



PRESS RELEASE

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COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Michelin presents its “All Sustainable” strategy for 2030: Michelin In Motion

- Concrete ambitions to drive sustainable growth
- New non-tire growth territories
- An initial milestone in 2023

At the Group’s Capital Markets Day, Florent Menegaux, Managing Chairman, and Yves Chapot, General Manager and Chief Financial Officer, accompanied by all the members of the Group Executive Committee, presented Michelin in Motion, Michelin’s “All Sustainable” strategy for 2030.

Mr. Menegaux explained the Group’s “All Sustainable” vision, which is based on the constant search for the right balance between People, Planet and Profit. He also presented the Group’s ambitions for 2030, based on twelve indicators covering its environmental, social, societal and financial performance (see details on page 4).

In particular, he emphasized the Group’s commitment to:

People

- achieving an employee engagement rate of more than 85%
- increasing the percentage of women in management positions to 35%
- setting the global standard in workplace safety, with a TCIR¹ of less than 0.5

Planet

- sharply reducing its CO₂ emissions, in Scopes 1 and 2 (by 50% compared with 2010) and in transportation-related Scope 3, with the goal of achieving carbon neutrality in these scopes by 2050
- sharply increasing the sustainable raw materials content in all its products to 40% by 2030, in line with its target of 100% by 2050

Profit

- driving sustained growth, with an average 5% increase per year in sales between 2023 and 2030, once the current Covid-19-related crisis is over
- deriving 20% to 30% of sales from non-tire businesses
- guaranteeing the creation of significant value, with a more than 10.5% ROCE between 2023 and 2030.

¹ Indicator described on page 3

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New non-tire growth territories

Michelin will continue to expand, invest and innovate in its **tire businesses**. Post-Covid mobility trends and the accelerating growth of the electric vehicle market represent genuine growth opportunities for the Group, which has developed unrivaled technological leadership in the design and manufacture of tires purpose-engineered for EVs. In the road transportation segment, the Group will selectively focus on creating value, while in Mining, Earthmover, Agricultural, Aircraft and other specialty tires, Michelin intends to remain the benchmark by capitalizing on the differentiation of its products and services.

Led by its capacity for innovation and its materials expertise, Michelin is also looking to drive strong expansion in five **around and beyond tire** business segments: Services & Solutions, flexible composites, medical devices, metal 3D printing and Hydrogen mobility.

- In **Services & Solutions**, the Group is going to broaden and deepen its portfolio of fleet solutions, in particular by leveraging smart objects and the value of its collected data.
- Michelin also hopes to expand significantly in the very fast growing² **flexible composites** market (conveyors, belts, coated fabrics, seals, etc.) by pursuing its value-creating mergers and acquisitions strategy and incubating new businesses.
- **Medical devices** also represent a growth opportunity in the years ahead.
- In **metal 3D printing**, the Group has developed unique expertise that supports the ability of AddUp, its joint venture with Fives, to market a comprehensive range of tailor-made solutions for manufacturers.
- In **Hydrogen mobility**, the Group is seeking to become a world leader in hydrogen fuel cell systems through Symbio, its joint venture with Faurecia.

² Average growth of 5% a year projected through 2030.

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An initial milestone in 2023

During the Capital Markets Day, Michelin also presented the various industrial competitiveness drivers that will deliver €80 million in savings a year, net of inflation, between 2020 and 2023. Moreover, SG&A expenses in the tire business will be reduced by €65 million, net of inflation, by 2023 and by a total of €125 million by 2025.

Yves Chapot then announced the Group's financial objectives for 2023. That year, the Group expects to report around €24.5 billion in sales³, more than €3.3 billion in segment operating income³, €3.3 billion in structural free cash flow (total over 2022 and 2023), and an ROCE of 10.5%.

In addition, the Group has begun to calculate the costs of some of its negative externalities, like carbon emissions and water and solvent use, and is committed to reducing them by around 10% by 2023.

Lastly, the Group has decided to revise its dividend policy, with the new goal of paying out 50% of earnings before non-recurring items in 2021.

During the Capital Markets Day, Mr. Menegaux noted: *“With this new Michelin In Motion strategic plan, the Group is embarking on an ambitious growth dynamic for the next ten years. I am convinced that the engagement and capacity for innovation of our teams will enable us to deliver a harmonious blend of sustained business performance, continuous employee development and a commitment to the planet and our host communities. Even as it remains true to its DNA, by 2030 the Group’s profile will have significantly changed with the ramp-up of new, high value-added businesses in both around and beyond markets. It is this ability to constantly reinvent itself that has underpinned Michelin’s strength for more than 130 years and which today gives us confidence in the future.”*

Mr. Chapot added: *“Despite the current crisis and the still uncertain economic environment, Michelin has demonstrated the resilience of its fundamentals and the validity of its business model. This new Michelin In Motion strategic plan will give the Group the means to drive new growth and reduce the impact of its main negative externalities. Michelin will continue to develop its tire operations while integrating new businesses, with a constant focus on maintaining a robust balance sheet and firm margins.”*

³ At the average exchange rate for January 2021

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Overview of the announced Ambitions for 2030:

<u>AMBITIONS</u>	<u>INDICATOR</u>	<u>2030</u>
Set the global standard in employee engagement	Engagement rate	>85%
Set the global standard in workplace safety	TCIR ⁽¹⁾	<0.5
Set the standard for employee diversity and inclusion	IMDI ⁽²⁾	80/100 points
Lead the industry in creating customer value	Partner NPS ⁽³⁾ End customer NPS ⁽³⁾	up 10 pts vs. 2020 up 5 pts vs. 2020
Drive significant growth in sales, particularly in segments other than tire manufacturing and distribution	Average growth in sales per year, 2023 to 2030 Percentage of consolidated sales from businesses other than tire manufacturing and distribution	5% Between 20% and 30%
Continuously create value	ROCE ⁽⁴⁾	>10.5%
Maintain the strength of the MICHELIN brand	Brand vitality quotient ⁽⁵⁾	up 5 pts vs. 2021
Maintain the sustained pace of product and service innovation	Product/offers vitality index ⁽⁶⁾	>30%
Achieve carbon neutrality in manufacturing and energy use by 2050	Scopes 1 and 2 CO ₂ emissions	down 50% vs. 2010
Help achieve carbon neutrality in use	Products energy efficiency (scope 3)	up 10% vs. 2020
Set the global standard for the environmental footprint of manufacturing facilities	i-MEP ⁽⁷⁾	down one-third vs. 2020
Ensure that tires are made entirely of sustainable materials	Sustainable materials rate	40%

- (1) Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked
- (2) Diversities and inclusion management indicator
- (3) In 2021, two composite indicators will be created:
The "End Customer" NPS, a weighted average of the consumers and business customers clusters;
The "Partner" NPS, a weighted average of the OEMs and business dealers clusters.
- (4) In calculating consolidated ROCE, goodwill, acquired intangible assets and shares in equity-accounted companies are added back to economic assets. Net operating profit after tax (NOPAT) includes the amortization of acquired intangible assets, as well as profit from equity-accounted companies (see section 3.6 of the 2020 Annual Results Guide, available at www.michelin.com).
- (5) Composite indicator used to measure the brand's vitality.
- (6) Percentage of sales from products and services introduced in the last three years.
- (7) The Industrial Michelin Environmental Performance (i-MEP) indicator will be used to track the environmental impacts of the Group's manufacturing operations over the next ten years. It will make these impacts easier to understand by focusing on five priority areas: energy use, CO₂ emissions, organic solvent use, water withdrawals, and waste production. The i-MEP is described in more detail in the methodological note in section 4 of the 2020 URD.

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Summary of 2023 objectives⁴:

2023 sales	Around €24.5 billion at January 2021 exchange rates
2023 segment operating income	More than €3.3 billion at January 2021 exchange rates
Segment operating margin	13.5%
2023 segment operating margin, Automotive and related distribution segment	>12%
2023 segment operating margin, Road Transportation and related distribution segment	>10%
2023 segment operating margin, Specialty businesses and related distribution segment	>17%
Total structural free cash flow ⁸ , 2022-2023	€3.3 billion
2023 ROCE	>10.5%
Average growth in sales excluding tires and related distribution, 2019-2023	5%
Industrial efficiency, 2020-2023	€80 million in savings a year, net of inflation
Reduction in SG&A expenses in the tire business through 2023	€65 million in savings, net of inflation
Cost of negative externalities, 2019	€(330) million
Cost of negative externalities, 2023	€(300) million
Payout ratio as from 2021	50% before non-recurring items

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

⁴ Please refer to the Capital Markets Day presentation available on www.michelin.com/en/ for the 2023 detailed scenario.

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