**6.5%**	**7.1%**

Additions to intangible assets and property, plant and equipment amounted to €1,221 million in 2020, compared with €1,801 million in 2019. On April 29, 2020, the Group announced that to conserve cash, capital expenditure would be reduced by €500 million from the approximately €1.8 billion initially budgeted for the year.

This corresponded to a €580 million decrease from 2019. In particular, the reduction included scale-backs in capital projects to increase capacity at a time of sharply slower growth in worldwide tire demand. However, projects to improve competitiveness, safety and environmental performance were maintained, as well as outlays for certain technological innovation projects associated with the Group's strategic expansion in high-tech materials and in services and solutions.

By Business Line, the main capital projects completed during the year or still underway as part of competitiveness, product line renewal and growth investment programs are as follows:

Automotive tires:

- in Mexico;
- in China;
- in Thailand.

Road transportation tires:

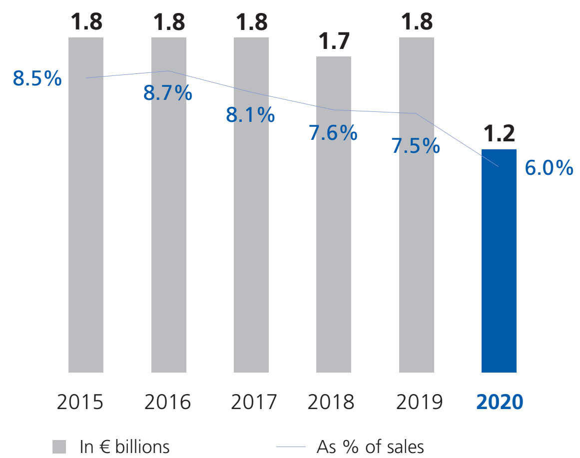
- in Thailand.

Specialty products:

- Mining tires;
- Two-wheel tires.

All of these capital projects were supported by the commitments presented below.

CAPITAL EXPENDITURE
(in € billions)



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 operating activities, *i.e.*, after routine capital expenditure but before competitiveness, growth and new-venture 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
Net cash from operating activities	**3,366**	**3,321**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(722)	(1,096)
AVAILABLE CASH FLOW	**2,644**	**2,225**
Competitiveness and growth investments	(355)	(523)
Investments in new ventures	(144)	(181)
Acquisitions	(39)	(464)
Other	(102)	85
FREE CASH FLOW	**2,004**	**1,142**

After deducting €722 million in routine capital expenditure, available cash flow was strongly positive in 2020, at €2,644 million.

Free cash flow was positive, at €2,004 million, after outlays of €355 million in competitiveness and growth investments and €144 million in investments in new ventures. The €40 million in acquisitions primarily concerned purchases of controlling interests that were individually not material[(1)].

(1) See section 3.4.11.

3.5.4 STRUCTURAL FREE CASH FLOW

To track its intrinsic performance, Michelin has set targets based on its structural free cash flow, which is defined as free cash flow before acquisitions and adjusted for the impact of movements in raw materials prices on trade receivables, trade payables and inventories.

With a €2,010 million in structural free cash flow in 2020, the Group met the guidance issued on October 22, 2019 targeting more than €1,200 million in structural free cash flow for the year.

	2020	2019
FREE CASH FLOW	**2,004**	**1,142**
Acquisitions	39	464
FREE CASH FLOW EXCLUDING ACQUISITIONS & DISPOSALS	**2,043**	**1,606**
Impact of raw materials costs on working capital	-33	9
STRUCTURAL FREE CASH FLOW	**2,010**	**1,615**

3.6 RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is a ratio that measures the profitability of the capital employed by the Group. Monitored by the Group throughout implementation of its 2016-2020 plan, the ratio was calculated as:

- net operating profit after tax (NOPAT), calculated at a standard tax rate of 25% in 2020 and 26% in 2019, corresponding to the Group's average effective tax rate;
- divided by the average economic assets employed during the year (excluding equity-accounted companies), *i.e.*, all of the Group's intangible assets (excluding acquired intangible assets), property, plant and equipment, loans and deposits, and net working capital.

Non-euro currencies are translated at year-end rates for balance sheet items and average rates for income statement items.

If ROCE is greater than weighted average cost of capital (WACC) for the year, then the Group has created value during the period.

The Group's weighted average cost of capital (WACC) is estimated at 7.5%, it is based on a theoretical balance between equity and debt. WACC is benchmarked externally. The rates used are determined (i) for equity capital, based on the yield on Michelin shares expected by the stock markets; and (ii) for debt capital, on the market risk-free rate plus the risk premium applied to Michelin by the markets, as adjusted for the tax effect.

(in € millions)	2020	2019
Segment operating income	1,878	3,009
Average standard income tax rate used for ROCE calculation	25%	26%
Segment operating income after tax (NOPAT)	**1,408**	**2,227**
Economic assets at December 31	15,505	17,430
Average economic assets	**16,459**	**16,233**
ROCE (2016 - 2020 plan)	**8.6%**	**13.7%**
Passenger car/Light truck tires & related distribution ROCE	7.6%	12.2%
Truck tires & related distribution ROCE	5.1%	10.8%
Specialty businesses & related distribution ROCE	14.6%	19.5%

As from 2021, ROCE will be measured by the Group by adding back amortization of acquired intangible assets and profit from equity-accounted companies to the numerator and goodwill, acquired intangible assets and investments in equity-accounted companies to economic assets in the denominator. For information, ROCE calculated according to this new method stood at 6.0% in 2020 versus 10.0% in 2019.

3.7 TREND INFORMATION

3.7.1 OUTLOOK

In 2021, in a still highly uncertain environment due to the unfolding health crisis, Passenger car and Light truck tire markets are expected to expand by 6% to 10% over the year, Truck tire markets by between 4% and 8%, and the Specialty markets by 8% to 12%. Based on this scenario, the Group expects to grow in line with the markets.

Considering the raw materials prices and exchange rates observed in early 2021, the Group also anticipates that these factors will have a negative impact on its 2021 results. Further enhancement of its mix and disciplined implementation of its pricing policy are nevertheless expected to have a positive impact on the Group's results, to a slightly larger extent than the impact expected on raw materials (including customs duties).

In light of the above factors, and barring any new systemic impact from Covid-19[1], Michelin's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow of around €1 billion.

3.7.2 RECENT EVENTS

Simplification and competitiveness project to support developments in the Group's operations in France

On January 6, 2021, the Group announced that it was deploying a more extensive simplification and competitiveness plan that will significantly improve the agility and performance of its manufacturing and office-based operations in France.

The plan, which is part of a broader co-construction and social dialogue process, will be supported by the negotiation of a three-year framework agreement that will not entail any layoffs or plant closures.

The Group reaffirms its growth ambitions in France, to consolidate its positioning in premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments.

The Group expects to improve its competitiveness by up to 5% a year in the corporate and administrative activities and by up to 5% a year in the manufacturing operations, which may vary depending on the plant's operations and competitive environment. This could mean position reductions of up to 2,300 over the next three years (up to 1,100 in the offices and up to 1,200 in the plants). Nearly 60% of the projected separations would be based on early retirement opportunities and the remainder on Group-supported voluntary severances. For every job eliminated, Michelin is committed to help to create another, either through the development of its new businesses or through its participation in local job market revitalization programs, within a realistic timeframe.

As of the date when the Group's consolidated financial statements were approved for publication, the project's final cost and terms had not yet been determined and no provision was recorded. Decisions will be regularly made and announced by the Group, based on identified needs and progress observed on projects.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

3.8 SHARE INFORMATION

3.8.1 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

- €18,717 million at December 31, 2020.

Average daily trading volume

- 548,883 shares since January 1, 2020.

(1) *Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.*

Indices

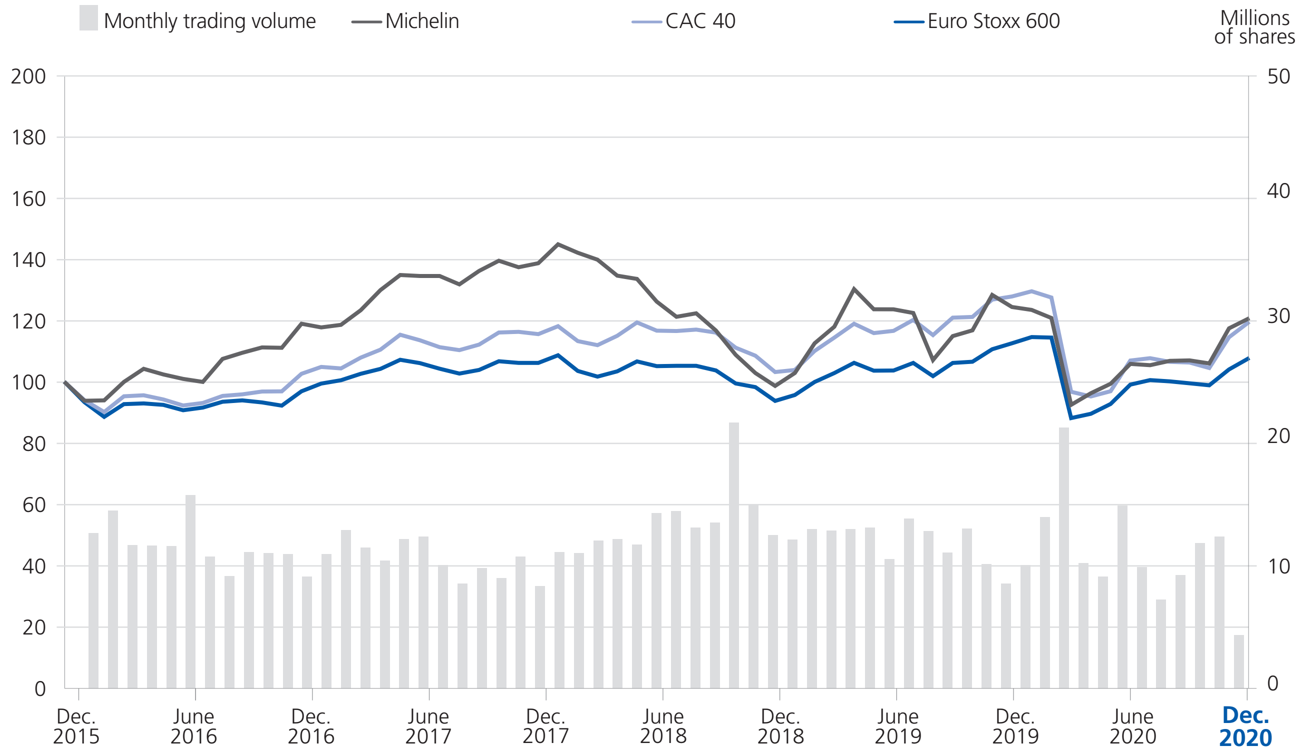
The Michelin share is included in two leading stock market indices:

- CAC 40: 1.48% of the index at December 31, 2020;
- Euronext 100: 0.59% of the index at December 31, 2020.

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

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

MICHELIN SHARE PERFORMANCE



3.8.2 SHARE DATA

Share price *(in €)*	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Session high	112.80	119.50	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	104.95	109.10	86.70	119.55	105.70	87.90
Average closing price over the period	95.49	104.36	109.40	115.65	91.97	90.26
Change in the Michelin share price over the period	-3.80%	25.84%	-27.48%	13.10%	20.25%	16.78%
Change in the CAC 40 index over the period	*-7.14%*	*26.37*	*-10.95%*	9.26%	4.86%	8.53%
Market capitalization *(end of the period, in € billions)*	**18.72**	**19.49**	**15.59**	**21.45**	**19.03**	**15.98**
Average daily trading volume over the period	548,883	577,545	649,347	503,534	554,262	719,709
Average shares outstanding	178,497,159	179,669,608	179,384,513	182,212,806	182,122,667	185,960,394
Volume of shares traded over the period	141,062,953	147,273,882	165,583,378	128,401,095	142,445,218	184,245,619
Share turnover rate	**79%**	**82%**	**92%**	**71%**	**78%**	**99%**

3.8.3 PER-SHARE DATA

(in € per share, except ratios)	2020	2019	2018	2017	2016
Net assets per share	**70.8**	74.1	67.8	62.7	59.1
Basic earnings per share	**3.52**	9.69	9.30	9.39	9.21
Diluted earnings per share[(1)]	**3.51**	9.66	9.25	9.34	9.03
PER	**29.8**	**11.3**	**9.3**	**12.7**	**11.5**
Dividend per share[(2)]	2.30	2.00	3.70	3.55	3.25
Payout ratio (without non-recurring items)	47.0%	19.5%	36.4%	36.0%	36.5%
Yield[(3)]	2.2%	1.8%	4.3%	3.0%	3.1%

(1) Earnings per share adjusted for the impact on net income and on average shares outstanding of the exercise of outstanding dilutive instruments.
(2) Subject to approval by the Annual Shareholders Meeting of May 21, 2021.
(3) Dividend/share price at December 31.

3.8.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2020, Michelin's share capital amounted to €356,680,172.

	At December 31, 2020			At December 31, 2019		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors		27.1	29.3		27.4	29.1
Non-resident institutional investors	3,938	61.8	57.1	3,735	61.3	57.1
Individual shareholders	136,935	9.1	11.4	141,628	9.5	11.8
Employee ownership plan	69,378	2.0	2.3	58,079	1.8	2.0
TOTAL	**210,251**	**178,340,086 SHARES[(1)]**	**243,584,598 VOTING RIGHTS**	**203,442**	**178,627,555 SHARES**	**240,861,826 VOTING RIGHTS**

(1) All fully paid up.

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

3.9 HIGHLIGHTS

3.9.1 STRATEGY

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

(January 23, 2020) – 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.

MICHELIN Guide France 2020 celebrates sustainable gastronomy with a new green star pictogram

(January 27, 2020) – In line with its "All Sustainable" vision, Michelin has introduced 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.

Covid-19: Michelin mobilizes to fight the pandemic

(April 2020) – As soon as the pandemic emerged, Michelin deployed a wide range of initiatives to protect employee health and maintain business continuity. The Group also mobilized all of its teams' capacity for innovation by deploying their research expertise in such areas as 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.

All of these solutions are described in more detail in the introduction to the Report of the Managers.

Michelin's CO_2 reduction targets approved by the SBTi

(May 21, 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. It also paves the way to achieving net zero emissions in all of the Group's plants by 2050.

Creation of a Corporate Social Responsibility Committee (CSRC) of the Supervisory Board and governance changes.

(June 24, 2020) – At the meeting held immediately 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 three independent Supervisory Board members, Monique Leroux (Chair), Anne-Sophie de La Bigne, and Jean-Michel Severino.

Michelin is working to speed the energy transition

(July 2020) – By joining the Coalition for the Energy of the Future and pledging to support the European Clean Hydrogen Alliance, Michelin is focusing on collective intelligence as a critical vector in its drive to reach carbon neutrality by 2050. Today, the Coalition brings together 11 international corporations in a shared commitment to addressing the challenges posed by sustainable mobility in the transportation and logistics industry. The Clean Hydrogen Alliance is dedicated to enabling the EU to reach carbon neutrality by 2050.

Michelin launches a global employee share ownership plan

(September 14, 2020) – Compagnie Générale des Établissements Michelin has announced the launch of a new employee share ownership plan giving Michelin employees the opportunity to purchase new shares of Company stock on preferential terms. The plan also offers employees an opportunity to deepen their stake in the Group's growth and expansion.

Michelin rolls out a new brand campaign

(September 15, 2020) – The new campaign showcases a range of mobility solutions designed to meet everyone's need for safer, cleaner, more enjoyable travel, everywhere around the world. As noted by Florent Menegaux, Chairman of the Michelin Group, "this is a critical investment for the brand's future and a way for us to support the recovery in both the Group's operations and the global economy." Rolled out in China, France and Germany in September, it will gradually be extended to a broader range of countries.

Michelin signs a €2.5-billion multi-currency revolving credit facility

(October 19, 2020) – Compagnie Générale des Établissements Michelin has arranged a new €2.5 billion multi-currency revolving credit facility with a group of 19 banks. Described as a back-up facility, it has been increased, along with the euro commercial paper program, in response to the Group's expansion. The facility includes a CSR clause that links its pricing to a set of sustainability performance targets that are material to the Group's businesses and important to its stakeholders: (i) the engagement rate of the Group's employees; (ii) the reduction in its Scope 1&2 greenhouse gas emissions; and (iii) the reduction in the environmental impact of its production plants.

Capital reduction – Cancellation of 1,097,540 treasury shares

(October 20, 2020) – Compagnie Générale des Établissements Michelin has decided to cancel 1,097,540 treasury shares, representing 0.61% of the total shares outstanding. The effective date of the resulting capital reduction was October 20, 2020, as indicated in the Euronext notice dated October 16, 2020. Following the capital reduction, the Company's issued share capital now consists of 177,543,801 shares.

Michelin successfully places three-tranche bond offering for a total of €1.5 billion

(October 26, 2020) – Michelin has placed a three-tranche bond offering for a total amount of €1.5 billion, with 8-, 12- and 20-year maturities respectively. The net proceeds were to be used to meet general corporate financing requirements.

Camso acquires Chicago-based Metro Industrial Tires

(October 30, 2020) – The acquisition of Metro Industrial Tires has strengthened Camso's off-the-road tire service and distribution presence in North America. It will also enable Camso to offer new and innovative ways to meet its customers' ever-changing needs.

Changes in Supervisory Board membership

(November 12, 2020) – On the recommendation of the Compensation and Appointments Committee, the members of the Supervisory Board unanimously decided to appoint Jean-Michel Severino, replacing Cyrille Poughon, who had resigned, as an independent member of the Board and as a member of its Corporate Social Responsibility Committee. The Supervisory Board also noted the appointment of Delphine Roussy and Jean-Christophe Laourde as new members of the Board representing employees. Taking into account these appointments, the Supervisory Board is now composed of 11 members, of whom two represent employees.

(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.

Camso, a Michelin Group company, opens a new production plant in the United States

(November 12, 2020) – Based in Junction City, Kansas, the new facility increases Camso's manufacturing footprint in North America to seven plants. Specialized in agricultural tracks, the facility will solidify Camso's leadership in the agricultural market. It will employ 50 people.

To promote safer roads, Michelin forms three key partnerships, with BNP Paribas Cardif, CGI, and Colas, with Essilor and with HDI Global

(November 18, 2020) – Michelin has further demonstrated that one of its core priorities is to make mobility safer, One example is the Better Driving Community initiative. The four partners are committed to shaping the future of mobility by harnessing the power of big data to raise awareness among their employees and the general public, develop innovative solutions, and nurture a community of engaged, proactive drivers. In addition, Michelin has also launched a worldwide campaign with Essilor. "Ensuring good vision for all road users" is now part of the official recommendations to achieve the UN road safety goals on a global scale. Michelin and HDI Global have also formed a partnership to help to prevent and reduce road risk for company vehicle fleets. The venture is expected to bring new connected solutions to market by 2022.

Fenner™ Precision Polymers acquires MAV S.p.A

(December 2, 2020) – Fenner™ Precision Polymers, a Michelin Group company and world leader in reinforced polymer technology, has announced the acquisition of MAV S.p.A., a leading European supplier of keyless-locking devices (KLD), shrink discs, rigid couplings and other metal products. Strong potential growth, market share gains and an opportunity to leverage the many advantages associated with a global supply chain are among the reasons cited for the acquisition.

The MICHELIN Guide announces its arrival in two new destinations, Slovenia and Moscow

(December 22, 2020) – Moscow has now been included in the list of new fine dining destinations curated by the MICHELIN Guide, which also celebrated Slovenian cuisine for the first time, in June of this year. Given that Michelin entered the Russian market almost immediately after the company's founding in 1889, the MICHELIN Guide's arrival in Moscow is a truly historic event.

Michelin launches a simplification and competitiveness project to support developments in its operations in France

(January 6, 2021) – To prepare for the future, Michelin has launched a three-year project to upgrade and transition its local manufacturing and corporate and administrative operations in France. As part of this process, the Group has reaffirmed its commitment to positioning France in the production of premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments. The simplification and competitiveness plan will be supported by an innovative social dialogue process.

3.9.2 INNOVATION

Fenner Precision Polymers acquires Fabri Cote

(February 3, 2020) – Fenner Precision Polymers has acquired Fabri Cote, a leader in the development and manufacture of custom rubber-coated fabrics for aerospace applications.

Michelin and Total subsidiary AS 24 join forces to design and trial a new connected solution

(February 24, 2020) – 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.

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

(February 27, 2020) – 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.

Fenner launches the new Eagle Poly-V line for roller conveyor applications

(March 2, 2020) – Fenner, the world leader in polyurethane conveyor belts, launches 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.

Michelin partners with Enviro to develop and mass produce an end-of life tire recycling technology

(April 15, 2020) – 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.

Rendezvousing with the future of sustainable mobility during "Digital meetings by Movin'On"

(June 3-4, 2020) – 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.

All four MICHELIN Power motorcycle tire ranges entirely refreshed.

(June 8, 2020) – 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.

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

(June 10, 2020) – 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.

New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life

(June 25, 2020) – 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, the 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.

Michelin upgrades its MICHELIN Track Connect solution

(July 17, 2020) – A pioneer in connected tires, Michelin has upgraded its MICHELIN Track Connect solution to add two new modes. In addition to the Leisure mode, which is already available in 26 countries, users can now access the Expert mode, which lets sports car owners optimize their performance and driving experience, and the Motorsport mode, which is designed for rally drivers. The upgrade further extends the Group's vision of connected mobility that is more sustainable and accessible to as many people as possible.

Michelin and its partners launch BlackCycle, a major European project for recycling end-of-life tires into new tires

(September 3, 2020) – Coordinated by Michelin, the European BlackCycle project aims to establish a circular tire economy by designing one of the world's very first processes to make new tires from end-of-life tires. The project's objective is that within five or six years, nearly half of all end-of-life tires in Europe will be recovered and reused in this virtuous circle. BlackCycle brings together seven industrial partners, five Research & Technological Organizations (RTOs) and an innovation cluster as part of a European consortium in five countries.

Michelin expands its X® MULTI™ truck tire range

(September 8, 2020) – Intended for regional transport, the new products will help trucking companies to improve their safety performance and lower operating costs. The incorporation of Michelin's latest patented technologies has also increased tread-life, by delivering up to 30% extra mileage.

Michelin wins the Sustainable Industry Award

(September 15, 2020) – Michelin has won the Sustainable Industry Award from French magazine Usine Nouvelle, honoring the "zero CO_2 emissions" challenge met by one of its 69 tire manufacturing plants, in Gravanches, France. The performance further demonstrates the Group's "All Sustainable" vision, particularly its goal of making all its plants carbon neutral by 2050.

Michelin is the proud winner of a 2020 digital acceleration award

(October 8, 2020) – Michelin has won an award in the "Transformation of Customer Relations" category at the "Grands Prix de l'Accélération Digitale" event organized by BFM Business. Michelin, which kicked off a far-reaching digital transformation five years ago, believes that digital technology provides a unique opportunity for it to get to know its customers better and provide them with personalized support. *"Our goal is to become a data-driven company, i.e., a company capable of making use of the data collected across all its activities, including R&D, manufacturing and the supply chain."* – Yves Caseau, Group Chief Information Officer.

Michelin unveils the eco-responsible MICHELIN e.Primacy tire made to last

(November 5, 2020) – MICHELIN e.Primacy is the first eco-responsible MICHELIN tire whose life-cycle assessment has been incorporated into its design, to address all of its lifetime environmental impacts. It is also the first tire on the market for which an Environmental Product Declaration (EPD) has been published. This advance could make a tire's environmental impact an additional purchasing criterion. At the 2020 Automobile Awards, the MICHELIN e.Primacy tire was voted "Best Tire of the Year" and honored with the special jury prize in the Green Innovation category.

Michelin and Pyrowave join forces to process engineer an innovative plastic waste recycling technology

(November 18, 2020) – Pyrowave, a pioneer in the electrification of chemical processes and in plastic recycling, and Michelin have signed an agreement to process engineer an innovative plastic waste recycling technology. The joint development agreement, which will ultimately represent an investment of more than €20 million, will result in the implementation of new value chains in the circular plastics economy. An initial industrial demonstrator will be developed by 2023.

Michelin has designed air cushion prototypes for patients in intensive care

(December 1, 2020) – Four months after development began in collaboration with the Amiens-Picardie University Hospital, Michelin has supplied 50 air cushion test kits for patients in intensive care. The program highlights Michelin's capacity for innovation and the potential bridges that exist between tire manufacturing and a multitude of other sectors like the health care industry. It offers yet another example of Michelin's initiatives to fight the pandemic, alongside 3D-printed components for artificial ventilators and the production of protective visors.

New MICHELIN Pilot Sport Cup N3 tires for the Porsche 911 GT3 Cup (992)

(December 14, 2020) – Michelin has designed the MICHELIN Pilot Sport Cup N3 for the new Porsche 911 GT3 Cup (992). For more than 20 years, the two brands have worked together as technical partners on both production models and race cars. The new tire is being produced in France at the Gravanches plant, which is powered exclusively by renewable energy.

3.9.3 MOTORSPORTS

Michelin and Symbio: creating the future of motorsports as partners of MissionH24

(June 10, 2020) – 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 cleaner mobility by using hydrogen fuel cell technology in endurance racing. The resulting on-track experience will be leveraged by Symbio and Michelin in their strategic commitment to becoming major enablers of hydrogen mobility in the coming years.

Michelin reaffirms its commitment to sustainable mobility by participating in the all-electric MotoE championship

(July 16, 2020) – For the second season of the FIM MotoE™ World Cup, Michelin introduced sustainable new tires made from regenerated and/or bio-sourced materials. The promising results delivered by the all-electric bikes represent a major milestone in the development of increasingly environmentally friendly tires and the wider deployment of eMobility solutions. For Michelin, motorsports remain a powerful laboratory for innovation, to meet the needs of all its customers.

A 23rd consecutive victory for Michelin at Le Mans 24 Hours Auto

(September 21, 2020) – By notching up its 23rd straight win at the Le Mans 24 Hours Auto, Michelin offered a further illustration of its "All Sustainable" vision, in particular through the long-lasting performance of its tires and the new tire distance record they set. Three months earlier, Michelin reaffirmed its commitment to eSports by participating in the Le Mans 24 Hours Virtual race. That compelling experience enabled Michelin not only to raise its brand profile with a new demographic, but also to pursue its innovation drive in two of its many core competencies: simulation and virtual design.

3.10 CONSOLIDATED KEY FIGURES AND RATIOS

(in € millions)	2020	2019	2018*	2017	2016
Sales	20,469	24,135	22,028	21,960	20,907
% change	-15.2%	+9.6%	+0.3%	+5.0%	-1.4%
Total employee benefit costs	5,996	6,365	6,038	5,871	5,542
as a % of sales	29.3%	26.4%	27.4%	26.7%	26.5%
Number of full-time equivalent employees at period-end	117,500	121,300	111,100	107,800	105,700
Research and development expenses	646	687	648	641	718
as a % of sales	3.2%	2.8%	2.9%	2.9%	3.4%
Segment EBITDA[1]	**3,631**	**4,763**	**4,119**	**4,087**	**4,084**
Segment operating income	1,878	3,009	2,775	2,742	2,692
Segment operating margin	9.2%	12.5%	12.6%	12.5%	12.9%
Operating income	1,403	2,691	2,550	2,631	2,791
Operating margin	6.9%	11.1%	11.6%	12.0%	13.3%
Cost of net debt	242	330	200	176	203
Other financial income and expenses	-14	(5)	16	0	20
Income before taxes	979	2,236	2,230	2,354	2,464
Income tax	354	506	570	661	797
Effective tax rate	36.2%	22.6%	25.6%	28.1%	32.3%
Net income	625	1,730	1,660	1,693	1,667
as a % of sales	3.1%	7.2%	7.5%	7.7%	8.0%
Dividends	357	666	637	585	522
Net cash from operating activities	**3,366**	**3,321**	**2,831**	**2,741**	**2,764**
as a % of sales	16.4%	13.8%	12.9%	12.5%	13.2%
Gross purchases of intangible assets and PP&E	1,221	1,801	1,669	1,771	1,811
as a % of sales	6.0%	7.5%	7.6%	8.1%	8.7%
Net debt[2]	3,531	5,184	4,056	716	944
Total equity	12,631	13,229	12,181	11,261	10,646
Gearing	28%	39%	33%	6%	9%
Net debt[2]/segment EBITDA[1]	0.97	1.09	0.98	0.18	0.23
Segment operating income/net interest expense[3]	7.9	10.1	13.3	15.9	13.3
Free cash flow[4]	2,004	1,142	-1,985	662	1,024
ROE[5]	4.9%	13.1%	13.6%	15.0%	15.7%
ROCE[6]	-	-	-	11.9%	12.1%
Operating ROCE[7]	8.6%	13.7%	14.0%	13.0%	-
PER SHARE DATA *(in €)*					
Net assets per share[8]	70.8	74.1	67.8	62.7	59.1
Basic earnings per share	3.52	9.69	9.30	9.39	9.21
Diluted earnings per share	3.51	9.66	9.25	9.34	9.03
Price-earnings ratio[9]	29.8	11.3	9.3	12.7	11.5
Dividend for the year[10]	2.30	2.00	3.70	3.55	3.25
Payout ratio[11]	47.0%	19.5%	36.4%	36.0%	36.5%
Yield[12]	2.2%	1.8%	4.3%	3.0%	3.1%
Share turnover rate[13]	79%	82%	92%	71%	78%

* *In the above table, the 2018 figures are stated as published in the 2019 Universal Registration Document. See note 2.5 to the consolidated financial statements for that year for details of restatements compared with the figures published in the 2018 Registration Document.*

(1) *As defined in note 3.7.2 to the consolidated financial statements.*

(2) *Net debt: financial liabilities less cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) plus/less derivative assets, as defined in note 26 to the consolidated financial statements.*

(3) *Net interest expense: interest financing expenses - interest income from cash and equivalents.*

(4) *Free cash flow: as calculated in section 3.5.3.*

(5) *ROE: net income attributable to shareholders divided by shareholders' equity excluding non-controlling interests.*

(6) *ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital), as defined in section 2.6 of the 2017 Registration Document.*

(7) *Operating ROCE: net segment operating profit after tax (NOPAT)/capital employed (intangible assets and PP&E + non-current financial assets + working capital - goodwill - acquired intangible assets and investments in equity-accounted companies), as calculated in section 3.6.*

(8) *Net assets per share: net assets/number of shares outstanding at the end of the period.*

(9) *Price-earnings ratio: share price at the end of the period/basic earnings per share.*

(10) *Subject to approval by the Annual Shareholders Meeting of May 21, 2021.*

(11) *Payout ratio: Dividend/net income excluding non-recurring items (adjusted with respect to the nominal tax rate).*

(12) *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.*

04. CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	2020	2019
Sales	5	20,469	24,135
Cost of sales		(14,754)	(17,053)
Gross income		**5,715**	**7,082**
Sales and marketing expenses		(1,197)	(1,380)
Research and development expenses		(646)	(687)
General and administrative expenses		(1,867)	(1,987)
Segment other income and expenses	8	(127)	(19)
Segment operating income	**5**	**1,878**	**3,009**
Other operating income and expenses	9	(475)	(318)
Operating income		**1,403**	**2,691**
Cost of net debt	10	(242)	(330)
Other financial income and expenses	10	(14)	(5)
Net interest on employee benefit obligations	27.1	(56)	(98)
Share of profit/(loss) from equity-accounted companies	17	(112)	(22)
Income before taxes		**979**	**2,236**
Income tax	11	(354)	(506)
NET INCOME		**625**	**1,730**
▶ Attributable to the shareholders of the Company		632	1,751
▶ Attributable to the non-controlling interests		(7)	(21)
EARNINGS PER SHARE *(in €)*	**12**		
▶ Basic		3.52	9.69
▶ Diluted		3.51	9.66

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	2020	2019
Net income		**625**	**1,730**
Post-employment benefits	27.1	145	(131)
Tax effect – Post-employment benefits	18	(33)	16
Equity instruments at fair value through OCI – changes in fair value	15.1	28	20
Tax effect – equity instruments at fair value through OCI	18	(7)	6
Other comprehensive income/(loss) that will not be reclassified to the income statement		***133***	***(89)***
Cash flow hedges – changes in fair value		16	46
Currency translation differences		(976)	201
Other		(2)	5
Other comprehensive income/(loss) that may be reclassified to the income statement		***(962)***	***252***
Other comprehensive income/(loss)		**(829)**	**163**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(204)**	**1,893**
▶ Attributable to the shareholders of the Company		(198)	1,914
▶ Attributable to the non-controlling interests		(6)	(21)

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2020	December 31, 2019[1]
Goodwill	13	2,136	2,388
Intangible assets	13	1,980	2,280
Property, plant and equipment (PP&E)	14.1	10,821	12,042
Right-of-use assets	14.2	1,083	1,127
Non-current financial assets and other non-current assets	15	865	796
Investments in equity-accounted companies	17	941	1,087
Deferred tax assets	18	729	814
Non-current assets		**18,555**	**20,534**
Inventories	19	3,959	4,694
Trade receivables	20	3,018	3,532
Current financial assets	21	429	396
Other current assets	22	929	1,055
Cash and cash equivalents	23	4,747	1,466
Current assets		**13,082**	**11,143**
TOTAL ASSETS		**31,637**	**31,677**
Share capital	24	357	357
Share premiums	24	2,746	2,789
Reserves	25	9,530	10,080
Non-controlling interests		(2)	3
Equity		**12,631**	**13,229**
Non-current financial liabilities	26	6,169	5,026
Non-current lease liabilities	26	801	897
Provisions for employee benefit obligations	27.1	3,700	3,873
Provisions and other non-current liabilities	29	775	1,104
Deferred tax liabilities	18	425	455
Non-current liabilities		**11,870**	**11,355**
Current financial liabilities	26	1,546	932
Current lease liabilities	26	222	226
Trade payables		2,291	2,627
Trade payables under reverse factoring agreements	3.26	437	470
Provisions and other current liabilities	30	2,640	2,838
Current liabilities		**7,136**	**7,093**
TOTAL EQUITY AND LIABILITIES		**31,637**	**31,677**

(1) The 2019 figures have been restated for comparison purposes (see note 2.7 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Share capital (note 24)	Share premiums (note 24)	Reserves (note 25)	Non-controlling interests	Total
At January 1, 2019	**360**	**2,923**	**8,875**	**23**	**12,181**
Net income/(loss)	-	-	1,751	(21)	1,730
Other comprehensive income/(loss)	-	-	163	-	163
Comprehensive income	**-**	**-**	**1,914**	**(21)**	**1,893**
Issuance of shares	-	4	-	-	4
Share buybacks	-	-	(141)	-	(141)
Cancellation of shares	(3)	(138)	141	-	-
Dividends and other appropriations	-	-	(675)	(1)	(676)
Share-based payments – current service cost	-	-	7	-	7
Sales of treasury shares	-	-	-	-	-
Other	-	-	(41)	2	(39)
At December 31, 2019	**357**	**2,789**	**10,080**	**3**	**13,229**
Net income/(loss)	-	-	632	(7)	625
Other comprehensive income/(loss)	-	-	(830)	1	(829)
Comprehensive income/(loss)	**-**	**-**	**(198)**	**(6)**	**(204)**
Issuance of shares	1	54	-	-	55
Share buybacks	-	-	(99)	-	(99)
Cancellation of shares	(2)	(97)	99	-	-
Dividends and other appropriations	-	-	(368)	-	(368)
Share-based payments – current service cost	-	-	14	-	14
Sales of treasury shares	-	-	-	-	-
Other	1	-	2	1	4
AT DECEMBER 31, 2020	**357**	**2,746**	**9,530**	**(2)**	**12,631**

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	2020	2019
Net income		625	1,730
Adjustments			
▶ Cost of net debt	10	242	330
▶ Other financial income and expenses	10	14	5
▶ Net interest on employee benefit obligations	27.1	56	98
▶ Income tax	11	354	506
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,753	1,754
▶ Other operating income and expenses	9	475	318
▶ Share of profit from equity-accounted companies	17	112	22
Segment EBITDA	**3.7.2**	**3,631**	**4,763**
Other operating income and expenses (cash) and change in provisions	31	(385)	(399)
Interest and other financial income and expenses received and paid, net	31	(265)	(325)
Income tax paid	18.2	(315)	(619)
Change in working capital, net of impairment	31	700	(99)
Net cash from operating activities		**3,366**	**3,321**
Purchases of intangible assets and PP&E	31	(1,369)	(1,782)
Proceeds from sales of intangible assets and PP&E		46	67
Equity investments in consolidated companies, net of cash acquired		(75)	(553)
Disposals of equity investments in consolidated companies, net of cash sold		5	128
Purchases of equity instruments at fair value		(15)	(15)
Disposals of equity instruments at fair value		45	17
Cash flows from other financial assets	31	(25)	(109)
Net cash from/(used in) investing activities		**(1,388)**	**(2,247)**
Proceeds from issuance of shares	24	55	4
Dividends paid to the shareholders of the Company	24	(357)	(665)
Cash flows relating to financial liabilities, net	31	1,784	(870)
Share buybacks	24	(99)	(141)
Other		(39)	(68)
Net cash from/(used in) financing activities		**1,344**	**(1,740)**
Effect of changes in exchange rates		**(41)**	**4**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,281**	**(662)**
Cash and cash equivalents at January 1		**1,466**	**2,128**
Cash and cash equivalents at December 31	**23**	**4,747**	**1,466**

Notes 1 to 37 are an integral part of the consolidated financial statements.

NOTES TO THE 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 market 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 consolidated financial statements were authorized for issue by the Managing Chairman on February 12, 2021.

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

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements:

- have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union as of the reporting date and with a mandatory application to the period then ended;
- also comply with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared using the historical cost convention, with the exception of unconsolidated equity investments and financial assets and liabilities (including derivatives), which are measured at fair value through profit and loss or other comprehensive income.

2.2 Accounting policies

The accounting policies applied in the preparation of the Group's consolidated financial statements are set out in note 3 "Accounting policies". Aside from the exceptions described in sections 2.3 and 2.7 below, these policies have been consistently applied to all the years presented.

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2020 in the European Union

The following amendments to IFRSs applied from January 1, 2020 have no 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 IFRS. 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 – Definition of a Business – Business Combinations

This amendment introduces a new 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 (Phase 1)

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.

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.

There are no other new standard, update and interpretation published and effective whose impact could be material for the Group.

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

As of the date when the Group's consolidated financial statements were approved for publication, the Group had not adopted the following new standards or amendments to existing standards that had been published but were not effective as of January 1, 2020:

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.

Amendment to IFRS 17 – Insurance Contracts – Recognition, Measurement and Presentation

The purpose of this amendment is to ensure that an entity provides relevant information that faithfully represents the contracts. The amendment is applicable from January 1, 2023.

Amendment to IAS 41 – Biological Transformation of Biological Assets

The amendment removes the requirement to exclude cash flows from taxation when measuring the fair value of biological assets using a discounting method. It aligns the fair value measurement requirements in IAS 41 with those in IFRS 13. The amendment is applicable from January 1, 2022.

Amendments to IAS 39 – IFRS 4 – IFRS7 – IFRS 9 – IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

Phase 2 of the project on IBOR reform and the effects on financial reporting addresses the accounting issues arising from changes made to financial contracts following the reform of an interest rate benchmark. Temporary exceptions from applying specific hedge accounting requirements are also planned. The amendments are applicable from January 1, 2021.

Amendments to IFRS 4 – IFRS 9 – IFRS 17 – Insurance Contracts

The amendments extend until January 1, 2023 the temporary exemption from applying IFRS 9 granted to insurance companies so that they can apply IFRS 9 and IFRS 17 simultaneously.

The impact of these new standards and amendments is currently being assessed by 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, hand sanitizer, mask manufacturing equipment and cleaning and disinfection costs, are reported in the consolidated income statement under "Segment other income and expenses" for €96 million (note 8). The Group's industrial output fell sharply in the second quarter, before picking up in the third and fourth quarters. 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 €152 million. The Group chose not to take advantage of any other governmental aid in France or in any other country (state-guaranteed loans, subsidies, deferrals of payments in particular).

During the first half of 2020, the Group 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.

During the second half of 2020, the Group raised €1.5 billion through a three-tranche bond issue (note 26).

The 2019 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 to the second half of 2020. More detailed information about the Group's liquidity risk management is provided in note 33 "Financial risk management".

The effects of the pandemic are reflected in the reported values of assets at December 31, 2020. Additional information is provided in the following notes:

- note 13.1 "Goodwill";
- note 17 "Investments in equity-accounted companies";
- note 18 "Taxes";
- note 20 "Trade receivables";
- note 33 "Financial risk management".

2.6 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires that management use 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.

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 business levels is expected in the second half of 2022.

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 business combinations and the assets' estimated useful lives, the definition of the enforceable period of a lease and the effect on revenue recognition of deferred customer discounts.

2.6.1 Impairment of non-financial assets

The cash-generating units' (CGU) future cash flows used to calculate value in use (note 3.17 "Impairment of non-financial assets") are derived mainly from 3 years forecasts, extended to 5 years, set out by the Group's. Strategic objectives are developed with the involvement of key people in the Business Department and Business Lines. 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.

Quantitative information is provided in note 13.1 "Goodwill".

2.6.2 Employee benefit obligations

The Group uses defined contribution plans which generally require, on top of the portion financed by the Group, a contribution from each salaried employee, defined as a percentage of their compensation.

Some subsidiaries also recognize liabilities for pension plans, jubilees and other post-employment benefits linked to rights acquired by the employees through plans specific to these subsidiaries or resulting from certain legal obligations.

The valuation of these benefits is carried out annually with the assistance of independent actuaries. The actuarial method used is the projected unit credit method.

In accordance with this method, statistical information and various assumptions are used in calculating the expenses, liabilities and assets related to the benefit plans. Assumptions mainly include the discount rate, the inflation rate, the long-term salary increase rate and the expected rate of growth in future medical costs. Statistical information is mainly related to demographic assumptions such as mortality, employee turnover, disability and retirement age.

Assumptions and statistical information are determined based on internal guidelines, in consultation with the actuaries.

The discount rates are determined based on actuarial models using the same maturity as the liabilities.

The rate of salary increases is determined by each country based on a long-term salary policy and takes into consideration all of the relevant factors including market practices, as well as career development, promotion and seniority, among other inputs.

The inflation rates, calculated over standard durations, are determined using several methods:

- by using actuarial models based on target rates published by central banks, forecasts from Consensus Economics and inflation swap curves;
- by taking the spread between inflation-linked bonds and conventional securities. The rates are then adjusted with a spread which represents the liquidity and risk premium embedded in the inflation-linked bonds;
- based on historical averages.

The other assumptions (retirement age, employee turnover, health care cost trend, mortality and disability) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force.

The actual data (such as inflation, mortality and real return on assets) may differ from the long-term actuarial assumptions used. The resulting difference is recognized as a gain or loss in other comprehensive income.

Quantitative information is provided in note 27 "Employee benefit obligations".

2.6.3 Income tax

Judgments and estimates are required to determine the amount of the deferred tax assets resulting from tax loss carryforwards or deductible temporary differences.

The expected reversal of tax losses is based on the forecast of future results validated by the local management and reviewed by the Group Tax and Accounting Departments. Analyses are also performed in order to ensure the consistency of the forecasts with the Group's strategic plans validated by management. Analyses to support the deferred tax positions are performed periodically, at a date as close as possible to the reporting date.

The period over which tax loss carryforwards are reversed is based on a reasonable time horizon, taking into account the specific circumstances of each Group company, such as:

- the origin of the historical tax losses (generally exceptional and non-recurring: restructuring, significant increases in production capacity, etc.);
- forecast future results;
- tax planning strategies;
- opportunities for internal reorganizations that will eliminate sources of losses;
- the time limit for recovering historical losses; and
- the maximum utilization rate of tax loss carry forwards in a given year.

Quantitative information is provided in notes 11 "Income tax" and 18 "Taxes".

The companies that make up the Group operate in different, and sometimes uncertain, legal and regulatory environments, including tax environments. They may be involved, in the normal course of business, in various types of litigation, disputes or other proceedings.

Each of the known disputes or ongoing proceedings in which the Group or one of the Group companies is involved was examined at the reporting date, where appropriate with the assistance of external consultants, and provisions have, if necessary, been booked to cover the estimated risks. The main ongoing tax audits are described in note 11 "Income taxes".

2.6.4 Goodwill, intangible assets acquired and their residual useful life

As part of its acquisitions, the Group identifies, measures and recognizes intangible assets (trademarks and customer relationships, for example) and determines their residual useful lives. The difference between the fair value of assets acquired and liabilities assumed, on the one hand, and the consideration transferred, on the other, represents goodwill, which is allocated to the CGUs or to the groups of CGUs benefiting from the synergies expected from the business combination. In order to perform the purchase price allocation, the Group takes into account the various strategic and operational objectives underlying the acquisition and relies on the expertise of valuation firms.

The value of assets and liabilities recognized on business combinations may be impacted in the future if judgments, estimates and key assumptions made at the time of the acquisition, such as revenue growth rate, operating margin or discount rates, should differ from reality.

2.6.5 Enforceable period of a lease

When the Group enters into a lease, it determines the enforceable period by taking into account all the economic facts and circumstances, as well as the options to extend and terminate the lease. This information is used to determine the most economically relevant end date for the lease.

For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option.

Consequently, the duration is selected to coincide with the initial term of the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

2.7 Restatement of comparative financial information at December 31, 2019

To improve the readability of the consolidated financial statements, right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position. The consolidated financial statements at December 31, 2019 have been restated for comparison purposes, as follows:

(in € millions)	December 31, 2019 reported	Reclassifications	December 31, 2019 restated
Goodwill	2,388	-	2,388
Intangible assets	2,280	-	2,280
Property, plant and equipment	13,169	(1,127)	12,042
Right-of-use assets	-	1,127	1,127
Non-current financial assets and other non-current assets	796	-	796
Investments in equity-accounted companies	1,087	-	1,087
Deferred tax assets	814	-	814
Non-current assets	**20,534**	**-**	**20,534**
Inventories	4,694	-	4,694
Trade receivables	3,532	-	3,532
Current financial assets	396	-	396
Other current assets	1,055	-	1,055
Cash and cash equivalents	1,466	-	1,466
Current assets	**11,143**	**-**	**11,143**
TOTAL ASSETS	**31,677**	**-**	**31,677**
Share capital	357	-	357
Share premiums	2,789	-	2,789
Reserves	10,080	-	10,080
Non-controlling interests	3	-	3
Equity	**13,229**	**-**	**13,229**
Non-current financial liabilities	5,923	(897)	5,026
Non-current lease liabilities	-	897	897
Provisions for employee benefit obligations	3,873	-	3,873
Provisions and other non-current liabilities	1,104	-	1,104
Deferred tax liabilities	455	-	455
Non-current liabilities	**11,355**		**11,355**
Current financial liabilities	1,158	(226)	932
Current lease liabilities	-	226	226
Trade payables	2,627	-	2,627
Trade payables under reverse factoring agreements	470	-	470
Provisions and other current liabilities	2,838	-	2,838
Current liabilities	**7,093**	**-**	**7,093**
TOTAL EQUITY AND LIABILITIES	**31,677**	**-**	**31,677**

NOTE 3 ACCOUNTING POLICIES

3.1 Consolidation

The Group's consolidated financial statements include all subsidiaries, joint ventures and associates of Compagnie Générale des Établissements Michelin.

The Group treats transactions with non-controlling interests, as long as they do not result in a change of control over the entities in question (no loss nor gain of control), as equity transactions having no impact on comprehensive income. Expenses relating to these transactions are directly accounted for in equity. At the date the Group gains control of an entity, the carrying amount of previously held non-controlling interests, if any, is adjusted to fair value and the difference is recognized in the income statement. All other related items previously recognized in other comprehensive income are reclassified to the income statement. When the Group loses control over an entity but keeps some non-controlling interests in the entity, the transaction is analyzed as an exchange, *i.e.*, the disposal of a controlling interest and the acquisition of a non-controlling interest.

Shareholdings in companies which are not subsidiaries, joint ventures or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.18 "Non-derivative financial assets").

3.1.1 Subsidiaries

The Group controls an entity when it has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances, as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless an impairment loss on the transferred asset arises on the transaction.

Group accounting policies are applied consistently by all subsidiaries.

3.1.2 Joint ventures and associates

Joint ventures are joint arrangements (arrangements over which the Group has joint control with one or more other parties) in which the Group has rights to the net assets. Joint control is defined as the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Generally, associates are entities in which the Group has a shareholding representing between 20% and 50% of the voting rights.

Investments in joint ventures and associates are accounted for using the equity method and are initially recognized at cost. The Group's investments in joint ventures and associates include goodwill identified at the acquisition date and are presented net of any accumulated impairment losses.

From the acquisition date to the date that significant influence ceases, the Group's share of its joint ventures' and associates' profits and losses, is recognized in the income statement and its share of movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the investee, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealized gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee. Unrealized losses are also eliminated unless an impairment loss on the transferred asset arises on the transaction.

The profit resulting from downstream transactions carried out with a joint venture or an associate is deducted from the Group's proportionate share in profit of equity-accounted company.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management.

The Managing Chairman regularly examines segment operating income to assess segment performance. He has therefore been identified as the chief operating decision maker of the Group.

3.3 Foreign currency

3.3.1 Presentation and functional currency

The financial statements of the Group entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate and corresponds for most of them to their local currency.

The consolidated financial statements are presented in euros (presentation currency), which is the Company's functional currency.

3.3.2 Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange differences on unconsolidated equity investments are included in other comprehensive income until the investment is sold.

3.3.3 Translation

The financial statements of the Group entities whose functional currency is different from the Group's presentation currency are translated into euros as follows: assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position, income and expenses are translated at the average rate for the period (as it is considered a reasonable approximation to actual rates at the transaction date), and all resulting exchange differences are recognized in other comprehensive income.

Cash flows are also translated at the average rate for the period. When an entity is disposed of, the translation differences accumulated in other comprehensive income are recycled to the income statement as part of the gain or loss on disposal.

On the acquisition of an entity, goodwill and fair value adjustments recognized are treated as assets and liabilities of the acquired entity and translated at the spot rate on the transaction date.

3.3.4 Exchange rates of major currencies

	Closing rates		Average rates	
Against the euro (EUR):	**2020**	**2019**	**2020**	**2019**
US dollar (USD)	1.228	1.119	1.141	1.120
Canadian dollar (CAD)	1.571	1.464	1.529	1.486
Mexican peso (MXN)	24.413	21.058	24.373	21.566
Brazilian real (BRL)	6.400	4.528	5.815	4.410
Pound sterling (GBP)	0.907	0.854	0.889	0.877
Chinese yuan (CNY)	8.020	7.820	7.873	7.733
Indian rupee (INR)	90.038	79.881	84.530	78.841
Thai baht (THB)	36.867	33.735	35.697	34.773

3.4 Derivative instruments

Derivative instruments are used to manage financial exposures.

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see hedging policy below).

All changes in fair value of derivatives not qualifying as hedges are recorded as financial income or expense in the period in which they arise.

The fair values of listed instruments are based on their market values.

For unlisted instruments, fair values are determined using mathematical models, such as option pricing models, or methods based on discounted future cash flows. These models take into account market data.

Embedded derivatives are recognized separately if they are not closely related to the host contract.

3.5 Hedging

Some derivative instruments are eligible for hedge accounting and are therefore designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges);
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategies. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives are accounted for differently depending on the type of hedge.

3.5.1 Fair value hedges

Changes in fair value of derivatives are recorded in financial income and expenses, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

3.5.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in other reserves. The ineffective portion of the gain or loss is recognized immediately in the income statement, in operating income (commodity price hedges) or financial income and expenses (interest rate hedges).

When options are used to hedge future transactions, only the changes in the options' intrinsic value are designated as hedging instruments. Changes in the intrinsic value and the time value in relation to the hedged item (“aligned time value”) are recorded in other reserves.

For forward contracts used to hedge future transactions, the Group designates all the changes in fair value (including the forward points) as hedging instruments. These changes in fair value are recorded in other reserves.

Amounts accumulated in other reserves are recognized in the income statement over the period during which the hedged item affects the profit and loss, as follows:

- when the hedged item is a non-financial asset (for example, a consolidated investment or an inventory), deferred gains or losses, as well as deferred gains or losses on the time value of the option or contract forward points are included in the initial cost of the asset;
- the gains or losses resulting from the interest rate hedge are recognized in financial income at the same time as the interest on the loans that are hedged.

When a hedging instrument is sold or expires, or when a hedging instrument no longer meets the criteria required to qualify for hedge accounting, the amount accumulated in other reserves at that date is immediately recognized in profit or loss.

3.5.3 Derivatives not qualifying for hedge accounting

Certain other derivative instruments, while offering effective economic hedging in terms of the Group's financial policy, do not meet the criteria for hedge accounting or have not been treated as hedging instruments (refer to the policy relating to derivative instruments, above). Changes in the market value of these derivatives must therefore be recognized in financial income and expenses. For example, foreign exchange derivatives used to hedge the currency exposure of financial assets and liabilities recognized in the consolidated statement of financial position are not designated as hedging instruments.

3.6 Fair value of financial instruments

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. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. 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). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value these instruments are observable, these instruments, essentially cash management financial assets and 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.

Specific valuation techniques used to value, generally internally, financial instruments include:

- quoted market prices or dealer quotes for similar instruments (level 1);
- the fair value of interest rate swaps calculated internally as the present value of the estimated future cash flows based on observable yield curves (level 2);
- the fair value of forward foreign exchange contracts determined internally using forward exchange rates at the date of the consolidated statement of financial position, with the resulting value discounted back to present value (level 2).

Other techniques, such as discounted cash flow analysis, are used internally to determine fair value for the remaining financial instruments (level 3).

When observable yield curves include negative interest rates, those are used without adjustment to determine the fair value of derivatives.

The Group assesses the counterparty risk included in the fair value of its over-the-counter derivatives for which there is no exchange of collateral. The Group includes the effect of its exposure to the credit risk of the counterparty or the counterparty's exposure to the credit risk of the Group. The valuation for long-term derivatives with no exchange of collateral is based on discounted cash flows using a rate including the counterparty credit risk.

3.7 Definition of certain indicators presented in the consolidated financial statements

3.7.1 Net debt

Net debt is made up of current and non-current financial liabilities (including lease liabilities), as they appear on the consolidated statement of financial position, less:

- cash and cash equivalents as they appear on the consolidated statement of financial position;
- derivative instruments included in "Current financial assets" and "Non-current financial assets" on the consolidated statement of financial position;
- cash management financial assets included in "Current financial assets" on the consolidated statement of financial position (these assets are highly liquid, little affected by interest rate risk and foreign currency risk); and
- borrowing collateral included in "Current financial assets" and "Non-current financial assets" on the consolidated statement of financial position.

3.7.2 Segment EBITDA

The Group defines Segment EBITDA as segment operating income less depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets allocated to segments.

3.8 Revenue recognition

The sale of tires, in the original equipment or replacement market, constitutes the major part of Group income. In the replacement market, tires are sold to distributors (wholesalers, specialist dealers, etc.) who are customers of the Group. These distributors have the full and complete possibility to use the tires for their own benefit, or to market them, and in this case, to fix the resale price. Furthermore, they carry the inventory risk.

The terms of sale offered by Group companies, in line with normal market practice, vary according to the customer category and the country in which the sales are made. They provide however, that the payment for the goods sold will be made in a period appreciably less than one year and there is therefore no reason to adjust the amount of consideration received from customers to take into account the effects of a financing component.

Each delivery of tires, either in the original equipment market with car manufacturers or in the replacement market, represents a distinct and separate performance obligation to be fulfilled at a point in time and which corresponds to the loading of goods or their delivery, in accordance with the underlying contract.

The warranties offered to the buyers cover design or manufacturing defects, which may appear as irregular or excessive tires wear under normal conditions of use. These warranties, which do not provide the customer with any supplementary guarantee, apart from the fact that the tire is exempt from defects, continue to be accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets".

The Group agrees, under certain conditions, to give trade concessions or to reimburse unsatisfied customers. Occasionally and under special circumstances, it also grants the right to return products already sold. This right gives rise to the recognition of a liability and a reduction in income, as well as an asset representing the Group's right to recover the goods that customers will return. In addition, the amount that the Group effectively receives for the tires delivered, as well as the revenue from sales recognized in the income statement, can vary as a result of deferred rebates stipulated in contractual agreements and/or at the start of marketing campaigns, which will be paid to the customers at the end of the reference period and depending on the achievement of qualitative or quantitative objectives set for that period. Their value is determined using the expected value method. The Group relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be given to customers. Income from ordinary activities is therefore recognized taking into account the uncertainty surrounding the different components of variable consideration and to the extent that it is highly probable that the outcome of this uncertainty will not give rise to a significant reduction in the amount of sales already recognized, once the uncertainty is resolved. The difference between the amounts invoiced to the customers and the level of income recorded from ordinary activities results in the recognition of a liability in respect of the future reimbursement under "Other current liabilities" in the consolidated statement of financial position.

The other sales categories essentially comprise the management of tires for commercial fleets and the supply of telematics services, where the main objective is greater fuel economy and fleet efficiency. The services supplied under these contracts consist of a single performance obligation satisfied over time for which the sales revenue is recognized according to the stage of completion, measured on the basis of the work performed and the costs incurred.

The Group may enter into multi-year agreements with customers, which include a commitment regarding its capacity to supply the products, in exchange for a specific amount of consideration. This is to be paid in advance of fulfillment of the obligations to supply the products, which will be spread over the duration of the contract. As such, this commitment is considered to be linked to the supply of the products and will be recognized as revenue as and when the supply obligations are fulfilled. When the payment is received, a contract liability is recognized and split between the line items "Provisions and other non-current liabilities" and "Provisions and other current liabilities" in the consolidated statement of financial position, depending on the date the performance obligations are fulfilled.

3.9 Cost of sales

Cost of sales for the Group's manufacturing activities comprises the costs of manufacturing products and the cost of goods purchased for resale.

It includes the purchase cost of raw materials, production costs directly related to the manufactured products and all production overheads, based on the normal capacity of manufacturing facilities.

Production overheads include depreciation of property, plant and equipment, amortization of intangible assets relating to production and write-downs of inventories.

Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present location and condition.

For non-manufacturing activities, especially customer services, cost of sales includes all the costs incurred to produce, administer or execute a service delivered in the distribution network. Cost of sales for these activities mainly comprises employee benefits expense, depreciation of plant and equipment, energy costs and the cost of acquiring and processing the data needed to produce the service.

3.10 Research and development expenses

Research costs cannot be capitalized. Development costs are capitalized as intangible assets when the conditions relating to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled.

Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

3.11 Segment operating income

Segment operating income measures the performance of the operating segments and is one of the Group's management indicators.

3.12 Other operating income and expenses

"Other operating income and expenses" records items that are not taken into account by management when measuring the performance of the operating segments due to their nature or their significant, unusual or abnormal characteristics. They include, in particular, the costs related to the reorganization and adaptation of activities and those related to major litigation (and the adjustments in the corresponding provisions), as well as impairment of goodwill and acquisition-related costs. Given the recent major acquisitions made by the Group, the amortization of trademarks and customer relationships recognized as part of a business combination is also recognized in other operating income and expenses. They also include gains and losses on disposals and changes in impairment of property, plant and equipment and intangible assets, acquisition price adjustments, as well as gains and losses related to changes in post-employment benefits. They are detailed in note 9 "Other operating income and expenses".

3.13 Income tax

Current and deferred taxes, plus any withholding tax on royalties and on distributions of retained earnings within the Group, are recorded in the consolidated income statement except if they relate to items recognized either in other comprehensive income or directly in equity, in which case they are also recognized, respectively, in other comprehensive income or directly in equity.

Current tax is based on the results of Group companies and is calculated according to local rules, including any adjustments to tax payable in respect of previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

A deferred tax asset or liability is recognized on initial recognition of transactions arising from business combinations and impacting the accounting or taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax loss carryforwards and the temporary differences can be offset.

Deferred tax is calculated on temporary differences arising from investments in subsidiaries, joint ventures, and associates: deferred tax assets are recognized if the reversal is under the entity's control and is also probable. Deferred tax liabilities are recognized unless their reversal is controlled and not probable.

Tax positions are analyzed periodically and if any positions are considered unlikely to be accepted by the tax authorities a provision is booked for the most probable amount in order to cover the risk. Assets/liabilities resulting from uncertain tax treatments are included in current or deferred tax assets or liabilities in the consolidated statement of financial position.

3.14 Business combinations and goodwill

When the Group obtains control of an entity, the business combination is valued and accounted for by applying the acquisition method. Goodwill is calculated at the acquisition date as the difference between:

- the fair value of the consideration transferred including, if any, the fair value of any contingent consideration; and
- the fair value at the acquisition date of the identifiable acquired assets, the liabilities and contingent liabilities assumed.

The valuation period for a business combination does not exceed 12 months after the acquisition date.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and that reflect the level at which the Group manages goodwill. Goodwill is tested for impairment annually.

3.15 Intangible assets

Intangible assets are recognized at cost. The cost of an intangible asset acquired as part of a business combination is its fair value at the acquisition date.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least once a year. Those with finite useful lives are amortized on a straight-line basis over their estimated useful life:

- Software: 3-7 years
- Brands and trademarks: 5-20 years
- Customer relationships: 5-20 years

3.16 Property, plant and equipment (PP&E)

Property, plant and equipment are measured at cost less accumulated depreciation and, when necessary, impairment.

The gross carrying amount includes the cost of acquisition or production cost and other costs directly attributable to the acquisition or the construction of the asset (including borrowing costs). Investment grants are initially accounted for as deferred income and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance costs are expensed as incurred. Other subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land, which is not depreciated. Depreciation of property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed. Depreciation is allocated to cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

The following depreciation periods, based on the expected useful lives of the respective assets, are applied throughout the Group:

- Buildings and general land and building installations: 25 years
- Petrochemical equipment: 25 years
- Industrial and commercial equipment: 2-12 years
- Computer and telecommunication equipment: 5 years
- Vehicles: 5 years
- Other: 5-12 years

The useful lives of the assets and their respective residual values are reviewed annually.

When assets are sold or otherwise disposed of, the difference between the net proceeds and the net carrying amounts of the assets is recognized in "Other operating income and expenses".

3.16.1 Leases

A contract is or contains a lease if it conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The Group assesses whether a contract is or contains a lease on the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Substantially all of the Group's leases are leases where the Group is the lessee. Leased assets are mainly real estate assets (points of sale for the Group's integrated distribution network, sales and administrative offices), passenger cars and forklifts.

Lease liabilities

Lease liabilities correspond to the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate.

For contracts that include a lease component and non-lease components (such as services), only the lease component is taken into account in calculating the present value.

The interest rate implicit in the lease is used as the discount rate if it can be readily determined. If the implicit rate cannot be readily determined, each Group entity uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability.

After initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease and reduced to reflect the lease payments made.

The carrying amount of the lease liability and the corresponding right-of-use asset is adjusted to reflect any change in the lease term, any change in the assessment of an option to purchase the underlying asset, any change in the amount that the lessee expects to have to pay to the lessor under the residual value guarantee or any change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Right-of-use assets

Right-of-use assets corresponding to leased property, plant and equipment are initially measured at cost, corresponding to the sum of the present value of the outstanding lease payments at the commencement date. Any lease payments made at or before the commencement date, any initial direct costs and an estimate of costs to be incurred by the Group in dismantling or restoring the underlying asset, are included in the value of the right-of-use asset, less any lease incentives.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the leased asset if the transfer of ownership of the leased asset is uncertain or is not provided for in the contract.

Enforceable period

The enforceable period of a lease is determined by taking into account all the economic facts and circumstances (such as contractual terms and conditions for the optional periods compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location), and contractual options to extend or terminate the lease. Consequently, for leases that are automatically renewable and the 3/6/9-year commercial leases that are common in France, the enforceable period can be longer than the period to the contractual end date. This information is used to determine the most economically relevant end date for the lease. For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option. Consequently, the duration is selected to coincide with the initial term of the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

Exceptions

Leases with a term not exceeding 12 months or concerning low-value assets (mainly computers, printers and tools) are not recognized in the consolidated statement of financial position.

The payments related to these leases are expensed on a straight-line basis over the duration of the contracts. Variable lease payments are expensed in the period in which the triggering event or situation occurs.

3.17 Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (goodwill, intangible assets or property, plant and equipment) may be lower than its carrying amount, the recoverable amount of the asset is measured and if needed, an impairment is recognized. Whether there is an indication of impairment or not, an annual impairment test is performed for goodwill, intangible assets with an indefinite useful life and intangible assets not ready for use, by comparing their carrying amount with their recoverable amount.

At individual asset level, indications of impairment generally relate to a fall in market value, technical obsolescence or an anticipated change of use. The recoverable amount is usually based on the market value.

At Group level, non-financial assets (including rights-of-use assets, note 3.16.1) are combined for impairment testing purposes in the smallest identifiable group of assets that generates cash flows that are largely independent of cash flows from other assets or groups of assets (cash-generating units – CGUs).

For the tire business, CGUs are based on industrial asset groups, generally production plants, working together to manufacture and provide product offerings that meet the needs of customers with similar expectations in homogeneous markets or market segments.

CGUs related to non-tire businesses (Services and Solutions, Experiences, High-Technology Materials and Distribution) generally cover the scope of each of these activities.

CGUs to which goodwill has been allocated are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment loss. For the purpose of impairment testing, goodwill is allocated to a CGU or group of CGUs on the same basis as that used by the Group's management to monitor the performance of the businesses and assess synergies deriving from business combinations.

CGUs to which no goodwill is allocated are tested for impairment only if there is an indication that they may be impaired. In assessing whether there is any indication that a CGU may be impaired, the Group has defined three indicators for the tire business CGUs. They measure respectively the trends (i) in the market served by the CGU, (ii) in financial performance through the cost of sales margin and (iii) in the use of the installed production capacity. For the non-tire business CGUs, as well as for the distribution CGUs, the indicator used to measure trends in financial performance serves as the triggering indicator for an impairment test.

Recoverable amount is the higher of value in use and fair value less costs of disposal.

For most CGUs, recoverable amount is based on value in use, which is equal to estimated future cash flows calculated using the weighted average cost of capital (WACC) as a discount rate. Future cash flows are mainly based on the CGUs' five-year cash flow forecasts plus a terminal value, measured by discounting projected cash flows using the WACC. The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt and a risk premium reflecting the risks associated with the countries where the assets are located. The gearing and the beta are based on data from comparable segments and take into account the specificities of certain activities.

The recoverable amount of the distribution CGUs is measured at fair value less costs of disposal. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

Any impairment loss is recognized first against goodwill, and any remaining amount is allocated among the other non-current assets, proportionally to their net carrying amounts at the closing date.

When the circumstances which previously caused non-financial assets to be impaired no longer apply, the impairment losses are reversed accordingly. However, goodwill impairment can never be reversed.

Changes in impairment losses, including any reversals, are recognized in “Other operating income and expenses”.

3.18 Non-derivative financial assets

3.18.1 Asset categories

The Group classifies and measures its debt instruments in the following categories depending on their alignment with “solely payment of principal and interest” (SPPI) criteria and with its business model:

- amortized cost: financial assets held to maturity in order to collect repayments from principal and interest;
- fair value through profit or loss: financial assets that do not meet the criteria to be classified as amortized costs (SPPI and HTC).

The Group measures all its unconsolidated equity investments at their fair value. When the Group chooses to use the irrevocable option to record fair value adjustments in other comprehensive income, the realized gains or losses on disposal are not recycled in the income statement. The impairment losses recognized on equity investments are not shown separately from the other changes in fair value.

3.18.2 Initial recognition and derecognition

Purchases and sales of non-derivative financial assets are recognized on the trade-date, *i.e.*, the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Non-derivative financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.18.3 Measurement

Loans and receivables are measured at amortized cost using the effective interest rate method.

Financial assets at fair value are valued by direct reference to a price quoted in an active market or on the basis of market assumptions (note 3.6 “Fair value of financial instruments”). Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through profit or loss are recognized immediately in other operating income and expenses.

Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through comprehensive income are recorded in other comprehensive income and never impact the income statement.

3.18.4 Impairment

At each reporting date, the Group looks for any objective indication of impairment of financial assets recorded at amortized cost.

The model for calculating the expected credit loss is determined on the basis of the counterparty rating and the associated default probability. The impairment loss is calculated over a period of 12 months given the non-deterioration of the credit risk of the counterparties. It is recognized in the income statement.

When the credit risk of a financial asset at amortized cost increases significantly, the expected credit loss is calculated over the life of the asset.

If there is no longer a reasonable way to recover the value of a financial asset at amortized cost, the asset is derecognized from the consolidated statement of financial position and impacts the income statement.

3.19 Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of raw materials, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor costs, other direct costs and production overheads based on the normal capacity of production facilities. Borrowing costs are expensed as incurred. The measurement of inventories and cost of sales using the standard cost method put in place by the Group, taking variances into account, is close to what would be obtained using the actual cost method.

Net realizable value is the estimated selling price less the estimated costs of completion and sale.

An impairment loss is recognized when net realizable value is lower than cost and is reversed when it becomes apparent that the circumstances which previously caused inventories to be written down below cost no longer exist. Indications of impairment include physical damage, obsolescence, slow-moving items, and market changes.

3.20 Trade receivables

Trade receivables are initially recognized at the amount unconditionally due by the customer. The Group manages its trade receivables in order to collect the contractual cash flows and measures its receivables at amortized cost, according to the effective interest rate method, after deduction of any impairment losses.

When payment terms are less than one year, the initial fair value and the subsequent amortized cost are equal to the nominal amount to the extent that the receivable does not include a significant financial component.

The Group applies the simplified approach provided under IFRS 9, which consists in calculating the expected credit loss over the life of the trade receivable. This model makes it possible to determine a credit loss expected at maturity for all trade receivables, as soon as they are recognized.

Expected credit losses are based on customer payment patterns that have been observed over 36 months, and trade credit losses historically recorded during this period.

An impairment loss is also recognized whenever there are objective indications that the Group will not be able to recover all amounts due under the terms of the original transaction. Bankruptcies, the use of legal procedures to protect against creditors, cases of known insolvency or disappearance of the debtor, late payments of more than six months, economic or political risks in the country of residence of the debtor, as well as the deterioration of the latter's solvency are all indicators that suggest that a trade receivable must be impaired. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash inflows at the initial effective interest rate. Before recognizing an impairment loss, the quality of the guarantees potentially obtained must be assessed, as well as the capacity to implement them. The impairment loss is recognized in "Sales and marketing expenses".

When the receivable is irrecoverable, it is canceled by offsetting it against the previously recognized impairment loss. Any subsequent cash inflows corresponding to previously derecognized receivables are recorded by reducing "Sales and marketing expenses" in the income statement.

3.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with initial maturities not exceeding three months. Term deposits maturing in more than three months, but with early withdrawal terms of less than three months with guaranteed capital and negligible withdrawal costs are also classified as cash and cash equivalents.

3.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are presented separately in reserves. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

3.23 Non-derivative financial liabilities

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs, and subsequently at amortized cost. Any difference between the issue proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at amortized cost. The remainder of the proceeds (after deducting the debt component), representing the value of the conversion option, is recognized in financial liabilities.

To the extent that borrowings are hedged by qualifying fair value hedges, the carrying amount of the hedged item is adjusted for the change in fair value attributable to the risk being hedged.

3.24 Employee benefit obligations

Wages, salaries, social security contributions, payments to defined contribution plans, annual leave and sick leave payments, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by the employees.

Where employee benefits, such as certain pension plans, other post-employment benefits and other long-term benefits, are provided by the Group, a liability or an asset and the related costs are recognized.

3.24.1 Pension and other post-employment benefits

Post-employment benefits are benefits payable after employment ceases. The Group provides retirement benefits for most of its employees, either directly or by contributing to independently administered funds. The benefits provided by the Group vary according to the legal, tax and economic situation in each country and are usually based on one or more factors such as employees' compensation, age and years of service. The obligations relate both to current retirees and to the entitlements of future retirees.

The Group provides post-employment benefits under defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group pays fixed contributions to fund managers or insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay the benefits expected by the beneficiaries.

The regular contributions are recognized as an expense for the year in which they are due and, as such, are included in cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

Group management policies regarding post-employment benefits have led to the transformation of defined benefit plans into defined contribution benefit plans since the early 2000s. Nevertheless, a significant portion of the post-employment benefit plans provided by the Group are still defined benefit plans. They are either externally funded plans (mainly pension plans), for which the plan assets are held separately in independently administered funds, or unfunded plans such as healthcare plans and end-of-service benefit plans.

Post-employment benefit obligations, and the related current service cost, are measured using the projected unit credit method.

A defined benefit plan is a plan that defines an amount of benefits that the Group is committed to pay to current and former employees.

All defined benefit plans are subject to actuarial valuations carried out annually for the largest plans and on a regular basis for other plans. These actuarial valuations are carried out with the help of independent actuaries. Actuarial assumptions, primarily discount rates, projected salary increase rates, inflation rates and expected growth in healthcare costs are incorporated into the actuarial valuations and reviewed annually.

The liabilities or assets recognized in the consolidated statement of financial position in respect of defined benefit plans correspond to the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. They take into account any unrecognized assets not available in the form of refunds or a reduction in future contributions.

The present value of the defined benefit obligation corresponds to the estimated future cash outflows, calculated using a discount rate established by reference to a market rate based on interest rates of high-quality corporate bonds that have maturities approximating the duration of the related post-employment benefit obligation.

A net asset is recognized only to the extent that it represents a future economic benefit that is actually available to the Group in the form of refunds from the plan or reductions in future contributions.

When a defined benefit plan is subject to a minimum funding requirement (MFR), the Group determines whether paying these contributions may give rise to a surplus in that defined benefit plan. To the extent that the surplus in the plan exceeds the available economic benefits, the Group immediately recognizes a decrease in the defined benefit asset or an increase in the defined benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Past service costs may arise when new defined benefit plans are set up, when changes to benefits payable under an existing defined benefit plan are introduced or when curtailments occur. They are recognized immediately in the income statement.

The Group's net benefit plan cost recognized in the income statement includes the current service cost for the period, curtailment and settlement gains and losses, past service cost, as well as actuarial gains and losses arising under other long-term benefit plans. Net interest on the net defined benefit liability (asset) is recognized outside operating income.

3.24.2 Share-based payments

Employee stock option plans

Benefits related to stock options, which may be granted to some Group employees, are measured at the grant date using the binomial option pricing model.

The grant date is the date when the Managing Chairman decides on the list of plan beneficiaries and the number of options granted to them.

The binomial model is based on the spot price for Company shares, the exercise price, the historical volatility of the shares (over a period equal to the expected lifetime of the option), a risk-free interest rate (zero coupon government bonds with a maturity equal to the expected lifetime of the option), and a dividend stream based on market expectations.

Benefits are spread over the period during which the services are rendered. They are recognized in "Segment other income and expenses".

Share grants and performance share plans

The Group may adopt plans to grant free shares of the Company to certain employees or to its Managers.

The grant date is the date when the Managing Chairman decides on the list of plan beneficiaries and the number of performance shares granted to them.

The fair value of the performance shares granted corresponds to the Company's share price on the grant date less:

- the present value of dividends that will not be received by the grantees during the vesting period;
- the value of the stock market performance condition on the grant date, which depends on the probability of the condition being fulfilled.

The number of shares that will ultimately be issued at the end of the vesting period depends on the extent to which the Group's performance and service conditions are met.

The total benefit cost is based on the fair value of the performance shares and the estimated number of shares that will ultimately be issued. This cost is recognized over the vesting period and is recognized in "Segment other income and expenses".

Employee share ownership plan

The Group may offer most of its employees the opportunity to participate in a share ownership plan allowing them to purchase Company shares.

These shares, which are subject to certain restrictions relating to their sale or transfer, may be purchased by the employees at a subscription price based on the Michelin share price, less a discount. The benefit granted to the employees equals the difference between the fair value of the shares acquired (after deducting the five-year lock-up cost) and the price paid by the employees, multiplied by the number of shares acquired.

The benefit granted to the employees is immediately expensed by the Group, as no vesting period applies, and is booked under Employee benefit costs – Share-based payments, within "Segment other income and expenses".

3.25 Provisions

Provisions are recognized when a legal or constructive obligation has been incurred that will probably lead to an outflow of resources that can be reasonably estimated.

Provisions for reorganizations and adaptation of activities are recognized when the Group has a detailed formal plan that has been announced.

Provisions are recorded at the net present value of the estimated cash outflows.

3.26 Trade payables

Trade payables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The Group has put in place paying agent agreements with several financial institutions. Under these agreements, the financial institution acts as a paying agent with respect to invoices due to suppliers who have entered into a bilateral agreement with the financial institution in order to be in position to factor their trade receivables from the Group.

The agreements' classification in trade payables is supported by a multi-criteria analysis. In particular:

- the factoring transaction is completely independent from the commercial relationship;
- the supplier has full discretion to decide – on a case-by-case basis – whether to factor its receivables;
- the date of payment to the supplier or the bank, whichever is the case, corresponds to the payment date shown on the invoice;
- the Group is not affected by the factoring cost because the discount is borne by the supplier and is paid directly to the bank.

Trade payables concerned by the program are presented separately in the consolidated statement of financial position under "Trade payables covered by reverse factoring contracts". In the consolidated statement of cash flows, these transactions are included in operating or investing activities (note 31 "Notes to the statement of cash flows").

NOTE 4 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 December 31, 2020	Note
Multistrada	Acquisition	March 6, 2019	final	4.2.1
Masternaut	Acquisition	May 22, 2019	final	4.2.2

4.1 Operations in 2020

During 2020, the Group completed several acquisitions that were individually not material, representing a total investment of €40 million.

4.2 Purchase price allocation for transactions carried out in 2019

4.2.1 Multistrada

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at December 31, 2020 amounted to €140 million, versus provisional goodwill of €164 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.

4.2.2 Masternaut

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at December 31, 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.

NOTE 5 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 Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

The operating segments' performance is measured mainly at the level of sales and segment operating income, according to the same measurement principles used in the consolidated income statement.

Segment assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, trade receivables and finished product inventories. Corporate intangible assets and property, plant and equipment are allocated to each segment in proportion to the amount of their directly attributed assets. The amounts provided to the Group's management in respect of operating segment assets are measured in a manner consistent with the consolidated financial statements. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

No operating liabilities are allocated to the segments in the internal report provided to the Group's management.

Segment information is as follows:

(in € millions)	2020 Automotive and related distribution	2020 Road transportation and related distribution	2020 Specialty businesses and related distribution	2020 Total	2019 Automotive and related distribution	2019 Road transportation and related distribution	2019 Specialty businesses and related distribution	2019 Total
PROFIT AND LOSS INFORMATION								
Sales	10,103	5,373	4,993	**20,469**	11,851	6,448	5,836	**24,135**
Segment operating income	839	302	737	**1,878**	1,321	597	1,091	**3,009**
As a percentage of sales	*8.3%*	*5.6%*	*14.8%*	***9.2%***	*11.1%*	*9.3%*	*18.7%*	***12.5%***
SEGMENT ASSETS								
Goodwill, PP&E, intangible assets and right-of-use assets	7,294	3,680	5,046	**16,020**	7,911	4,518	5,408	**17,837**
Finished product inventories	1,042	752	688	**2,482**	1,252	879	806	**2,937**
Trade receivables	1,359	984	675	**3,018**	1,589	1,094	849	**3,532**
Segment assets	**9,695**	**5,416**	**6,409**	**21,520**	**10,752**	**6,491**	**7,063**	**24,306**
Other information								
Capital expenditure	628	339	254	**1,221**	897	492	412	**1,801**

The Group derives 95.3% of its revenue (2019: 95.4%) from tire sales and sales related to the supply of tires to the original equipment or replacement market, plus sales of Fenner conveyor belts. In all, these sales total €19,497 million (2019: €23,024 million). Sales are recognized at the exact point in time when control of the goods is transferred to the customer.

Revenue recognized in 2020 deriving from commercial fleet tire management contracts and from contracts for the supply of telematics services, each of which being a performance obligation satisfied over time, amounts to €560 million (2019: €581 million), representing 2.7% of total sales (2019: 2.4%).

Segment reporting assets are reconciled to total Group assets as follows:

(in € millions)	December 31, 2020	December 31, 2019
Segment assets	**21,520**	**24,306**
Non-current financial assets and other non-current assets	865	796
Investments in equity-accounted companies	941	1,087
Deferred tax assets	729	814
Other net inventories (raw materials and supplies, work in progress)	1,477	1,757
Current financial assets	429	396
Other current assets	929	1,055
Cash and cash equivalents	4,747	1,466
TOTAL GROUP ASSETS	**31,637**	**31,677**

Information by region breaks down as follows:

(in € millions)	2020 Europe	2020 North America	2020 Other	2020 Total	2019 Europe	2019 North America	2019 Other	2019 Total
Sales	7,640	7,102	5,727	**20,469**	8,847	8,902	6,386	**24,135**
Goodwill, PP&E, intangible assets and right-of-use assets	6,572	4,997	4,451	**16,020**	6,850	5,817	5,170	**17,837**
Capital expenditure	561	284	376	**1,221**	822	460	519	**1,801**

Europe includes the Western and Eastern European countries. North America includes Mexico. Asian, South American, Middle Eastern, Oceanic and African countries are included in Other.

The Group sales information is based on the location of the customer.

Sales generated in France amounted to €1,762 million (2019: €2,113 million). Goodwill, intangible assets and PP&E located in France amounted to €2,418 million (2019: €2,488 million).

Approximately 80% of North American sales were generated in the United States in 2019 and 2020.

No single external customer accounted for 10% or more of the Group's sales in 2020 and 2019.

NOTE 6 EXPENSES BY NATURE

The following segment operating costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2020	2019
Raw materials and consumables used and changes in finished product inventories	(6,923)	(8,889)
Employee benefit costs	(5,970)	(6,423)
Transportation of goods	(1,095)	(1,232)
Depreciation and amortization(1)	(1,753)	(1,754)
Other expenses	(2,850)	(2,828)
EXPENSES BY NATURE	**(18,591)**	**(21,126)**

(1) Excluding amortization of trademarks and customer relationships acquired through business combinations.

NOTE 7 EMPLOYEE BENEFIT COSTS

Employee benefit costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2020	2019
Wages and salaries	(4,743)	(5,140)
Payroll taxes	(893)	(941)
Defined benefit plan costs (note 27.1)	(129)	(51)
Defined contribution plan costs (note 27.2)	(217)	(226)
Share-based payments – current service cost (note 25)	(14)	(7)
EMPLOYEE BENEFIT COSTS	**(5,996)**	**(6,365)**

The average number of employees in 2020 was 124,533 (2019: 128,850).

NOTE 8 SEGMENT OTHER INCOME AND EXPENSES

Segment other income and expenses are recognized in the income statement as follows:

(in € millions)	2020	2019
Employee share ownership plan cost (note 28.3)	(14)	-
Share-based payments – current service cost (note 28.2)	(17)	(7)
Other operating income/(expenses)	(96)	(12)
SEGMENT OTHER INCOME AND EXPENSES	**(127)**	**(19)**

The increase in segment other operating expenses in 2020 was mainly due to Covid-19-related purchases of face masks, hand sanitizer, mask manufacturing equipment, cleaning and disinfection costs, for €96 million (note 2.5).

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are detailed in the table below:

(in € millions)	2020	2019
Amortization of acquired trademarks and customer relationships (note 9.1)	(87)	(91)
Reorganization and adaptation of activities (note 9.2)	(59)	(174)
Impairment of non-current assets (note 9.3)	(285)	(146)
Employee benefit obligations (note 9.4)	(26)	58
Other (note 9.5)	(18)	35
OTHER OPERATING INCOME AND EXPENSES	**(475)**	**(318)**

9.1 Amortization of acquired trademarks and customer relationships

Amortization of intangible assets recognized in the course of a business combination amounts to €87 million in 2020 (2019: €91 million): €26 million related to amortization of brands or trademarks (2019: €28 million) and €61 million to amortization of customer relationships (2019: €63 million).

9.2 Reorganizations and adaptation of activities

9.2.1 Year ended December 31, 2020

Reorganization expense of €59 million recorded in 2020 included the cost of new reorganization plans that were individually not material and adjustments to existing provisions.

9.2.2 Year ended December 31, 2019

The Bamberg plant in Germany primarily manufactures 16-inch passenger car tires. In September 2019, the Group announced its decision to cease operations at the Bamberg plant by early 2021. The Group's priority is now to provide the plant's 858 employees with the support they need to face the consequences of this decision in the best possible conditions.

An expense amounting to €97 million was recognized, mainly to cover the cost of the employee-related aspects of the project, as well as the costs required to deploy the revitalization plan to help the impacted area.

In October 2019, the Group announced its intention to close the La Roche-sur-Yon plant in France, which specializes in the manufacture of truck tires, by the end of 2020. The Group's priority is to support each of the 619 employees in a joint process to build their future career, and a dedicated program fostering voluntary mobility has been set up.

An expense amounting to €73 million was recognized to cover the cost of the employee-related aspects of the project, as well as the costs necessary to convert the site.

9.3 Impairment of fixed assets

9.3.1 Year ended December 31, 2020

The Group has a plant in India that primarily manufactures premium truck tires, sold for the most part in the domestic market. In light of this market's growing structural difficulties, the Group revised its growth projections for the premium segment. Various initiatives to improve the plant's margins failed to deliver the hoped-for results and the carrying amount of this industrial asset was therefore written down in full, representing an impairment loss of €164 million.

In addition, impairment losses were recorded on the intangible assets of the Tablet online hotel reservation agency for €37 million and the intangible assets of Nextraq for €19 million.

9.3.2 Year ended December 31, 2019

Impairment losses of €146 million recorded in 2019 mainly concerned the Bamberg and La Roche-sur-Yon restructurings for €79 million.

9.4 Employee benefit obligations

9.4.1 Year ended December 31, 2020

No material events occurred in 2020.

9.4.2 Year ended December 31, 2019

In France, the transformations needed to align the supplementary pension plan with the requirements of government order 2019-697 dated July 3, 2019 led to the recognition of negative past service costs (income) in an amount of €68 million (note 27.1).

9.5 Other operating income and expenses

9.5.1 Year ended December 31, 2020

No material events occurred in 2020.

9.5.2 Year ended December 31, 2019

Net other operating income of €35 million includes the profit recognized in connection with the creation of the Symbio joint venture with Faurecia.

NOTE 10 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)	2020	2019
Interest expense	(199)	(263)
Interest expense on lease liabilities	(38)	(40)
Interest income	-	4
Interest rate derivatives	(7)	(33)
Fees on credit lines	(5)	(3)
Capitalized borrowing costs	7	5
COST OF NET DEBT	**(242)**	**(330)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	18	16
Currency remeasurement (including currency derivatives)	(19)	(9)
Other	(13)	(12)
OTHER FINANCIAL INCOME AND EXPENSES	**(14)**	**(5)**

10.1 Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group's financing activities are mostly centralized (note 33.1.2 "Liquidity risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 33.1.4 "Interest rate risk"). As a consequence:

- most borrowings are denominated in euros (note 26 "Financial liabilities");
- some of these borrowings are subsequently swapped into foreign currencies to finance the foreign subsidiaries; and
- derivatives are purchased to manage the interest rate risk in these currencies (note 16 "Derivative instruments").

This process is described in the summary table in note 33.2.3 "Interest rate risk".

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS and therefore they cannot be recognized as cash flow hedges as described in note 3.5 "Hedging". Fluctuations in the derivatives' fair values are therefore accounted for in the income statement. The decrease in fair value during the year amounted to €7 million (2019: decrease of €33 million) and is included in "Cost of net debt" under "Interest rate derivatives".

10.2 Ineffective hedges

The effectiveness of the hedge is determined at the beginning of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. A hedging relationship may become ineffective if the timing of the planned transaction changes from the original estimate.

There was no ineffective portion of cash flow hedges in 2020 (2019: €2 million gain, recorded under "Other financial income and expenses").

NOTE 11 INCOME TAX

11.1 Income tax expense

(in € millions)	2020	2019
Current tax expense (note 18.2)	(351)	(548)
Deferred tax benefit/(expense) (note 18.1)	(3)	42
INCOME TAX	**(354)**	**(506)**

Current tax includes €37 million of withholding tax on royalties and on retained earnings distributed between Group companies (2019: €56 million).

The Group's tax proof is presented in the table below:

(in € millions)	2020	2019
Income before taxes	**979**	**2,236**
Tax calculated using domestic tax rates applicable to income in the respective countries	(229)	(410)
Tax effect of:		
▶ untaxed transactions	(24)	15
▶ deferred tax assets not recognized during the period	(115)	(87)
▶ net change in unrecognized deferred tax assets	41	15
▶ changes in tax rates	14	3
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(34)	(51)
▶ other items	(7)	9
INCOME TAX	**(354)**	**(506)**

The Group has operations in various countries that have different tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary from year to year depending on the relative size of taxable incomes.

The difference between the Group's effective and theoretical tax rates can be explained mainly by deferred tax assets not recognized during the year and by withholding taxes, tax credits and other taxes not assessed on income before tax.

The utilization of deferred tax assets is periodically reviewed at the tax entity level and may lead to the recognition of previously unrecognized deferred tax assets. In 2020, the €41 million net change in unrecognized deferred tax assets primarily reflects temporary differences recognized in China.

11.2 Tax audit in Germany

Following a tax audit covering the years 2005 to 2009, a German subsidiary was notified in 2018 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 profit 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 Group has challenged all of the German tax administration's arguments.

On July 17, 2018, a procedure was initiated with the tax authorities 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. In addition, an appeal was lodged with a higher authority challenging the methodology used by the tax authorities and based on the Group’s average profit margin.

On December 16, 2019, the Group filed a Mutual Agreement Procedure (MAP) under the EU Arbitration Convention and the respective Double Tax Treaties, for the total reassessment amounting to €382 million.

In November 2020, the reassessment for the period 2005-2009 was revised downwards to €96 million from €382 million previously. The appeal lodged with a higher authority is still pending, based on the revised €96 million reassessment of the corporate income tax base.

In 2016, a second tax audit covering the years 2010 to 2014 was launched. As of December 31, 2020, the Group had yet not received any notice of reassessment in this respect.

In 2020, the perceived tax risk increased due to second half-year developments as well as the duration of pending proceedings. Consequently, the Group revised its estimate of the related provision.

NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year, excluding shares bought back by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. At December 31, 2020 the Company had two types of dilutive potential shares: stock options (note 28.1 "Employee stock option plans") and performance shares (note 28.2 "Performance share plans"). For stock options, when they are dilutive at the reporting date, the number of shares that could have been acquired at fair value is calculated based on the monetary value of the subscription rights attached to outstanding stock options. Fair value is determined for this purpose as the average annual market price of the Company's shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the stock options. Since performance shares are granted free of charge and are dilutive by definition, the number of shares that are expected to be issued is determined at the reporting date based on estimates.

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

Taking into account the change in the average share price in 2020, all the stock option plans, as described in note 28.1 "Employee stock option plans", are dilutive.

No share transactions affecting the weighted average number of shares used to calculate basic earnings per share and diluted earnings per share occurred after the end of the 2020 reporting period.

	2020	2019
Net income *(in € millions)*, excluding non-controlling interests	632	1,751
▶ Less, estimated General Partners' profit shares	(4)	(11)
Net income attributable to the shareholders of the Company used to calculate basic earnings per share	**628**	**1,740**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**178,310**	**179,512**
▶ Plus, adjustment for stock option plans	12	34
▶ Plus, adjustment for performance shares	848	607
Weighted average number of shares used to calculate diluted earnings per share	**179,170**	**180,153**
EARNINGS PER SHARE *(in €)*		
▶ Basic	3.52	9.69
▶ Diluted	3.51	9.66

NOTE 13 GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets are as follows:

(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)
Change 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	(242)	(201)	(443)
Additions (including new emission rights: €19 million)	-	200	200
Disposals	-	(55)	(55)
Change in scope of consolidation	19	-	19
Transfers and other	-	(23)	(23)
Gross carrying amounts at December 31, 2020	**2,225**	**4,018**	**6,243**
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
Change 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	5	77	82
Amortization	-	(265)	(265)
Net impairment	(33)	(47)	(80)
Disposals	-	35	35
Change in scope of consolidation	-	-	-
Transfers and other	(1)	(21)	(22)
Amortization and impairment at December 31, 2020	**(89)**	**(2,038)**	**(2,127)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**2,136**	**1,980**	**4,116**
Net carrying amounts at December 31, 2019	**2,388**	**2,280**	**4,668**

13.1 Goodwill

At December 31, 2020, goodwill allocated to the CGUs or groups of CGUs is as follows:

(in € millions)	December 31, 2020	December 31, 2019
Passenger car tires – global brands CGU group	358	382
Passenger car tires – regional brands CGU	150	177
Light truck and Truck tires CGU group	573	680
Mining CGU group	241	254
Two-wheel tires CGU	18	25
Off-the-road tires CGU	637	698
High-Tech Materials CGU group	159	154
Other CGUs	-	18
GOODWILL	**2,136**	**2,388**

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 2019 business levels is expected in 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.

Goodwill has been tested for impairment using the following two main assumptions:

- the terminal value takes into account an annual growth rate that depends on the type of business and the countries where the assets are located; the granularity of data used to determine growth rates was revised in 2020 and is now based on a more differentiated analysis of tire markets;
- the CGUs' future cash flows are discounted using the after-tax weighted average cost of capital (WACC) applied to after-tax cash flows. They are determined by geographical region taking into account the features of the business. 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 December 31, 2020 were stable compared with December 31, 2019.

After-tax discount rates and perpetual growth rates used in 2020 for terminal value calculations are presented in the table below:

(%)	WACC	Perpetual growth rate
Passenger car tires – global brands CGU group	7.6	1.5
Light truck and Truck tires CGU group	7.8	1.1
Passenger car tires – regional brands CGU	7.6	1.6
Mining CGU group	9.0	1.5
Two-wheel tires CGU	7.5	1.4
Off-the-road tires CGU	7.4	1.8
High-Tech Materials CGU group	8.3	2.5

A 50-basis point increase in WACC combined with a 100-basis point decrease in the perpetual growth rate applied to the groups of CGUs would not lead to the recognition of any significant impairment.

Sensitivity tests were performed on the business assumptions. In the current environment shaped by the Covid-19 crisis, the most relevant business assumption concerns the timing of the economic recovery. Under a scenario in which business volumes would not return to 2019 levels until the end of 2023, rather than the end of 2022, and a 100-bps reduction in the perpetual growth rate, an impairment loss of around €75 million would be recorded.

To take into account the effect of the application of IFRS 16, right-of-use assets have been included in the assets to be tested, the corresponding lease liabilities have been deducted from the value of the CGUs concerned and values in use include the lease payments determined previously, before IFRS 16 was applied. This pragmatic approach does not preclude other approaches to this subject that may be implemented in the future.

13.2 Intangible assets

In 2020, additions to intangible assets, amounting to €200 million (2019: €227 million), are detailed as follows:

- Software: €167 million
- Carbon emission rights: €19 million
- Other: €14 million

13.2.1 Software

The net carrying amount of software at December 31, 2020 was €645 million (2019: €653 million). Software is initially recognized at cost, including the cost of acquisition or production and other costs directly attributable to the acquisition or production of the software.

13.2.2 Brands and trademarks

At December 31, 2020, the net carrying amount of brands and trademarks in the consolidated statement of financial position was €363 million (2019: €432 million), of which €7 million related to brands and trademarks with indefinite useful lives. These amounts correspond mainly to the value of brands and trademarks recognized as part of business combinations.

13.2.3 Customer relationships

At December 31, 2020, the net carrying amount of customer relationships in the consolidated statement of financial position was €826 million (2019: €970 million). These amounts correspond primarily to the value of customer lists recognized in connection with business combinations (mainly Fenner and Camso).

13.2.4 Carbon emission rights

The emission rights received or purchased are recognized as an intangible asset at their price on the transaction date. If emission rights are not purchased, a government grant is recognized in liabilities for the same amount. The cost and liability corresponding to actual emissions and the income corresponding to the use of the government grant are accounted for using the price on the acquisition date. Net emission rights at December 31, 2020 amounted to 2.7 million tonnes (2019: 2.5 million tonnes), representing a value of €44 million (2019: €37 million). The liability corresponding to actual emissions in 2020 amounts to 0.7 million tonnes (2019: 0.8 million tonnes) representing a value of €13 million (2019: €13 million). It will be offset by the delivery of the acquired allowances.

13.2.5 Development costs

In 2019 and 2020, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfill six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM approval and when the margin generated by the purchase volumes proposed by the manufacturers is in line with Group objectives. In practice, the corresponding development costs are incurred at a stage of the project which is prior to OEM approval.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

14.1 Property, plant and equipment

Changes in property, plant and equipment are as follows:

(in € millions)	Land and buildings	Plant and industrial equipment	Other equipment	Total
Gross carrying amounts at January 1, 2019	**6,647**	**19,790**	**1,414**	**27,851**
Translation adjustments	116	356	23	495
Acquisitions	306	1,172	116	1,594
Disposals	(128)	(545)	(54)	(727)
Change in scope of consolidation	191	232	1	424
Transfers and other	(125)	92	43	10
Gross carrying amounts at December 31, 2019	**7,007**	**21,097**	**1,543**	**29,647**
Translation adjustments	(360)	(1,181)	(84)	(1,625)
Acquisitions	135	817	89	1,041
Disposals	(106)	(501)	(70)	(677)
Change in scope of consolidation	(2)	31	2	31
Transfers and other	32	(26)	(14)	(8)
Gross carrying amounts at December 31, 2020	**6,706**	**20,237**	**1,466**	**28,409**
Depreciation and impairment at January 1, 2019	**(2,961)**	**(12,557)**	**(1,021)**	**(16,539)**
Translation adjustments	(46)	(219)	(15)	(280)
Depreciation	(187)	(1,096)	(80)	(1,363)
Net impairment	(17)	(54)	-	(71)
Disposals	91	496	63	650
Change in scope of consolidation	-	1	2	3
Transfers and other	(2)	3	(6)	(5)
Depreciation and impairment at December 31, 2019	**(3,122)**	**(13,426)**	**(1,057)**	**(17,605)**
Translation adjustments	150	728	57	935
Depreciation	(191)	(1,074)	(81)	(1,346)
Net impairment	(75)	(106)	(12)	(193)
Disposals	90	477	61	628
Change in scope of consolidation	6	(8)	(1)	(3)
Transfers and other	(2)	1	(3)	(4)
Depreciation and impairment at December 31, 2020	**(3,144)**	**(13,408)**	**(1,036)**	**(17,588)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**3,562**	**6,829**	**430**	**10,821**
Net carrying amounts at December 31, 2019	**3,885**	**7,671**	**486**	**12,042**

PP&E in progress amount to €1,328 million (2019: €1,949 million).

Accumulated impairment losses amount to €449 million (2019: €386 million) (note 9.3.1).

Borrowing costs capitalized in 2020 in PP&E amounted to €7 million (2019: €5 million).

14.2 Right-of-use assets

Right-of-use assets can be analyzed as follows:

(in € millions)	Right-of-use assets Land and buildings	Right-of-use assets Plant and industrial equipment	Right-of-use assets Other equipment	Total
Gross carrying amounts at January 1, 2019	**267**	**1**	**134**	**402**
Translation adjustments	20	1	3	24
Change in accounting method	672	70	74	816
New leases	157	30	30	217
Disposals	(9)	(1)	(2)	(12)
Change in scope of consolidation	1	-	-	1
Transfers and other	(11)	(1)	(4)	(16)
Gross carrying amounts at December 31, 2019	**1,097**	**100**	**235**	**1,432**
Translation adjustments	(54)	(7)	(12)	(73)
New leases	132	42	36	210
Disposals	(28)	(12)	(14)	(54)
Change in scope of consolidation	2	-	-	2
Transfers and other	28	(4)	29	53
Gross carrying amounts at December 31, 2020	**1,177**	**119**	**274**	**1,570**
Depreciation and impairment at January 1, 2019	**(40)**	**-**	**(30)**	**(70)**
Translation adjustments	(2)	-	-	(2)
Change in accounting method	(19)	(1)	-	(20)
Depreciation	(148)	(34)	(44)	(226)
Net impairment	(1)	-	-	(1)
Disposals	9	1	2	12
Change in scope of consolidation	-	-	-	-
Transfers and other	(7)	8	1	2
Depreciation and impairment at December 31, 2019	**(208)**	**(26)**	**(71)**	**(305)**
Translation adjustments	11	2	3	16
Depreciation	(146)	(36)	(47)	(229)
Net impairment	(11)	-	-	(11)
Disposals	28	12	14	54
Change in scope of consolidation	-	-	-	-
Transfers and other	(18)	8	(2)	(12)
Depreciation and impairment at December 31, 2020	**(344)**	**(40)**	**(103)**	**(487)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**833**	**79**	**171**	**1,083**
Net carrying amounts at December 31, 2019	889	74	164	1,127

Some leases are recorded directly as an expense in the income statement on a straight-line basis over the life of the lease.

This is the case for:

- short-term leases, representing an expense of €33 million in 2020 (2019: €40 million);
- leases of low-value assets, representing an expense of €40 million for the year (2019: €41 million);
- variable lease payments not taken into account to determine the lease liability, representing an expense of €16 million (2019: €24 million).

Undiscounted future lease payments are analyzed by maturity in note 33.2.1 "Liquidity risk".

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

The carrying amount of the non-current financial assets and other non-current assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Equity investments (note 15.1)	229	237
Loans and deposits (note 15.2)	294	277
Derivative instruments (note 16.1)	101	127
Pension plan surpluses (note 27.1)	211	45
Other	30	110
NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS	**865**	**796**

15.1 Unconsolidated equity investments

Unconsolidated equity investments consist primarily of a portfolio of shares in unlisted companies (note 33.4 "Classification of financial assets").

Movements in the portfolio during the year are presented in the table below:

(in € millions)	2020	2019
At January 1	**237**	**233**
Translation adjustments	(5)	2
Acquisitions	14	15
Disposals	(45)	(17)
Change in scope of consolidation	-	1
Fair value changes	28	3
AT DECEMBER 31	**229**	**237**

15.2 Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Gross loans and deposits	335	320
Impairment	(41)	(43)
TOTAL	**294**	**277**

The balance includes loans to employees and customers, as well as loans to equity-accounted entities.

NOTE 16 DERIVATIVE INSTRUMENTS

As mentioned in note 3.5 "Hedging", some derivatives, while complying with the Group's financial risk management policies, do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

16.1 Derivatives recognized in assets

(in € millions)	December 31, 2020	December 31, 2019
Derivatives qualifying as fair value hedges		-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	45	74
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	38	14
▶ Interest-rate derivatives	-	-
▶ Other derivatives(1)	18	39
Non-current derivative instruments (note 15)	**101**	**127**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	2	2
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	1
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	49	18
▶ Interest-rate derivatives	-	-
▶ Other derivatives	1	-
Current derivative instruments (note 21)	**52**	**21**
TOTAL ASSETS	**153**	**148**

(1) Corresponds to financial instruments acquired as hedges of the options embedded in convertible bonds (note 26.1).

The Group grants cash collateral to cover counterparties' credit risk on derivatives with a positive fair value. Collateral received at December 31, 2020 amounted to €22 million (2019: €103 million).

16.2 Derivatives recognized in liabilities

(in € millions)	December 31, 2020	December 31, 2019
Derivatives qualifying as fair value hedges		-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	21	-
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	23	131
▶ Interest-rate derivatives	5	3
▶ Other derivatives[(1)]	18	39
Non-current derivative instruments (note 26)	**67**	**173**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	1	1
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	1
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	49	19
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Current derivative instruments (note 26)	**50**	**21**
TOTAL LIABILITIES	**117**	**194**

(1) Corresponds to the options embedded in convertible bonds (note 26.1).

The Group holds cash collateral covering its credit risk on derivatives with a negative fair value. Collateral received at December 31, 2020 amounted to €49 million (2019: €58 million).

16.3 Derivative contractual amounts

The contractual amounts of derivative instruments are presented in the table below:

	December 31, 2020			December 31, 2019		
(in € millions)	Current	Non-current	Total	Current	Non-current	Total
Currency derivatives	3,799	1,306	5,105	3,340	1,736	5,076
Interest rate derivatives	81	81	162	19	89	108
Other	-	1,954	1,954	-	2,144	2,144
Derivatives not qualifying for hedge accounting	**3,880**	**3,341**	**7,221**	**3,359**	**3,969**	**7,328**
Interest rate derivatives	-	-	-	-	-	-
Derivatives qualifying as fair value hedges	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives	57	981	1,038	63	1,011	1,074
Interest rate derivatives	-	-	-	-	-	-
Other	4	1	5	12	1	13
Derivatives qualifying as cash flow hedges	**61**	**982**	**1,043**	**75**	**1,012**	**1,087**
TOTAL	**3,941**	**4,323**	**8,264**	**3,434**	**4,981**	**8,415**

The "Other" derivatives not qualifying for hedge accounting include options related to convertible bonds in USD (note 16.1, 16.2 and 26).

16.4 Hedge accounting

Summarized financial data for hedging instruments are set out in the table below:

(in € millions)	Notional amount of the hedging instrument	Carrying amount of the hedging instrument in assets/(liabilities)	Cash flow hedge reserve	Amount recognized in profit or loss	Line item affected in profit or loss
DERIVATIVES QUALIFYING AS CASH FLOW HEDGES					
Forward foreign exchange contracts on bonds denominated in foreign currencies	941	22	26	(67)	Cost of net debt/ Other financial income and expense
Commodity price risk – forward purchase contracts	5	-	(1)	(4)	Operating income
Interest rate swaps	-	-	(19)	(2)	Cost of net debt
Interest component of cross currency swaps	70	4	-	-	Cost of net debt
Forward foreign exchange contracts on forecast sales	17	(1)	1	1	Operating income
Hedges of currency risk on raw materials purchases	9	-	-	-	Operating income
Current and non-current hedging instruments	**1,042**	**25**	**7**	**(72)**	

Gains and losses on cash flow hedges are included in equity, under “Other reserves” (note 25 “Reserves“). These reserves are used to recognize the effective portion of derivatives that qualify for hedge accounting (note 3.5.2 “Cash flow hedges“). The gains and losses accumulated in the reserve are subsequently reclassified as part of the initial cost of a non-financial asset or transferred to the income statement. Cash flow hedge reserves correspond mainly to advance hedging of interest rate risks on the August 2018 bond issues for €19 million and hedges of currency risk on dollar-denominated convertible bonds for €26 million. (note 26.1 “Bonds and commercial paper“). The gains and losses are transferred to the income statement when the interest on the hedged bonds affects profit or loss.

NOTE 17 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Associates and joint ventures are listed in note 36 "List of consolidated companies" to the consolidated financial statements.

17.1 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)
Changes 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	(14)	(59)	(73)
Impairment	(38)	-	(38)
Dividends	(6)	-	(6)
Changes in scope of consolidation/capital increases	2	28	30
Currency translation differences	(6)	(52)	(58)
Other/reclassifications	(5)	4	(1)
AT DECEMBER 31, 2020	**144**	**797**	**941**

The main equity-accounted company is TBC (note 17.2). None of the other companies represent individually material investments.

In the consolidated income statement, the line "Share of profit/(loss) from equity accounted companies" also includes the remeasurement at fair value of investments previously accounted for by the equity method and of which the Group has taken control.

The Group considered that the Covid-19 crisis was an indicator of impairment and investments in some equity-accounted companies were therefore tested for impairment. These tests led to the recognition of an impairment loss of €38 million on the Group's investment in a tire distribution company (note 2.5).

17.2 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)	December 31, 2020	December 31, 2019
Current assets	1,396	1,543
▶ *of which cash and cash equivalents*	*251*	*49*
Non-current assets	1,677	1,949
▶ *of which goodwill*	*127*	*140*
Total assets	**3,073**	**3,492**
Current liabilities	902	1,037
▶ *of which current financial liabilities*	*135*	*294*
Non-current liabilities	1,193	1,341
▶ *of which non-current financial liabilities*	*1,068*	*1,190*
Equity	978	1,114
Total liabilities and equity	**3,073**	**3,492**

(in € millions)	2020	2019
Sales	4,278	4,401
Interest income	1	1
Interest expense	(72)	(53)
Depreciation and amortization	(244)	(164)
Income tax benefit	5	14
Net loss (a)	(39)	(32)
Income statement impact of elimination of profit from downstream transactions (net of tax) *(b)*	7	6
SHARE OF NET LOSS 50% X *(A)* + *(B)*	**(13)**	**(10)**

(in € millions)	December 31, 2020	December 31, 2019
Net assets (including goodwill)	**978**	**1,114**
Share of net assets (including goodwill) = 50%	489	557
Elimination of profit from downstream transactions (net of tax)	(19)	(29)
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	**470**	**528**

17.3 Financial information about equity-accounted companies

The financial statements of equity-accounted companies other than TBC, which are not material taken individually, include the following amounts (information presented on a 100% basis):

(in € millions)	2020	2019
Assets	2,277	2,168
Liabilities	1,488	1,263
Sales	3,045	2,926
Net income/(loss)	(150)	(76)

17.4 Transactions with equity-accounted companies (related parties)

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € millions)	2020	2019
INCOME STATEMENT		
Income for the sale of goods or supply of services	254	463
Expenses for the purchase of products or supply of services	(184)	(180)
STATEMENT OF FINANCIAL POSITION		
Financial liabilities	(6)	(5)
Trade payables	(7)	(6)
Financial assets	284	274
Accounts receivable	139	183

NOTE 18 TAXES

18.1 Deferred taxes

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

(in € millions)	December 31, 2020	December 31, 2019
Deferred tax assets	729	814
Deferred tax liabilities	(425)	(455)
NET DEFERRED TAX ASSET	**304**	**359**

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € millions)	December 31, 2020	December 31, 2019
Employee benefit obligations	604	694
Inventories	102	112
Financial instruments	55	99
Provisions	44	51
Unused tax losses	132	158
Unused tax credits	1	1
Goodwill and intangible assets	(274)	(338)
Property, plant and equipment (PP&E)	(543)	(614)
Other	183	196
NET DEFERRED TAX ASSET	**304**	**359**

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, taking into account the restrictions applicable in local tax jurisdictions. 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. The Covid-19 crisis did not have any material impact on the projections supporting the recognition of deferred tax assets.

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	1	(9)
Deferred tax benefit/(expense) (note 11)	(3)	42
Tax recognized in other comprehensive income	(40)	13
Changes in the scope of consolidation	(11)	(4)
Other	(2)	-
AT DECEMBER 31	**304**	**359**

In 2020, the reduction in net deferred taxes was due mainly to the change in taxes recorded in other comprehensive income in respect of post-employment benefit obligations. In addition, deferred taxes were recognized upon finalization of the purchase price allocation of Multistrada (note 4.2.1).

In 2019, excluding the impact of tax recognized in other comprehensive income and translation adjustments, the increase in net deferred taxes was mainly due to the recognition of deferred tax assets of €47 million on tax losses incurred during the year in Mexico and Germany.

The deferred income tax recognized in other comprehensive income is as follows:

(in € millions)	December 31, 2020	December 31, 2019
Post-employment benefits	312	345
Unconsolidated equity investments and other financial instruments	(26)	20
TOTAL DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**286**	**325**

In 2020, the change in deferred tax recognized in other comprehensive income primarily reflects decreased pension benefit obligations.

Unrecognized deferred tax assets break down as follows:

(in € millions)	December 31, 2020	December 31, 2019
Deductible temporary differences	**139**	**121**
Tax losses:		
▶ of which expiring in less than one year	8	17
▶ of which expiring in one to five years	43	80
▶ of which expiring in more than five years	26	45
▶ of which evergreen	301	336
Total tax losses	**378**	**478**
Tax credits	**5**	**5**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**522**	**604**

Unrecognized deferred tax assets in the amount of €378 million mainly concern the tax losses of certain companies in the United Kingdom and India that are not certain of generating sufficient taxable profit in the coming years and that are subject to certain restrictions concerning the use of the losses:

- In the United Kingdom, tax losses can be carried forward indefinitely but only 50% of the loss can be set off against taxable profit in excess of £5 million;
- In India, operating tax loss carryforwards expire after eight years but there is no limit on the remaining balance.

18.2 Current taxes

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

(in € millions)	2020	2019
Taxes receivables (note 22)	317	322
Taxes payable (note 30)	(145)	(203)
Net total at January 1	**172**	**119**
Current tax expense (note 11)	(351)	(548)
Income tax paid	315	619
Changes in the scope of consolidation	-	(19)
Translation adjustments and other	2	1
Total changes	**(34)**	**53**
Taxes receivables (note 22)	324	317
Taxes payable (note 30)	(186)	(145)
NET TOTAL AT DECEMBER 31	**138**	**172**

NOTE 19 INVENTORIES

Inventories include the following:

(in € millions)	December 31, 2020	December 31, 2019
Raw materials and supplies	1,066	1,333
Work in progress	438	467
Finished goods	2,541	2,994
Total gross inventory	**4,045**	**4,794**
Impairment of raw materials and supplies	(26)	(42)
Impairment of work in progress	(1)	(1)
Impairment of finished goods	(59)	(57)
Total impairment	**(86)**	**(100)**
NET INVENTORY	**3,959**	**4,694**

Movements in inventory write-downs were as follows:

(in € millions)	2020	2019
At January 1	**(100)**	**(91)**
Translation adjustments and other	7	(1)
Change in scope of consolidation	(1)	(3)
Impairment of inventories recognized as an expense in the period	(36)	(43)
Impairment reversals	44	38
AT DECEMBER 31	**(86)**	**(100)**

NOTE 20 TRADE RECEIVABLES

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

(in € millions)	December 31, 2020	December 31, 2019
Gross trade receivables	3,126	3,629
Impairment	(108)	(97)
TRADE RECEIVABLES	**3,018**	**3,532**

All trade receivables are due within 12 months.

The following table presents an aging analysis of trade receivables at December 31, 2020:

(in € millions)	Gross	Impairment	Net
Trade receivables not yet due	**2,815**	**(16)**	**2,799**
Overdue			
▶ by less than three months	147	(1)	146
▶ between three and six months	19	(3)	16
▶ by more than six months	145	(88)	57
Overdue trade receivables	**311**	**(92)**	**219**
TRADE RECEIVABLES	**3,126**	**(108)**	**3,018**

Movements in impairment are analyzed in the table below:

(in € millions)	2020	2019
At January 1	**(97)**	**(103)**
Translation adjustments and other	5	(1)
Impairment of inventories recognized as an expense in the period	(51)	(50)
Impairment reversals	34	56
Change in scope of consolidation	1	1
AT DECEMBER 31	**(108)**	**(97)**

Impairment provisions of €18 million were reversed during the period following the write-off of the underlying receivables (2019: €26 million). The Covid-19 health crisis (note 2.5) did not modify the assumptions used to determine the expected credit losses.

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of current financial assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Loans and deposits	92	195
Cash management financial assets (note 26)	285	180
Derivative instruments (note 16.1)	52	21
CURRENT FINANCIAL ASSETS	**429**	**396**

Although cash management financial assets are highly liquid and have very limited exposure to interest rate risk, they do not strictly fulfill the criteria for classification as cash and cash equivalents (note 3.21 "Cash and cash equivalents"). Cash management financial assets are measured at amortized cost (note 3.18 "Non-derivative financial assets").

Loans and deposits include collateral exchanged with financial institutions of €22 million (2019: €103 million) that is not freely available.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Prepayments to suppliers	99	153
Income tax payable	324	317
Other taxes receivable	240	265
Other	271	325
Impairment	(5)	(5)
OTHER CURRENT ASSETS	**929**	**1,055**

Other taxes receivable mainly concern VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Money-market funds	3,516	743
Bank deposits subject to up to a three-month notice period	962	494
Cash at bank and in hand	269	229
CASH AND CASH EQUIVALENTS	**4,747**	**1,466**

The average effective interest rate on cash and cash equivalents was -0.10% in 2020 (2019: 0.25%). Cash and cash equivalents are mainly held in euros (2020: 93%, 2019: 83%).

Restricted deposits consist mainly of cash and cash equivalents subject to prudential rules in Ireland specific to captive insurance companies (2020: €50 million, 2019: €82 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

Changes in share capital and share premiums are analyzed in the table below:

(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	-	4	4
Cancellation of shares	(3)	(138)	(141)
Other	-	-	-
At December 31, 2019	**357**	**2,789**	**3,146**
Issuance of shares upon employee share plan and performance share rights	1	54	55
Cancellation of shares	(2)	(97)	(99)
Other	1	-	1
AT DECEMBER 31, 2020	**357**	**2,746**	**3,103**

Changes in outstanding shares are analyzed in the table below:

(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	125,744	-	125,744
Share buybacks	-	(1,354,049)	(1,354,049)
Sales of treasury shares	-	8,228	8,228
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	810,071	-	810,071
Share buybacks	-	(1,097,540)	(1,097,540)
Sales of treasury shares	-	-	-
Cancellation of shares	(1,097,540)	1,097,540	-
Other	-	-	-
AT DECEMBER 31, 2020	**178,340,086**	**-**	**178,340,086**

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 2019 dividend paid to shareholders in 2020 was €2.00 per share (2018 dividend paid in 2019: €3.70 per share). The dividend was paid in full in cash for a net amount of €357 million (2019: €665 million).

The Managing Chairman will propose that shareholders approve the payment of a 2020 dividend in 2021 of €2.30 per share.

NOTE 25 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-based payments – current service cost (notes 7 and 8)	-	-	-	7	7
Share buybacks	-	(141)	-	-	(141)
Sale/cancellation of shares	-	141	-	-	141
Other	-	-	-	(41)	(41)
Transactions with the shareholders of the Company	-	-	-	**(709)**	**(709)**
Net income attributable to the shareholders of the Company	-	-	-	1,751	1,751
Post-employment benefits	-	-	-	*(131)*	*(131)*
Tax effect – Post-employment benefits	-	-	-	*16*	*16*
Equity instruments at fair value through OCI – changes in fair value	-	-	*20*	-	*20*
Tax effect – equity instruments at fair value through OCI	-	-	*6*	-	*6*
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	26	(115)	(89)
Cash flow hedges – changes in fair value	-	-	*46*	-	*46*
Currency translation differences	*204*	-	*(3)*	-	*201*
Other	*21*	-	*(42)*	*26*	*5*
Other comprehensive income that may be reclassified to the income statement	225	-	1	26	252
Comprehensive income	**225**	**-**	**27**	**1,662**	**1,914**
At December 31, 2019	**(287)**	**-**	**78**	**10,289**	**10,080**
Dividends and other appropriations	-	-	-	(368)	(368)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	14	14
Share buybacks	-	(99)	-	-	(99)
Sale/cancellation of shares	-	99	-	-	99
Other	-	-	-	2	2
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(352)**	**(352)**
Net income attributable to the shareholders of the Company	-	-	-	632	632
Post-employment benefits	-	-	-	*145*	*145*
Tax effect – Post-employment benefits	-	-	-	*(33)*	*(33)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*28*	-	*28*
Tax effect – equity instruments at fair value through OCI	-	-	*(7)*	-	*(7)*
Other	-	-	*(3)*	*3*	-
Other comprehensive income that will not be reclassified to the income statement	-	-	18	115	133
Cash flow hedges – changes in fair value	-	-	*16*	-	*16*
Currency translation differences	*(977)*	-	-	-	*(977)*
Other	*(1)*	-	*2*	*(3)*	*(2)*
Other comprehensive income/(loss) that may be reclassified to the income statement	(978)	-	18	(3)	(963)
Comprehensive income/(loss)	**(978)**	**-**	**36**	**744**	**(198)**
AT DECEMBER 31, 2020	**(1,265)**	**-**	**114**	**10,681**	**9,530**

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 19, 2020 for a maximum amount of €100 million.

A total of 1,097,540 shares were bought back under the program at an average price per share of €89.83, representing a total investment of €99 million. All of these shares were canceled during the year.

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 26 FINANCIAL LIABILITIES

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

(in € millions)	December 31, 2020	December 31, 2019
Bonds	5,867	4,535
Loans from financial institutions and other	235	318
Derivative instruments	67	173
Non-current financial liabilities	**6,169**	**5,026**
Non-current lease liabilities	**801**	**897**
Bonds and commercial paper	1,017	295
Loans from financial institutions and other	479	616
Derivative instruments	50	21
Current financial liabilities	**1,546**	**932**
Current lease liabilities	**222**	**226**
FINANCIAL LIABILITIES	**8,738**	**7,081**

Group net debt is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Financial liabilities	8,738	7,081
Derivatives recognized as assets (note 16.1)	(153)	(148)
Borrowing collaterals (note 32.3.2)	(22)	(103)
Cash management financial assets (note 21)	(285)	(180)
Cash and cash equivalents (note 23)	(4,747)	(1,466)
NET DEBT	**3,531**	**5,184**

The fair value of non-current financial liabilities, calculated in accordance with note 3.6 "Fair value of financial instruments", is presented in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Bonds	6,649	4,965
Loans from financial institutions and other	235	318
Lease liabilities	801	897
Derivative instruments	67	173
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**7,752**	**6,353**

Changes in financial liabilities and derivatives are detailed by flow in the table below:

(in € millions)	At January 1, 2020	Cash flows from financial liabilities	Non-cash movements		At December 31, 2020
			Conversions	Other	
Bonds, loans from financial institutions and other	4,853	1,364	(29)	(86)	6,102
Lease liabilities	897	-	(44)	(52)	801
Derivative instruments	173	(86)	(3)	(17)	67
Non-current financial liabilities	**5,923**	**1,278**	**(76)**	**(155)**	**6,970**
Bonds, loans from financial institutions and other	911	731	(222)	76	1,496
Lease liabilities	226	(244)	(10)	250	222
Derivative instruments	21	29	(1)	1	50
Current financial liabilities	**1,158**	**516**	**(233)**	**327**	**1,768**
TOTAL FINANCIAL LIABILITIES	**7,081**	**1,794**	**(309)**	**172**	**8,738**
Derivatives recognized as assets	(148)	(10)	6	(1)	(153)
Net impact on the consolidated statement of cash flows		**1,784**			

26.1 Bonds and commercial paper

The table below provides detailed information about the bonds and commercial paper issued by the Group:

	December 31, 2020		December 31, 2019	
(in € millions)	Current	Non-current	Current	Non-current
Bonds repayable by Compagnie Générale des Établissements Michelin (2019: Michelin Luxembourg SCS, note 26.1.1) ▶ nominal amount of €302 million ▶ issued in September 2015 and September 2016 and due in September 2045 ▶ nominal interest rate of 3.25% ▶ effective interest rate of 3.02%	-	314	-	315
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2040 ▶ nominal interest rate of 0.625% ▶ effective interest rate of 0.68%	-	495	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2038 ▶ nominal interest rate of 2.50% ▶ effective interest rate of 2.56%	-	743	-	743
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2032 ▶ nominal interest rate of 0.25% ▶ effective interest rate of 0.32%	-	496	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €1,000 million ▶ issued in August 2018 and due in September 2030 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.84% (2.00% after hedging)	-	992	-	991
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2028 ▶ nominal interest rate of 0.00% ▶ effective interest rate of 0.06%	-	498	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin (2019: Michelin Luxembourg SCS, note 26.1.1) ▶ nominal amount of €300 million ▶ issued in May 2015 and due in May 2027 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.86% (1.80% after hedging)	-	298	-	298
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2025 ▶ nominal interest rate of 0.875% ▶ effective interest rate of 1.04% (1.17% after hedging)	-	744	-	743
Debt component of convertible bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of USD 600 million ▶ issued in January 2018 and due in November 2023 ▶ nominal interest rate of 0% ▶ effective interest rate of 2.50% (0.16% after hedging) ▶ conversion price at December 31, 2020 of €168.54	-	455	-	487

	December 31, 2020		December 31, 2019	
(in € millions)	Current	Non-current	Current	Non-current
Private placement loan notes issued by Fenner Group Holdings Limited				
▶ nominal amount of USD 160 million				
▶ issued in 2011 and due in 2021 (USD 95 million) and 2023 (USD 65 million)				
▶ nominal and effective interest rate of 5.144% (2021) and 5.420% (2023)	77	53	-	143
Bonds repayable by Compagnie Générale des Établissements Michelin				
(2019: Michelin Luxembourg SCS, note 26.1.1)			-	
▶ nominal amount of €300 million				
▶ issued in May 2015 and due in May 2022				
▶ nominal interest rate of 1.125%				
▶ effective interest rate of 1.17%	-	300	-	300
Debt component of convertible bonds repayable by Compagnie Générale des Établissements Michelin				
▶ nominal amount of USD 600 million				
▶ issued in January 2017 (USD 500 million) and April 2017 (USD 100 million) and due in January 2022				
▶ nominal interest rate of 0%				
▶ effective interest rate of 1.98% (-0.38% after hedging)				
▶ conversion price at December 31, 2020 of €132.77	-	479	-	515
Commercial paper repayable by Compagnie Générale des Établissements Michelin				-
▶ in USD, euro-equivalent nominal amount: €42 million (2019: zero)				
▶ effective interest rate of 0.325% at December 31, 2020				
▶ in €, nominal amount: €898 million (2019: €250 million)				
▶ effective interest rate of -0.14% at December 31, 2020	940	-	250	
Commercial paper repayable by Michelin Luxembourg SCS				-
▶ nominal amount of USD 0 million (2019: USD 50 million)	-	-	45	-
TOTAL	**1,017**	**5,867**	**295**	**4,535**

At December 31, 2020, the weighted average nominal interest rate for bonds and commercial paper is 1.33% (1.06% after hedging).

26.1.1 Bondholder consent

In October 2020, the holders of all the bonds issued by Michelin Luxembourg SCS consented to their transfer to Compagnie Générale des Établissements Michelin. This transaction had no impact for the Group, except as concerns the transfer costs of €1 million.

26.1.2 Bond issues in 2020

In October 2020, the Group issued through Compagnie Générale des Établissements Michelin three tranches of bonds maturing in 8 years, 12 years and 20 years respectively, for a total of €1.5 billion.

26.1.3 Bond redemptions in 2019

The June 2012 bonds issued by Michelin Luxembourg SCS were redeemed at maturity at par in June 2019. The interest rate instruments hedging these bonds also matured in June 2019.

26.2 Loans from financial institutions and other

Loans from financial institutions and other consist mainly of drawdowns on the Group's credit lines.

At December 31, 2020, loans from financial institutions totaled €713 million (2019: €934 million). Most of the loans were denominated in USD, THB and euros and most were at variable interest rates.

The contractual re-pricing of the interest rates of these loans is generally less than six months.

NOTE 27 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

In accordance with the laws and regulations applicable in each country, as well as in application of its social responsibility policy, the Group takes part mainly in pension, healthcare, death and disability and end-of-service benefit plans, for which the amount of benefits paid varies based on a number of factors including the employee's years of service, salary, accumulated funds with an independent manager or contributions paid to insurers.

Such plans can be either defined benefit plans or defined contribution plans. In the case of defined benefit plans, Group commitments are measured using the projected credit unit method. These commitments are calculated with the help of independent actuaries. In the case of defined contribution plans, liabilities correspond to the contributions due.

Since 2003 the Group has been closing its defined benefit plans to new entrants and, in some cases, to future accruals, in order to reduce the risk on the Group's consolidated statement of financial position. New defined contribution plans have correspondingly been put in place or existing ones improved.

Since 2005 the Group has a governance body, the Global Employee Benefit Board, that monitors benefits. Its role is to define Group policies on employee benefits and ensure that local benefit programs comply with them (approval of amendments, introduction of new benefits, etc.). At the same time, it monitors asset returns and benchmarks, as well as the de-risking policies put in place by local boards or committees, and proposes an audit plan. The Committee is assisted by two teams, the Global Benefits Policy Team composed of members from the accounting, finance and human resources departments and the Global Benefits Investment Team composed of the chairs of the investment committees or Chief Investment Officers of the main funded pension plans and Group experts. In countries with substantial benefit obligations similar organization exists.

27.1 Defined benefit plans

The Group's defined benefit plans are retirement plans and retiree healthcare plans, the vast majority of which are now closed to new entrants, and in some cases to future accruals, as well as some minor plans such as long-service awards or end-of-service benefits.

In Europe, the discount rates are determined with the assistance of the Group's actuary, based on the yield of investment-grade corporate bonds. The rates are applied for the duration of the corresponding liabilities. The discount rate in the United States is based on the local actuary's AA Only Bond yield curve rates. The discount rate in Canada is based on the Canadian Institute of Actuaries' Canadian Corporate AA Bond yield curve rates. For countries that have several plans (but only one material plan), the discount rate calculated for the main plan is used for all plans. For countries with several plans of comparable size but quite different durations, several rates are used.

The inflation assumptions are set using different methods. For the Eurozone, the Group's actuarial model is used with reference to different sources of information, such as the target inflation rates set by central banks, the forecasts from Consensus Economics and inflation swap curves. In the United Kingdom, the market-implied inflation rate is also considered (corresponding to the differential between gilts and index-linked gilts, less a spread). In the United States and Canada, the cost-of-living increases for some pensions are set using historical averages, central bank targets and implied inflation (corresponding to the differential between indexed and non-indexed bonds).

The salary increase assumptions can be either spreads above inflation (either RPI or CPI) or absolute values. These assumptions take into account expected long-term yearly average salary increases as well as the effects of promotions. In some cases, assumptions by category of personnel can be used.

The post-employment mortality tables used for the pension plans that are funded through insured contracts are the insurers' tables. For the other main post-employment plans, the following tables are used: (i) United States: *Pri-2012* Blue Collar table using Scale *MP-2019* (Michelincustom Table for retirees); (ii) Canada: 105% of *CPM 2014 Private – MI-2017*; (iii) United Kingdom: Generational *S3PA CMI 2019* with a 1.5% floor and a weighting of 113% for men and 99% for women, and (iv) Germany: *Heubeck RT 2019 G*.

	December 31, 2020				December 31, 2019			
	United States	Canada	United Kingdom	Germany	United States	Canada	United Kingdom	Germany
Life expectancy for males at 65 at the end of the reporting period	18.4	21.6	21.0	20.2	19.0	21.6	21.1	20.2
Life expectancy for males at 65 (15 years after the end of the reporting period)	19.3	22.8	21.6	22.3	19.9	22.8	22.4	22.3
Life expectancy for females at 65 at the end of the reporting period	20.3	24.1	23.8	23.7	20.9	24.1	23.9	23.7
Life expectancy for females at 65 (15 years after the end of the reporting period)	21.3	25.2	24.9	25.4	21.9	25.2	25.2	25.4

The financial position of the main defined benefit plans is summarized below:

(in € millions)	Pension plans	Other plans	December 31, 2020	December 31, 2019
Present value of fully or partly funded obligations	7,795	-	7,795	8,074
Fair value of plan assets	(7,373)	-	(7,373)	(7,341)
Funded status deficit/(surplus)	**422**	**-**	**422**	**733**
Present value of unfunded obligations	1,151	1,863	3,014	3,040
Unrecognized assets due to the effect of the asset ceiling	53	-	53	55
NET DEFINED BENEFIT OBLIGATION	**1,626**	**1,863**	**3,489**	**3,828**
Amounts recognized in the statement of financial position:				
▶ As assets under non-current financial assets and other non-current assets (note 15)			(211)	(45)
▶ As liabilities under employee benefit obligations	-	-	3,700	3,873
NET LIABILITY	**1,626**	**1,863**	**3,489**	**3,828**

At December 31, 2020, the projected defined benefit obligation comprised €3,905 million for active members (current employees), €1,358 million for members who have deferred their vested benefits and €5,546 million for retired members (2019: respectively €4,113 million, €1,305 million and €5,696 million).

At December 31, 2020, the projected defined benefit obligation comprised €8,653 million for vested benefits and €2,156 million for unvested benefits (2019: respectively €8,939 million and €2,175 million).

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

The Group does not recognize as an asset any surplus in excess of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If a defined benefit plan is subject to a minimum funding requirement (MFR), the Group immediately recognizes a liability for any surplus resulting from the contributions paid under the MFR which would not be fully recoverable through economic benefits available to the Group.

Any reduction in assets or increase in liabilities resulting from the effect of the asset ceiling is recognized in other comprehensive income.

The 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 fund managers	(142)	-	(142)	(192)
Benefits paid directly to the beneficiaries	(35)	(111)	(146)	(139)
Other movements	-	-	-	8
ITEMS RECOGNIZED IN OPERATING INCOME				
Current service cost	40	75	115	111
Actuarial (gains) or losses recognized on other long-term benefit plans	-	1	1	5
Past service cost resulting from plan amendments	-	(2)	(2)	(68)
Effect of plan curtailments or settlements	9	-	9	(10)
Effect of plan curtailments recognized within reorganizations and adaptation of activities	1	4	5	(30)
Other items	6	-	6	13
ITEMS RECOGNIZED OUTSIDE OPERATING INCOME				
Net interest on employee benefit obligations	22	32	54	97
ITEMS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Translation adjustments	(20)	(74)	(94)	44
Actuarial (gains) or losses	(186)	41	(145)	174
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
AT DECEMBER 31	**1,626**	**1,863**	**3,489**	**3,828**

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € millions)	Pension plans	Other plans	2020	2019
At January 1	**1,771**	**572**	**2,343**	**2,212**
Actuarial (gains) or losses recognized during the year due to changes in demographic assumptions:				
▶ Due to change in assumptions	(69)	(13)	(82)	(92)
▶ Due to experience adjustments	26	(8)	18	1
Actuarial (gains) or losses recognized during the year due to changes in financial assumptions:				
▶ Due to change in assumptions	560	73	633	1,036
▶ Due to experience adjustments	(703)	(11)	(714)	(771)
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
Change in scope of consolidation	-	-	-	-
AT DECEMBER 31	**1,585**	**613**	**2,198**	**2,343**
Of which actuarial gains or (losses)	*1,532*	*613*	*2,145*	*2,288*
Of which asset ceiling effect	*53*	*-*	*53*	*55*

In 2020, the net amount recognized in the consolidated income statement was an expense of €188 million (2019: expense of €118 million), broken down as follows:

(in € millions)	Pension plans	Other plans	2020	2019
Current service cost	40	75	115	111
Net interest on net defined benefit obligation (asset)	22	32	54	97
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	1	1	5
Past service cost recognized during the year:				
▶ Due to the introduction of or amendments to defined benefit plans	-	(2)	(2)	(68)
▶ Due to curtailments of defined benefit plans	-	-	-	-
Effect of defined benefit plan settlements	9	-	9	(10)
Other items	6	-	6	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	1	4	5	(30)
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**78**	**110**	**188**	**118**

Annual costs are determined with the assistance of independent actuaries at the beginning of each financial year based on the following factors:

- cost corresponding to acquisition of an additional year of rights ("Current service cost");
- income/expense corresponding to the discounting adjustment made to reflect the impact of the passage of time ("Net interest");
- income/expense from annual recognition of actuarial gains or losses on other long-term defined benefit plans ("Actuarial (gains) or losses recognized during the year");
- gain/loss resulting from plan amendments or the introduction of benefit plans ("Past service cost recognized during the year");
- gain/loss resulting from curtailments of any benefit plans ("Past service cost recognized during the year");
- gain/loss resulting from the settlement of any benefit plans.

27.1.1 Pension plans

The Group offers its employees in some countries different pension plans that vary according to local laws and regulations and the collective bargaining agreements applicable in each subsidiary.

Under defined benefit plans, the future level of benefits is defined by the plan regulations. The valuation of such defined benefit plans is carried out with the assistance of independent actuaries using actuarial techniques. Defined benefit pension plans may be funded through payments to external funds or to insurers. In the case of unfunded plans, such as the German pension plans, a provision is recognized in the consolidated statement of financial position.

The Group's main pension plans are as follows:

United States

The defined benefit plan in the United States is the Michelin Retirement Plan (MRP). The provisions applicable to the main population are described below.

The plan was closed to new entrants as of January 1, 2004. Accruals were frozen under the plan as of December 31, 2016. These participants have been enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached age 55 and have completed at least ten years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit may be granted to employees who have reached the age of 55 and completed 30 years of service, to bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity based on a set formula (with a lower accrual rate on the amount corresponding to the social security wage base) that takes into consideration the years of plan membership and average pensionable earnings. Only employees who have voluntarily joined the defined contribution plan (in 2004 or 2007) may receive a lump sum payment.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension and orphan's pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes a cost-of-living adjustment clause applicable to the pensions of employees hired before January 1, 1991.

The plan is fully funded by employer contributions.

Canada

There is one major defined benefit plan in Canada, the Pension Plan for the Employees of Michelin North America (Canada) Inc. and Participating Employers (MR Plan). Other minor defined benefit plans, which are closed to new entrants, are valued but not detailed further.

The MR Plan was closed to new entrants as from January 1, 2005. Since this date, new entrants have been enrolled in a defined contribution plan. Accruals for most of the participants were frozen under the plan as of December 31, 2015. All employees are enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached the age 55 or completed 30 years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit is granted to employees who have completed 30 years of service, to partially bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity at retirement based on a set formula that takes into consideration the years of plan membership and total pensionable earnings.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension or a beneficiary pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes an indexation clause applicable to the benefits, based on the increase in the Consumer Price Index less a deduction.

The plan is currently fully funded by employer contributions.

United Kingdom

The defined benefit retirement plan in the UK is the Michelin Pension and Life Assurance Plan.

This plan was closed to new entrants as from March 31, 2005. It was closed to all future accruals as of January 1, 2009 and has been replaced by a defined contribution plan.

Accruals up to December 31, 2008 are frozen but pensions are still linked to the average final salary at retirement.

The plan sets the normal retirement age at 65. However, employees who have reached the age of 55 are eligible for early retirement under the applicable provisions, with the Group's consent. In the case of early retirement, the accrued benefit is reduced by an actuarial reduction factor.

The amount of the annual pension is based on the employee's pensionable earnings. Most employees opt to receive the maximum amount allowed by tax legislation in the form of a lump sum.

The plan also provides death-in-service benefits, a spouse reversionary pension and disability benefits.

The amount of the pension benefit is indexed to a capped inflation rate for members who did not choose the pension increase exchange option.

The plan is fully funded by employer contributions.

Germany

The main defined benefit retirement plan in Germany is the "Versorgungsordnung 1979" (VO 1979).

The plan was closed to new entrants as from January 1, 2000. Since this date, new entrants have been enrolled in defined contribution plans.

The plans set the normal retirement age at 65.

They provide for a lifetime monthly annuity which is based on the employee's pensionable earnings.

A flat rate applies to the amount of earnings exceeding the social security ceiling and an additional rate, calculated based on years of service, is applied to the total pensionable earnings.

The plan includes provisions for death-in-service benefits, a spouse reversionary pension, an orphan's pension and disability benefits.

There is a legal obligation to adjust the pension annuity every three years for inflation up to the average increase in the employees' salaries.

France

There is one major pension defined benefit plan in France, "Régime de retraite supplémentaire MFPM".

In order to be eligible, employees must have completed ten years of service and still be on the payroll at the retirement date.

This plan was set up in 1996 in order to provide additional retirement income to all employees in the event that their pension under the mandatory government-sponsored plans represents less than a certain replacement rate (top hat plan). The additional benefit is calculated based on years of service and pensionable earnings.

It is capped so that the sum of the pension paid under the mandatory government-sponsored plans and the additional benefit from this plan does not exceed the specified replacement rate. As the plan cannot be closed to new members, the historical replacement rate of 55% is gradually being reduced to 0% over the period from January 1, 2013 until 2046. In return, employees participate in a mandatory defined contribution plan ("Article 83" plan) and can also participate in a voluntary defined contribution plan (PERCO pension savings plan).

In accordance with government order 201-697 dated July 3, 2020, this plan was closed to new members on July 3, 2020 and the vesting period was frozen at December 31, 2020.

The plan provides for the payment of a pension to the surviving spouse and a disability pension. It is funded by contributions to two insurance companies.

Pension benefits may be adjusted or increased if the plan has a surplus but this is not automatic.

The following table analyzes changes in the financial position of the Group's defined benefit pension plans:

(in € millions)	2020 North America	2020 Europe	2020 Other	2020 Total	2019 North America	2019 Europe	2019 Other	2019 Total
Present value of the obligations at the beginning of the year	4,205	4,950	62	9,217	3,764	4,493	47	8,304
Translation adjustments	(356)	(177)	(16)	(549)	131	164	1	296
Change in scope of consolidation	-	-	-	-	-	9	-	9
Current service cost	3	36	1	40	4	39	1	44
Interest cost on the defined benefit obligation	125	70	3	198	156	99	3	258
Administrative costs	2	4	-	6	7	6	-	13
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or amendments to defined benefit plans	-	-	-	-	-	(68)	-	(68)
▶ Past service cost due to curtailments of defined benefit plans	-	1	-	1	-	(12)	-	(12)
▶ (Gains) or losses on settlement of defined benefit plans	-	9	-	9	-	(10)	-	(10)
Benefits paid during the year	(262)	(230)	(3)	(495)	(260)	(180)	(3)	(443)
Other items	-	21	1	22	-	35	1	36
Actuarial (gains) or losses generated during the year	250	248	(1)	497	403	375	12	790
Present value of the obligations at the end of the year	**3,967**	**4,932**	**47**	**8,946**	**4,205**	**4,950**	**62**	**9,217**
Fair value of plan assets at the beginning of the year	3,898	3,394	49	7,341	3,484	2,772	38	6,294
Translation adjustments	(334)	(185)	(14)	(533)	128	161	(1)	288
Change in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	116	58	2	176	143	66	4	213
Contributions paid to the funds	-	142	-	142	-	192	-	192
Benefits paid by the plans during the year	(262)	(196)	(2)	(460)	(259)	(148)	(2)	(409)
Other items	-	21	1	22	-	35	1	36
Actual return on plan assets excluding interest income	355	327	3	685	402	316	9	727
Fair value of plan assets at the end of the year	**3,773**	**3,561**	**39**	**7,373**	**3,898**	**3,394**	**49**	**7,341**
Deficit/(surplus) at the end of the year	**194**	**1,371**	**8**	**1,573**	**307**	**1,556**	**13**	**1,876**
Deferred items at the beginning of the year	(55)	-	-	(55)	(86)	-	(2)	(88)
Translation adjustments	3	-	1	4	(6)	-	-	(6)
Unrecognized asset due to the application of the asset ceiling	2	-	(4)	(2)	37	-	2	39
Deferred items at the end of the year	**(50)**	**-**	**(3)**	**(53)**	**(55)**	**-**	**-**	**(55)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**244**	**1,371**	**11**	**1,626**	**362**	**1,556**	**13**	**1,931**

For Canadian pension plans, the Group does not have any rights to a refund of the plan surplus. The available economic benefits are measured as the present value of the future service cost. These pension plans are subject to a minimum funding requirement. The surplus recognized as an asset is the sum of:

- any prepaid amount that would reduce the future minimum funding requirement; and
- the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service.

Any amount exceeding this limit is immediately recognized within other comprehensive income.

In 2020, the asset ceiling was not applicable (2019: recognition of an amount of €43 million).

In 2020, the projected defined benefit pension obligation decreased by €271 million due to:

(in € millions)	**2020**	**2019**
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	549	(296)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(497)	(790)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	251	128
Changes in plan rules	(10)	90
Changes in the scope of consolidation	-	(9)
Other items	(22)	(36)

The fair value of plan assets amounted to €7,373 million at December 31, 2020, representing an increase of €32 million compared to December 31, 2019 due to:

(in € millions)	**2020**	**2019**
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	(533)	288
Difference between the contributions paid to the funds and the benefits paid by the funds	(318)	(217)
Actual return on plan assets	861	940
Changes in the scope of consolidation	-	-
Other items	22	36

The present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follows for 2020 and the previous four periods:

(in € millions)	**2020**	**2019**	**2018**	**2017**	**2016**
Defined benefit obligation	(8,946)	(9,217)	(8,304)	(8,443)	(9,216)
Plan assets	7,373	7,341	6,294	6,367	6,520
SURPLUS/(DEFICIT)	**(1,573)**	**(1,876)**	**(2,010)**	**(2,076)**	**(2,696)**
Experience adjustments to:					
▶ plan liabilities	(7)	(5)	15	32	38
▶ plan assets	685	727	(284)	415	315

The experience adjustments expressed as a percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

Experience adjustments to:	**2020**	**2019**	**2018**	**2017**	**2016**
▶ the plan liabilities as a percentage of the present value of the obligation (DBO)	0.08%	0.05%	-0.18%	-0.38%	-0.41%
▶ the plan assets as a percentage of the fair value of the assets	9.29%	9.90%	-4.51%	6.52%	4.83%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2020			**December 31, 2019**		
	North America	**Europe**	**Other**	**North America**	**Europe**	**Other**
Discount rate	2.47%	1.08%	6.85%	3.15%	1.46%	7.10%
Inflation rate	2.00%	2.39%	3.25%	2.36%	2.43%	3.80%
Rate of salary increases	2.41%	2.77%	3.69%	2.75%	2.90%	4.64%
Weighted average duration of the defined benefit obligation	12.0	15.6	13.9	12.2	15.6	11.2

The discount rates, salary increase rates and inflation rates are the main financial assumptions used in the measurement of the defined benefit obligation (DBO) and changes in these rates may have a significant effect on the amounts reported.

For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. In the case of a change in one of these assumptions, DBO and current service cost sensitivities are expressed as weighted average changes in these items.

Regarding the sensitivity of the fair market value of plan assets due to interest rate movements, it is considered that the entire yield curve moves up or down by 0.5 point and that only the values of the bonds are impacted, with the values of all other assets remaining unchanged. The level of sensitivity indicated corresponds to the change in the total value of the portfolio due to the change in interest rates.

A 0.5-point change in these rates compared with those used for 2020, all else being equal, would have the following effect:

	0.5-point increase	0.5-point decrease
Discount rate on the defined benefit obligation (DBO)	-6.65%	7.44%
Discount rate on the aggregate of current service cost and interest cost on the obligation	15.15%	-17.84%
Inflation rate on the defined benefit obligation (DBO)	3.92%	-3.65%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	3.88%	-3.68%
Salary increase rate on the defined benefit obligation (DBO)	0.81%	-0.72%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	1.56%	-1.48%
Interest rates on the fair market value of plan assets	-5.94%	6.57%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	2020				2019			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Current service cost	3	36	1	40	5	38	1	44
Interest cost on the defined benefit obligation	125	70	3	198	155	100	3	258
Interest income on plan assets	(114)	(59)	(3)	(176)	(141)	(66)	(3)	(210)
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	-	-	-	-	-	-	-
Past service cost recognized during the year:								
▶ Due to the introduction of or amendments to defined benefit plans	-	-	-	-	-	(68)	-	(68)
▶ Due to curtailments of defined benefit plans	-		-	-	-	-	-	-
Effect of defined benefit plan settlements	-	9	-	9	-	(10)	-	(10)
Other items	2	4	-	6	7	6	-	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	1	-	1	-	(12)	-	(12)
TOTAL DEFINED PENSION BENEFIT COST	**16**	**61**	**1**	**78**	**26**	**(12)**	**1**	**15**
Actual return on plan assets	**471**	**385**	**5**	**861**	**545**	**382**	**13**	**940**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2020					December 31, 2019				
	Canada	United States	United Kingdom	Other	Total	Canada	United States	United Kingdom	Other	Total
LISTED SECURITIES										
Local equities	1.9%	8.5%	0.0%	0.0%	3.3%	2.0%	7.8%	0.0%	0.0%	3.2%
Foreign and global equities	7.2%	7.5%	1.2%	0.0%	4.3%	5.7%	6.4%	4.3%	0.0%	5.0%
Alternative investments	0.0%	9.2%	0.8%	0.0%	3.6%	0.7%	9.1%	3.5%	0.0%	5.0%
Real estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Index-linked bonds	0.1%	0.0%	20.6%	7.2%	9.3%	0.1%	0.2%	17.9%	9.4%	8.0%
Fixed income government and agencies	26.3%	16.6%	13.2%	0.0%	15.7%	30.3%	20.3%	17.5%	0.0%	19.6%
Corporate bonds	15.6%	31.1%	19.1%	0.0%	21.7%	13.0%	27.7%	14.3%	0.0%	18.3%
Other fixed income securities, multi-asset credit and emerging market bonds	39.8%	16.6%	23.9%	0.0%	22.4%	39.8%	16.8%	25.9%	0.0%	23.3%
Cash and cash equivalents	3.9%	1.3%	6.5%	2.0%	4.0%	4.2%	2.5%	4.2%	2.5%	3.5%
Total listed securities	**94.8%**	**90.9%**	**85.3%**	**9.2%**	**84.4%**	**95.8%**	**90.7%**	**87.6%**	**11.9%**	**85.8%**
UNLISTED SECURITIES										
Funds managed by insurance companies	0.0%	0.0%	0.0%	90.8%	5.2%	0.0%	0.0%	0.0%	88.1%	5.0%
Private placements[1]	3.2%	0.8%	10.5%	0.0%	5.3%	1.8%	1.0%	7.7%	0.0%	3.8%
Real estate	2.1%	8.3%	4.3%	0.0%	5.1%	2.4%	8.3%	4.7%	0.0%	5.4%
Total unlisted securities	**5.2%**	**9.1%**	**14.7%**	**90.8%**	**15.6%**	**4.2%**	**9.3%**	**12.4%**	**88.1%**	**14.2%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Duration in years of the bond portfolio, excluding cash and cash equivalents and funds managed by insurance companies	**14.8**	**14.5**	**22.6**	**13.3**	**18.4**	**14.3**	**13.7**	**22.7**	**13.9**	**17.9**

(1) Private equity and private debt.

In the above allocation, assets reported under "Listed securities" are assets that have a regularly quoted market value at which they can be sold and those reported under "Unlisted securities" are assets managed by insurance companies and less liquid assets that could be sold on short notice or in difficult markets, at a discount.

An internal group of experts, composed of the chairs or Chief Investment Officers of the main investment committees and Group specialists, has issued investment guidelines for the local investment committees presenting investment best practices. In particular, the guidelines state that direct investments should not be made in Michelin securities or properties used by the Group. Fund managers are not subject to such restrictions. The Group has not invested material amounts in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios. The Group is not in possession of comprehensive information on the underlying assets held in insurance funds or alternative investments.

Alternative investments are composed of hedge funds and multi-asset products such as diversified growth funds in the United Kingdom. These kinds of investments are expected to deliver absolute returns with lower volatility than equities.

Other fixed income securities include emerging market bonds, mutual funds, liability hedging portfolios for which the managers invest in government and corporate bonds or in derivatives, as well as, in the United Kingdom, in multi-asset funds allowing the managers to switch between the main credit products depending on market conditions. This kind of investment is expected to have a return similar to that of corporate bonds, but with lower volatility due to its diversified profile (including asset backed securities, loans and high-yield bonds as well as cash, government and corporate bonds).

The real estate portfolio in the United Kingdom consists of an investment in an LPI (Limited Price Inflation) Income Property Fund composed of long-term leases that provides a secure, inflation-hedged return.

In most countries, assets are managed by local independent boards, in accordance with local pension laws. The boards are required by their bylaws as well as by law to act in the best interest of the fund and all relevant stakeholders, i.e., current and future beneficiaries as well as employers.

Asset allocation analyses are performed periodically, generally every three to five years, by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent advisors (actuaries, consultants, banks or investment management firms). The asset allocation takes into account the structure of employee-related liabilities and their terms. In the event of a sharp increase in the funding ratio, an asset allocation analysis should be performed to ensure the target allocation is still appropriate.

The largest pension plans have implemented a dynamic asset allocation policy, whereby the target asset allocations are based on the plan's funded status. An improvement in funded status results in the de-risking of the portfolios, allowing more funds to be allocated to liability hedging assets (LHA) and less to return seeking assets (RSA). In the event of a decrease in the funding ratio, the target allocation remains unchanged, as the re-risking of the portfolios is not permitted. These pension plans have also implemented an interest rate hedging policy and, in the United Kingdom, an inflation hedging policy. The hedging ratio increases as the funding level improves.

The RSA are diversified with the objective of targeting efficient portfolios where the level of volatility is minimized for the targeted return. These portfolios combine domestic and global equities with real estate and alternative assets such as hedge funds and private placements. Special attention is given to less liquid asset classes that may complicate the de-risking process by creating concentrated positions or requiring transactions at discounted prices.

The LHA are used to hedge the duration risk as well as, in some cases, the credit spread and inflation risks. The LHA portfolios are primarily composed of government and corporate bonds. The larger plans also use completion managers to implement custom solutions in order to hedge key rates in accordance with the policy set by each pension fund.

Foreign exchange risks may be hedged when the exposure to a foreign currency is considered to be non-negligible. For instance, the UK fund is exposed to many currencies and has a policy of hedging 75% of its exposure. In Canada, 50% of the US dollar exposure is hedged. In other cases, investment managers are given discretion to hedge currency exposure as they deem necessary.

Group contributions to pension plans and benefit payments made by these plans in 2020 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
CONTRIBUTIONS PAID AND BENEFITS PAID DIRECTLY BY THE GROUP	**2**	**174**	**1**	**177**
2020				
ESTIMATES OF CONTRIBUTIONS TO BE PAID AND BENEFITS TO BE PAID DIRECTLY BY THE GROUP				
2021	2	85	-	87
2022	2	138	-	140
2023	2	118	-	120
2024	2	131	-	133
2025	2	142	-	144
2026-2030	103	543	-	646

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In the United States, the following year's contribution is determined annually in accordance with Internal Revenue Service (IRS) rules, in particular as regards temporary funding relief provided for under the Bipartisan Budget Act of 2015 (BBA15).

In Canada, the contributions are determined on a triennial basis and the funding plan is spread over 15 years as required under local regulations.

In the United Kingdom, the contributions are determined based on triennial actuarial valuations as required by the Pension Act. In the event of a deficit, the employer must implement a recovery plan in agreement with the Trustees. The current recovery plan matures in 2021.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly via the relevant fund managers.

Future payments for unfunded plans are estimated based on data included in the calculation of the projected defined benefit obligation according to expected leaving dates each year. The same method is used for calculating the amount of the constitutive capital invested in partially funded plans with insurance companies.

27.1.2 Other defined benefit plans

In many countries, Group employees receive other post-employment benefits and long-term benefits throughout their term of employment. Other post-employment benefits mainly include health insurance and end-of-service benefits. Other defined benefit plans are mainly found in the United States, Canada and France. Other long-term benefits include mainly long-service awards provided under local company-specific agreements. Such defined benefit plans chiefly concern the Group's European companies.

As in the case of the above-described defined benefit pension plans, other defined benefit plans are valued with the assistance of independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets and are recognized in full as liabilities.

The main plans provided within the Group are detailed below:

United States

The Group offers retiree medical benefits that provide healthcare coverage for Pre-Medicare and Medicare eligible retirees and their dependents.

Eligible retirees are mainly those who were active prior to January 1, 2004 and will have at least reached age 55 with 10 years of service at the date of retirement.

For Medicare-eligible retirees, the healthcare coverage is provided in addition to Medicare.

Medical and prescription drug expenses are covered by the plan. The retirees contribute to the cost of the pre-Medicare post-retirement medical plan.

In 2016, the plan was amended to move non-union Medicare-eligible retirees from a company-sponsored retirement offering to private Medicare exchanges. For this population, the plan provides the following benefit improvements:

- Retiree Reimbursement Account (RRA): this account is funded in a fixed annual amount per retiree and eligible dependents through a Retiree Health Exchange program to either reimburse Medicare, Medicare supplement and/or prescription drug premiums;
- Catastrophic Retiree Reimbursement Account (CRRA): if the retiree or dependent reaches the eligibility threshold for catastrophic drug coverage, he or she can receive reimbursement for the 5% of the out-of-pocket cost not covered by Medicare Part D.

The Group pays a premium for the administrative services. This plan is not pre-funded.

Canada

The Group provides healthcare coverage to certain retirees and their dependents. Medical and prescription drug expenses are covered by the plan.

This plan was closed to new entrants as from January 1, 2005.

The Group pays a premium for the administrative services. This plan is not pre-funded.

France

The main plan is a mandatory rubber division end-of-service benefit plan.

The plan provides for the payment of a lump sum to employees who are present at their retirement date. The normal retirement age is set at 65. The amount of the lump sum corresponds to a number of months of salary based on years of service at the time of retirement.

This plan is not pre-funded.

Changes in the financial position of other defined benefit plans are as follows:

	December 31, 2020				December 31, 2019			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	**759**	**1,047**	**91**	**1,897**	**724**	**983**	**53**	**1,760**
Translation adjustments	(63)	4	(15)	(74)	28	-	2	30
Change in scope of consolidation	-	-	-	-	-	(10)	11	1
Current service cost	9	57	9	75	9	50	8	67
Interest cost on the defined benefit obligation	22	9	1	32	30	17	2	49
Administrative costs	-	-	-	-	-	-	-	-
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or amendments to defined benefit plans	-	(2)	-	(2)	(9)	-	9	-
▶ Past service cost due to curtailments of defined benefit plans	-	4	-	4	-	(18)	-	(18)
▶ (Gains) or losses on settlement of defined benefit plans	-	-	-	-	-	-	-	-
Benefits paid during the year	(50)	(57)	(4)	(111)	(47)	(53)	(5)	(105)
Other items	-	(1)	2	1	(3)	-	-	(3)
Actuarial (gains) or losses generated during the year	12	28	1	41	27	78	11	116
Present value of the obligations at the end of the year	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**
Fair value of plan assets at the beginning of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Translation adjustments	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	-	-	-	-	-	-	-	-
Contributions paid to the funds	-	-	-	-	-	-	-	-
Benefits paid by the plans during the year	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
Actual return on plan assets excluding interest income	-	-	-	-	-	-	-	-
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deficit/(surplus) at the end of the year	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**

In 2020, the present value of other defined benefit plans decreased by €34 million, due to:

	2020	2019
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	74	(30)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(41)	(116)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	4	(11)
Changes in plan rules	(2)	18
Changes in the scope of consolidation	-	(1)
Other items	(1)	3

The present value of the other defined benefit obligation and experience adjustments are as follows for 2020 and the previous four periods:

(in € millions)	2020	2019	2018	2017	2016
Defined benefit obligation	(1,863)	(1,897)	(1,760)	(1,820)	(2,021)
Experience adjustments to plan liabilities	19	48	14	46	16
Experience adjustments to plan liabilities *(as a % of the present value of the obligation – DBO)*	-1.02%	-2.53%	-0.80%	-2.53%	-0.79%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	December 31, 2020			December 31, 2019		
	North America	Europe	Other	North America	Europe	Other
Discount rate	2.43%	0.69%	2.60%	3.07%	0.85%	2.82%
Weighted average duration of the defined benefit obligation	11.5	14.2	12.5	11.9	15.1	12.1

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2020		December 31, 2019	
	United States	Canada	United States	Canada
Expected growth in healthcare costs in the first year	7.00%	4.04%	7.49%	3.83%
Minimum long-term rate of annual growth in healthcare costs	4.93%	4.05%	4.95%	4.05%
Year in which the minimum growth rate will be achieved	2026	2040	2026	2040

The discount rate is one of the main assumptions used in the measurement of the defined benefit obligation and changes in this rate may have a significant effect on the amounts reported. For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. The sensitivities of the DBO and cost (meaning in this case the aggregate of the current service cost and interest cost on the obligation) correspond to the weighted average change in the DBO and the cost, respectively, when one of these assumptions changes.

A 0.5-point change in these rates compared with those used for 2020, all else being equal, would have the following effect:

	0.5-point increase	0.5-Point decrease
Discount rate on the defined benefit obligation (DBO)	-6.52%	7.17%
Discount rate on the aggregate of the current service cost and interest cost on the obligation	0.32%	-0.69%
Healthcare cost trend rate on the healthcare defined benefit obligation	1.79%	-1.66%
Healthcare cost trend rate on the aggregate of the current service cost and interest cost on the healthcare plan obligation	1.54%	-1.69%

Net income and expenses recognized in the income statement are as follows:

(in € millions)	2020 North America	2020 Europe	2020 Other	2020 Total	2019 North America	2019 Europe	2019 Other	2019 Total
Current service cost	9	57	9	75	9	50	8	67
Interest cost on the defined benefit obligation	22	9	1	32	30	17	2	49
Interest income on plan assets	-	-	-	-	-	-	-	-
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	(1)	2	1	-	4	1	5
Past service cost recognized during the year:								
▶ due to the introduction of or amendments to defined benefit plans	-	(2)	-	(2)	(9)	-	9	-
▶ due to curtailments of defined benefit plans	-	-	-	-	-	-	-	-
Effect of defined benefit plan settlements	-	-	-	-	-	-	-	-
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	4	-	4	-	(18)	-	(18)
TOTAL OTHER DEFINED BENEFIT EXPENSES	**31**	**67**	**12**	**110**	**30**	**53**	**20**	**103**

Benefit payments made under other defined benefit plans in 2020 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
BENEFIT PAYMENTS MADE	**50**	**57**	**4**	**111**
2020				
ESTIMATES OF BENEFIT PAYMENTS TO BE MADE				
2021	39	51	1	91
2022	40	35	2	77
2023	40	52	2	94
2024	40	46	2	88
2025	40	38	3	81
2026-2030	189	241	19	449

For unfunded plans, such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

27.2 Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-employment plans.

In 2020, the contributions paid to defined contribution plans and expensed amounted to €217 million (2019: €226 million).

These plans are mainly found in the United States, Canada, the United Kingdom and France.

United States

The defined contribution plans in the United States include the Michelin Retirement Account Plan (MRAP) and various 401(k) plans. The MRAP plan is fully funded by employer contributions. The contribution levels are based on age and years of service. The 401(k) plans are voluntary and are funded by employee contributions with employer matching contributions. In both the MRAP and 401(k) plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

Canada

The defined contribution plans in Canada include the Defined Contribution Plan for the Employees of Michelin North America (Canada) Inc. as well as a registered retirement savings plan (RRSP). The defined contribution plan is funded by core employer contributions and optional employee contributions with employer matching. The core contribution levels, modified at January 1, 2016, are based on years of service and age. The RRSP plan is voluntary and is funded by employee contributions with employer matching contributions. In both the DC and RRSP plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

United Kingdom

The main defined contribution pension plan in the United Kingdom is the Michelin Pension and Life Assurance plan DC section (for Michelin and ATS employees). It has been implemented as of December 1, 2004 for new entrants and as of January 1, 2009 for all employees who did not opt out.

For Michelin employees, there are employee and employer contributions to this plan. The contributions are based on a percentage of the eligible pay and age of the employee.

Employees may also make optional contributions to the plan and the Group will match some of these optional contributions. For ATS employees, there are employee and employer contributions. The level of contribution is chosen by the employee and matched by the employer. Contributions are a flat-rate amount whatever the age of the employee.

All contributions to the plan are held in a Pension Account in a Trust. The employees choose how to invest these contributions among the different options made available for the plan. The asset allocation choices are determined and monitored by the Board of Trustees.

France

There are two defined contribution pension plans in France: the "Article 83" plan and the "PERCO" plan.

The defined contribution "Article 83" retirement savings plan has been implemented as of January 1, 2012 in order to replace the defined benefit plan which will be gradually terminated. Article 83 is a mandatory retirement plan for all employees of the French companies concerned by the applicable agreement. Contributions are paid by the employee and the employer based on the capped gross annual salary. An individual account is opened in the name of each employee. Employees can claim an additional benefit when they become entitled to their pension under a compulsory retirement plan.

The PERCO was implemented on June 1, 2007 and revised on January 1, 2012. It is a voluntary retirement savings plan. Each employee can contribute to the plan and the Group will match the voluntary contributions made by the employee up to a cap.

NOTE 28 SHARE-BASED PAYMENTS

28.1 Employee stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2020		2019	
	Weighted average exercise price *(in € per option)*	**Number of options**	**Weighted average exercise price** *(in € per option)*	**Number of options**
At January 1	**56.23**	**37,185**	**56.87**	**111,409**
Granted	-	-	-	-
Forfeited	51.16	(27)	52.05	(10,046)
Exercised	64.09	(14,570)	58.00	(64,178)
AT DECEMBER 31	**51.16**	**22,588**	**56.23**	**37,185**

22,588 of the 22,588 options outstanding as at December 31, 2020 are exercisable (2019: 37,185 exercisable out of a total of 37,185).

Stock option plans have the following exercise prices and expiration dates:

			December 31, 2020		December 31, 2019	
Grant date	**Vesting date**	**Expiration date**	**Exercise price** *(in € per option)*	**Number of stock options outstanding**	**Exercise price** *(in € per option)*	**Number of stock options outstanding**
May 2011	May 2015	May 2020	66.00	-	66.00	12,696
June 2012	June 2016	June 2021	51.16	22,588	51.16	24,489
NUMBER OF STOCK OPTIONS OUTSTANDING				**22,588**		**37,185**

28.2 Share grants and performance share plans

Changes in the number of share grants and performance share rights are as follows:

	2020	2019
	Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
At January 1	**870,805**	**623,239**
Granted	588,960	377,292
Forfeited	(104,907)	(68,160)
Shares delivered	(81,518)	(61,566)
AT DECEMBER 31	**1,273,340**	**870,805**

Excellence Plan

In November 2020, 506,236 rights to performance shares were granted to Group employees and the Managers. The rights are subject to a four-year vesting period ending in November 2024 without any lock-up period. The shares will vest at the end of this period if the performance objectives have been met (stock market performance, environmental performance of manufacturing operations, employee engagement rate, sales growth and ROCE). The fair value of each performance share right is estimated at €75.62. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The estimated value of the stock market performance condition is deducted from the grant-date fair value of the performance share rights based on the probability of this condition being met. The total cost for the Excellence plan set up in 2020 is estimated at €27 million.

France Plan

In November 2020, following the granting of performance share rights to the Managers under the Excellence plan, 82,724 shares were granted to employees of the Group's French companies to comply with legal requirements. The rights are subject to a two-year vesting period ending in November 2022 without any lock-up period. The shares are not subject to any performance conditions and will vest automatically at the end of the two-year period provided that the grantee is still employed by the Group. The fair value of each share grant is estimated at €101.54. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The total cost for the France plan set up in 2020 is estimated at €8 million.

The share grants and performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		Fair value at grant date		December 31, 2020 Number of share grants or performance share rights outstanding	December 31, 2019 Number of share grants or performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2016	2020	2020	None	None	66.41	66.41	-	81,518
2017	2021	2021	None	None	66.84	66.84	182,751	283,965
2018	2022	2022	None	None	47.91	47.91	127,480	128,030
2019	2023	2023	None	None	62.01	62.01	374,369	377,292
2020	2024	2024	None	None	75.62	75.62	506,236	-
2020	2022	N/A	None	N/A	101.54	N/A	82,504	-
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARE RIGHTS OUTSTANDING							**1,273,340**	**870,805**

The expense recognized in 2020 for performance share plans amounts to €17 million (2019: €7 million). It is included in "Segment other income and expenses".

28.3 Employee share ownership plans

In 2020, the Group launched a share offer for all its employees located in countries where the legal and tax requirements were met. This share ownership plan (Bib'Action), carried out under the Company savings plan (*Plan d'Épargne Groupe*), is a standard plan allowing employees to invest in Michelin shares at a discounted price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

The purchase price was set at €76.37 per share, representing a 20% discount on the reference price of €95.46 corresponding to the average of the opening prices for Michelin shares over the 20 trading days preceding the pricing date. The employee's purchase was supplemented by a company contribution, increasing the number of shares received, capped at four shares out of the first four purchased by the employee.

713,983 shares were purchased during this share offer.

The total expense recognized in the income statement by the Group in relation to this plan amounted to €14 million, after deducting the effect of the five-year lock-up.

The main features of the plan and the assumptions used to determine the final cost were as follows:

Maturity of the plan	5 years
Number of shares purchased	713,983
Reference price *(in €)*	95.46
Purchase price for employees *(in €)*	76.37
Five-year risk-free interest rate(1)	0.00%
Five-year market participant rate(2)	4.73%
Dividend yield	2.19%
Cost of the lock-up period *(as a % of the reference price)*	20.63%
Recognized cost *(in € per share)*	19.05

(1) *The risk-free interest rate is based on the yield on French government bonds with an equivalent maturity, or 0% if the interest rate is negative.*
(2) *The market participant rate is based on the cost for market participants of 0 to 5-year loans published by the European Central Bank.*

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €775 million (2019: €1,104 million) and include provisions for reorganizations and adaptation of activities, provisions for claims and litigation, warranties and other contingencies, and contract liabilities as described in note 3.8 "Revenue recognition".

29.1 Changes in provisions (current and non-current)

Changes in provisions during the period are presented below:

(in € millions)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2020	**414**	**436**	**850**
Additional provisions	52	101	153
Provisions utilized during the period	(189)	(87)	(276)
Unused provisions reversed during the year	(15)	(11)	(26)
Translation adjustments	(5)	(18)	(23)
Other effects	1	(76)	(75)
AT DECEMBER 31, 2020	**258**	**345**	**603**
Of which short-term portion (note 30)	168	64	232

29.2 Reorganizations and adaptation of activities

At December 31, the remaining provisions for reorganizations and adaptation of activities relate to following countries:

(in € millions)	December 31, 2020	December 31, 2019
France[(1)]	88	183
Germany[(2)]	116	123
United Kingdom	32	86
Italy	5	11
Other countries	17	11
TOTAL	**258**	**414**

(1) Consisting mainly of the provision for reorganization of the La Roche-sur-Yon plant (note 9.2).
(2) Consisting mainly of the provision for the closure of the Bamberg plant (note 9.2).

29.3 Provisions for claims and litigation, warranties and other provisions

Provisions at December 31 concern the following risks:

(in € millions)	December 31, 2020	December 31, 2019
Provisions for claims and litigation	90	175
Provisions for product warranties (note 3.8)	62	65
Provisions for product liability claims	40	46
Other provisions for contingencies	153	150
TOTAL	**345**	**436**

Provisions for claims and litigation mainly concern litigation with URSSAF dating back several years for €50 million (2019: €128 million). During the second half of 2020, the Group decided to stop contesting certain claims concerning the years 2008 to 2015. The Group had chosen to pay a total amount of €115 million in the context of this litigation in order to prevent any further accumulation of late interest. Following the decision to stop contesting certain claims, the provision was reduced, along with the asset recognized when the payment was made.

NOTE 30 PROVISIONS AND OTHER CURRENT LIABILITIES

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

(in € millions)	December 31, 2020	December 31, 2019
Customers - Deferred rebates	796	879
Employee benefit obligations	556	613
Payroll tax liabilities	304	302
Provisions for reorganizations and adaptation of activities	168	233
Income tax payable	186	145
Other taxes	223	237
Other	407	429
PROVISIONS AND OTHER CURRENT LIABILITIES	**2,640**	**2,838**

NOTE 31 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	2020	2019
Investment grants recognized in profit or loss	(12)	(13)
Change in employee benefit obligations	(180)	(217)
Change in litigation and other provisions	(5)	(23)
Restructuring costs	(206)	(172)
Other	18	26
Other operating income and expenses (cash) and change in provisions	**(385)**	**(399)**
Interest and other financial expenses paid	(305)	(371)
Interest and other financial income received	28	34
Dividends received	12	12
Interest and other financial income and expenses received and paid, net	**(265)**	**(325)**
Change in inventories	552	147
Change in trade receivables and advances	92	(81)
Change in trade payables and advances	(34)	(140)
Change in trade payables under reverse factoring agreements	15	5
Change in other receivables and payables	75	(30)
Change in working capital, net of impairment	**700**	**(99)**
Purchases of intangible assets (note 13)	(180)	(207)
Purchases of PP&E (note 14)	(1,041)	(1,594)
Government grants received	6	8
Change in capital expenditure payables	(154)	11
Purchases of intangible assets and PP&E	**(1,369)**	**(1,782)**
Increase in other non-current financial assets	(45)	(34)
Decrease in other non-current financial assets	26	19
Net cash flows from cash management financial assets	(105)	-
Net cash flows from borrowing collaterals	79	(68)
Net cash flows from other current financial assets	20	(26)
Cash flows from other financial assets	**(25)**	**(109)**
Increase in non-current financial liabilities	2,439	184
Decrease in non-current financial liabilities	(1,076)	(378)
Repayment of lease liabilities	(244)	(238)
Net cash flows from current financial liabilities	731	(486)
Derivatives	(66)	48
Cash flows relating to financial liabilities, net	**1,784**	**(870)**
Details of non-cash transactions:		
▶ New leases (note 14)	211	217
▶ New carbon emission rights granted	12	9

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

32.1.1 Capital expenditure commitments

Capital expenditure on the main projects which were contracted but not delivered before December 31, 2020 amounts to €116 million (of which €8 million is likely to be delivered in 2022).

32.1.2 Other commitments

The Group has many purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2021. They are entered into on arm's length terms in the normal course of business.

32.2 Contingencies

32.2.1 Michelin Pension Trust Ltd UK

Following adoption of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension fund (the "Recovery Plan") was established between Michelin Pension Trust Ltd UK and Michelin UK. In order to limit the amount of the contributions and potentially spread them over more than ten years, the Group has given a guarantee to the pension fund covering the contributions which its subsidiary will have to make.

A similar guarantee was given to the trustees of the Fenner Pension Scheme UK following the acquisition of Fenner.

The latest recalculation of the Recovery Plan liability was carried out at March 31, 2020 and the next one will be completed before the end of June 2021. The actuarial assumptions used to measure the Recovery Plan liability are generally more conservative than the ones used to measure defined benefit obligations under IAS 19.

The amount of the Group's guarantee is equal to the difference, if positive, between the present value of future contributions and the amount of the provision booked in the accounts. At December 31, 2020, the present value of future contributions in excess of the provision booked in the consolidated financial statements was €295 million, including €285 million for the guarantee given to the trustees of the Michelin Pension Trust Ltd UK and €10 million for the guarantee given to the Fenner Pension Scheme UK trustees.

32.2.2 Other contingencies

In the normal course of business, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and an outflow of financial resources is probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of Group management, there are no other governmental, judicial or arbitration proceedings likely to have a material impact on the Group's financial position or cash position.

32.3 Assets pledged as collateral

32.3.1 Property, plant and equipment

Property, plant and equipment pledged as collateral for debt amounted to €33 million (2019: €33 million).

32.3.2 Financial assets

Loans and deposits amounting to €22 million (2019: €103 million) are pledged as collateral for debt (note 16 "Derivative instruments").

32.3.3 Trade receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in portfolios of eligible trade receivables. The maximum financing that can be raised from these programs amounts to €463 million (2019: €479 million). Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to €15 million at December 31, 2020 (2019: €15 million), has been accounted for as secured debt (note 26.2 "Loans from financial institutions and other").

NOTE 33 FINANCIAL RISK MANAGEMENT

33.1 Financial risk management policy

33.1.1 Organization of financial risk management

The Corporate Financing Department controls, measures and supervises financial risks for each company and region, as well as at Group level. The Corporate Financing Department reports directly to the Group Finance Department.

One of the Corporate Financing Department's ongoing missions is the formulation of financial risk management policies, monitored on the basis of a full array of internal standards, procedures and authoritative literature. Regional finance managers oversee the implementation of the Group's financial risk management policies by the regional treasury centers. Compliance with financial risk policies is assessed through internal audit reviews to evaluate risk control efficiency and identify areas of improvement.

All strategic decisions regarding Group financial risk hedging policy are made by the Group Finance Department. As a general rule, the Group strictly limits the use of derivatives to the sole purpose of hedging clearly identified exposures.

A Financial Risks Committee is responsible for establishing and validating financial risk management policies, identifying and measuring these risks and validating and monitoring hedging programs. The Financial Risks Committee, which is chaired by a Manager, meets on a monthly basis and includes members of the Group Finance Department and the Corporate Financing Department.

33.1.2 Liquidity risk

33.1.2.1 Risk factors

Liquidity is defined as the ability to repay borrowings when they fall due and to find new stable sources of financing so that there is always sufficient money to cover expenses. In the course of its business, the Group is exposed to the risk of having insufficient liquid resources to finance its operations and make the investments needed to drive its growth. It must therefore manage its cash reserves and confirmed lines of credit on a continuous basis.

33.1.2.2 Risk management processes

The Corporate Financing Department is responsible for ensuring that the Group has access to adequate financing and liquidity at the lowest cost. The Group raises financing through long-term debt issues (bonds) on the capital markets, as well as through bank facilities (loans and credit lines), commercial paper programs and receivables securitization programs. The Group has also negotiated confirmed back-up credit lines and maintains cash reserves that are calibrated in order to ensure the refinancing of short-term debt. Long-term financing and confirmed back-up credit lines are essentially concentrated at the level of the Group financial holding companies.

Except in the case of particular restrictions due to the specific features of local financial markets, the Group companies are financed in accordance with the following model:

- cash pooling with the Group for the management of day-to-day liquidity requirements;
- intercompany credit lines and loans to meet medium- and long-term requirements.

For subsidiaries that do not participate in the cash pool, short-term financing is the responsibility of the local treasurer.

The management of liquidity risk is supported by a system that forecasts short-, medium- and long-term financing requirements based on business forecasts and the strategic plans of the operating entities.

As a matter of prudent financial policy, the Group guards against the inclusion in its financial contracts of hard covenants or material adverse change clauses that could affect its ability to draw down credit lines or the facilities' term. At December 31, 2020, none of the Group's loan agreements included any clauses of this type. Concerning default and acceleration clauses included in the Group's loan agreements, the probability of trigger events occurring is low and the possible impact on the Group's financial position would not be material.

33.1.3 Currency risk

33.1.3.1 Risk factors

Currency risk is defined as the impact on financial indicators of fluctuations in the exchange rates of foreign currencies used in the normal course of business. The Group is exposed to currency risks on its foreign currency transactions (transaction risk) and also on the translation of its net investment in foreign subsidiaries (translation risk).

Foreign currency transaction risk arises from the monetary assets and liabilities of the company and its subsidiaries (mainly cash and cash equivalents, receivables, payables and borrowings) that are denominated in foreign currencies. It corresponds to the risk of a change in the exchange rate between the date when these monetary assets and liabilities are recorded in the accounts and the date when they are recovered or settled.

Foreign currency translation risk arises from the Group's net investment in foreign subsidiaries. It corresponds to the risk of a change in the exchange rate used to translate the net investment in the foreign subsidiary into euros during the consolidation process.

33.1.3.2 Risk management processes

Foreign currency transaction risk

Foreign currency transaction risk is monitored locally by the Company and its subsidiaries and at Group level by the Corporate Financing Department.

Each Group company continually calculates its accounting exposure in relation to its functional currency and hedges it systematically. Temporary exemptions can, however, be approved by the Group Finance Department when it is not possible to hedge a currency on the market or when an exemption is justified due to exceptional market conditions.

Foreign currency payables and receivables of the same type and with equivalent maturities are netted off and only the net exposure is hedged. This is normally carried out through Compagnie Financière Michelin, or, alternatively, through a bank. Compagnie Financière Michelin in turn assesses its own resulting net exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts. The structural exposure is hedged using long-term instruments (with a life of up to seven years) and the operational exposure is hedged using short-term instruments (generally expiring within three months). Currency risk monitoring and hedging is based on Group internal standards and procedures. A system to closely monitor foreign currency transaction risk is implemented throughout the Group under the responsibility of the Corporate Financing Department. Gains and losses on foreign currency transactions are tracked on a monthly basis in a detailed management report.

Currency translation risk

The Group does not use hedging instruments to actively manage this risk.

Investments in foreign subsidiaries are booked in the functional currency of the parent company and are not included in the latter's foreign exchange position.

33.1.4 Interest rate risk

33.1.4.1 Risk factors

The Group's income statement may be affected by interest rate risk. An unfavorable change in interest rates may adversely affect future finance costs and cash flows. The Group is in a net debt position and is exposed to the risk of an increase in interest rates on the portion of its debt that is at variable rates. It may also be exposed to an opportunity risk in the case of a fall in interest rates, if too great a proportion of debt is at fixed rates, as well as on financial investments, depending on their interest terms.

33.1.4.2 Risk management processes

The objective of interest rate management is to minimize financing costs whilst protecting future cash flows against unfavorable movements in interest rates. For this purpose, the Group uses various derivative instruments available in the market, but restricts itself to the use of "plain vanilla" instruments (interest rate swaps, mainly).

Interest rate exposure is analyzed and monitored by the Financial Risks Committee using monthly performance indicators and management reports.

The interest rate position is centralized by currency by the Corporate Financing Department, which is the only department permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risks Committee sets hedging limits by currency, taking into consideration the Group's gearing as hedging needs change in line with this ratio.

33.1.5 Equity risk

33.1.5.1 Risk factors

The Group holds non-controlling interests in companies whose share price fluctuates, among other things, in line with changes in the global stock markets, the multiples applied by the markets to the industries in which these companies operate and their specific economic and financial metrics.

Equity investments are made for strategic rather than trading purposes. Equities are held under a medium- or long-term strategy, and not for short-term trading portfolio management.

33.1.5.2 Risk management processes

The Group Investments Committee, which comprises representatives from the Finance, Legal Affairs, Mergers & Acquisitions and Strategy Departments, is responsible for ensuring that investment management and monitoring rules are properly applied for its non-controlling interests. To this end, it reviews investments at annual intervals to assess the risk level and actual results compared to defined targets.

33.1.6 Counterparty risk

33.1.6.1 Risk factors

Counterparty risk is the risk of a debtor refusing or being unable to fulfill all or part of its obligations. The Group is exposed to counterparty risk on its contracts and financial instruments. Counterparty risk may lead to an impairment loss or a loss of liquidity. The Group is exposed to the risk of impairment losses arising from the investment of available cash in money market instruments and other marketable securities, as well as on finance receivables, derivative instruments and third party guarantees. It is exposed to the risk of a loss of liquidity on its undrawn confirmed lines of credit.

33.1.6.2 Risk management processes

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the other risks that are associated with its operations, the Group gives priority to the security and the liquidity of 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.

The Group is also exposed to counterparty risk on derivative instruments used for hedging purposes that have a positive fair value. These hedging instruments and the level of concentration by bank are tracked weekly by Group Treasury and monitored monthly by the Financial Risks Committee.

In order to mitigate counterparty risk on its derivatives instruments, the Group exchanges collateral with its main banks.

33.1.7 Credit risk

33.1.7.1 Risk factors

Credit risks may arise when the Group grants credit to its customers. 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 earnings and cash flows.

33.1.7.2 Risk management processes

The Credit Department, which is part of the Group Financial 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 also responsible for managing and collecting trade receivables. The main policies and procedures are defined at Group level and are monitored and controlled at both regional and Group level.

33.2 Quantitative and qualitative data related to financial risk

33.2.1 Liquidity risk

At December 31, 2020, the debt repayment schedule (principal and interest) and the maturities of undrawn confirmed credit lines are as follows:

(in € millions)	2021	2022	2023	2024	2025	2026	2027 and beyond
Bonds	153	851	578	68	809	59	4,367
Commercial paper	939	-	-	-	-	-	-
Loans from financial institutions and other	485	95	61	25	28	17	11
Lease liabilities	253	216	171	143	111	87	179
Derivative instruments	(1)	19	(58)	1	1	1	2
DEBT REPAYMENT SCHEDULE	**1,829**	**1,181**	**752**	**237**	**949**	**164**	**4,559**
LONG-TERM UNDRAWN CONFIRMED CREDIT LINES	**-**	**-**	**2,500**	**-**	**-**	**-**	**-**

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.

In 2020, the Group rolled over its €2,500 million syndicated credit line for a further period of three years, with two one-year extension options.

The Group considers that at December 31, 2020 its sources of financing were sufficient to meet the needs of the business:

- cash and cash equivalents for €4,747 million;
- cash management financial assets for €285 million;
- a €2,500 million NEU CP commercial paper program, of which €898 million had been utilized at December 31, 2020;
- a USD 700 million (€570 million) US CP commercial paper program, of which USD 50 million (€42 million) had been utilized at December 31, 2020;
- two €463 million factoring programs activated when there are sufficient trade receivables of high enough quality, drawn down by €15 million as of December 31, 2020;
- €2,500 million in confirmed, undrawn lines of credit.

33.2.2 Currency risk

Foreign currency transaction risk

Net currency hedging positions are presented in the table below:

	December 31, 2020				December 31, 2019			
(in € millions)	EUR	CNY	USD	Other	EUR	CNY	USD	Other
Hedges	817	(321)	386	(1,058)	863	(479)	(354)	(1,122)

The other currencies mainly include currency hedges in MXN and GPB.

A 1% unfavorable change in exchange rates for the above currencies would not have a material adverse effect on the consolidated income statement. This relatively low sensitivity to foreign currency transaction risk is consistent with the objective described in section 33.1.3 "Currency risk".

Because of the low volume of cash flow hedges (note 16 "Derivative instruments"), the sensitivity of equity to currency risk is not material.

Currency translation risk

A breakdown of equity by currency is provided in the following table:

(in € millions)	December 31, 2020	December 31, 2019
EUR	4,308	4,449
USD	4,038	4,142
GBP	1,587	1,394
BRL	843	1,104
CNY	652	540
THB	530	586
CAD	284	335
IDR	108	130
Other	281	549
TOTAL	**12,631**	**13,229**

33.2.3 Interest rate risk

Net debt at December 31, 2020 breaks down as follows by type of hedge and by currency:

	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
(in € millions)	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
USD	1,312	318	**1,630**	(904)	335	391	**726**	571	(571)	906	(180)	**726**
THB	159	57	**216**	461	159	518	**677**	200	(200)	359	318	**677**
CNY	22	(44)	**(22)**	520	22	476	**498**	195	(195)	217	281	**498**
EUR	5,079	(3,403)	**1,676**	(1,198)	6,056	(5,578)	**478**	(91)	91	5,965	(5,487)	**478**
MXN	1	(1)	**-**	477	1	476	**477**		-	1	476	**477**
GBP	58	(13)	**45**	236	58	223	**281**	82	(82)	140	141	**281**
Other currencies	129	(107)	**22**	408	129	301	**430**	175	(175)	304	126	**430**
Total before derivatives	**6,760**	**(3,193)**	**3,567**	**-**	**6,760**	**(3,193)**	**3,567**	**1,132**	**(1,132)**	**7,892**	**(4,325)**	**3,567**
Fair value of derivatives included in net debt			**(36)**				**(36)**					**(36)**
NET DEBT (NOTE 26)			**3,531**				**3,531**					**3,531**

A 1-point parallel shift in the yield curves applied to the net debt components would have the following impact at December 31, 2020:

	Annualized cash impact recognized in the income statement	Fair value impact			
(in € millions)		Recognized in the income statement[(1)]	Recognized in other comprehensive income[(2)]	Not recognized[(3)]	Total
1-point downward shift	(43)	(19)	-	(609)	(628)
1-point increase	43	19	-	609	628

(1) The Group interest rate policy aims at hedging perfectly identified future cash flows. However, some derivative instruments do not qualify for hedge accounting under IFRS and are measured at fair value through profit or loss.

(2) For derivatives qualifying for hedge accounting (cash flow hedges).

(3) Some fair value impacts are not accounted for because the underlying net debt component is not measured at fair value but at amortized cost.

33.2.4 Equity risk

Equity risk is the risk of a 10% unfavorable change in the price of equities held by the Group.

(in € millions)	December 31, 2020	December 31, 2019
Carrying amount (note 15.1)	229	237
IMPACT ON EQUITY OF A 10% UNFAVORABLE CHANGE IN THE PRICE OF EQUITIES HELD BY THE GROUP	**(19)**	**(19)**

33.2.5 Counterparty risk

At December 31, 2020, 70% of cash and cash equivalents (including cash management financial assets) was invested in money market or short-term bond funds to allow for a maximum diversification of counterparty risk. The balance is invested directly with international banks that meet the counterparty risk management criteria defined by the Group.

Furthermore, most derivatives are contracted with the same banks.

33.2.6 Credit risk

At December 31, 2020, net receivable balances from the ten largest customers amounted to €398 million (2019: €451 million). Six of these customers are located in Europe and four in North America. At the same date, 55 customers (2019: 67) had been granted credit limits in excess of €10 million. Out of these, 24 are located in Europe, 22 in North America, one in Central America, one in South America, two in Asia and five in Africa, India and the Middle East. No material collateral has been received to limit the related credit risk. In 2020, credit losses represented 0.09% of sales (2019: 0.11%).

33.2.7 Commodities derivatives

In 2020, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

33.3 Capital risk management

The Group's objectives when managing its capital are to protect its ability to continue as a going concern and to ensure its development, so that it can provide returns for shareholders and benefits for other stakeholders.

The main indicator used for capital management purposes is gearing. Gearing corresponds to the ratio of net debt to equity.

(in € millions)	December 31, 2020	December 31, 2019
Net debt (note 26)	3,531	5,184
Total equity	12,631	13,229
GEARING	**0.28**	**0.39**

33.4 Classification of financial assets

Group financial assets break down as follows between the categories "at fair value through profit or loss (FVTPL)", "at fair value through other comprehensive income (FVOCI)" and "at amortized cost" at December 31, 2020:

(in € millions)	FVTPL	FVOCI	Amortized cost	Total 2020
Trade receivables	-	-	3,018	3,018
Current financial assets	72	2	355	429
Cash and cash equivalents	3,786	-	961	4,747
Non-current financial assets	117	219	529	865
TOTAL FINANCIAL ASSETS	**3,975**	**221**	**4,863**	**9,059**

33.5 Fair value measurement hierarchy

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

(in € millions)	Level 1	Level 2	Level 3	Total 2020
Cash and cash equivalents	3,786	-	-	3,786
Current financial assets	22	52	-	74
Non-current financial assets	35	101	200	336
TOTAL ASSETS	**3,843**	**153**	**200**	**4,196**
Derivative instruments (note 16.2)	-	117	-	117
TOTAL LIABILITIES	**-**	**117**	**-**	**117**

(in € millions)	Level 1	Level 2	Level 3	Total 2019
Cash and cash equivalents	973	-	-	973
Current financial assets	102	21	-	123
Non-current financial assets	21	127	217	365
TOTAL ASSETS	**1,096**	**148**	**217**	**1,461**
Derivative instruments (note 16.2)	-	194	-	194
TOTAL LIABILITIES	**-**	**194**	**-**	**194**

There has been no significant transfer during these two years between level 1 and level 2.

The following table presents the changes in level 3 instruments for the year ended December 31, 2020:

(in € millions)	
At January 1, 2020	**216**
Acquisitions	13
Disposals	(45)
Changes in the scope of consolidation	-
Transfers from level 1 or 2 to level 3	-
Transfers from level 3 to level 1 or 2	(3)
Gains or losses for the year recognized in net income	-
Gains or losses for the year recognized in other comprehensive income	18
Other	(6)
AT DECEMBER 31, 2020	**193**

NOTE 34 RELATED-PARTY TRANSACTIONS

Management and Supervisory Bodies

In a spirit of solidarity with the community of Michelin employees in last year's environment shaped by the Covid-19 crisis, the Managing Chairman and the General Manager forfeited part of the compensation due to them for 2020.

Florent Menegaux, Managing Chairman and Managing General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution based on 2019 net income of €1.0 million (2019 based on 2018 net income: €0.7 million). He was also awarded compensation of €1.1 million (payroll taxes included) as General Manager of Manufacture Française des Pneumatiques Michelin (2019: €1.2 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2019: €0.5 million).

The statutory distribution paid to Jean-Dominique Senard, Managing Chairman and Managing General Partner of Compagnie Générale des Établissements Michelin (until May 2019), in 2020 based on 2019 net income amounted to €1.7 million (2019 based on 2018 net income: €3.0 million).

Yves Chapot received compensation of €1.2 million (payroll taxes included) as General Manager of Compagnie Générale des Établissements Michelin (2019: €1.1 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2019: €0.4 million). A provision of €0.9 million (payroll taxes included) has been recognized based on the present value of the vested rights in a long-term incentive bonus program and a variable compensation program.

At December 31, 2020, the Group Executive Committee had eight members (2019: eight members). Employee benefits costs for members of the Group Executive Committee amounted to €10.9 million in 2020 (2019: €11 million). This amount breaks down as follows:

(in € millions)	2020	2019
Short-term benefits	7.3	7.2
Post-employment benefits	1.9	2.3
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1.7	1.5
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	**10.9**	**11.0**

The compensation paid in 2020 to the Supervisory Board members for 2019 was €0.7 million (2019 for 2018: €0.7 million).

NOTE 35 EVENTS AFTER THE REPORTING DATE

Simplification and competitiveness project to support developments in the Group's operations in France

On January 6, 2021, the Group announced the deployment of a more extensive simplification and competitiveness plan that will significantly improve the agility and performance of its manufacturing and office-based operations in France.

The plan, which is part of a broader co-construction and social dialogue process, will be supported by the negotiation of a three-year framework agreement that will not entail any layoffs or plant closures.

The Group reaffirms its growth ambitions in France, to consolidate its positioning in premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments.

The Group expects to improve its competitiveness by up to 5% a year in the corporate and administrative activities and by up to 5% a year in the manufacturing operations, which may vary depending on the plant's operations and competitive environment. This could mean position reductions of up to 2,300 over the next three years (up to 1,100 in the tertiary sector and up to 1,200 in the industry sector). Nearly 60% of the projected separations would be based on early retirement opportunities and the remainder on Group-supported voluntary severances. For every job eliminated, Michelin is committed to help to create another, either through the development of its new businesses or through its participation in local job market revitalization programs, within a realistic timeframe.

As of the date when the Group's consolidated financial statements were approved for publication, the project's final cost and terms had not yet been determined and no provision was recorded. Decisions will be regularly made and announced by the Group, based on identified needs and progress observed on projects.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

NOTE 36 LIST OF CONSOLIDATED COMPANIES

Countries are presented based on the Michelin geographical regions and are listed within each region according to the alphabetical order of the French names.

Companies	Consolidation method	Registered office	Type	% interest
EUROPE				
GERMANY				
Michelin Reifenwerke AG & Co. Kommanditgesellschaft auf Aktien	Full consolidation method	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Reifenservice Deutschland GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Immobilien GmbH	Full consolidation method	Mannheim	Commercial	100.00
Advantico GmbH	Full consolidation method	Mannheim	Commercial	60.00
Michelin Deutschland GmbH	Full consolidation method	Karlsruhe	Financial	100.00
PTG Reifendruckregelsysteme GmbH	Full consolidation method	Neuss	Commercial	100.00
Michelin Finanz Gesellschaft für Beteiligungen AG & Co. OHG	Full consolidation method	Karlsruhe	Financial	100.00
Ihle Tires GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Tirecorp GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Ihle International GmbH	Full consolidation method	Muggensturm	Commercial	100.00
ProServ Produktionsservice und Personaldienste GmbH	Equity method	Karlsruhe	Miscellaneous	49.00
Dichtelemente Hallite GmbH	Full consolidation method	Hamburg	Manufacturing & commercial	100.00
Camso Deutschland GmbH	Full consolidation method	Duisbourg	Commercial	100.00
Masternaut GmbH	Full consolidation method	Munich	Commercial	100.00
AUSTRIA				
Michelin Reifenverkaufsgesellschaft m.b.H.	Full consolidation method	Vienna	Miscellaneous	100.00
Euromaster Reifenservice GmbH	Full consolidation method	Vienna	Commercial	100.00
Camso Austria GmbH	Full consolidation method	Korneubourg	Commercial	100.00
BELGIUM				
Michelin Belux S.A.	Full consolidation method	Zellik	Commercial	100.00
Michelin Travel Partner Belgium BVBA	Full consolidation method	Zellik	Commercial	100.00
Camsotech European R&D Centre NV	Full consolidation method	Ghent	Financial	100.00
Eurowheel BVBA	Full consolidation method	Herenthout	Manufacturing	100.00
ITC International Tire NV	Full consolidation method	Wommelgem	Commercial	85.00
Industrial International Tire Company NV	Full consolidation method	Wommelgem	Commercial	85.00
BULGARIA				
Michelin Bulgaria EOOD	Full consolidation method	Sofia	Miscellaneous	100.00
CROATIA				
Michelin Hrvatska d.o.o.	Full consolidation method	Zagreb	Commercial	100.00
DENMARK				
Euromaster Danmark A/S	Full consolidation method	Skanderborg	Commercial	100.00
Michelin Gummi Compagni A/S	Full consolidation method	Frederiksberg	Miscellaneous	100.00
Euromaster Ejendomme A/S	Full consolidation method	Skanderborg	Commercial	100.00
Viborg Direct A/S	Full consolidation method	Skanderborg	Commercial	100.00
Ihle Skandinavien ApS	Full consolidation method	Copenhagen	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
SPAIN				
Michelin España Portugal, S.A.	Full consolidation method	Tres Cantos	Manufacturing & commercial	99.81
Euromaster Automoción y Servicios, S.A.	Full consolidation method	Madrid	Commercial	100.00
Nex Tyres, S.L.	Full consolidation method	Lleida	Commercial	50.00
Michelin Travel Partner España Portugal SrL	Full consolidation method	Tres Cantos	Commercial	99.81
Lehigh Spain S.L.	Full consolidation method	Barcelona	Miscellaneous	100.00
Servicios y Asistencia OK24, S.L.	Full consolidation method	Madrid	Commercial	60.80
Fundación Michelin España Portugal	Full consolidation method	Valladolid	Miscellaneous	99.81
Rodi Metro, S.L.	Equity method	Lleida	Miscellaneous	20.00
Fenner Dunlop S.L.	Full consolidation method	Esparreguera	Manufacturing & commercial	100.00
Camso Spain, S.L.	Full consolidation method	Saragossa	Commercial	100.00
Masternaut Iberica S.L.	Full consolidation method	Madrid	Commercial	100.00
ESTONIA				
Michelin Rehvide OÜ	Full consolidation method	Tallinn	Miscellaneous	100.00
FINLAND				
Oy Suomen Michelin Ab	Full consolidation method	Espoo	Miscellaneous	100.00
Suomen Euromaster Oy	Full consolidation method	Pori	Commercial	100.00
FRANCE				
Compagnie Générale des Établissements Michelin	Full consolidation method	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Full consolidation method	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Full consolidation method	Avallon	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Full consolidation method	Bassens	Manufacturing	100.00
Euromaster France	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Michelin Aircraft Tyre	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Transityre France	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Alliance Réseaux	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
One Shot Pay	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	60.00
Michelin Travel Partner	Full consolidation method	Boulogne-Billancourt	Commercial	100.00
Spika	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Full consolidation method	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Établissements Piot Pneu	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Tyredating	Full consolidation method	Lyon	Commercial	100.00
Ihle France	Full consolidation method	Schiltigheim	Commercial	100.00
Euromaster Services et Management	Full consolidation method	Clermont-Ferrand	Commercial	100.00
GIE Michelin Placements	Full consolidation method	Clermont-Ferrand	Financial	100.00
Simp	Full consolidation method	Clermont-Ferrand	Financial	51.00
Société d'Investissements et de Mécanique	Full consolidation method	Montagny	Miscellaneous	100.00
Michelin Ventures SAS	Full consolidation method	Clermont-Ferrand	Financial	100.00
Mon Tour en France	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
Oxymore	Full consolidation method	Montbonnot-Saint-Martin	Commercial	96.15

Companies	Consolidation method	Registered office	Type	% interest
Jean Estager et Cie	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Teleflow SAS	Full consolidation method	Mably	Miscellaneous	100.00
V Data Services	Full consolidation method	Nantes	Miscellaneous	100.00
Adaran	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Michelin Middle East	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Europe (EEIG)	Full consolidation method	Clermont-Ferrand	Miscellaneous	99.95
AddUp	Equity method	Cébazat	Manufacturing	50.00
MMM !	Full consolidation method	Paris	Miscellaneous	100.00
1 Pièce Cuisine SAS	Full consolidation method	Paris	Miscellaneous	100.00
Allopneus	Equity method	Aix-en-Provence	Commercial	39.99
Société Internationale de Plantations d'Hévéas	Equity method	Courbevoie	Miscellaneous	44.41
Symbio	Equity method	Fontaine	Miscellaneous	50.00
Taquipneu	Equity method	Montauban	Miscellaneous	22.92
Hympulsion	Equity method	Lyon	Manufacturing & commercial	22.78
Fenner Dunlop SARL	Full consolidation method	Élancourt	Manufacturing & commercial	100.00
Camso France SAS	Full consolidation method	Le Malesherbois	Commercial	100.00
Masternaut SAS	Full consolidation method	Puteaux (Paris)	Commercial	100.00
Masternaut International SAS	Full consolidation method	Louviers	Financial	100.00
Runa	Equity method	Lyon	Miscellaneous	48.99
Resicare	Full consolidation method	Clermont-Ferrand	Manufacturing	100.00
GREECE				
Elastika Michelin Single Member S.A.	Full consolidation method	Halandri	Commercial	100.00
HUNGARY				
Michelin Hungaria Tyre Manufacture Ltd.	Full consolidation method	Nyíregyháza	Manufacturing & commercial	100.00
Ihle Magyarország Kft.	Full consolidation method	Komárom	Commercial	100.00
Camso Manufacturing Hungary Kft.	Full consolidation method	Budapest	Financial	100.00
IRELAND				
Miripro Insurance Company DAC	Full consolidation method	Dublin	Miscellaneous	100.00
Async Technologies Limited	Equity method	Ennis	Miscellaneous	25.00
ITALY				
Società per Azioni Michelin Italiana	Full consolidation method	Turin	Manufacturing & commercial	100.00
Fondazione Michelin Sviluppo	Full consolidation method	Turin	Miscellaneous	100.00
Euromaster Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
Michelin Travel Partner Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
MAV S.p.A.	Full consolidation method	Bosentino	Manufacturing & commercial	100.00
Hallite Italia S.r.l.	Full consolidation method	Collesalvetti	Manufacturing & commercial	100.00
Fenner Dunlop Italia S.r.l.	Full consolidation method	Milan	Manufacturing & commercial	100.00
Camso Manufacturing Italy S.r.l.	Full consolidation method	Milan	Manufacturing	100.00
Camso Italy S.p.A.	Full consolidation method	Ozzero	Commercial	100.00
Webraska Italia S.r.l.	Full consolidation method	Milan	Miscellaneous	100.00
LATVIA				
Michelin Riepas SIA	Full consolidation method	Riga	Miscellaneous	100.00
LITHUANIA				
UAB Michelin Padangos	Full consolidation method	Vilnius	Miscellaneous	100.00

Companies	Consolidation method	Registered office	Type	% interest
LUXEMBOURG				
Michelin Luxembourg SCS	Full consolidation method	Luxembourg	Financial	100.00
Michelin Finance (Luxembourg) S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso International S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso Holding S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Artic Investments S.A.	Full consolidation method	Luxembourg	Financial	100.00
NORWAY				
Norsk Michelin Gummi AS	Full consolidation method	Oslo	Miscellaneous	100.00
Fenner Mandals AS	Full consolidation method	Mandal	Manufacturing & commercial	100.00
THE NETHERLANDS				
Euromaster Bandenservice B.V.	Full consolidation method	Deventer	Commercial	100.00
Michelin Nederland N.V.	Full consolidation method	Drunen	Commercial	100.00
Transityre B.V.	Full consolidation method	Breda	Commercial	100.00
Michelin Distribution B.V.	Full consolidation method	Breda	Commercial	100.00
Actor B.V.	Full consolidation method	Deventer	Commercial	100.00
Euromaster Vastgoed B.V.	Full consolidation method	Deventer	Commercial	100.00
MC Projects B.V.	Equity method	Maastricht	Miscellaneous	50.00
Dunlop Service B.V.	Full consolidation method	Klazienaveen	Manufacturing & commercial	100.00
Fenner Dunlop B.V.	Full consolidation method	Drachten	Manufacturing & commercial	100.00
De Bruin&Berends B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Assets B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Enerka Netherlands B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Enerka Netherlands Holding B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Manufacturing Holdings B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Service International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Conveyor Belting International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Sales & Marketing B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Fenner Dunlop Steelcord B.V.	Full consolidation method	Drachten	Financial	100.00
Camso Nederland B.V.	Full consolidation method	Nieuwegein	Commercial	100.00
Masternaut B.V.	Full consolidation method	Breda	Commercial	100.00
POLAND				
Michelin Polska sp. z o.o.	Full consolidation method	Olsztyn	Manufacturing & commercial	100.00
Euromaster Polska sp. z.o.o.	Full consolidation method	Olsztyn	Commercial	100.00
Michelin Development Foundation (Fundacja Rozwoju Michelin)	Full consolidation method	Olsztyn	Miscellaneous	100.00
Dunlop Conveyor Belting Polska sp. z.o.o.	Full consolidation method	Mikołów	Manufacturing & commercial	100.00
Camso Polska S.A.	Full consolidation method	Warsaw	Commercial	100.00
PORTUGAL				
Michelin-Companhia Luso-Pneu, Limitada	Full consolidation method	Lisbon	Miscellaneous	100.00
Euromaster Portugal – Sociedade Unipessoal, LDA	Full consolidation method	Lisbon	Commercial	100.00
CZECH REPUBLIC				
Euromaster Česká republika s.r.o. (Euromaster Ceska republika s.r.o.)	Full consolidation method	Prague	Commercial	100.00
Michelin Česká republika s.r.o. (Michelin Ceska republika s.r.o.)	Full consolidation method	Prague	Miscellaneous	100.00
Ihle Czech, s.r.o.	Full consolidation method	Plzen	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
ROMANIA				
Michelin Romania S.A.	Full consolidation method	Voluntari	Manufacturing & commercial	99.86
Euromaster Tyre & Services Romania S.A.	Full consolidation method	Voluntari	Commercial	100.00
Ihle Anvelope SRL	Full consolidation method	Pitesti	Commercial	100.00
UNITED KINGDOM				
Michelin Tyre Public Limited Company	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Full consolidation method	Birmingham	Commercial	100.00
Associated Tyre Specialists (Investment) Limited	Full consolidation method	Birmingham	Commercial	100.00
ATS Property and Real Estate Limited	Full consolidation method	Birmingham	Commercial	100.00
Blackcircles.com Limited	Full consolidation method	Edinburgh	Commercial	100.00
Black Circles Holdings Limited	Full consolidation method	Edinburgh	Miscellaneous	100.00
Michelin Finance (U.K.) Limited	Full consolidation method	London	Financial	100.00
Michelin Lifestyle Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Michelin Development Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
TFM Holdings Limited	Full consolidation method	Eastleigh	Commercial	100.00
Michelin Travel Partner UK Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Fenner Group Holdings Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner International Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
Hallite Seals International Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
James Dawson & Son Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
Dunlop Conveyor Belting Investments Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner N.A. Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Hall & Hall Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (Advanced Engineering Products) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (India) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
James Dawson (China) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner Pension Scheme Trustee Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
Fenner International Australia Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner Advanced Sealing Investments Limited	Full consolidation method	Hull	Financial	100.00
Fenner Advanced Sealing Technologies Limited	Full consolidation method	Hull	Financial	100.00
Fenner Drives Limited	Full consolidation method	Hull	Financial	100.00
Fenner Dunlop Limited	Full consolidation method	Hull	Financial	100.00
Hallite Limited	Full consolidation method	Hull	Financial	100.00
Hallite Polytek Limited	Full consolidation method	Hull	Financial	100.00
Indico (Europe) Limited	Full consolidation method	Hull	Financial	100.00
J.H. Fenner & Co. (Special Belting) Limited	Full consolidation method	Hull	Financial	100.00
Norwegian Seals UK Limited	Full consolidation method	Hull	Financial	100.00
Turner Belting Limited	Full consolidation method	Hull	Financial	100.00
Vulcanisers International Limited	Full consolidation method	Hull	Financial	100.00
Camso UK Limited	Full consolidation method	Cowbridge	Commercial	100.00
Masternaut Group Holdings Limited	Full consolidation method	Marlow	Financial	100.00
Masternaut Limited	Full consolidation method	Aberford	Commercial	100.00
Masternaut Bidco Limited	Full consolidation method	London	Financial	100.00
Masternaut Holdings Limited	Full consolidation method	Marlow	Commercial	100.00
Masternaut ITS Limited	Full consolidation method	Aberford	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Masternaut Risk Solutions Limited	Full consolidation method	Marlow	Commercial	100.00
Old World Limited	Full consolidation method	London	Miscellaneous	100.00
Telefleet Limited	Full consolidation method	London	Miscellaneous	100.00
Easy Sailing Limited	Full consolidation method	Aberford	Miscellaneous	100.00
SERBIA				
Tigar Tyres d.o.o.	Full consolidation method	Pirot	Manufacturing & commercial	100.00
SLOVAKIA				
Michelin Slovensko, s.r.o.	Full consolidation method	Bratislava	Miscellaneous	100.00
Ihle Slovakia s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
Ihle Slovakia Logistic a Servis s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
SLOVENIA				
Michelin Slovenija, pnevmatike, d.o.o.	Full consolidation method	Ljubljana	Miscellaneous	100.00
Ihle pnevmatike, d.o.o.	Full consolidation method	Maribor	Commercial	100.00
SWEDEN				
Euromaster AB	Full consolidation method	Varberg	Commercial	100.00
Michelin Nordic AB	Full consolidation method	Stockholm	Commercial	100.00
Masternaut AB	Full consolidation method	Stockholm	Commercial	100.00
Scandinavian Enviro Systems AB	Equity method	Gothenburg	Manufacturing & commercial	20.00
SWITZERLAND				
Euromaster (Suisse) S.A.	Full consolidation method	Givisiez	Commercial	100.00
Nitor S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Suisse S.A.	Full consolidation method	Givisiez	Commercial	100.00
Compagnie Financière Michelin Suisse S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Compagnie Financière Michelin S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Global Mobility S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Mexico Properties Sàrl	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Inter Assistance S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Finanz Gesellschaft für Beteiligungen S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Invest S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Ihle Service & Logistik Schweiz AG	Full consolidation method	Bülach	Commercial	100.00
Swissco Project S.A.	Equity method	Neuchâtel	Miscellaneous	20.00
Camso Schweiz AG	Full consolidation method	Schaffhouse	Commercial	100.00
TURKEY				
Michelin Lastikleri Ticaret A.S.	Full consolidation method	Istanbul	Commercial	100.00
Euromaster Lastik Ve Servis Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
Camso Lastik Ticaret Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
AFRICA/INDIA/MIDDLE EAST				
SOUTH AFRICA				
Michelin Tyre Company South Africa Proprietary Limited	Full consolidation method	Boksburg	Commercial	100.00
Fenner (South Africa) (Pty) Limited	Full consolidation method	Isando	Financial	100.00
Fenner Conveyor Belting (South Africa) (Pty) Limited	Full consolidation method	Isando	Manufacturing & commercial	71.00
ALGERIA				
Société d’Applications Techniques Industrielles	Full consolidation method	Algiers	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
SAUDI ARABIA				
E.A. Juffali & Brothers for Tyres	Equity method	Jeddah	Commercial	50.00
CAMEROON				
Société Moderne du Pneumatique Camerounais	Full consolidation method	Douala	Commercial	100.00
UNITED ARAB EMIRATES				
Michelin AIM FZE	Full consolidation method	Jafza (Dubai)	Miscellaneous	100.00
Michelin AIM FZCO	Full consolidation method	Dubai	Miscellaneous	100.00
Dunlop Service Middle East, LLC	Full consolidation method	Dubai	Manufacturing & commercial	49.00
GHANA				
Dunlop Conveyor Belting Ghana Limited	Full consolidation method	Accra	Manufacturing & commercial	100.00
INDIA				
Michelin India Private Limited	Full consolidation method	Chennai	Manufacturing	100.00
Michelin India Technology Center Private Limited	Full consolidation method	Gurgaon	Miscellaneous	100.00
Fenner Conveyor Belting Private Limited	Full consolidation method	Madurai	Manufacturing & commercial	100.00
Hallite Sealing Solutions India Private Limited	Full consolidation method	Bangalore	Manufacturing & commercial	100.00
Camso India LLP	Full consolidation method	Gurgaon	Commercial	100.00
KENYA				
Tyre Distribution Africa Limited	Equity method	Nairobi	Miscellaneous	49.00
MOROCCO				
Fenner Dunlop Maroc SARL	Full consolidation method	Casablanca	Manufacturing & commercial	100.00
NIGERIA				
Michelin Tyre Services Company Ltd.	Full consolidation method	Lagos	Commercial	95.48
SRI LANKA				
Camso Loadstar (Private) Limited	Full consolidation method	Ja-Ela	Manufacturing	100.00
Camso Trading (Private) Limited	Full consolidation method	Ja-Ela	Commercial	100.00
Camso Global Business Services (Private) Limited	Full consolidation method	Colombo	Financial	100.00
NORTH AMERICA				
CANADA				
Michelin North America (Canada) Inc.	Full consolidation method	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	Full consolidation method	New Glasgow	Commercial	100.00
Michelin Development (Canada) Inc.	Full consolidation method	New Glasgow	Miscellaneous	100.00
Oliver Rubber Canada Limited	Full consolidation method	Granton, Nova Scotia	Commercial	100.00
Fenner Dunlop (Bracebridge), Inc.	Full consolidation method	Bracebridge	Manufacturing & commercial	100.00
Hallite Seals (Canada) Ltd	Full consolidation method	Mississauga	Manufacturing & commercial	100.00
Camso Inc.	Full consolidation method	Magog	Financial	100.00
Camso Distribution Canada Inc.	Full consolidation method	Mississauga	Commercial	100.00
Klinge Tire Management Consultants CA Ltd	Full consolidation method	Toronto	Miscellaneous	100.00

Companies	Consolidation method	Registered office	Type	% interest
UNITED STATES				
Michelin North America, Inc.	Full consolidation method	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
CR Funding Corporation	Full consolidation method	Wilmington	Financial	100.00
Michelin Corporation	Full consolidation method	New York	Financial	100.00
Oliver Rubber Company, LLC	Full consolidation method	Wilmington	Manufacturing	100.00
NexTraq, LLC	Full consolidation method	Wilmington	Commercial	100.00
Tire Centers West, LLC	Full consolidation method	Wilmington	Commercial	100.00
Pelham 2 Corp.	Full consolidation method	Wilmington	Financial	100.00
Lehigh Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
ViaMichelin North America, LLC	Full consolidation method	Greenville	Commercial	100.00
TBC Corporation	Equity method	Palm Beach Gardens	Commercial	50.00
T & W Tire, LLC	Equity method	Oklahoma City	Commercial	25.00
Snider Tire, Inc.	Equity method	Greensboro	Commercial	31.03
Fenner, Inc.	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner America, Inc.	Full consolidation method	Wilmington	Financial	100.00
Fenner Advanced Sealing Technologies, LLC	Full consolidation method	Wilmington	Financial	100.00
Fenner U.S., Inc.	Full consolidation method	Wilmington	Financial	100.00
American Industrial Plastics, LLC	Full consolidation method	Plantation	Manufacturing & commercial	100.00
CDI Energy Products, LLC	Full consolidation method	Dallas	Manufacturing & commercial	100.00
Hallite Seals Americas, LLC	Full consolidation method	Plymouth	Manufacturing & commercial	100.00
Solesis, Inc.	Full consolidation method	Harrisburg	Financial	100.00
Charter Medical, Limited	Full consolidation method	Raleigh	Manufacturing & commercial	100.00
SanaVita Medical, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
The Secant Group, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop Conveyor Systems and Services, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop Americas, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop (Port Clinton), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Fenner Dunlop (Toledo), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Mandals US, LLC	Full consolidation method	Dallas	Manufacturing & commercial	100.00
Camso Holding USA, LLC	Full consolidation method	Wilmington	Financial	100.00
Camso Manufacturing USA, Ltd.	Full consolidation method	Wilmington	Manufacturing	100.00
Camso USA Inc.	Full consolidation method	Tallahassee	Commercial	100.00
Industrial Tire/DFW, LLC	Full consolidation method	Irving	Commercial	67.00
Blacksmith OTR, LLC	Equity method	Rome	Miscellaneous	50.00
Airflash, Inc.	Full consolidation method	Saratoga	Miscellaneous	100.00

Companies	Consolidation method	Registered office	Type	% interest
Achilles Tires USA, Inc.	Full consolidation method	Los Angeles	Commercial	99.64
The Wine Advocate, Inc.	Full consolidation method	Parkton	Miscellaneous	100.00
Tablet, LLC	Full consolidation method	Wilmington	Miscellaneous	100.00
Klinge Tire Management Consultants, Inc.	Full consolidation method	Carson City	Miscellaneous	100.00
MEXICO				
Michelin Mexico Holding, S.A. de C.V.	Full consolidation method	Querétaro	Financial	100.00
Industrias Michelin, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
AutopartesInternacionales de Guanajuato León, S.A. de C.V.	Full consolidation method	Ciudad de León	Miscellaneous	100.00
Michelin Sascar Mexico S.A. de C.V.	Full consolidation method	Querétaro	Commercial	100.00
Michelin Mexico Services, S.A. de C.V.	Full consolidation method	Querétaro	Miscellaneous	100.00
AutopartesInternacionales de Queretaro, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
Camso Distribución México, S.A. de C.V.	Full consolidation method	Tultitlan	Commercial	100.00
PANAMA				
Michelin Panama Corp.	Full consolidation method	Panama	Miscellaneous	100.00
SOUTH AMERICA				
ARGENTINA				
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Full consolidation method	Buenos Aires	Commercial	100.00
Rodaco Argentina S.A.U.	Full consolidation method	Buenos Aires	Commercial	100.00
BRAZIL				
Sociedade Michelin de Participações, Indústria e Comércio Ltda	Full consolidation method	Rio de Janeiro	Manufacturing & commercial	100.00
Sociedade Tyreplus Brasil Ltda.	Full consolidation method	Rio de Janeiro	Commercial	100.00
Plantações Michelin da Bahia Ltda.	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Plantações E. Michelin Ltda.	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Sascar Tecnologia e Segurança Automotiva S.A.	Full consolidation method	Barueri	Miscellaneous	100.00
Seva Engenharia Eletrônica S.A.	Full consolidation method	Contagem	Miscellaneous	100.00
CVB Produtos Industriais Ltda.	Full consolidation method	São Paulo	Manufacturing	100.00
Camso Holding Brasil Ltda.	Full consolidation method	São Paulo	Financial	100.00
Camso Indústria de Produtos de Borracha Ltda.	Full consolidation method	Alvorada	Commercial	100.00
CHILE				
Michelin Chile Ltda.	Full consolidation method	Santiago	Commercial	100.00
Conveyor Services S.A.	Full consolidation method	Antofagasta	Manufacturing & commercial	100.00
Fenner International Chile Limitada	Full consolidation method	Las Condes	Financial	100.00
Michelin Specialty Materials Recovery SpA	Full consolidation method	Santiago	Manufacturing & commercial	100.00
COLOMBIA				
Industria Colombiana de Llantas S.A.	Full consolidation method	Bogotá	Commercial	99.96
ECUADOR				
Michelin del Ecuador S.A.	Full consolidation method	Quito	Commercial	100.00
PERU				
Michelin del Perú S.A.	Full consolidation method	Lima	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
VENEZUELA				
Michelin Venezuela, S.A.	Equity method	Valencia	Commercial	100.00
SOUTH EAST ASIA/AUSTRALIA				
AUSTRALIA				
Michelin Australia Pty Ltd	Full consolidation method	Melbourne	Commercial	100.00
Klinge Holdings Pty Ltd	Full consolidation method	Brisbane	Miscellaneous	100.00
Hallite Seals Australia Pty Limited	Full consolidation method	Wetherill Park	Manufacturing & commercial	100.00
Transeals Pty Limited	Full consolidation method	Welshpool	Financial	100.00
Fenner Dunlop Australia Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Fenner (Pacific) Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Australia Financing Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Australian Conveyor Engineering Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Agile Maintenance Services Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Investments Australia Limited Partnership	Full consolidation method	West Footscray	Financial	100.00
BBV Partnership	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Belle Banne Conveyor Services Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Bearcat Tyres Pty Ltd	Full consolidation method	Girraween	Commercial	100.00
INDONESIA				
PT Michelin Indonesia	Full consolidation method	Jakarta	Commercial	100.00
PT Synthetic Rubber Indonesia	Full consolidation method	Jakarta	Manufacturing	55.00
PT Royal Lestari Utama	Equity method	Jakarta	Miscellaneous	49.07
PT Lestari Asri Jaya	Equity method	Jakarta	Miscellaneous	29.80
PT Multi Kusuma Cemerlang	Equity method	Jakarta	Miscellaneous	29.33
PT Wanamukti Wisasa	Equity method	Jakarta	Miscellaneous	23.22
PT Multistrada Arah Sarana Tbk	Full consolidation method	Bekasi	Manufacturing & commercial	99.64
PT Kawasan Industri Multistrada	Full consolidation method	Bekasi	Miscellaneous	99.60
PT Penta Artha Impressi	Equity method	Jakarta	Commercial	19.93
MALAYSIA				
Michelin Malaysia Sdn. Bhd.	Full consolidation method	Petaling Jaya	Commercial	100.00
Michelin Services (S.E.A.) Sdn. Bhd.	Full consolidation method	Petaling Jaya	Miscellaneous	100.00
NEW ZEALAND				
Tyreline Distributors Limited	Equity method	Hamilton	Commercial	25.00
Beau Ideal Limited	Equity method	Te Awamutu	Commercial	25.01
Camso New Zealand Limited	Full consolidation method	Auckland	Commercial	100.00
SINGAPORE				
Michelin Asia (Singapore) Co. Pte. Ltd.	Full consolidation method	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Export (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import-Export (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Wine Advocate Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00

Companies	Consolidation method	Registered office	Type	% interest
Fenner Singapore Pte. Ltd.	Full consolidation method	Singapore	Financial	100.00
CDI Energy Products Pte. Ltd.	Full consolidation method	Singapore	Manufacturing & commercial	100.00
THAILAND				
Michelin Siam Company Limited	Full consolidation method	Bangkok	Manufacturing & commercial	100.00
Michelin Experience (E2A) Co., Ltd.	Full consolidation method	Bangkok	Commercial	49.00
Michelin Roh Co., Ltd.	Full consolidation method	Bangkok	Miscellaneous	100.00
NTeq Polymer Co., Ltd.	Equity method	Surat Thani	Miscellaneous	45.00
VIETNAM				
Michelin Vietnam Company Limited	Full consolidation method	Ho Chi Minh City	Commercial	100.00
Camso Vietnam Co., Ltd	Full consolidation method	Tan Uyen	Manufacturing	100.00
CHINA				
CHINA				
Michelin Shenyang Tire Co., Ltd.	Full consolidation method	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd.	Full consolidation method	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Full consolidation method	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Shanghai Suisheng Information Technology Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Michelin Tire Research and Development Center (Shanghai) Co., Ltd.	Full consolidation method	Shanghai	Miscellaneous	100.00
Tyre Plus (Shanghai) Auto Accessories Trading Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Michelin (Shanghai) Aircraft Tires Trading Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
DT Asia Holding Co., Limited	Equity method	Hong Kong	Commercial	40.00
Dawson Polymer Products (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Hallite Shanghai Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Dunlop Conveyor Belting (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Shanghai Fenner Conveyor Belting Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	85.00
Fenner Management (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Camso Rubber Products (Qingdao) Co., Ltd.	Full consolidation method	Qingdao	Manufacturing	100.00
Camso Enterprise Management (China) Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Wine Advocate (HK) Ltd.	Full consolidation method	Hong Kong	Miscellaneous	100.00
TAIWAN				
Michelin Tire Taiwan Co., Ltd.	Full consolidation method	Taipei	Commercial	100.00
EASTERN EUROPE				
RUSSIA				
Michelin Russian Tyre Manufacturing Company LLC	Full consolidation method	Davydovo	Manufacturing & commercial	100.00
Camso CIS LLC	Full consolidation method	Moscow	Commercial	100.00
UKRAINE				
Michelin Ukraine LLC	Full consolidation method	Kiev	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
JAPAN/KOREA				
JAPAN				
Nihon Michelin Tire Co., Ltd.	Full consolidation method	Tokyo	Commercial	100.00
Camso Japan Co., Ltd.	Full consolidation method	Yokohama	Commercial	100.00
SOUTH KOREA				
Michelin Korea Co., Ltd.	Full consolidation method	Seoul	Commercial	100.00
Camso Taeryuk Ltd.	Full consolidation method	Busan	Financial	100.00

NOTE 37 STATUTORY AUDITORS' FEES

	Deloitte				PricewaterhouseCoopers			
	Statutory Auditor (Deloitte & Associés)		Network		Statutory Auditor (PricewaterhouseCoopers Audit)		Network	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
STATUTORY AUDIT AND HALF-YEAR REVIEW OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS								
▶ Issuer	481	35%	-	-	530	39%	-	-
▶ Fully consolidated subsidiaries	886	65%	3,657	100%	825	61%	3,516	100%
Sub-total	**1,367**	**100%**	**3,657**	**100%**	**1,355**	**100%**	**3,516**	**100%**
NON-AUDIT SERVICES								
▶ Issuer(1)	100	98%	-	-	214	65%	-	-
▶ Fully consolidated subsidiaries(2)	3	2%	181	100%	114	35%	502	100%
Sub-total	**103**	**100%**	**181**	**100%**	**328**	**100%**	**502**	**100%**
TOTAL	**1,470**		**3,838**		**1,683**		**4,018**	

(1) Corresponding mainly to an independent third-party body engagement by PricewaterhouseCoopers Audit and procedures related to a bond issue performed by Deloitte & Associés and PricewaterhouseCoopers Audit.

(2) Corresponding to procedures performed in connection with acquisitions or planned acquisitions, tax compliance reviews and certifications issued at the request of the audited companies.

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**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 : 0 800 000 222
actionnaires-individuels@michelin.com

**COMMUNICATION
AND BRANDS DEPARTMENT**
MEDIA RELATIONS : PAUL-ALEXIS ROUQUET
+ 33 (0) 1 45 66 22 22 – 27, cours de l'Île Seguin
92100 Boulogne-Billancourt – France

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