MOTION FOR LIFE

FIRST-HALF 2021 FINANCIAL REPORT

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01. PRESS INFORMATION

PRESS RELEASE

Clermont-Ferrand, July 26,2021

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Financial information for the six months ended June 30, 2021

First-half 2021: The Michelin Group reports sales of €11.2 billion – up 19.6% – and segment operating income of €1.4 billion, representing 12.7% of sales. The Group raises its full-year guidance.

- In an environment shaped by an enduring health crisis, the robust market recovery was tempered by major disruptions in the global supply chain.
- In this context, the commitment of Michelin teams helped to deliver a 19.6% increase in sales and €1,421 million in segment operating income for the period, with:
  - a 22.8% increase in tire volumes, adding €1,195 million to SOI[1] and reflecting market share gains in every segment, especially 18-inch and larger tires, and a 4.6% increase in sales of non-tire activities;
  - a €126 million increase from the positive net price-mix/raw materials effect. The 1.4% gain from responsive pricing management helped to offset the rise in raw material procurement costs. In addition, the mix effect added 1% to growth, thanks to the steady enhancement in the product mix and a favorable market mix;
  - an unfavorable currency effect, stemming primarily from the US dollar's weakness against the euro, which reduced SOI by €150 million.
- Free cash flow before acquisitions totaled a positive €361 million, lifted by the growth in EBITDA and the still lower than normal inventory levels.
- Debt remained unchanged for the period while equity increased, driving an improvement in the Group's gearing to 26.7%.

Florent Menegaux, CEO, said: "As markets continued to recover, the Michelin Group had a very good first half. These solid results should not overshadow the persistent impact of the health crisis, which is causing major disruptions, particularly in the supply chain. I would therefore like to personally thank the Michelin teams for their unwavering commitment to enabling our Group to sustain its leadership in our tire businesses and to continue deploying our sustainable growth strategy."

- Outlook for 2021:

After recovering sharply in the first half, global demand will not benefit from as favorable a base in the second half of the year, when it will likely continue to be impacted by global supply chain disruptions. Passenger car and Light truck tire markets are expected to expand by between 8% and 10% over the year and Truck tire markets by between 6% and 8%. The Specialty markets should deliver 10% to 12% growth over the year.

Barring any new systemic effect from Covid-19 [2], Michelin plans to strengthen its positions in the prevailing market environment. Consequently, the Group is raising its objectives for the full year, targeting segment operating income in excess of €2.8 billion at constant exchange rates (versus > €2.5 billion as previously announced) and structural free cash flow [3] of more than €1 billion (versus around €1 billion).

(in € millions)	**First-half 2021**	**First-half 2020**
Sales	11,192	9,357
Segment operating income	1,421	310
Segment operating margin	12.7%	3.3%
Automotive and related distribution	13.1%	-0.8%
Road transportation and related distribution	9.9%	-1.3%
Specialty businesses and related distribution	14.8%	14.7%
Other operating income and expenses	16	(133)
Operating income	1,437	177
Net income/(loss)	1,032	(137)
Earnings per share	5.74	(0.75)
Segment EBITDA	2,277	1,192
Capital expenditure	543	490
Net debt	3,679	5,510
Gearing	26.7%	45%
Provisions for post-employment benefit obligations	3,408	3,858
Free cash flow*	346	(351)
Free cash flow before acquisitions	361	(310)
Employees on payroll**	123,686	124,000

* *Free cash flow: 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.*

** *At period-end.*

(1) *SOI: Segment Operating Income.*

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

(3) *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.*

MARKET REVIEW

Passenger car and Light truck tire markets

First-half 2021/2020 *(in number of tires)*	Western & Central Europe*	CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	+26%	+38%	+36%	+57%	+22%	+17%	+48%	+27%
Replacement	+22%	+19%	+37%	+40%	+15%	+12%	+27%	+25%

Second-quarter 2021/2020 *(in number of tires)*	Western & Central Europe*	CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	+93%	+80%	+146%	+282%	-8%	+50%	+132%	+46%
Replacement	+45%	+52%	+74%	+89%	-2%	+21%	+81%	+46%

* *Including Turkey*

In the first half of 2021, the global Original Equipment and Replacement **Passenger car and Light truck** tire market rebounded by 26% in number of tires sold.

Original Equipment

Worldwide unit sales of Original Equipment tires rebounded by 27% in the first half of 2021. However, this sharp market upturn from the low 2020 base was dampened by the impact of semiconductor shortages on the global automotive industry, such that OE demand ended the period still down 14% compared with first-half 2019.

After a first quarter shaped by a 78% upsurge in Chinese demand off of favorable prior-year comparatives, the second three months saw the European and North American markets increase sharply, for the same reasons, by 93% and 146% respectively. In China, however, supply chain issues caused demand to contract by 8% over the quarter.

The other regions (South America, Africa/India/Middle East and Southeast Asia) also enjoyed, as expected, a strong recovery in the second quarter.

Replacement

The global Replacement market rebounded by 25% in the first half, with a faster 46% gain in the second quarter from much more favorable comparatives in Europe and the Americas, at a time of sustained recovery in mobility and buying ahead of price increases.

- **In Western and Central Europe**, growth was stronger in the Southern countries, which had experienced stricter lockdowns in first-half 2020, with demand rising 30% in France, 51% in Spain and 28% in Italy, countries where restrictions on freedom of movement remained in place until May 2021. Several dealers replenished their inventories ahead of rising prices. In all, European tire demand ended the period down slightly on 2019 levels.
- Tire demand in **North and Central America** rose a steep 37% in the first half, with a faster 74% gain in the second quarter led by very favorable comparatives and the partial rebuilding of dealer inventories. By the end of June, the Replacement market had climbed back above 2019 levels.
- In **South America,** Replacement demand ended the first half up 40% year on year, with an 89% increase in the second quarter and particularly strong growth in Brazil. By period-end, the South American market had made up all of the shortfall since first-half 2019.
- **In China,** after a particularly strong first quarter (up 38% on highly favorable comparatives and inventory rebuilding), demand was down a slight 2% year-on-year in the second three months, reflecting the return to normal market conditions in the prior-year period.
- **In Southeast Asia**, Replacement demand rose by 12% over the first half, with a faster 21% gain in the second quarter. In 2020, the market drop had not been as steep as in the other regions. As of end-June 2021, demand was still below 2019 levels.
- **In the Africa/India/Middle East region**, markets rebounded by 27% in the first half, with an 81% increase in the second quarter led by the strong recovery in demand in India (up 225%) and North Africa (up 87%). Replacement demand, however, remained significantly below 2019 levels.

Truck tire markets (radial and bias)

First-half 2021/2020 *(in number of tires)*	Western & Central Europe*	CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	+50%	+16%	+46%	+55%	+23%	+15%	+44%	+29%
Replacement	+27%	-5%	+35%	+29%	+28%	+9%	+16%	+22%

Second-quarter 2021/2020 *(in number of tires)*	Western & Central Europe*	CIS	North & Central America	South America	China	Asia (excluding India & China)	Africa/ India/ Middle East	Total
Original Equipment	+98%	+19%	+119%	+117%	-11%	+45%	+127%	+12%
Replacement	+38%	+2%	+56%	+47%	+4%	+19%	+34%	+26%

* *Including Turkey*

The number of new **Truck** tires sold worldwide climbed a sharp 24% in the first half of 2021, lifted by the global economic recovery and the resulting upturn in freight demand.

Original Equipment

The global Original Equipment Truck tire market, as measured by the number of new tires sold, grew by 29% in the first half of 2021.

The first quarter delivered growth of 50%, impelled by the 88% increase in Chinese demand ahead of implementation of the China 6 emission standards.

Growth slowed to 12% in the second three months, reflecting:

- an 11% decline in China, as trucking companies completed their fleet upgrades;
- strong growth in the other regions, off of very favorable comparatives and in sharply rebounding economies.

Global OE demand rose significantly above first-half 2019 levels in first-half 2021, led by the brisk growth in China, but remained below them in the European and US markets.

Replacement

Demand for Replacement Truck tires rose by 22% over the first half, with a faster 26% gain in the second quarter.

- **In Western and Central Europe**, in an environment shaped by very favorable economic conditions but also impacted by inventory rebuilding, the Replacement market expanded by 27%, led by very high demand in the Southern countries (up 48% in the Iberian Peninsula, 49% in Italy and 31% in France). As a result, the market ended the period above its 2019 levels.
- **In North and Central America**, the Replacement market climbed 35% over the first six months, with a faster 56% increase in the second quarter. Impelled by the economic upturn in the region, this surge in growth lifted the market well above its pre-crisis levels by the end of June.
- In **South America**, the Replacement market ended the period up 29%, as the 38% economic recovery-led gain in Brazil more than offset the 11% decline in Argentina. Demand now exceeds 2019 levels.
- Demand **in Southeast Asia** increased by 9% in the first half, with a sharp acceleration to 19% in the second quarter. Growth varied widely by country, from 18% in Thailand and 12% in Indonesia to 7% in Japan and South Korea, and 3% in Australia. The market remains significantly below its pre-crisis levels.
- Replacement demand **in the Africa/India/Middle East region** rose by 16%, led by a 27% increase in India, but remained lower than in 2019.

Specialty business markets

- **Mining tires:** After getting off to a slow start in the first quarter, the surface mining tire market is showing signs of fresh momentum pointing to sustained demand in the second half.
- **Agricultural and Construction tires:** The cyclical rebound is continuing apace, particularly in Original Equipment Agricultural, Construction and Materials Handling tires.
- **Two-wheel tires:** Demand remains high in every segment. These personal means of transportation, which still offer a more sanitary alternative to public transport, are structurally well suited to city travel, with demand being driven both by the sustainable image of bicycles and the surging popularity of recreational activities.
- **Aircraft tires:** Demand for commercial aircraft tires is flat in Europe, but has recovered in the Americas and China, particularly from low-cost airlines.
- **Conveyor belts:** The mining conveyor belt market turned in a mixed performance, with demand stabilizing in Australia due to sustained Chinese restrictions on Australian ore imports while demand continued to expand in the services and engineering segments. In North America, order intake was pretty low compared to the recovery in the coal market and improving conditions in the manufacturing industry.
- **Specialty polymers:** Markets as a whole are experiencing strong growth in demand, especially for precision polymers, hydraulic seals and energy seals.

FIRST-HALF 2021 NET SALES AND EARNINGS

Sales

Sales for the first six months of 2021 totaled €11,192 million, an increase of 19.6% from the year-earlier period that was attributable to the net impact of the following factors:

- a robust 22.8% upturn in tire volumes from favorable prior-year comparatives, as higher demand lifted by the global economic recovery and dealer inventory rebuilding overcame serious disruptions in the supply chain;
- the 4.6% growth in non-tire sales, as the recovery in Fenner's operations and the gains in fleet management services were dampened by the extremely weak sales in the fine dining and travel segments due to the health crisis;
- the positive 2.4% price-mix effect (0.9% in the first quarter and 4.5% in the second). The €133 million positive price effect resulted from the Group's firm pricing discipline, with the rapid rollout of price increases to offset rising raw materials and logistics costs. The €96 million positive mix effect reflected (i) the sustained success of the MICHELIN brand's premium strategy, notably in the 18-inch and larger segment; and (ii) the favorable impact of the relative performances of (a) Replacement Passenger car and Light Truck tire sales and (b) Original Equipment sales, which were impacted by the semiconductor shortage. On the other hand, the mix effect was attenuated by the relative performance of the various Specialty segments, with in particular faster growth in Agricultural and Construction tires than in Mining and Aircraft tires;
- the deeply negative 5.9% currency effect, stemming from relative weakness of the US dollar and the decline in the Turkish lira and the Argentine peso against the euro;
- the lack of any impact from changes in the scope of consolidation, after the removal of the French Maps & Guides printing, publishing and marketing assets, as of February 1, and of Solesis, in June, offset the first-time consolidation of three recent acquisitions, ConVeyBelt and Technobalt in the conveyor belt business and MAV S.p.a in the precision polymer segment.

Results

Segment operating income amounted to €1,421 million or 12.7% of sales, versus €310 million and 3.3% in first-half 2020.

The change in segment operating income primarily reflected:

- a €1,195 million increase from the strong growth in tire volumes sold and improved fixed cost absorption;
- a robust €229 million increase from the tire price-mix effect, led by disciplined, responsive pricing management, sustained enhancement of the product mix and a favorable business mix;
- a €103 million decrease from higher raw material prices and related transportation costs;
- a €103 million decrease from the increase in tire SG&A expenses, which were exceptionally low in first-half 2020, but which remain far lower than in first-half 2019;
- a €24 million decrease from the Group's manufacturing and logistics performance, as manufacturing performance gains were seriously impacted by the sharp €45 million increase in logistics costs;
- a €9 million improvement in segment operating income from the non-tire businesses;
- a €56 million gain stemming primarily from the year-on-year decline in Covid-19-related expenditure, including the cost of purchasing and producing masks and hand sanitizer;
- a €150 million decrease from the unfavorable currency effect.

Other operating income and expenses amounted to a net income of €16 million, corresponding to the €41 million amortization of intangible assets acquired in business combinations, the €113 million disposal gain on the Group's investment in Solesis following the sale of a stake to the Altaris fund, and restructuring costs.

In all, net income for the first half came to €1,032 million.

Net financial position

Free cash flow ended the first half at €346 million, a €697 million improvement on the year-earlier period. The increase was mainly attributable to the strong upturn in EBITDA driven by the growth in volumes, less the outlays to partially rebuild working capital. Gearing stood at 26.7% at June 30, 2021, corresponding to net debt of €3,679 million, up €148 million from December 31, 2020.

Segment information

(in € millions)	Sales		Segment operating income		Segment operating margin	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Automotive and related distribution	5,562	4,394	730	(35)	13.1%	-0.8%
Road transportation and related distribution	2,897	2,411	286	(30)	9.9%	-1.3%
Specialty businesses and related distribution	2,733	2,552	405	375	14.8%	14.7%
GROUP	**11,192**	**9,357**	**1,421**	**310**	**12.7%**	**3.3%**

Automotive and related distribution

Sales in the Automotive and related distribution segment rose by 26.6% to €5,562 million, from €4,394 million in the first six months of 2020.

Segment operating income amounted to €730 million or 13.1% of sales, versus a loss of €35 million and -0.8% in first-half 2020.

The year-on-year improvement was primarily led by (i) the solid 28% increase in volumes, which drove market share gains, particularly in the MICHELIN-branded 18-inch and larger segment; and (ii) the favorable impact of the relative performances of Replacement and OE tire sales, with the latter hit by the shortage of auto semiconductors. Responsive pricing management helped to offset the increase in raw material prices and related transportation costs. Exchange rate movements had a negative impact on the segment's operating income.

Road transportation and related distribution

Sales in the Road transportation and related distribution segment amounted to €2,897 million in the first half of 2021, a 20% increase from the €2,411 million reported for the same period in 2020.

Segment operating income totaled €286 million or 9.9% of sales, versus a loss of €30 million and -1.3% in first-half 2020.

With the upturn in global demand and a favorable geographic mix, the segment enjoyed a 24% increase in tire volumes sold over the period. The segment's selective marketing strategy and responsive pricing management helped to offset higher raw material and related transportation costs. The Services & Solutions business is stepping up the pace of growth, led by fleet management solutions. Exchange rate movements had a negative impact on the segment's operating income.

Specialty businesses and related distribution

Sales in the Specialty businesses and related distribution segment rose by 7.1% over the period, to €2,733 million from €2,552 million in first-half 2020.

Segment operating income stood at €405 million or 14.8% of sales, versus €375 million and 14.7% in first-half 2020.

From a less favorable base than the other two segments, the Specialty businesses reported a 12% increase in tire volumes, led by sales of Construction and Agricultural tires, which resulted in a negative business mix. Rigorous price management on non-indexed activities partially offset negative impact of raw material clauses in first-half; from the second half of the year, these clauses will turn favorable. The conveyor belt and high-tech materials businesses continued to expand over the period. Exchange rate movements had a negative impact on the segment's operating income.

"ALL SUSTAINABLE" MICHELIN – FIRST-HALF 2021

Diversity and inclusion: One of the ambitious objectives in the Group's "All Sustainable" strategy is to set the standard in diversity and inclusion. To track its engagement in this area, Michelin has introduced a Diversities & Inclusion Management Index (IMDI), with the goal of reaching 80/100 by 2030, compared with a base of 50/100 in 2019 and a score of 62/100 at year-end 2020.

The index will measure the Group's performance in embracing diversity and inclusion with 12 quantitative and qualitative indicators, organized into 5 categories: Gender balance, Identity, Multi-national management, Disability, and Equal opportunity.

The Michelin Global Works Council: Designed to foster open, constructive and socially responsible dialogue at the international level, the Michelin Global Works Council was set up by Michelin in 2020 with the IndustriALL Global Union. It expresses the Group's commitment to creating a new forum for discussions with employee representatives from most of its host countries, so as to facilitate greater understanding of Michelin's economic, social and environmental challenges around the world and to improve, in every host country, employee support during periods of business transformation.

The Council's first meeting, held on June 28 and 29, 2021, provided an opportunity to discuss the Group's sustainable growth vision, based on the right balance between people, profit and planet.

Vigeo Eiris non-financial rating: In 2021, MICHELIN was once again awarded the highest A1+ ESG Rating by Vigeo Eiris (Moody's), with a five-point improvement in its overall score, to 73/100. This ranked the Group at the top of the 39 companies rated in the Automobile sector. According to Vigeo Eiris, Michelin "demonstrates an advanced commitment and ability to integrate ESG factors into its strategy, operations and risk management." The Group also earned a score of 100/100 for the rating's "Environmental strategy" aspects.

Value Balancing Alliance: In late March, Michelin joined the Value Balancing Alliance (VBA), an organization of multinational companies from a variety of industries that is developing and testing a methodology capable of translating environmental and social impacts into comparable financial data.

VBA is seeking to transform the way that companies measure, assess and disclose information about the environmental, human, social and financial value that they create for society. Its goal is to provide every stakeholder with comprehensive, reliable data to improve decision-making, business management and performance assessment.

By participating in the alliance, Michelin can work with companies from a variety of industries to lay the groundwork for widespread implementation. The approach is fully in line with the Group's All Sustainable vision, based on the right balance between personal fulfillment, business and financial performance and safeguarding the planet. It will facilitate the program underway since 2020 to assess the monetary value of the economic, environmental and social impact of the Group's operations across the value chain.

Sustainable materials rate in tires: In June, Michelin offered a further illustration of its "All Sustainable" vision by unveiling a track tire with 46% sustainable materials content. This very high percentage was achieved by increasing the tire's natural rubber content and using recycled carbon black recovered from end-of-life tires. In this way, Michelin is showcasing its ability to incorporate an ever-higher proportion of sustainable materials into its products without compromising on their performance. This latest milestone is fully aligned with the Group's commitment to using 100% sustainable materials in all its tires by 2050.

FIRST-HALF 2021 HIGHLIGHTS

- January 6, 2021 – Michelin launches a simplification and competitiveness project to support developments in its operations in France.
- January 18, 2021 – Michelin unveils the 2021 MICHELIN Guide France and its Green Stars.
- February 8, 2021 - MICHELIN X® Multi™ Energy™ family of regional truck tires is enhanced with two new fitments.
- February 9, 2021 – Thanks to its CAMSO TLH 732+ tire, CAMSO is optimizing productivity for its construction industry customers.
- February 11, 2021 – Michelin signs a letter of commitment for maritime transport with Neoline, a French shipowner relying mainly on sail propulsion. The partnership is aligned with the Group's commitment to reducing the carbon footprint of its logistics operations by 15% in absolute terms between 2018 and 2030.
- February 23, 2021 – In 2050, MICHELIN tires will be 100% sustainable. MICHELIN is ambitiously committed to making its tires entirely from renewable, recycled, biosourced or otherwise sustainable materials by 2050, thanks to its powerful research & development capabilities, materials technology expertise and open-innovation strategy.
- February 24, 2021 – The Coalition for the Energy of the Future, of which Michelin is a member, has announced seven projects to accelerate the energy transition in transportation and across the entire supply chain, with major milestones set to be reached in 2021.
- February 25, 2021 – Michelin launches the MICHELIN Pilot Sport EV, the first tire in the Pilot Sport family purpose-engineered for electric sports cars.
- March 10, 2021 – Michelin launches the new MICHELIN Wild Enduro Racing Line mountain bike tire, which has already demonstrated its capabilities with championship wins in some of the world's most challenging races.
- March 19, 2021 – Michelin partners with sennder, Europe's leading digital freight forwarder, to broaden its portfolio of fleet services that make road freight more cost-effective and less carbon intensive.
- April 2021 – With its two development projects underway with Safra and Stellantis, and the construction of Europe's largest hydrogen fuel cell plant in Saint-Fons, France, Symbio (a Faurecia Michelin Hydrogen Company) is helping to accelerate the transition to hydrogen mobility.
- April 2, 2021 – BMW Group reaffirms its trust in the Michelin Group with the development of two tires specifically for the BMW M3 and M4: the MICHELIN Pilot Sport 4S and the MICHELIN Pilot Sport Cup2 Connect.
- April 8, 2021 – At the Group's Capital Markets Day, Florent Menegaux presents Michelin in Motion, the Group's "All Sustainable" strategy for 2030, which is based on constantly seeking the right balance between People, Profit and Planet.
- April 15, 2021 – Michelin and Altaris announce their intention to join forces to speed the growth of Solesis, a Michelin subsidiary specializing in biomaterials for the healthcare industry.
- April 15, 2021 – ProovStation, the European leader in automated inspection, partners with Michelin to reduce the time and costs of tire inspection, thanks to MICHELIN QuickScan technology.
- April 23, 2021 – By validating the use of Carbios' enzymatic recycling technology for PET[1] plastic waste in Michelin tires, Michelin take a major step towards developing 100% sustainable tires, one of Michelin's major goals for 2050.
- April 23, 2021 – Harley-Davidson and Michelin pursue their long-standing collaboration with the MICHELIN Scorcher Adventure tire, custom-designed for the Harley-Davidson Pan America™ 1250 motorcycle.
- April 29, 2021 – For the 2021 FIA World Endurance Championship campaign, Michelin launches new tire lines developed entirely virtually for the headlining Le Mans Hypercar class.
- April 30, 2021 – Michelin designs the MICHELIN X Incity EV Z tire, the first MICHELIN range specifically engineered for electric buses.

(1) Polyethylene terephthalate (PET) is a plastic that is currently oil based, with its two monomers, ethylene glycol and terephthalic acid, being derived from petroleum. It is the raw material for one of the main polyester fibers used in tire reinforcements.

- May 11, 2021 – At the Blue Ocean Awards ceremony, Michelin presents its International Mobility Award to Tarmac Technologies and SUN Mobility, two startups that are contributing to the development of mobility. The Award demonstrates the Group's commitment to leveraging open innovation to become a major player in connected mobility.
- May 21, 2021 – The Annual Meeting of Michelin shareholders is held behind closed doors in compliance with French health rules. The event was an opportunity for a number of people to pay tribute to Michel Rollier, who stepped down as Chairman of the Supervisory Board. His successor, Barbara Dalibard, was elected at the same-day meeting of the Board.
- May 17, 2021 – Camso earns recognition as a "Partner level supplier for 2020" in the John Deere Achieving Excellence Program, in honor of its dedication to providing products and services of outstanding quality as well as its commitment to continuous improvement.
- May 19, 2021 – The new MICHELIN Guide–Tablet Hotels app wins its first award, as "Webby Honoree" in the "Apps and Software" category. The distinction was presented at the Webby Awards, which honor excellence on the Internet.
- May 27, 2021 – The new MICHELIN TRAILXBIB tire, designed in association with farmers in a number of countries, increases farm yields thanks to the innovative MICHELIN Ultraflex technology.
- May 28, 2021 – AddUp, the joint venture created by Michelin and Fives in 2016, takes metal 3D printing to the next level with the development of a new generation of machines with promising features for industry.
- June 1, 2021 – Movin'On's governance body now comprises 10 CEOs. Nine other chief executives of leading global corporations have joined with Florent Menegaux, President of Movin'On and Managing Chairman of the Michelin Group, to set Movin'On's strategic direction and deliver actionable solutions to speed the transition to sustainable mobility.
- June 1, 202 – At the 2021 Movin'On Summit, Michelin presents two innovations to accelerate the development of sustainable mobility: the WISAMO project, an automated, telescopic, inflatable wing sail system that will help to decarbonize maritime shipping, and a high-performance racing tire containing 46% sustainable materials. Both offer further tangible, real-world proof of the Group's determination to make mobility increasingly sustainable.
- June 11, 2021 – Madam Maude Portigliatti, currently Senior Vice President, Advanced Research, is appointed Executive Vice President, High Tech Materials.
- June 17, 2021 – KRISTAL.aero and Michelin launch KRISTAL.air, a mobile app for everyone who flies light aircraft. It not only expresses Michelin Aviation's commitment to fostering connected mobility, safe flying and closer customer relationships, it is also compatible with the Group's "All Sustainable" vision.
- June 23, 2021 – Michelin designs the new MICHELIN X AGVEV, the first tire specifically engineered for automatic guided vehicles (AGVs) operating in port facilities. The MICHELIN X AGVEV is the first port tire that helps to cut CO_2 emissions and increase an electric vehicle's battery life, thanks to its very low rolling resistance.
- June 30, 2021 – Michelin launches the new MICHELIN X® MULTI GRIP™ truck tire designed for extreme winter conditions and wet roads. It also helps to make overland shipping more sustainable, in particular by reducing CO_2 emissions per kilometer driven.
- June 30, 2021 – Michelin launches "WATEA by Michelin" to support its corporate customers in transitioning to zero-emission mobility, based on an all-inclusive monthly subscription and a palette of more than 80 services.

A full description of first-half 2021 highlights may be found on the Michelin website: **http://www.michelin.com/en**

Presentation and Conference Call

First-half 2021 results will be reviewed with analysts and investors during a presentation today, Monday, July 26, 2021 at 6:30 p.m. CEST. The event will be in English, with simultaneous interpreting in French.

Webcast

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

Conference call

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

- In France(French): +33 (0)1 70 71 01 59 – PIN code: 38844528#
- In France(English): +33 (0) 1 72 72 74 03 – PIN code: 83809618#
- In the United Kingdom: +44 (0) 207 194 3759 – PIN code: 83809618#
- In North America: (+1) (646) 722 4916 – PIN code: 83809618#
- From anywhere else: +44 (0) 207 194 3759 – PIN code: 83809618#

The presentation of financial information for the six months ended June 30, 2021 (press release, presentation, financial report) may also be viewed at **http://www.michelin.com/en**, along with practical information concerning the conference call.

Investor calendar

Financial information for the nine months ended September 30, 2021: Monday, October 25, 2021 after close of trading.

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Disclaimer

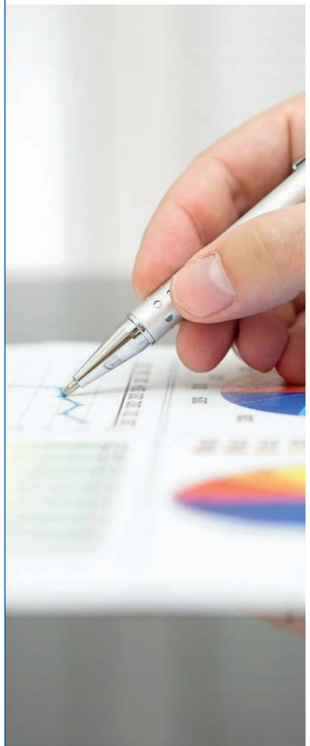
This press release is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documents filed in France with Autorité des Marchés Financiers, which are also available from the **www.michelin.com/eng**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

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

02. SLIDESHOW


FIRST-HALF 2021
RESULTS
JULY 26,
2021
MICHELIN
A BETTER WAY FORWARD

1 MICHELIN IN MOTION: COMBINING GROWTH AND VALUE CREATION AS OF 2023



SALES GROWTH
from 2023

+5%
CAGR

WITH TIRES | AROUND TIRES | BEYOND TIRES

ROCE *
from 2023

>10.5%

Segment Operating Income
in 2023

~13.5%

Threshold by RS
RS1 > 12%
RS2 > 10%
RS3 > 17%

** Return on Capital Employed (definition on slide 57), annual target*

Fisrt-half 2021 Results - July 26, 2021

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1 FIRST-HALF 2021: SALES OF €11.2BN AND SEGMENT OPERATING INCOME OF €1.4BN, OR 12.7% OF SALES. 2021 FULL-YEAR GUIDANCE RAISED [1].

- In an environment shaped by an enduring health crisis, the robust market recovery was tempered by major disruptions in the global supply chain.
- In this context, Michelin teams' commitment helped deliver a 19.6% increase in sales and €1,421m in SOI [2] for the period, with:
  - a 22.8% increase in tire volumes, adding €1,195m to SOI and reflecting market share gains in every segment, especially 18-inch and larger tires, and a 4.6% increase in non-tire activities sales;
  - a €126m increase from positive net price-mix/raw materials effect, as a 1.4% gain from responsive pricing management and a 1.0% increase from favorable mix offsetting the rise in raw material procurement costs;
  - an unfavorable currency effect, stemming primarily from US dollar's weakness against euro, which reduced SOI by €150m.
- Free cash flow excluding M&A[3] came to €361m, reflecting growth in SOI and still low inventory levels.
- Gearing stood at 27%, attesting the Group's financial position strength, as confirmed by rating agencies.
- 2021 full-year guidance raised [1]: SOI at constant exchange rates > €2,800m, structural free cash flow [4] > €1,000m.

[1] Barring any new systemic effect from Covid-19: deeper supply chain disruptions or tighter restrictions on freedom of movement that would result in a significant drop in the tire markets.
[2] Segment operating income.
[3] Free cash flow before acquisitions, which includes JV financing flows (see slide 12).
[4] See slide 57 for structural free cash flow definition.

Fisrt-half 2021 Results - July 26, 2021

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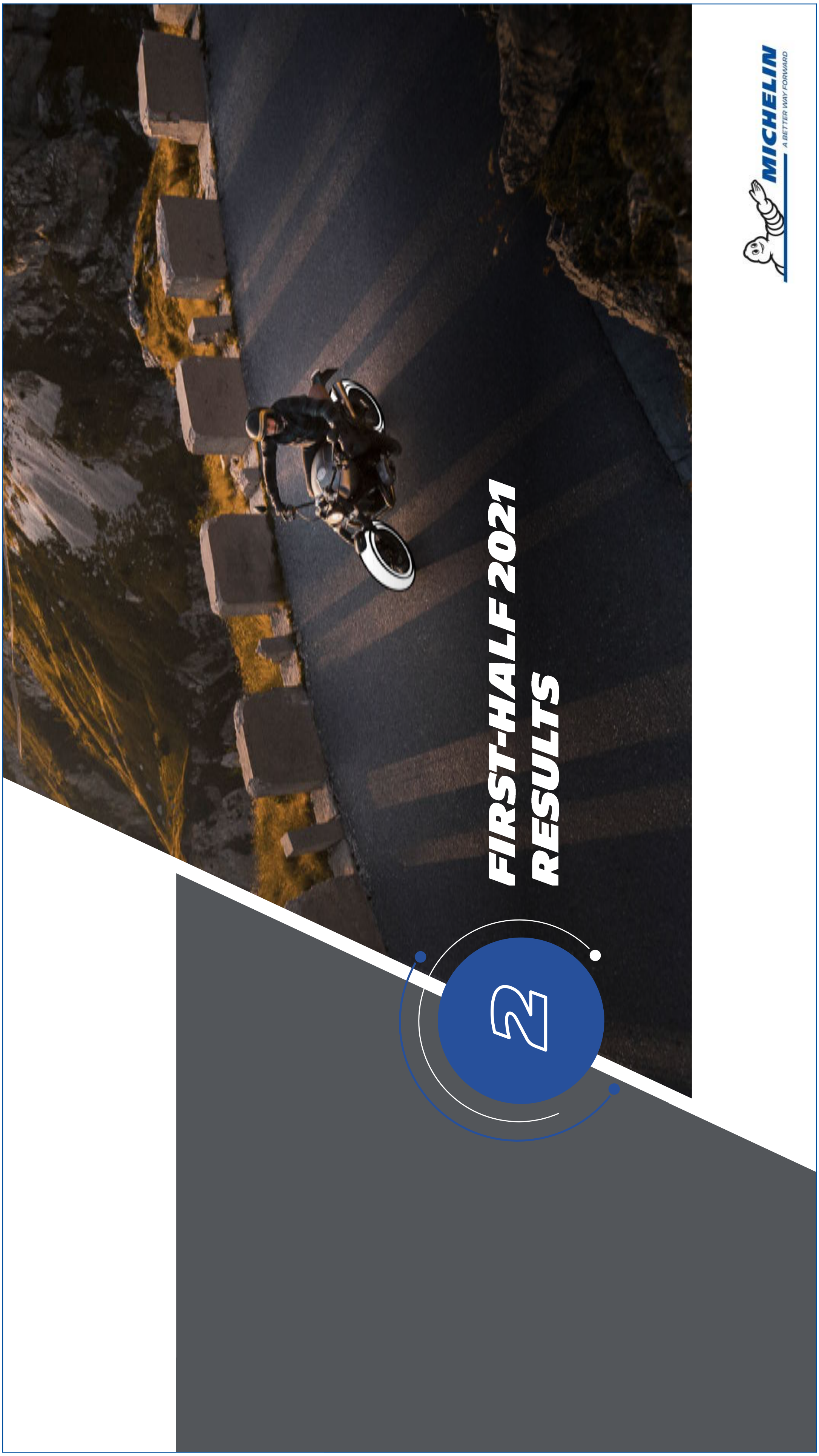
FIRST-HALF 2021
RESULTS
2
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2
H1 2021: MICHELIN DEMONSTRATED ITS ABILITY TO CONSOLIDATE ITS FINANCIAL PERFORMANCE AND TO ACHIEVE ITS AMBITIONS IN FAVOR OF PEOPLE AND THE ENVIRONMENT
28.2%
of managers and supervisors are women
STABLE
vs dec. 20
1.26
TCIR (1)
1.15
2021 target
€1,421 M
Segment operating income
or
12.7%
of sales
€361 M
Free cash flow excluding M&A (2)
2.8 MT
CO2 emitted scope 1 & 2 (3)
-27%
vs 2010 (4)
93.1
i-MEP (3)(5)
100
in 2019 (4)
(1) Total Case of Incident Rate
(2) Free cash flow before acquisitions, which includes JV financing flows (see slide 12)
(3) 12 months rolling data, may be updated following until the publication of the annual result.
(4) See 2030 strategic scorecard, slide 37, for 2030 vision.
(5) industrial-Michelin Environmental Performance: tool for monitoring the environmental impact of the Group's industrial activities
(see slide 55 and p.150 of the 2020 Universal Registration Document).
Fisrt-half 2021 Results - July 26, 2021
5
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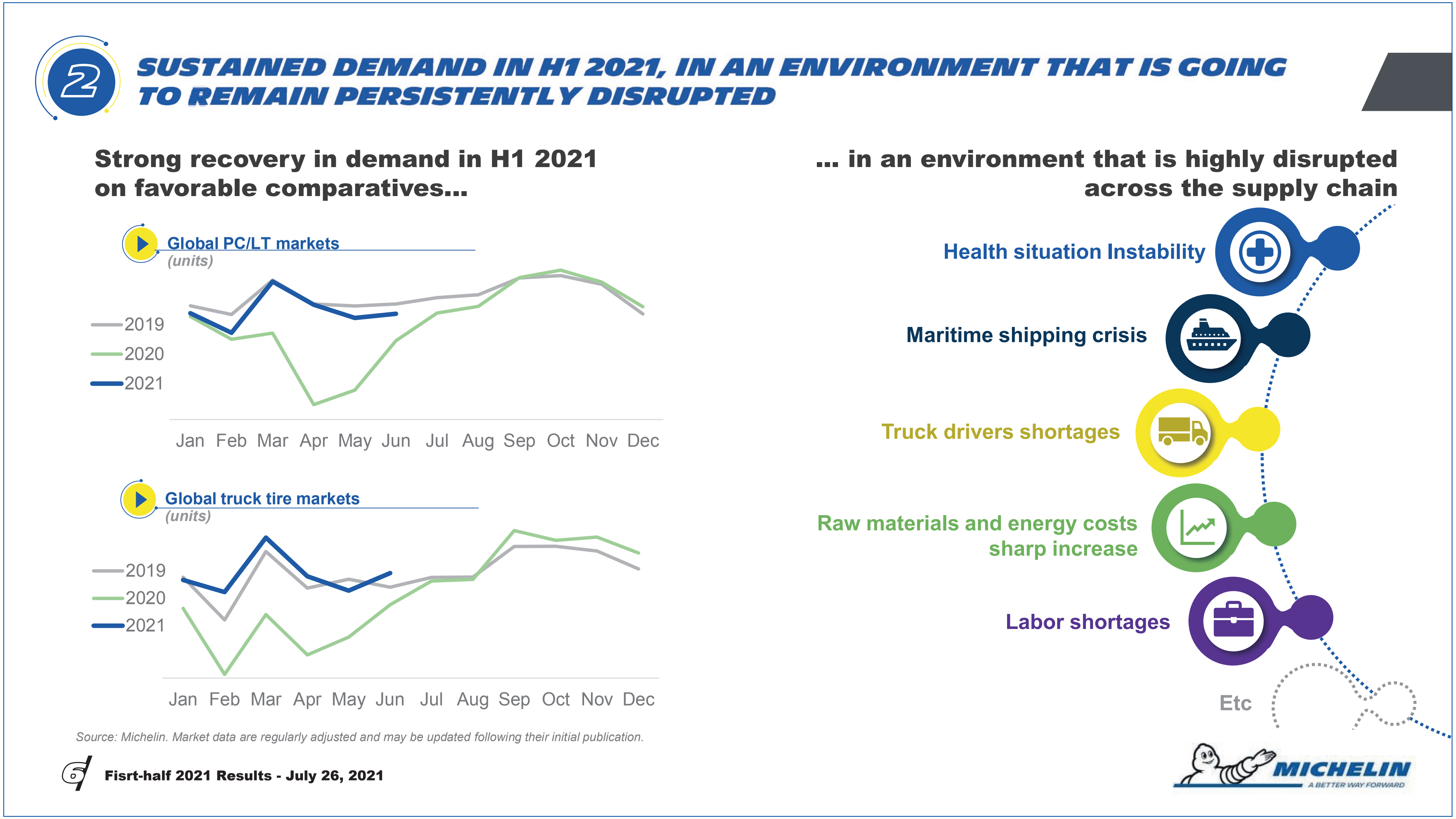
SUSTAINED DEMAND IN H1 2021, IN AN ENVIRONMENT THAT IS GOING TO REMAIN PERSISTENTLY DISRUPTED
2
Strong recovery in demand in H1 2021 on favorable comparatives...
Global PC/LT markets
(units)
2019
2020
2021
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Global truck tire markets
(units)
2019
2020
2021
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Source: Michelin. Market data are regularly adjusted and may be updated following their initial publication.
Fisrt-half 2021 Results - July 26, 2021
... in an environment that is highly disrupted across the supply chain
Health situation Instability
Maritime shipping crisis
Truck drivers shortages
Raw materials and energy costs sharp increase
Labor shortages
Etc
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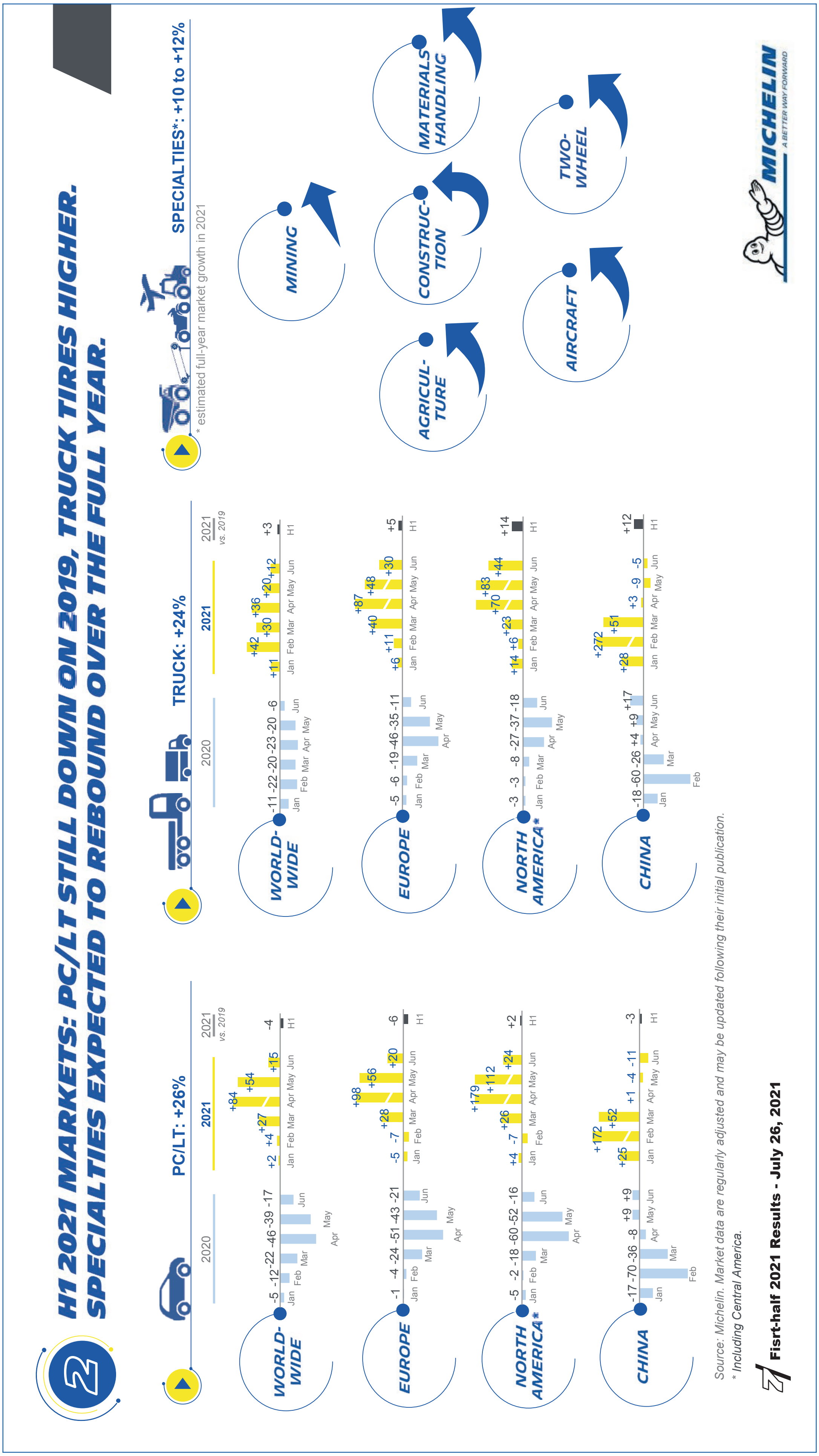
2
H1 2021 MARKETS: PC/LT STILL DOWN ON 2019, TRUCK TIRES HIGHER.
SPECIALTIES EXPECTED TO REBOUND OVER THE FULL YEAR.
PC/LT: +26%
2020
2021
2021 vs. 2019
WORLD-WIDE -5 -12 -22 -46 -39 -17 +2 +4 +27 +84 +54 +15 -4
EUROPE -1 -4 -24 -51 -43 -21 -5 -7 +28 +98 +56 +20 -6
NORTH AMERICA* -5 -2 -18 -60 -52 -16 +4 -7 +26 +179 +112 +24 +2
CHINA -17 -70 -36 -8 +9 +9 +25 +172 +52 +1 -4 -11 -3
Jan Feb Mar Apr May Jun H1
TRUCK: +24%
2020
2021
2021 vs. 2019
WORLD-WIDE -11 -22 -20 -23 -20 -6 +11 +42 +30 +36 +20 +12 +3
EUROPE -5 -6 -19 -46 -35 -11 +6 +11 +40 +87 +48 +30 +5
NORTH AMERICA* -3 -3 -8 -27 -37 -18 +14 +6 +23 +70 +83 +44 +14
CHINA -18 -60 -26 +4 +9 +17 +28 +272 +51 +3 -9 -5 +12
Jan Feb Mar Apr May Jun H1
SPECIALTIES*: +10 to +12%
* estimated full-year market growth in 2021
MINING
AGRICUL-TURE
CONSTRUC-TION
MATERIALS HANDLING
AIRCRAFT
TWO-WHEEL
Source: Michelin. Market data are regularly adjusted and may be updated following their initial publication.
* Including Central America.
Fisrt-half 2021 Results - July 26, 2021
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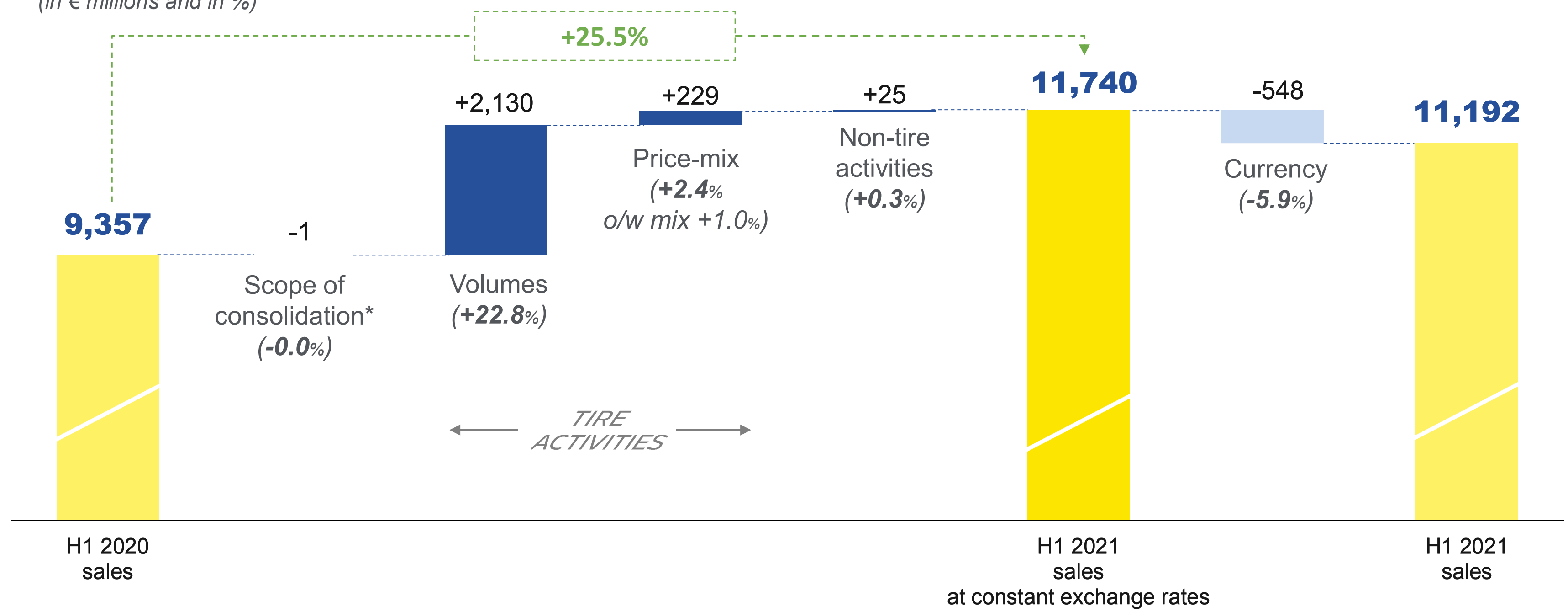
2 TIRE SALES UP, LIFTED BY THE REBOUND IN DEMAND AND A ROBUST PRICE-MIX. NON-TIRE SALES UP €25M, OR 4.6% AT CONSTANT EXCHANGE RATES.

YoY change in sales

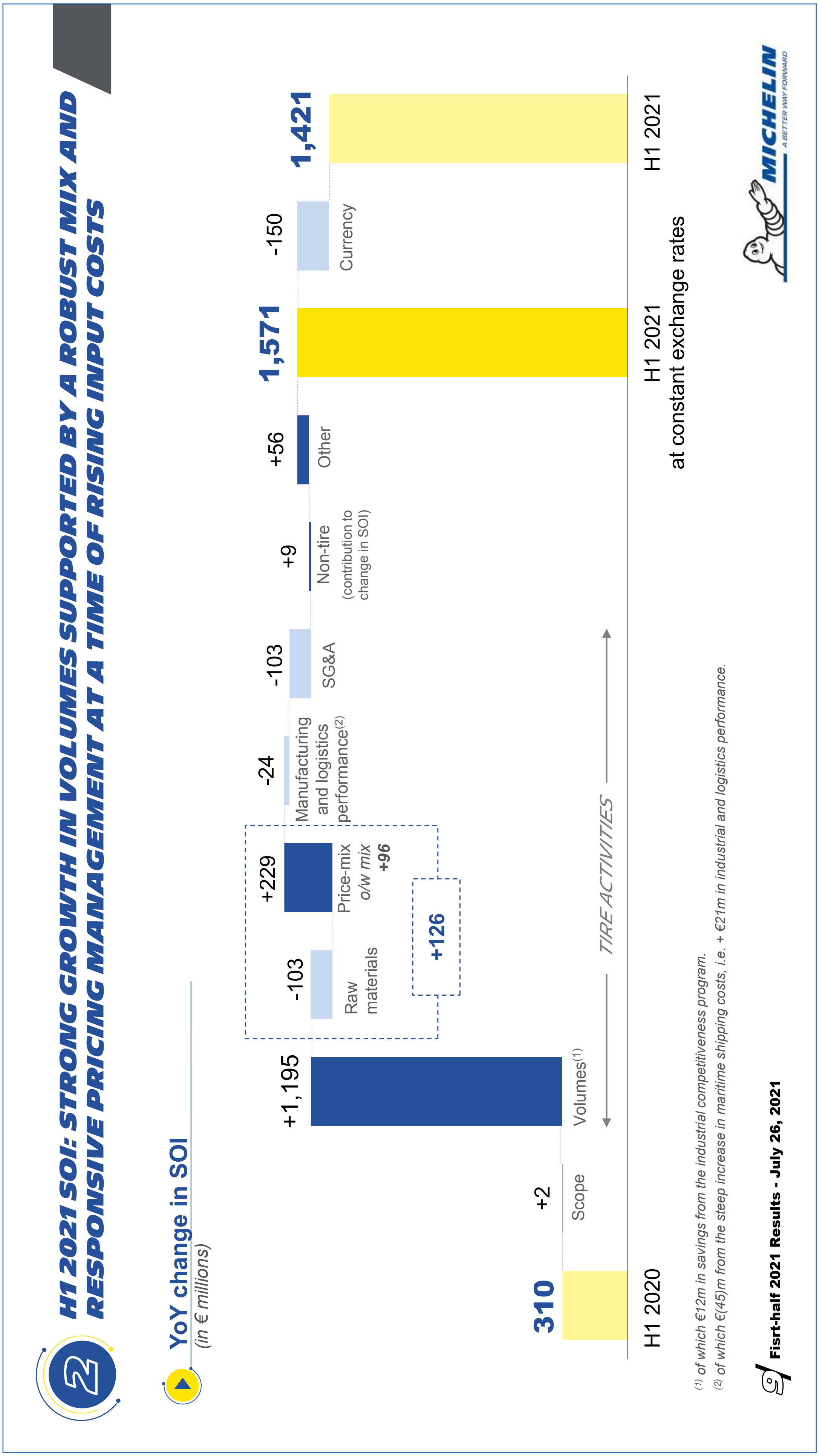
(in € millions and in %)



*Deconsolidation of the French Maps & Guides printing, publishing and marketing assets (Michelin Editions), as of February 1, 2021, and of Solesis on May 28, 2021; consolidation of TechnoBalt as of May 1, 2021, ConVeyBelt as of May 1, 2020, and MAV S.p.a. as of December 1, 2020.

Fisrt-half 2021 Results - July 26, 2021

MICHELIN A BETTER WAY FORWARD


2
H1 2021 SOI: STRONG GROWTH IN VOLUMES SUPPORTED BY A ROBUST MIX AND RESPONSIVE PRICING MANAGEMENT AT A TIME OF RISING INPUT COSTS
YoY change in SOI
(in € millions)
310
+2
Scope
+1,195
Volumes(1)
-103
Raw materials
+229
Price-mix
o/w mix
+96
+126
-24
Manufacturing and logistics performance(2)
-103
SG&A
+9
Non-tire
(contribution to change in SOI)
+56
Other
1,571
-150
Currency
1,421
TIRE ACTIVITIES
H1 2020
H1 2021
at constant exchange rates
H1 2021
(1) of which €12m in savings from the industrial competitiveness program.
(2) of which €(45)m from the steep increase in maritime shipping costs, i.e. + €21m in industrial and logistics performance.
9
Fisrt-half 2021 Results - July 26, 2021
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2 CLEAR RS1 AND RS2 UPTURN DURING THE FIRST HALF. RESPONSIVE PRICING POLICIES IN EVERY SEGMENT.

(in € million)	H1 2021	H1 2020	Change
RS1 sales	**5,562**	**4,394**	+26.6%
Operating income*	***730***	***(35)***	-
Operating margin*	13.1%	-0.8%	+13.9 pts
RS2 sales	**2,897**	**2,411**	+20.2%
Operating income*	***286***	***(30)***	-
Operating margin*	9.9%	-1.3%	+11.2 pts
RS3 sales	**2,733**	**2,552**	+7.1%
Operating income*	***405***	***375***	*+8.0%*
Operating margin*	14.8%	14.7%	+0.1 pt

** of the segment*

In an environment shaped by fast rebounding demand:

- **RS1**: sharp improvement in margins led by responsive pricing management, market share gains in 18-inch and larger tires and a favorable OE/RT mix, as OE sales were held back by semiconductors shortage.
- **RS2**: steep margin improvement led by the upturn in demand, particularly in Europe and North America, responsive pricing management and sustained expansion in fleet management solutions.
- **RS3**: from a less favorable base than in RS1 and RS2, first-half volumes were lifted by sales of Construction and Agricultural tires, leading to a negative business mix; rigorous price management on non-indexed activities partially offset negative impact of raw material clauses in first-half; from the second half of the year, these clauses will turn favorable.

10 **Fisrt-half 2021 Results - July 26, 2021**

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2 FREE CASH FLOW (1) IMPROVEMENT, REFLECTING GROWTH IN EBITDA AND STILL LOWER THAN NORMAL INVENTORY LEVEL

Change in free cash flow

(in € millions, including JV financing and acquisitions)

H1 2020 free cash flow	**(351)**
Change in:	
EBITDA	+1,085
Trade working capital	-596
Tax and interest paid	-73
Capital expenditure *incl. JV financing*	+156
M&A outlays	+26
Other items	+99
H1 2021 free cash flow	**346**

A solid cash position at June 30

- €3.8bn in cash and cash equivalents
- Repayment of €0.6bn worth of commercial paper during first-half 2021
- A €2.5bn confirmed, undrawn line of credit
- No significant bonds falling due before 2022

(1) see slide 57 for FCF definition.

11 **Fisrt-half 2021 Results - July 26, 2021**

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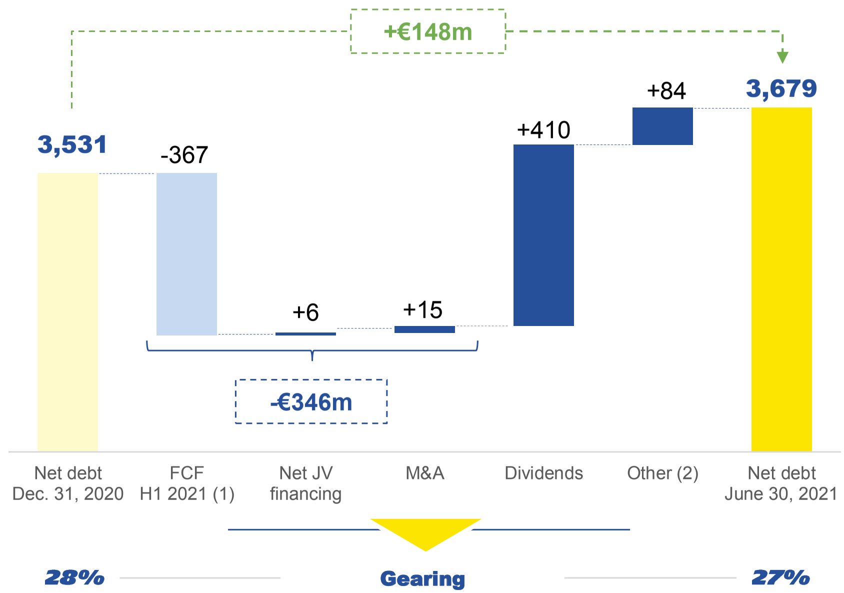
2

27% GEARING AT JUNE 30, 2021. ROBUST FINANCIAL POSITION CONFIRMED BY RATING AGENCIES.

Net debt
(in € millions)



(1) Free cash flow before M&A and JV financing (see slide 57 for FCF definition).
(2) Mainly the impact of new leases, translation adjustments and share buybacks.

Agency ratings at June 30, 2021
Compagnie Générale des Établissements Michelin

Short term	S&P Fitch	A-2 F-2
Long term	S&P Fitch Moody's (3)	A- A- A3
Outlook	S&P Fitch Moody's (3)	Stable Stable Stable

(3) Moody's rating is no longer solicited since July 1, 2020.

12 Fisrt-half 2021 Results - July 26, 2021


2021 GUIDANCE
3
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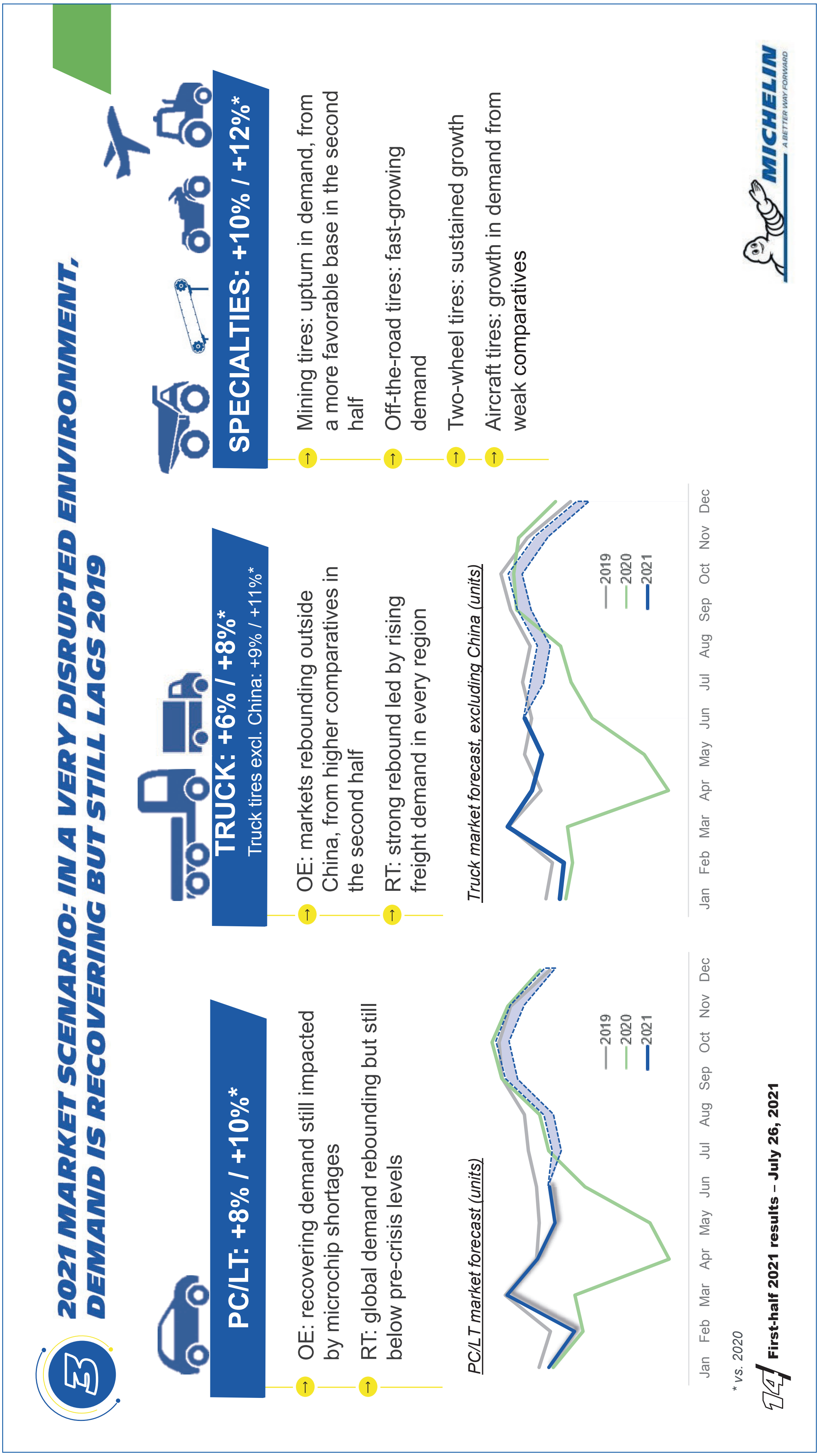
3
2021 MARKET SCENARIO: IN A VERY DISRUPTED ENVIRONMENT, DEMAND IS RECOVERING BUT STILL LAGS 2019
PC/LT: +8% / +10%*
OE: recovering demand still impacted by microchip shortages
RT: global demand rebounding but still below pre-crisis levels
PC/LT market forecast (units)
2019
2020
2021
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
TRUCK: +6% / +8%*
Truck tires excl. China: +9% / +11%*
OE: markets rebounding outside China, from higher comparatives in the second half
RT: strong rebound led by rising freight demand in every region
Truck market forecast, excluding China (units)
2019
2020
2021
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
SPECIALTIES: +10% / +12%*
Mining tires: upturn in demand, from a more favorable base in the second half
Off-the-road tires: fast-growing demand
Two-wheel tires: sustained growth
Aircraft tires: growth in demand from weak comparatives
* vs. 2020
14 First-half 2021 results – July 26, 2021
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2021 SCENARIO

	2021
Volumes	**Slightly above markets**
Net price-mix/raw materials effect	**Positive** **Neutral on second-half**
Cost impact of raw materials prices and customs duties	**Strongly negative**
Currency effect *	**Strongly negative**

** Voir slide 24*

Résultats 1er semestre 2021 - 26 juillet 2021

3 FULL-YEAR 2021 GUIDANCE RAISED *

	2021
Segment Operating Income at constant exchange rates	> €2,800m (vs > €2,500m previously)
Structural Free Cash Flow**	> €1,000m (vs ~€1,000m previously)

* Barring any new systemic effect from Covid-19: deeper supply chain disruptions or tighter restrictions on freedom of movement that would result in a significant drop in the tire markets.
** Structural free cash flow : see slide 57

16 Résultats 1er semestre 2021 - 26 juillet 2021

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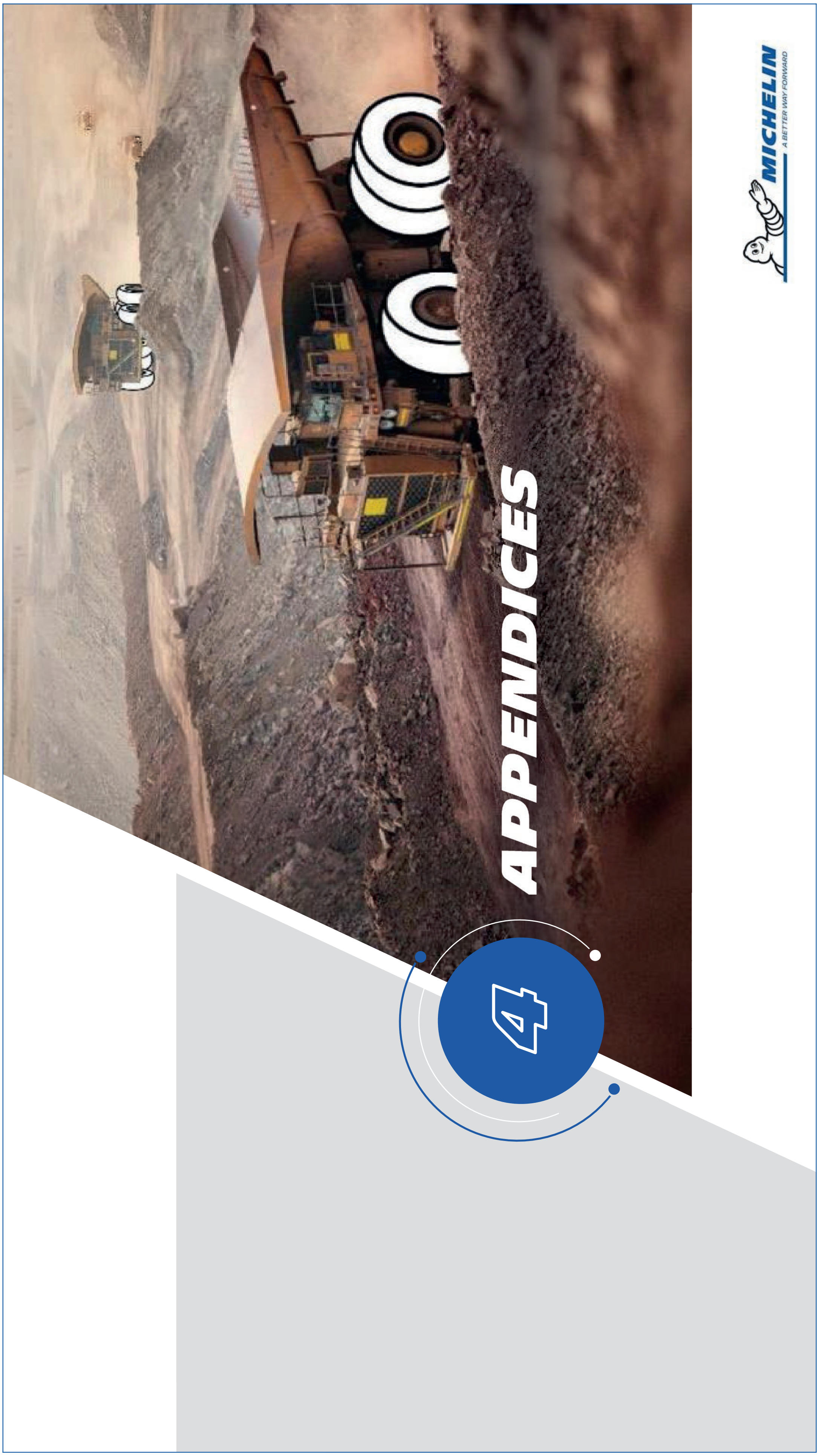
4
APPENDICES
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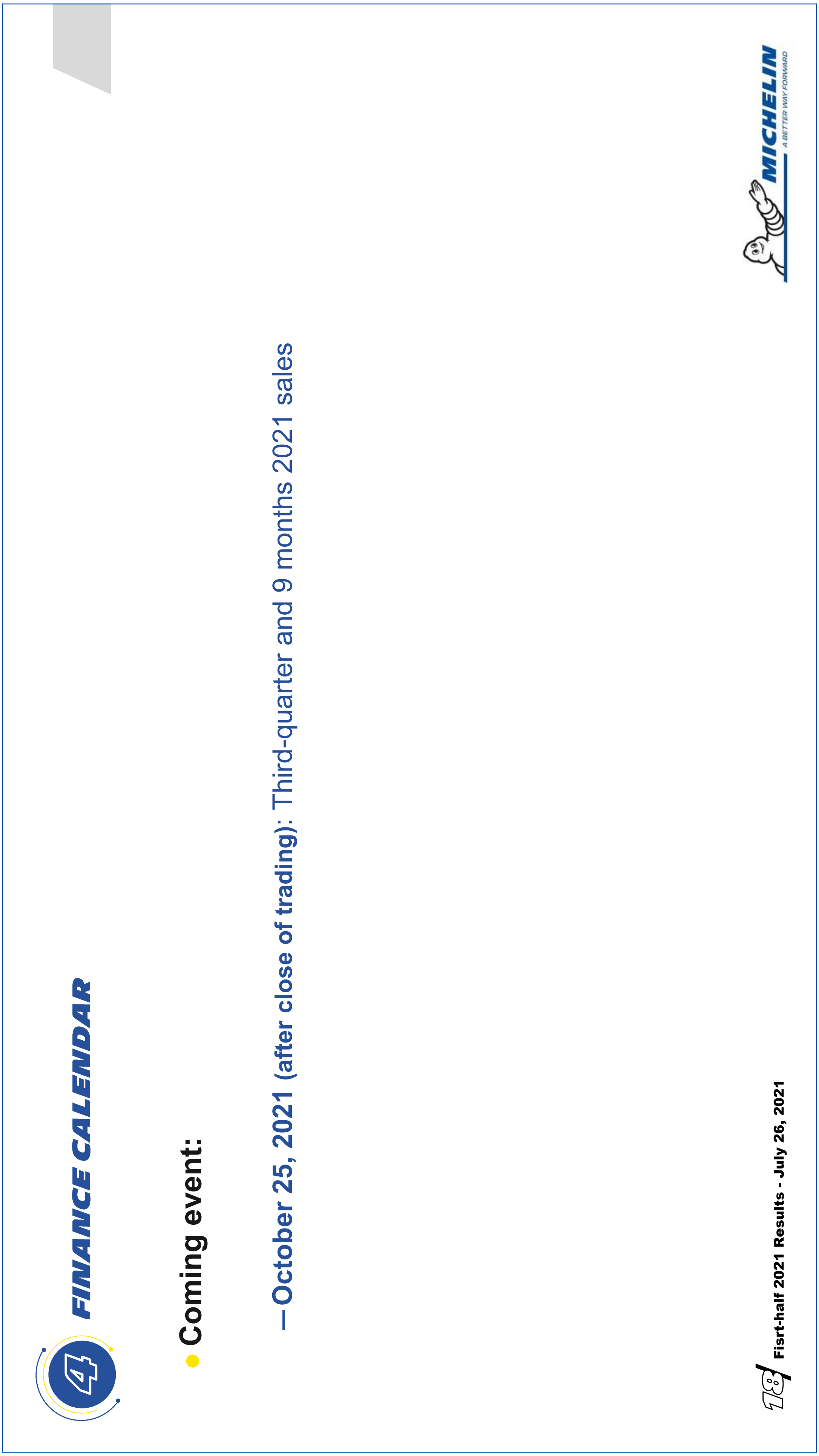
FINANCE CALENDAR
4
Coming event:
– October 25, 2021 (after close of trading): Third-quarter and 9 months 2021 sales
Fisrt-half 2021 Results - July 26, 2021
18
MICHELIN
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4 REPORTED H1 2021 AND H1 2020 FINANCIAL HIGHLIGHTS

(in € millions)	H1 2021	H1 2020
Sales	**11,192**	9,357
Segment EBITDA	**2,277**	1,192
Segment EBITDA margin	**20.3%**	12.7%
Segment operating income	**1,421**	310
Segment operating margin	**12.7%**	3.3%
Other operating income and expenses	**16**	(133)
Net income/(loss)	**1,032**	(137)
Basic earnings per share (in €)	**5.74**	(0.75)
Net cash used in purchases of intangible assets & PPE	**654**	769
Free cash flow*	**346**	(351)
Gearing	**26.7%**	45.0%

*see slide 57 for definition

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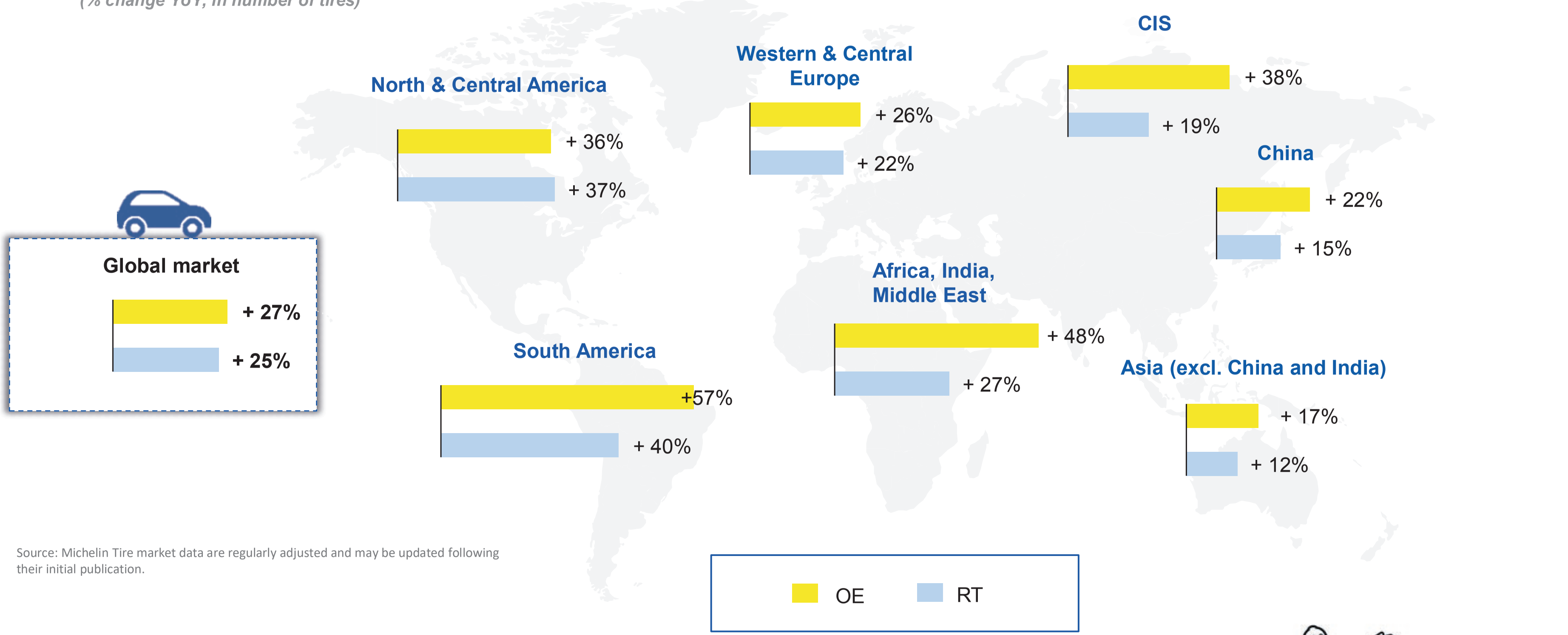
PC/LT H1 2021 MARKETS: ON FAVORABLE PRIOR-YEAR COMPARATIVES, OE HURT BY COMPONENT SHORTAGES AND RT CONTINUED TO REBOUND

PC/LT TIRE MARKET, H1 2021

(% change YoY, in number of tires)



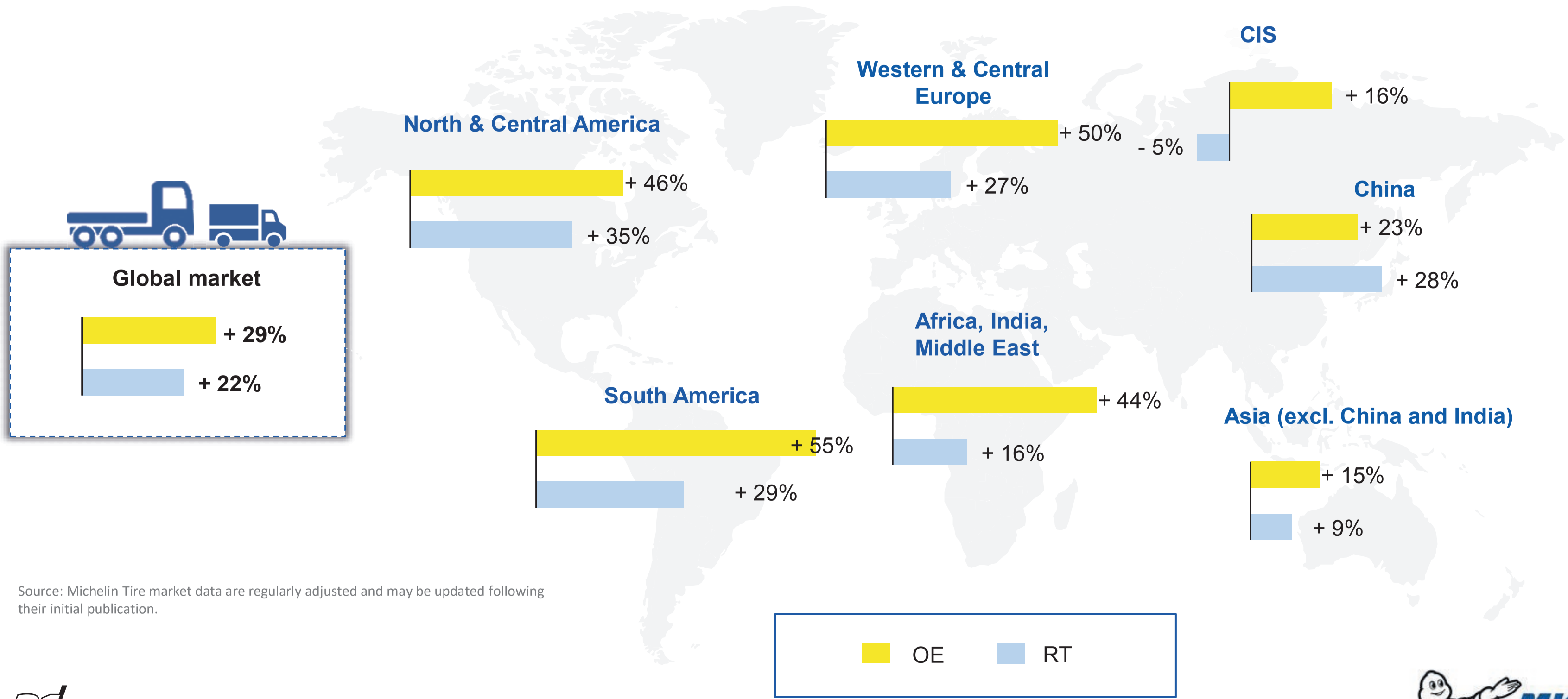
Source: Michelin Tire market data are regularly adjusted and may be updated following their initial publication.

Fisrt-half 2021 Results - July 26, 2021

TRUCK H1 2021 MARKETS: SUSTAINED FLEET UPGRADES AND GROWTH IN FREIGHT DEMAND FROM A FAVORABLE BASE OF COMPARISON

TRUCK TIRE MARKET, H1 2021

(% change YoY, in number of tires)



Source: Michelin Tire market data are regularly adjusted and may be updated following their initial publication.

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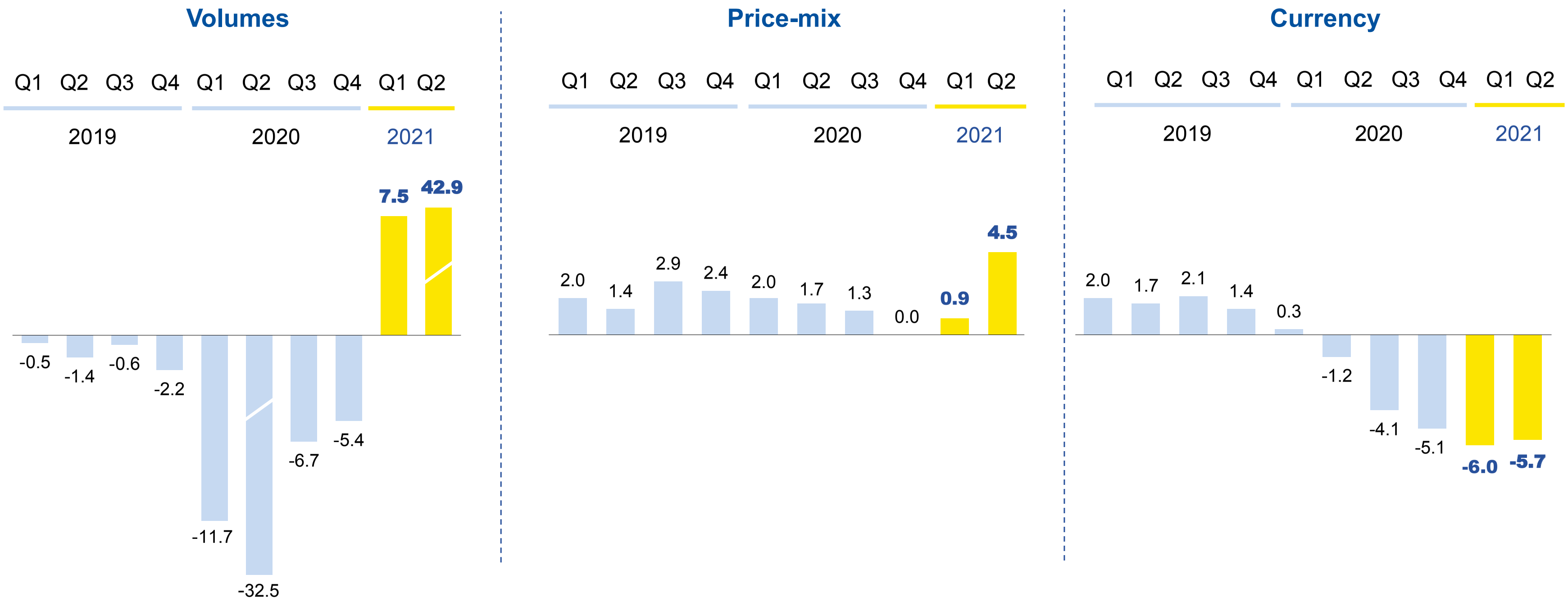
H1 2021: STRONG VOLUMES UPTURN ON FAVORABLE BASIS OF COMPARISON, WITH SOLID MIX AND REACTIVE PRICING MANAGEMENT

YoY QUARTERLY CHANGE

(in %)



22 Fisrt-half 2021 Results - July 26, 2021

4 SALES BY CURRENCY AND SEGMENT OPERATING INCOME (SOI) IMPACT

% of sales (2020)		H1 2021 € change vs. currency	Dropthrough* sales / SOI
USD	36%	+ 9%	35% / 45%
EUR	32%	-	-
CNY	6%	+ 1%	25% / 30%
AUD	3%	- 7%	80% / 85%
GBP	3%	- 1%	25% / 30%
BRL	3%	+ 22%	-30% / -20%
CAD	3%	- 0%	25% / 30%
RUB	1%	+ 18%	25% / 30%
JPY	1%	+ 9%	80% / 85%

% of sales (2020)		H1 2021 € change vs. currency	Dropthrough * sales / SOI
CLP	1%	- 3%	80% / 85%
MXN	1%	+ 3%	25% / 30%
THB	1%	+ 7%	-130% / -100%
TRY	1%	+ 33%	80% / 85%
SEK	0.8%	- 5%	80% / 85%
TWD	0.6%	+ 2%	80% / 85%
ZAR	0.4%	- 3%	80% / 85%
ARS	0.3%	+ 55%	80% / 85%
COP	0.2%	+ 8%	80% / 85%
Others	5.7%	-	-

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

23 **Fisrt-half 2021 Results - July 26, 2021**

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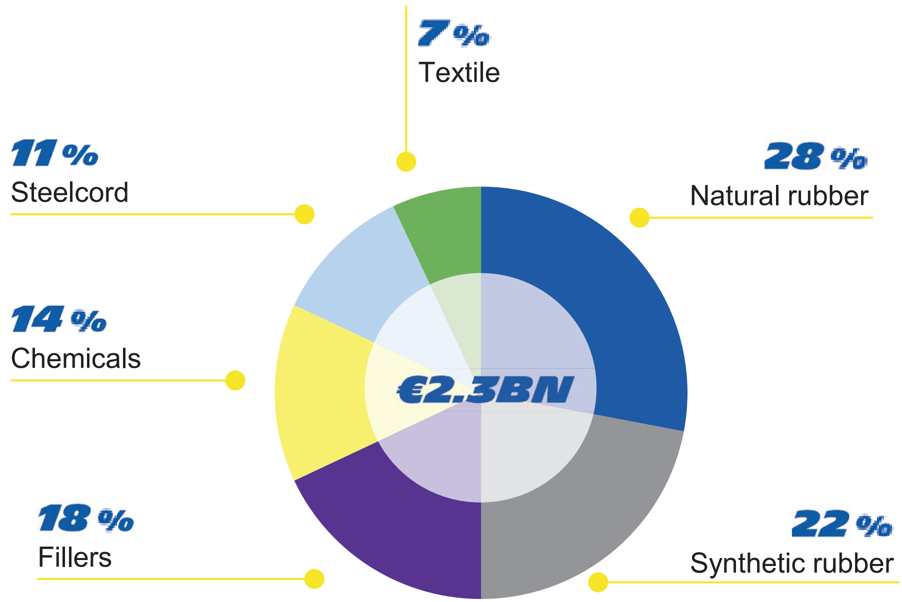
4 RAW MATERIALS

COST OF RAW MATERIAL USED IN PRODUCTION IN H1 2021



24 Fisrt-half 2021 Results - July 26, 2021

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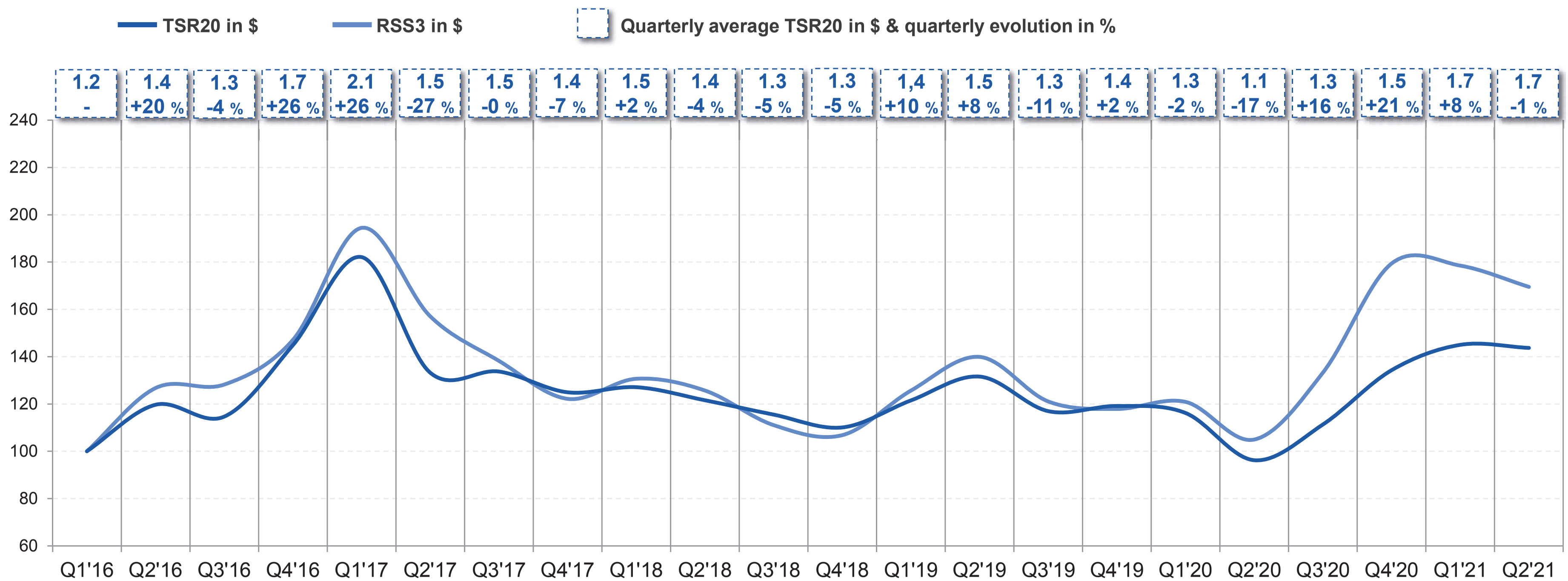
4

NATURAL RUBBER PRICE TREND

$/kg, base 100 in 1st 2016 quarter



Source SICOM

25 Fisrt-half 2021 Results - July 26, 2021

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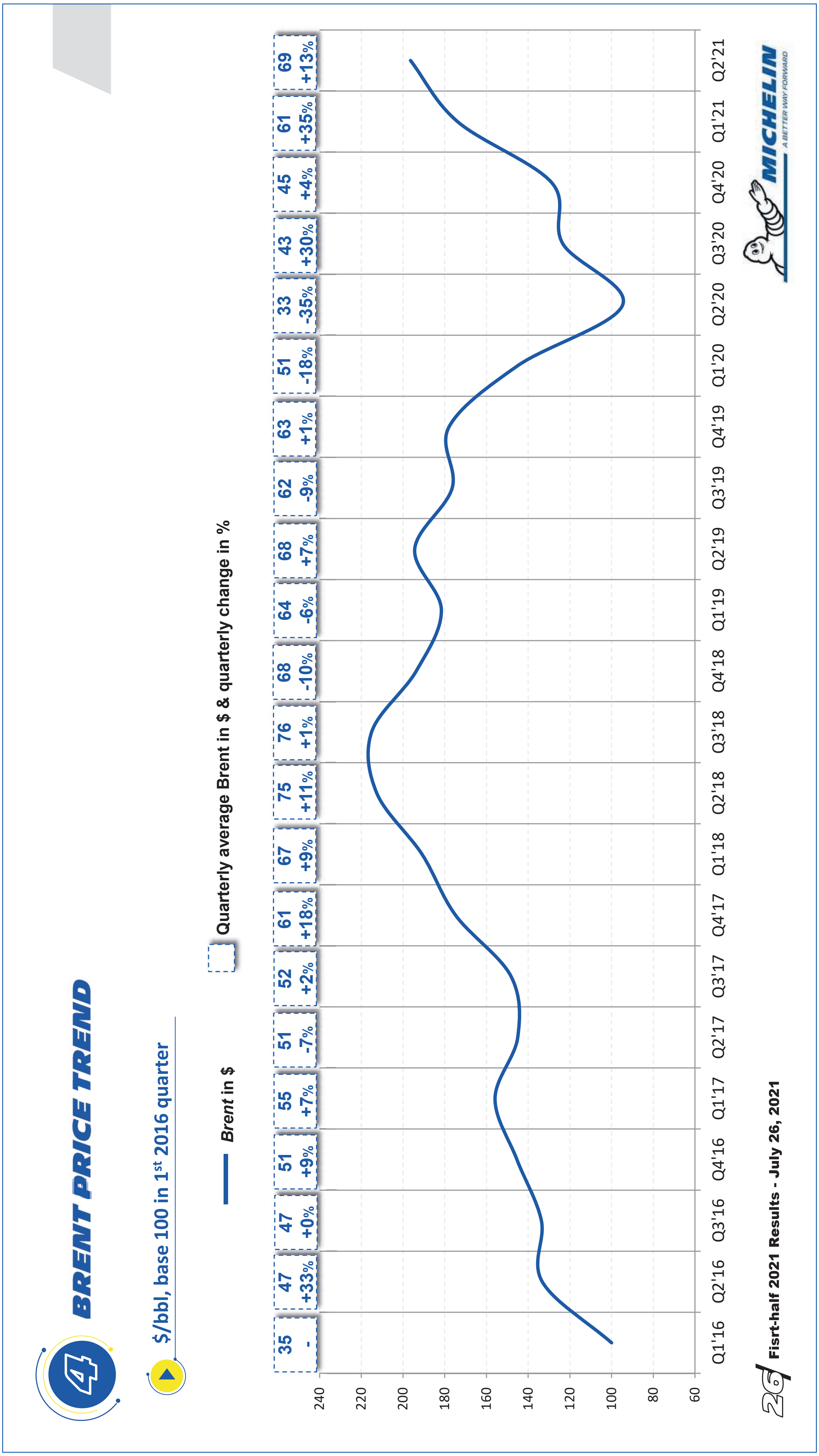
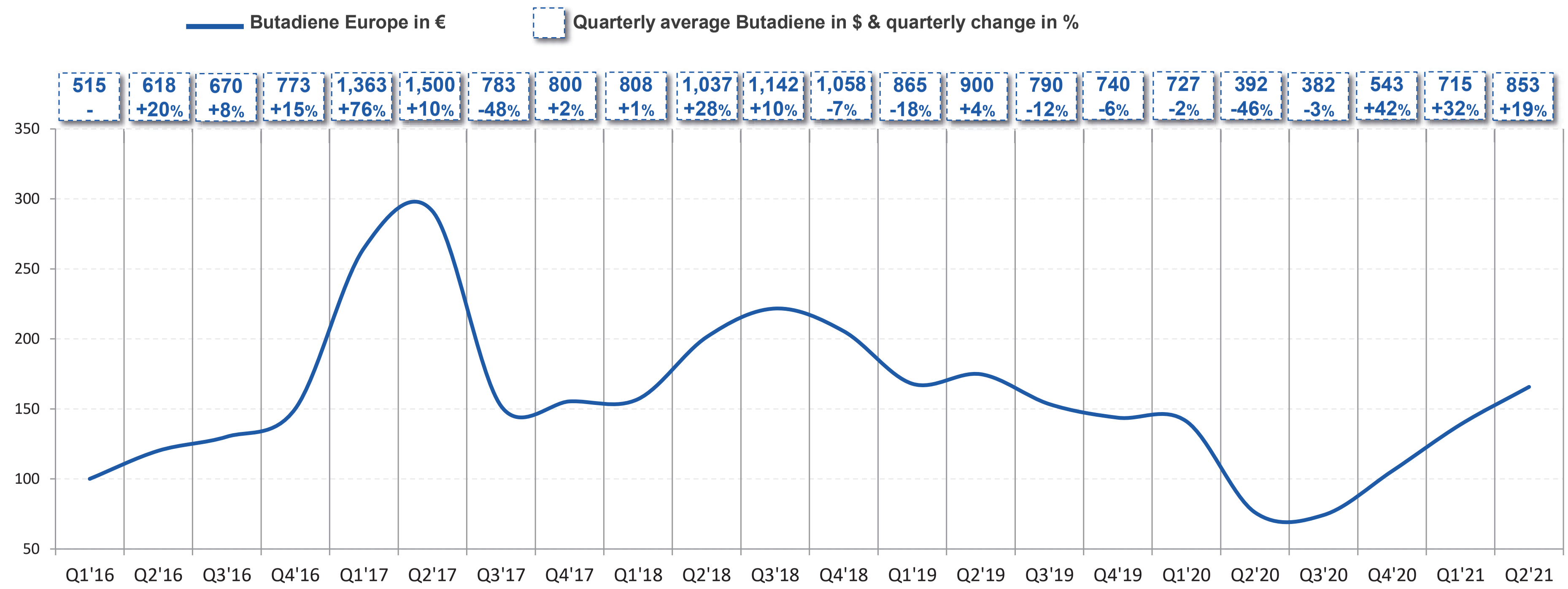

4
BRENT PRICE TREND
$/bbl, base 100 in 1st 2016 quarter
Brent in $
Quarterly average Brent in $ & quarterly change in %
35 -
47 +33%
47 +0%
51 +9%
55 +7%
51 -7%
52 +2%
61 +18%
67 +9%
75 +11%
76 +1%
68 -10%
64 -6%
68 +7%
62 -9%
63 +1%
51 -18%
33 -35%
43 +30%
45 +4%
61 +35%
69 +13%
240
220
200
180
160
140
120
100
80
60
Q1'16 Q2'16 Q3'16 Q4'16 Q1'17 Q2'17 Q3'17 Q4'17 Q1'18 Q2'18 Q3'18 Q4'18 Q1'19 Q2'19 Q3'19 Q4'19 Q1'20 Q2'20 Q3'20 Q4'20 Q1'21 Q2'21
26
Fisrt-half 2021 Results - July 26, 2021

4 BUTADIENE PRICE TREND

€/t, base 100 in 1st 2016 quarter



27 Fisrt-half 2021 Results - July 26, 2021

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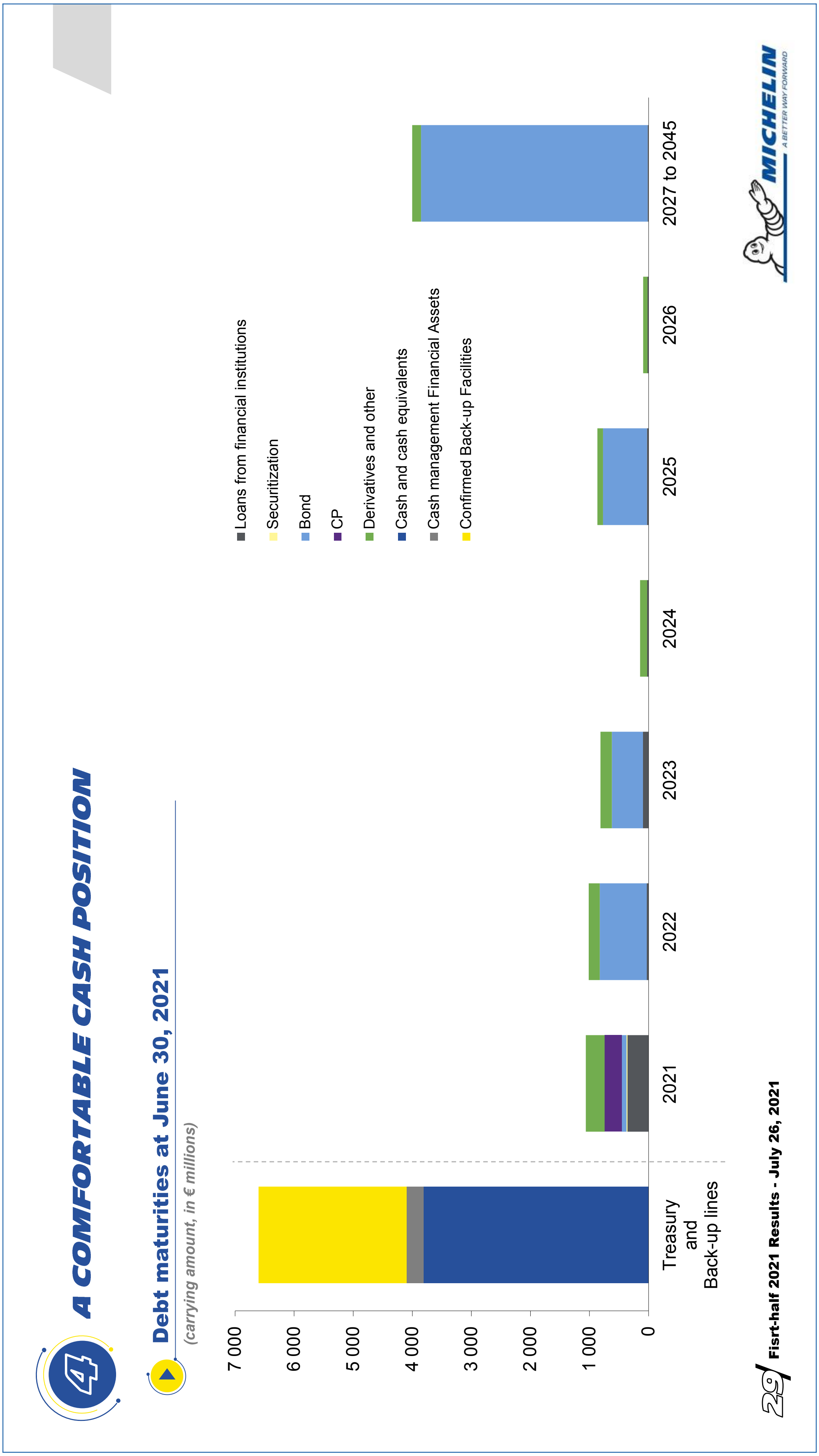
OUTSTANDING BOND ISSUES
(AS OF JUNE 30, 2021)

Issuer	Compagnie Générale des Établissements 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	**$ 500m + TAP $100m**	**€ 300m**	**$ 600m**	**€ 750m**	**€ 300m**	**€ 500m**	**€ 1'000m**	**€ 500m**	**€ 750m**	**€ 500m**	**€ 302m**
Offering price	100% & 103,85%	99,97%	95,50%	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-jan.-17 & 05-may-17	28-may-15	10-jan.-18	3-sept.-18	28-may-15	2-nov.-20	3-sept.-18	2-nov.-20	3-sept.-18	2-nov.-20	30-sept.-15 & 30-sept.-16
Maturity	10-jan.-22	28-may-22	10-nov.-23	3-sept.-25	28-may-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

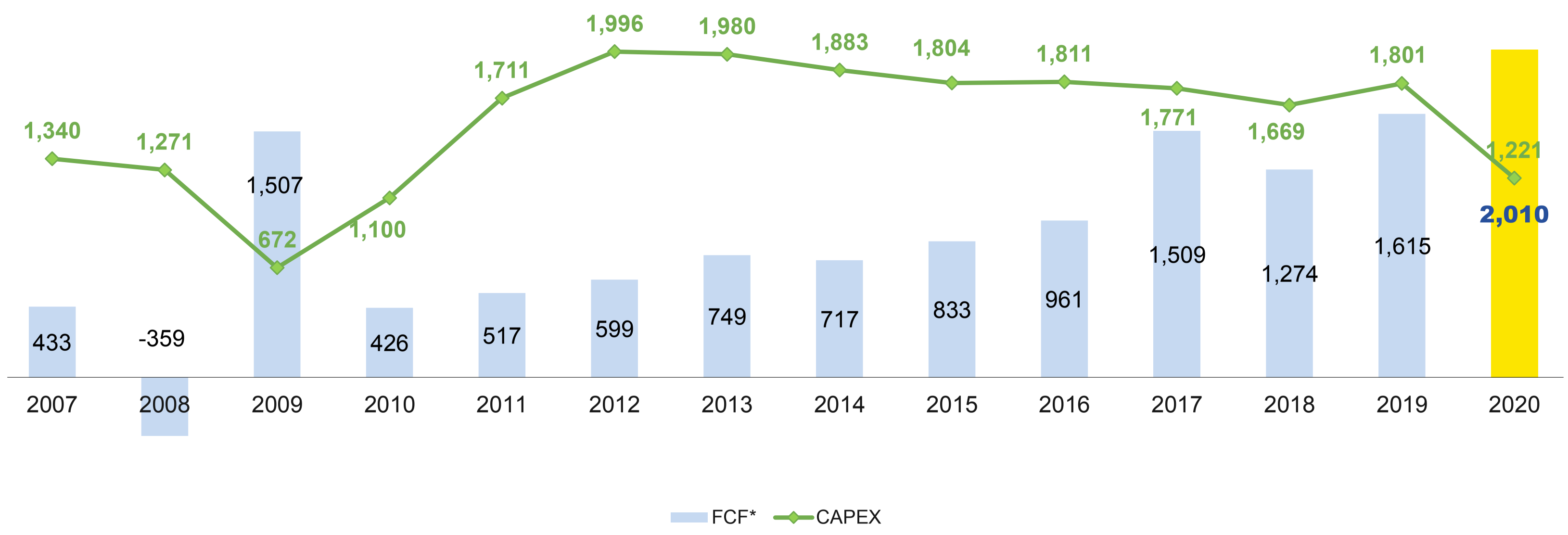
28 **Fisrt-half 2021 Results - July 26, 2021**


4
A COMFORTABLE CASH POSITION
Debt maturities at June 30, 2021
(carrying amount, in € millions)
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
Treasury and Back-up lines
2021
2022
2023
2024
2025
2026
2027 to 2045
Loans from financial institutions
Securitization
Bond
CP
Derivatives and other
Cash and cash equivalents
Cash management Financial Assets
Confirmed Back-up Facilities
29
Fisrt-half 2021 Results - July 26, 2021

2007 – 2020: GROUP CAPACITY TO PROTECT AND IMPROVE ITS FREE CASH FLOW GENERATION

Free cash flow* and CAPEX 2007 - 2020

(in € millions)

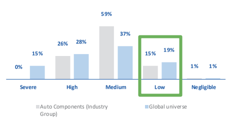
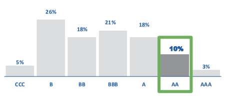
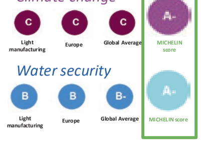
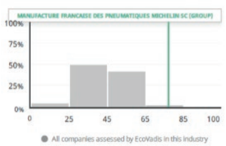


** Reported FCF from 2007 to 2010, Structural FCF from 2011 onwards (see slide 57 for Structural FCF definition)*

Fisrt-half 2021 Results - July 26, 2021

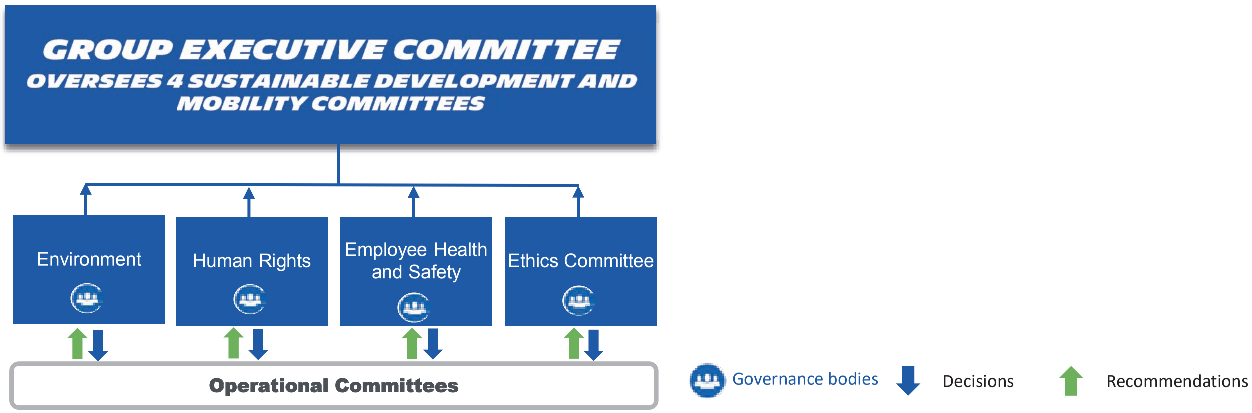
NON-FINANCIAL PERFORMANCE: MICHELIN, A LEADING AND RECOGNIZED PLAYER IN SUSTAINABLE MOBILITY

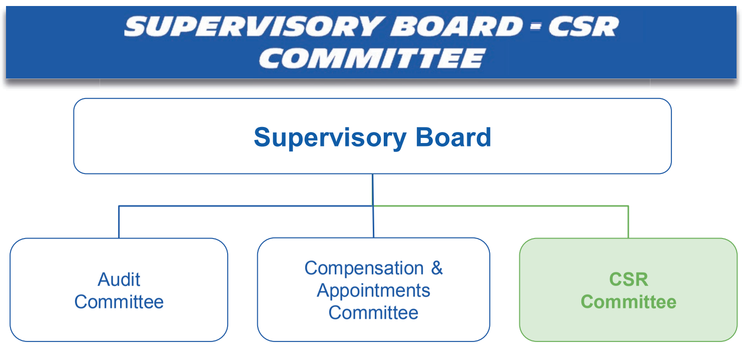
Major sustainability rating (as of June 30, 2021)

	SUSTAINALYTICS (risk rating) 2020	MSCI 2020	CDP 2020	ECOVADIS 2019	ISS-OEKOM 2020	VIGEO EIRIS Moody's 2021
Status	LOW RISK	AA	LEADERSHIP	GOLD	PRIME	A1+
Rating	15.2	8.4/10	A-	78/100	B-	73/100
Ranking / Distribution of ratings			Climate change; Water security 	TOP 1% caoutchouc naturel 		1ER OF 39 in the sector

31 Fisrt-half 2021 Results - July 26, 2021

ESG AWARENESS AND OVERSIGHT ARE FULLY EMBODIED IN MICHELIN'S GOVERNANCE STRUCTURE





STAKEHOLDERS COMMITTEE

At the corporate executive level, a Stakeholders Committee set up in 2016 brings together 12 people representative of the Group's leading stakeholders, including suppliers, investors, unions, customers and NGOs. Four continents are represented on the Committee, which meets with the Executive Committee for a full day at least once per year.

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MICHELIN A BETTER WAY FORWARD

4 ESG IS MANAGED AT HIGHEST LEVEL BY AN INCENTIVIZED TEAM

Florent Menegaux, Managing Chairman, compensation for 2021

Fixed compensation

€900,000

Annual variable compensation

0 to 20 % of profit shares

The annual variable component is fully integrated in the profit shares

Quantitative criteria

0 to 16% of the profit shares

Quantitative and qualitative criteria:

1. Group's **strategic** deployment
2. **Employee safety**
3. **Synergies** from acquisitions

0 to 4% of the profit shares

Performance shares rights
Subject to performance conditions over 3 years

✓ Allocation limited to 0.05% of the Company's share capital
✓ Maximum set at 100% of annual fixed compensation

1. **Market performance: Michelin's share price** vs. change in Stoxx Europe 600 index (annual average)

Weight: 30%

2. **CSR performance**
- i-MEP, industrial – Michelin Environmental Performance
- Employee engagement

Weight: 40%

3. **Operational performance: Sales growth** (excluding tires and distribution) **and ROCE**

Weight: 30%

ESG incentives

Each criterion has:
- A threshold below which no amount is awarded
- An intermediate tranche between the threshold and the target ceiling, giving access to an amount ranging between the minimum and maximum on a straight-line basis
- A target ceiling, giving access to the maximum amount for the criterion

- Obligation to hold **40% of the vested shares** during the entire term of office
- The allocated shares may vest subject to the following condition: the profit shares have been paid during the fiscal year preceding the year in which the shares are issued

33 **Fisrt-half 2021 Results - July 26, 2021**

MICHELIN A BETTER WAY FORWARD

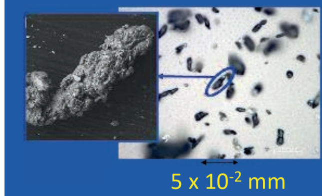
4 WHAT ARE THE TIRE AND ROAD WEAR PARTICLES (TRWP)?

TRWPs are tiny debris produced by the friction between tires and the road.
This friction is what ensures grip and safety on the road

Scientific studies conducted to date by the TIP[1], the ETRMA[2] and l'EAA[3] suggest that:

- 2% to 5% of TRWPs reach estuaries ;
- TRWPs represent only a minor fraction of airborne particule matter (PM10 and PM2.5).

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**

≠

MICROPLASTICS

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

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

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MICHELIN A BETTER WAY FORWARD


CAPITAL MARKETS DAY
KEY MESSAGES
5
MICHELIN
A BETTER WAY FORWARD

5 CAPITAL MARKETS DAY: RELIVE THE EVENT

A dedicated page has been created for the event on the www.michelin.com website. It features a number of replayable videos that review the day's presentations and offer insight into the following themes, which are going to drive the Group's sustainable growth:

- Michelin's Environmental Leadership: Focus on the Automotive segment
- Industry 4.0: a key lever to improve our industrial efficiency
- Services and Solutions: understanding customer needs and how our products are used enables us to develop and offer high value-added solutions
- High-Tech Materials: leveraging our R&D expertise in materials, to develop new growth avenues
- Metal 3D Printing: a unique offering in a very high-potential market
- Hydrogen: becoming a global player in hydrogen mobility

The **digital version of the 2020 Annual Report** is available on the Group's corporate site at the following address: https://www.michelin.com/en/annual-report/

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2030 VISION: DETAILED STRATEGIC SCORECARD

	AMBITIONS	METRICS	2030 SUCCESS
People	Be world-class in employee engagement	Engagement rate	>85%
	Be world-class in employee safety	TCIR*	<0.5
	Be a reference in diversities and inclusion of teams	IMDI*	80 points over 100
	Be best-in-class in value created for customers	NPS* partners and NPS final customers	+10 and +5 pts respectively
Profit	Deliver substantial growth	Total sales	5% CAGR 23-30
	Deliver continuous financial value creation	ROCE*	>10.5%
	Maintain MICHELIN brand power	Brand vitality quotient	+5 pts vs 2021
	Maintain best-in-class innovation pace in products and services	Offers vitality index	>30%
Planet	Reach carbon neutrality by 2050 (manuf. and energy)	CO2 emissions scopes 1&2	(50%) vs. 2010
	Contribute to reaching carbon neutrality (usage)	Products energy efficiency (scope 3)	+10% vs. 2020
	Be best-in-class in environmental footprint of industrial sites	i-MEP*	-1/3 vs. 2019
	Reach full circularity of products by 2050	Sustainable Material Rate	40%

* TCIR = Total Case Incident Rate ; IMDI = Inclusion and Diversities Management Index; NPS = Net Promoter Score ; ROCE = Return on Capital Employed ; i-MEP = industrial - Michelin Environmental Performance, see p.150 of the 2020 Universal Registration Document

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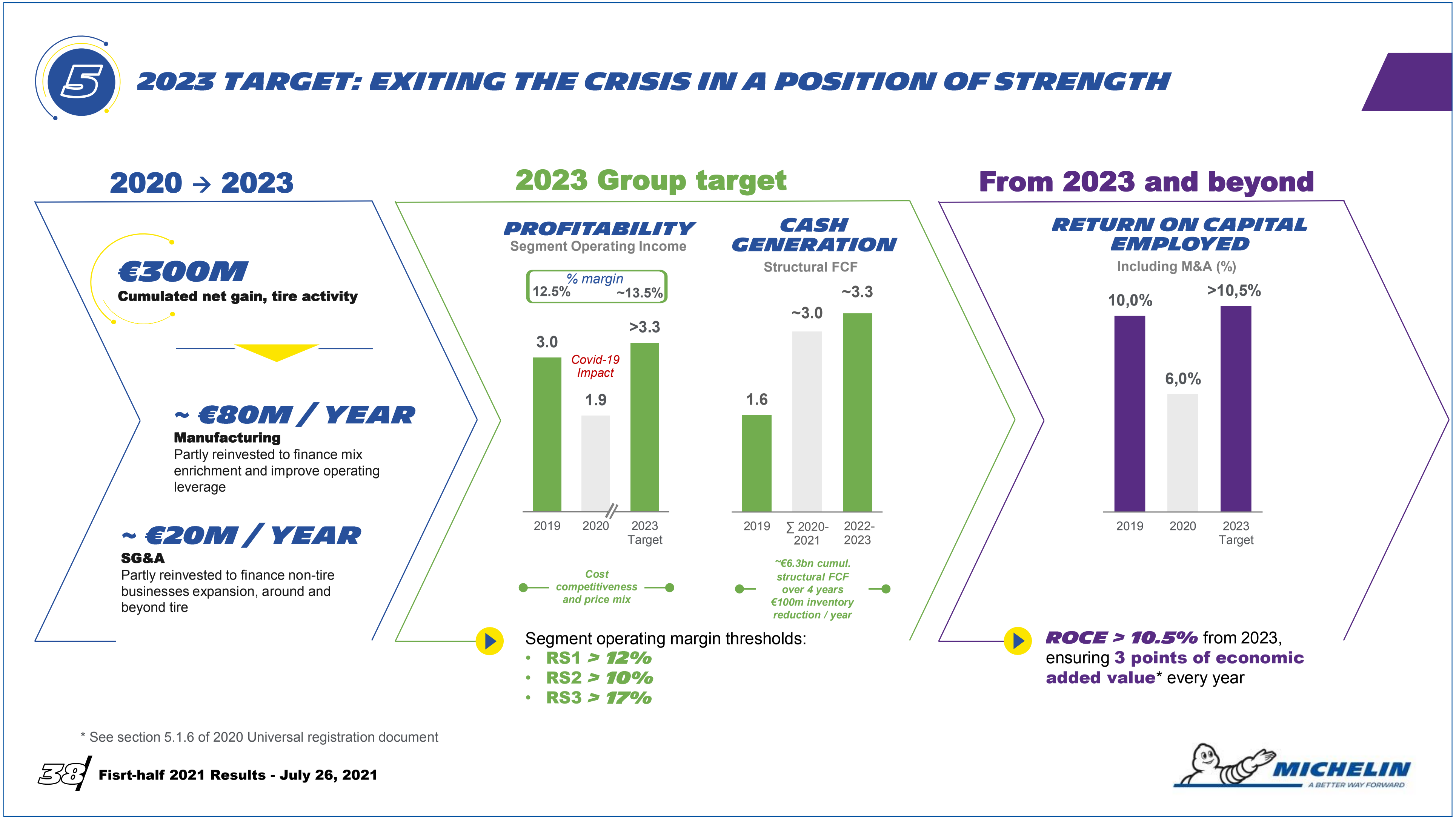
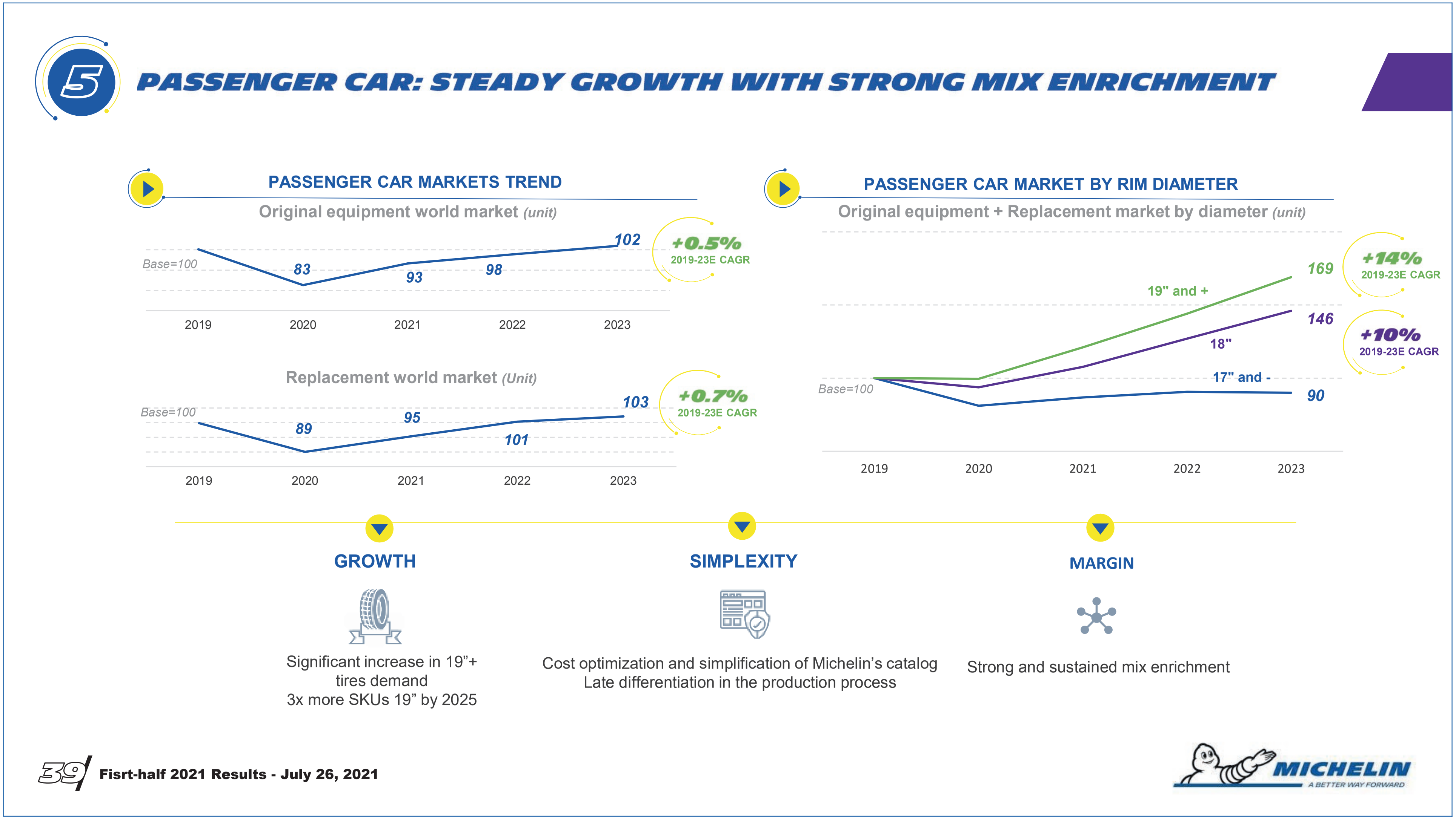
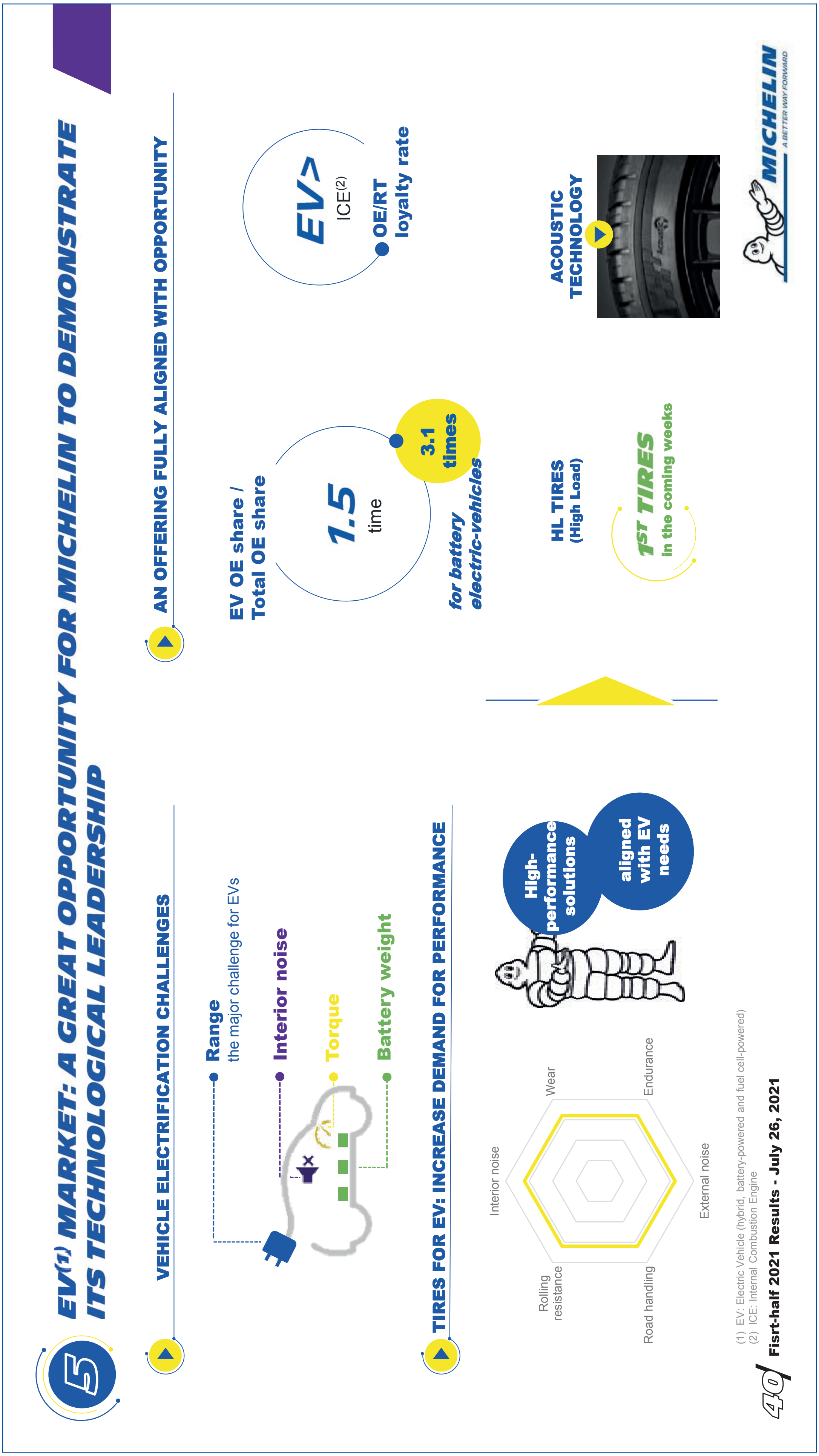
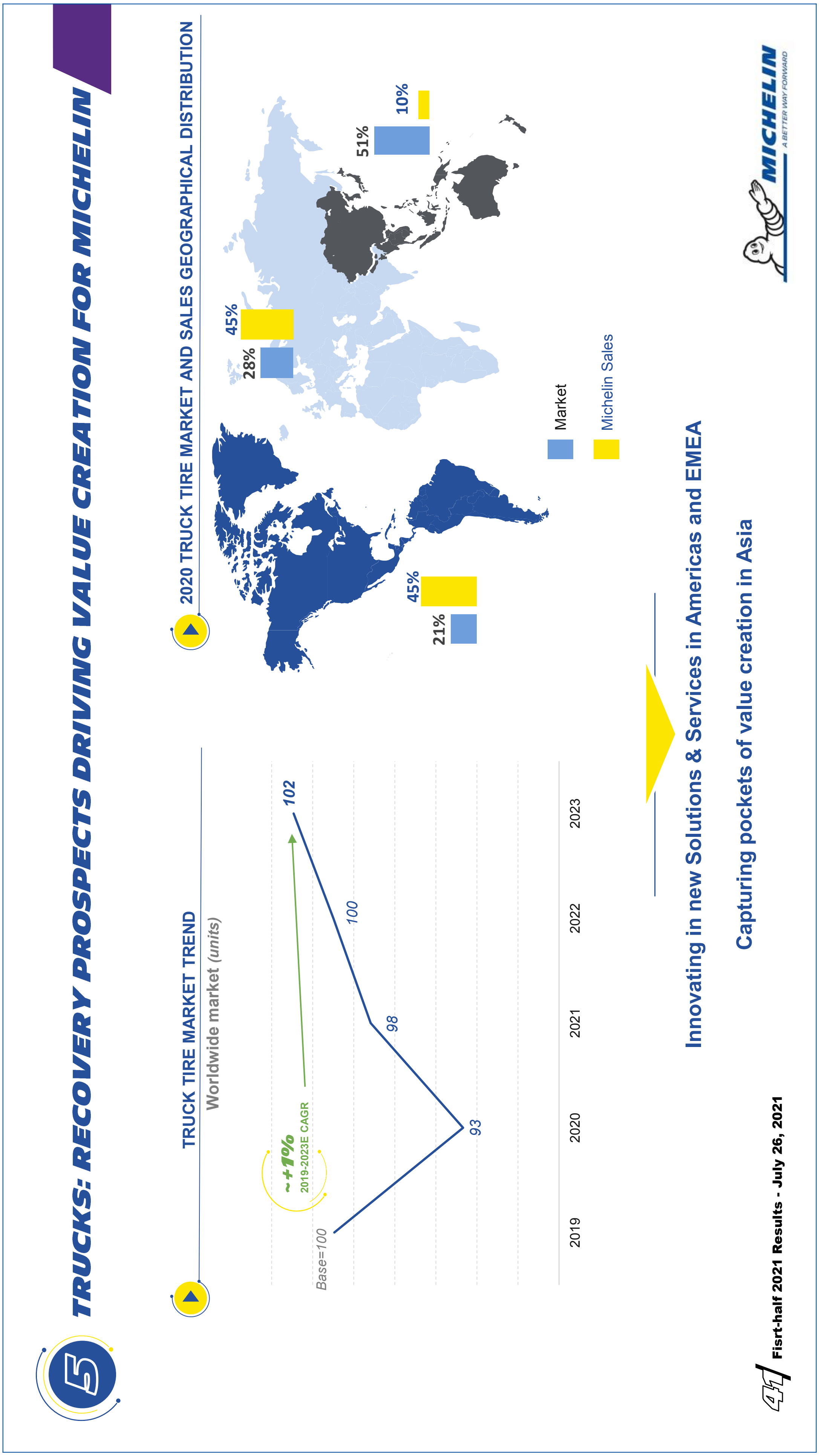
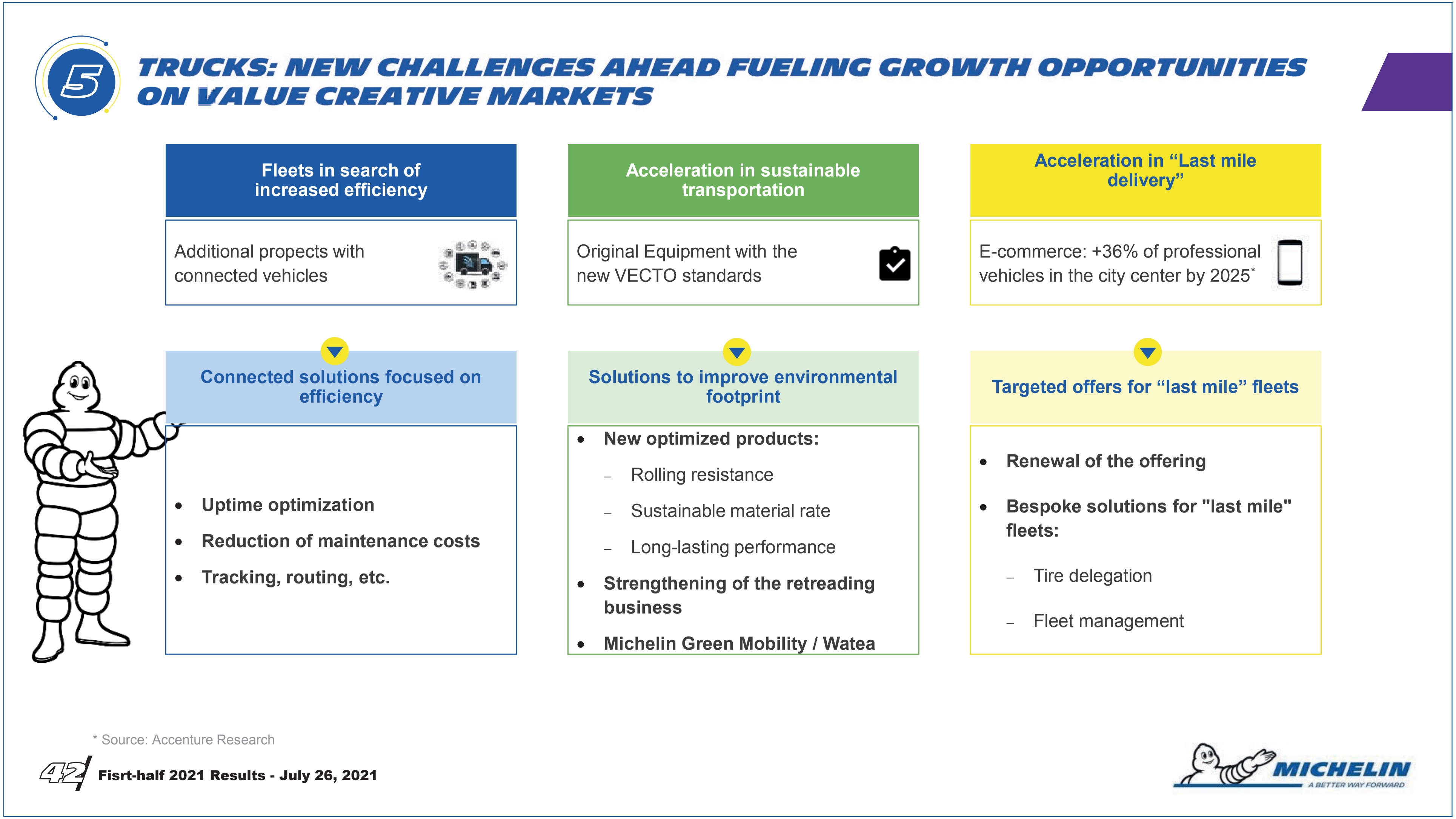
MICHELIN A BETTER WAY FORWARD

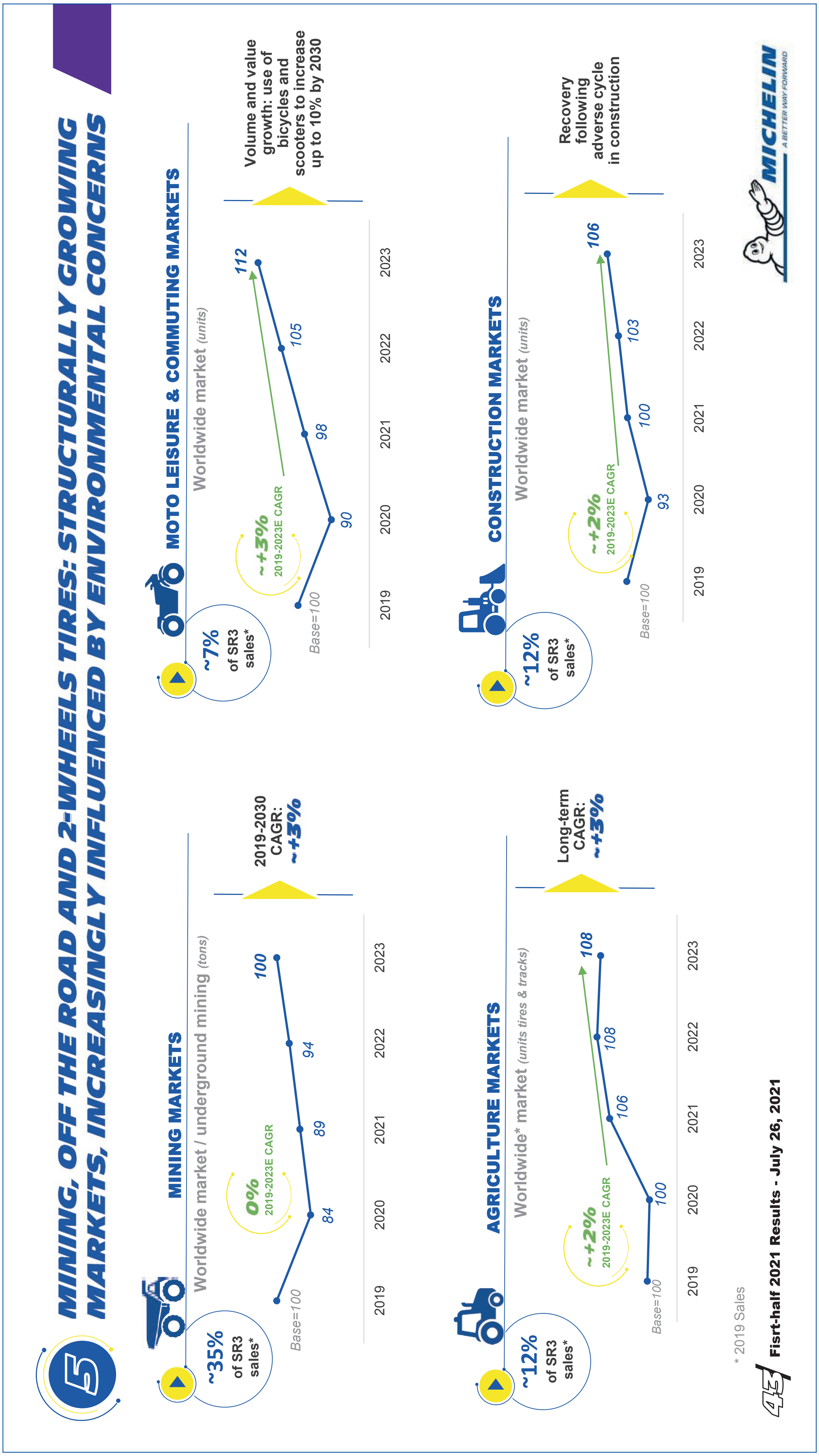

5
2023 TARGET: EXITING THE CRISIS IN A POSITION OF STRENGTH
2020 → 2023
€300M
Cumulated net gain, tire activity
~ €80M / YEAR
Manufacturing
Partly reinvested to finance mix enrichment and improve operating leverage
~ €20M / YEAR
SG&A
Partly reinvested to finance non-tire businesses expansion, around and beyond tire
2023 Group target
PROFITABILITY
Segment Operating Income
% margin
12.5%
~13.5%
3.0
Covid-19 Impact
1.9
>3.3
2019
2020
2023 Target
Cost competitiveness and price mix
CASH GENERATION
Structural FCF
1.6
~3.0
~3.3
2019
∑ 2020-2021
2022-2023
~€6.3bn cumul. structural FCF over 4 years €100m inventory reduction / year
Segment operating margin thresholds:
• RS1 > 12%
• RS2 > 10%
• RS3 > 17%
From 2023 and beyond
RETURN ON CAPITAL EMPLOYED
Including M&A (%)
10,0%
6,0%
>10,5%
2019
2020
2023 Target
ROCE > 10.5% from 2023, ensuring 3 points of economic added value* every year
* See section 5.1.6 of 2020 Universal registration document
38 Fisrt-half 2021 Results - July 26, 2021
MICHELIN
A BETTER WAY FORWARD


5
PASSENGER CAR: STEADY GROWTH WITH STRONG MIX ENRICHMENT
PASSENGER CAR MARKETS TREND
Original equipment world market (unit)
Base=100
83
93
98
102
+0.5%
2019-23E CAGR
2019
2020
2021
2022
2023
Replacement world market (Unit)
Base=100
89
95
101
103
+0.7%
2019-23E CAGR
2019
2020
2021
2022
2023
PASSENGER CAR MARKET BY RIM DIAMETER
Original equipment + Replacement market by diameter (unit)
Base=100
19" and +
18"
17" and -
169
146
90
+14%
2019-23E CAGR
+10%
2019-23E CAGR
2019
2020
2021
2022
2023
GROWTH
Significant increase in 19"+ tires demand
3x more SKUs 19" by 2025
SIMPLEXITY
Cost optimization and simplification of Michelin's catalog
Late differentiation in the production process
MARGIN
Strong and sustained mix enrichment
39
Fisrt-half 2021 Results - July 26, 2021
MICHELIN
A BETTER WAY FORWARD


5
EV(1) MARKET: A GREAT OPPORTUNITY FOR MICHELIN TO DEMONSTRATE ITS TECHNOLOGICAL LEADERSHIP
VEHICLE ELECTRIFICATION CHALLENGES
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
AN OFFERING FULLY ALIGNED WITH OPPORTUNITY
EV OE share /
Total OE share
1.5
time
3.1
times
for battery electric-vehicles
EV> ICE(2)
OE/RT
loyalty rate
HL TIRES
(High Load)
1ST TIRES
in the coming weeks
ACOUSTIC TECHNOLOGY
MICHELIN
A BETTER WAY FORWARD
(1) EV: Electric Vehicle (hybrid, battery-powered and fuel cell-powered)
(2) ICE: Internal Combustion Engine
40
Fisrt-half 2021 Results - July 26, 2021


5
TRUCKS: RECOVERY PROSPECTS DRIVING VALUE CREATION FOR MICHELIN
TRUCK TIRE MARKET TREND
Worldwide market (units)
Base=100
~+1%
2019-2023E CAGR
93
98
100
102
2019
2020
2021
2022
2023
2020 TRUCK TIRE MARKET AND SALES GEOGRAPHICAL DISTRIBUTION
21%
45%
28%
45%
51%
10%
Market
Michelin Sales
Innovating in new Solutions & Services in Americas and EMEA
Capturing pockets of value creation in Asia
Fisrt-half 2021 Results - July 26, 2021
MICHELIN
A BETTER WAY FORWARD


5
TRUCKS: NEW CHALLENGES AHEAD FUELING GROWTH OPPORTUNITIES ON VALUE CREATIVE MARKETS
Fleets in search of increased efficiency
Additional propects with connected vehicles
Acceleration in sustainable transportation
Original Equipment with the new VECTO standards
Acceleration in "Last mile delivery"
E-commerce: +36% of professional vehicles in the city center by 2025*
Connected solutions focused on efficiency
• Uptime optimization
• Reduction of maintenance costs
• Tracking, routing, etc.
Solutions to improve environmental footprint
• New optimized products:
– Rolling resistance
– Sustainable material rate
– Long-lasting performance
• Strengthening of the retreading business
• Michelin Green Mobility / Watea
Targeted offers for "last mile" fleets
• Renewal of the offering
• Bespoke solutions for "last mile" fleets:
– Tire delegation
– Fleet management
* Source: Accenture Research
42 Fisrt-half 2021 Results - July 26, 2021
MICHELIN
A BETTER WAY FORWARD


5
MINING, OFF THE ROAD AND 2-WHEELS TIRES: STRUCTURALLY GROWING MARKETS, INCREASINGLY INFLUENCED BY ENVIRONMENTAL CONCERNS
~35% of SR3 sales*
MINING MARKETS
Worldwide market / underground mining (tons)
Base=100
84
89
94
100
0% 2019-2023E CAGR
2019-2030 CAGR: ~+3%
2019
2020
2021
2022
2023
~7% of SR3 sales*
MOTO LEISURE & COMMUTING MARKETS
Worldwide market (units)
Base=100
90
98
105
112
~+3% 2019-2023E CAGR
Volume and value growth: use of bicycles and scooters to increase up to 10% by 2030
2019
2020
2021
2022
2023
~12% of SR3 sales*
AGRICULTURE MARKETS
Worldwide* market (units tires & tracks)
Base=100
100
106
108
108
~+2% 2019-2023E CAGR
Long-term CAGR: ~+3%
2019
2020
2021
2022
2023
~12% of SR3 sales*
CONSTRUCTION MARKETS
Worldwide market (units)
Base=100
93
100
103
106
~+2% 2019-2023E CAGR
Recovery following adverse cycle in construction
2019
2020
2021
2022
2023
* 2019 Sales
43
Fisrt-half 2021 Results - July 26, 2021
MICHELIN
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5 SPECIALTIES: POSITIONED TO CAPTURE CYCLE UPSIDE THROUGH DIFFERENTIATION

Product Differentiation		Service Differentiation
• Performance and braking • Wet grip, for new and used tires	**SAFETY**	• On-site auditing
• Tire resistance • Connected tire (e.g., MEMS or TPMS)	**OPERATIONS CONTINUITY**	• On-site inspections and connected preventive maintenance
• Increase in loads carried and driving speeds • Reduced of compaction of agricultural soils	**OPERATIONS PRODUCTIVITY**	• Real-time monitoring of mining and agricultural tires • Engineering (e.g., conveyors)
• Lower energy consumption and CO_2 emissions • Mass efficiency • Recyclable products	**SUSTAINABILITY**	• End-of-life product management

MICHELIN XDR – 63”

MICHELIN *CEREXBIB 2*

ON-SITE INSPECTION AND MAINTENANCE

solideal on-site service

RECYCLING

enviro SCANDINAVIAN ENVIRO SYSTEMS

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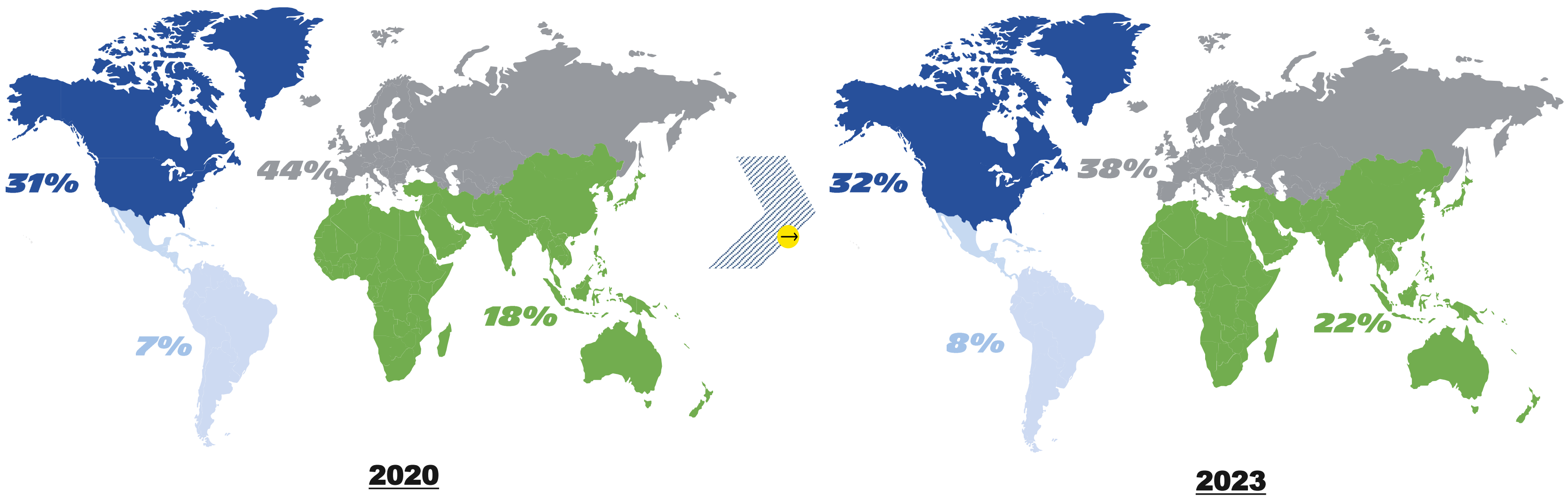
MICHELIN A BETTER WAY FORWARD

5 COMPETITIVENESS PLAN: REBALANCING OUR INDUSTRIAL FOOTPRINT TO BECOME MORE LOCAL-TO-LOCAL

SEIZING POSITIVE MOMENTUM IN EMERGING MARKETS

(% Manufacturing capacity)



Increase local-to-local ratio
Reducing inventories and CO_2 emissions
Best-in-class supply chain

45 Fisrt-half 2021 Results - July 26, 2021


5
MANUFACTURING COMPETITIVENESS PLAN: 4.0 PLANTS TO MAKE OUR INDUSTRY MORE PRODUCTIVE AND FLEXIBLE
DIGITAL MANUFACTURING
Automation
Artificial Intelligence
OPERATIONAL EXCELLENCE
Flexibility
Simplexity
Process
Standardization
€80M
in productivity gains/year net of inflation 2020-2023
MASSIFYING FLAGSHIP PLANTS
Responsiveness
Cost optimum
In 2025, 16 sites will have an average production capacity of 140Kt
MATERIAL COST REDUCTION
Design to cost
Scrap reduction
Upstream gains
46 Fisrt-half 2021 Results - July 26, 2021
MICHELIN
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5 SG&A TIRE COMPETITIVENESS PLAN: €125M IN SAVINGS NET OF INFLATION OVER 2020-2025, €65M BY 2023

INCREASING PRODUCTIVITY

- Leveraging new technologies (AI)
- Digitalizing operations
- Optimizing the industrial footprint

SIMPLIFYING PROCESSES

- Standardizing best practices
- Decision making closer to customers
- Developing shared service centers
- Reengineering end to end processes

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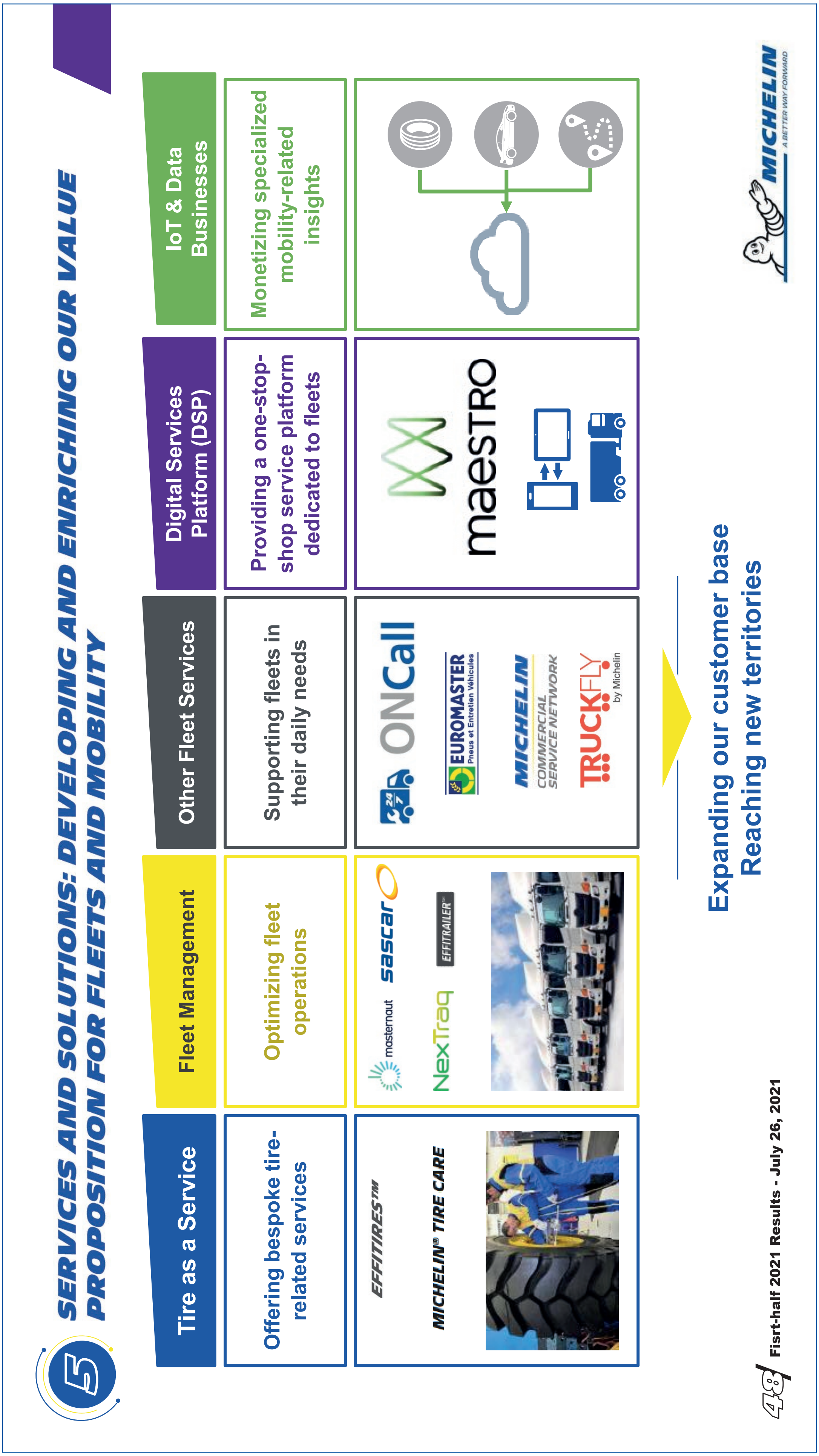
MICHELIN A BETTER WAY FORWARD


5
SERVICES AND SOLUTIONS: DEVELOPING AND ENRICHING OUR VALUE PROPOSITION FOR FLEETS AND MOBILITY
Tire as a Service
Offering bespoke tire-related services
EFFITIRES™
MICHELIN® TIRE CARE
Fleet Management
Optimizing fleet operations
masternaut
sascar
NexTraq
EFFITRAILER
Other Fleet Services
Supporting fleets in their daily needs
ONCall
EUROMASTER
Pneus et Entretien Véhicules
MICHELIN
COMMERCIAL SERVICE NETWORK
TRUCKFLY
by Michelin
Digital Services Platform (DSP)
Providing a one-stop-shop service platform dedicated to fleets
maestro
IoT & Data Businesses
Monetizing specialized mobility-related insights
Expanding our customer base
Reaching new territories
48
Fisrt-half 2021 Results - July 26, 2021
MICHELIN
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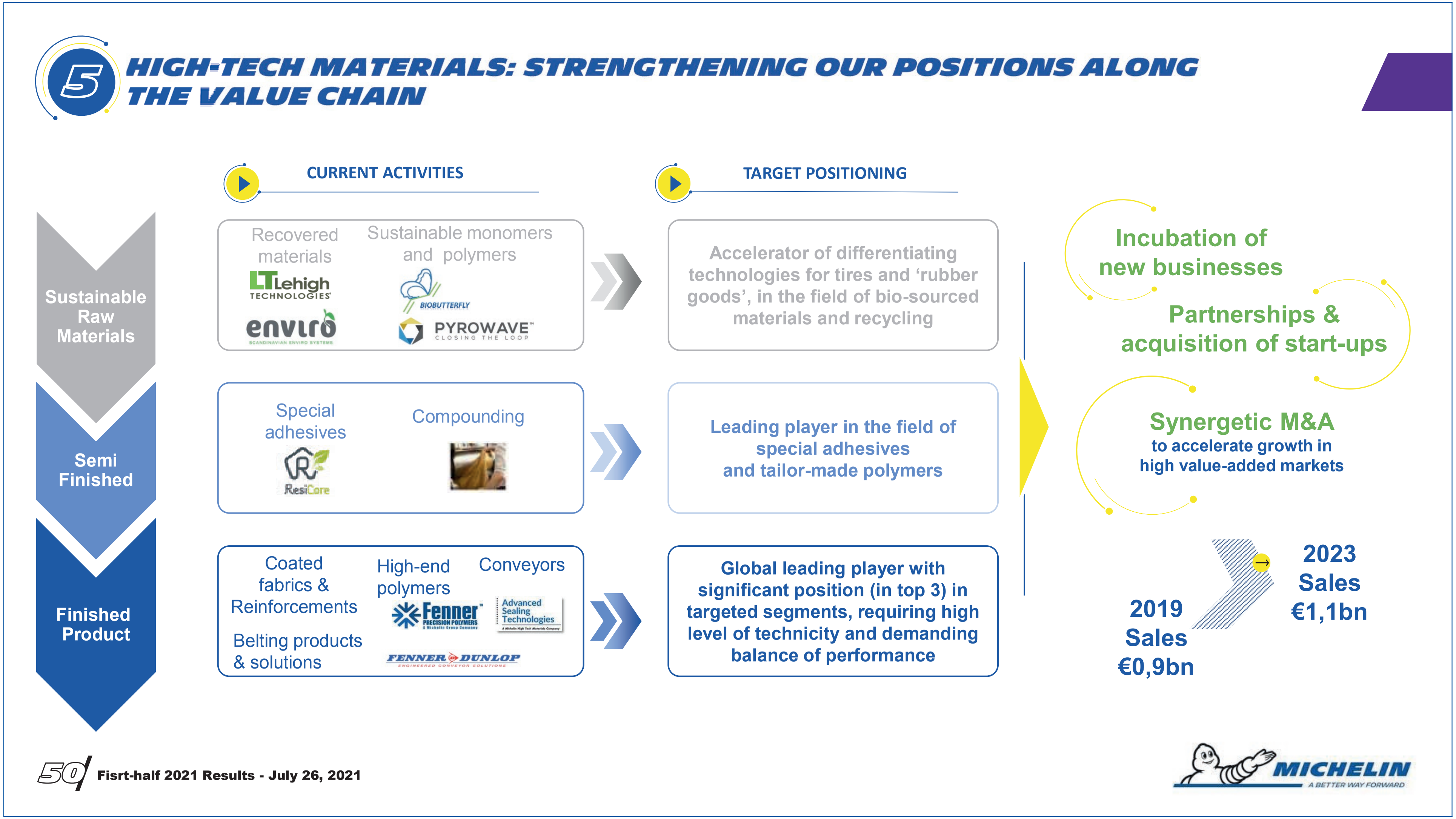
5
SERVICES AND SOLUTIONS: KEY LEVERS TO REACH OUR AMBITIONS
FLEET SERVICES
DATA CAPTURE
ANALYTICS
SMART INTERFACES
OPERATIONS SERVICE
& SUPPORT
Number of vehicles under contract: +15% CAGR by 2030
DIGITAL SERVICES PLATFORM
SCALABLE &
ADAPTABLE PLATFORM
LARGE & DIVERSE
NETWORK OF
PARTNERS
>5M transactions per year
+10K service providers
IoT & DATA BUSINESSES
EXPONENTIAL
NUMBER OF
CONNECTED OBJECTS
DATA SCIENCE
~50 solutions launched per year
2019 → 2023
Tire as a Service (Tire business) €0.4bn → €0.4bn
New growth avenues (Non tire businesses) €0.2bn → €0.3bn
Sales 2019 €0.6bn
→ Sales 2023 €0.7bn
MICHELIN
A BETTER WAY FORWARD
Fisrt-half 2021 Results - July 26, 2021
49


5
HIGH-TECH MATERIALS: STRENGTHENING OUR POSITIONS ALONG THE VALUE CHAIN
CURRENT ACTIVITIES
TARGET POSITIONING
Sustainable Raw Materials
Recovered materials
Lehigh TECHNOLOGIES
enviro
Sustainable monomers and polymers
BIOBUTTERFLY
PYROWAVE CLOSING THE LOOP
Accelerator of differentiating technologies for tires and 'rubber goods', in the field of bio-sourced materials and recycling
Semi Finished
Special adhesives
ResiCare
Compounding
Leading player in the field of special adhesives and tailor-made polymers
Finished Product
Coated fabrics & Reinforcements
Belting products & solutions
High-end polymers
Fenner PRECISION POLYMERS
Conveyors
Advanced Sealing Technologies
FENNER DUNLOP
Global leading player with significant position (in top 3) in targeted segments, requiring high level of technicity and demanding balance of performance
Incubation of new businesses
Partnerships & acquisition of start-ups
Synergetic M&A
to accelerate growth in high value-added markets
2019 Sales €0,9bn
2023 Sales €1,1bn
50 Fisrt-half 2021 Results - July 26, 2021
MICHELIN A BETTER WAY FORWARD

5 HIGH-TECH MATERIALS: ACCELERATING THE DEVELOPMENT OF 3 MAIN ECOSYSTEMS THROUGH PARTNERSHIPS FOR SUSTAINABLE GROWTH

REGENERATIVE MEDICINE & CELLULAR THERAPY

SOLESIS

MARKET POTENTIAL

Cell & gene therapy
+20%
CAGR 2020-2030

Cardio medical devices
>10%
CAGR 2020-2030

AMBITIONS [1]

Becoming a **leading innovation and manufacturing partner**
- **Cell therapy**
- **Bioresorbables**
- **Regenerative medicine**

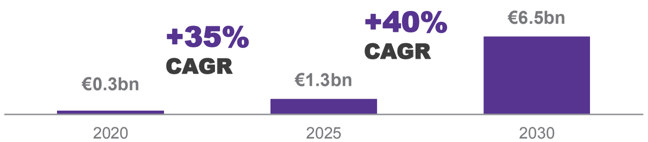
Being **the manufacturing operator customers' trust**

Note 1: Michelin holds a 49% stake in Solesis (equity-accounted company)

HYDROGEN MOBILITY

SYMBIO
A FAURECIA MICHELIN HYDROGEN COMPANY

MARKET POTENTIAL



AMBITIONS [2]

Becoming a **leader in fuel cell stack systems**

€0.2bn
sales in 2025

€1.5bn
sales in 2030

Note 2: 100% of Symbio - Michelin holds a 50% stake in Symbio (equity-accounted company)

3D METAL PRINTING

AddUp

MARKET POTENTIAL

Medical & aerospace are the most industrial-scale end markets

+23%
CAGR 2020-2030

~$13bn
in 2030

AMBITIONS [3]

€100m
sales and breakeven by 2023

>€500m
sales by 2030

Note 3: 100% of AddUp
Michelin holds a 50% stake in AddUp
(equity-accounted company)

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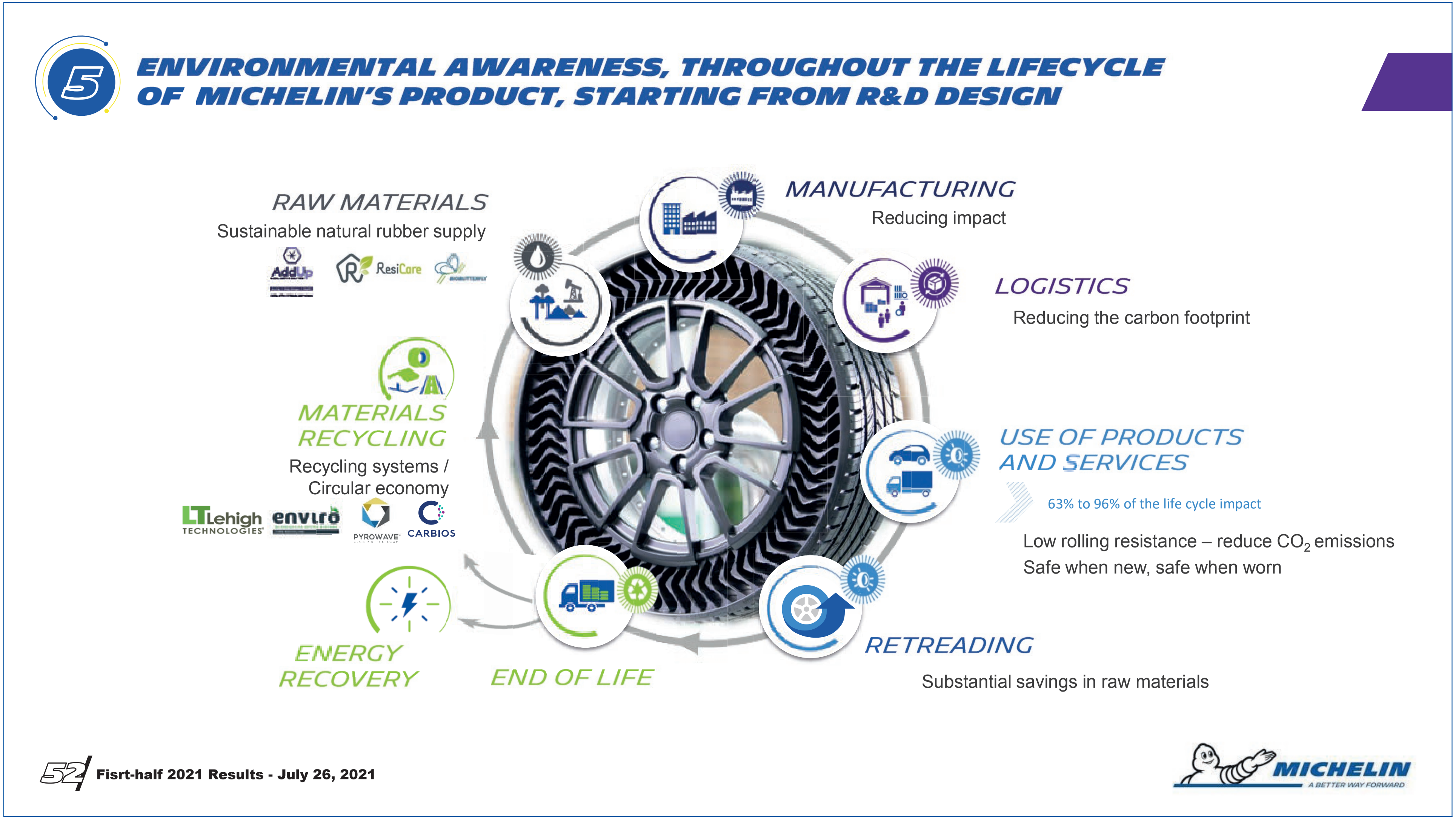
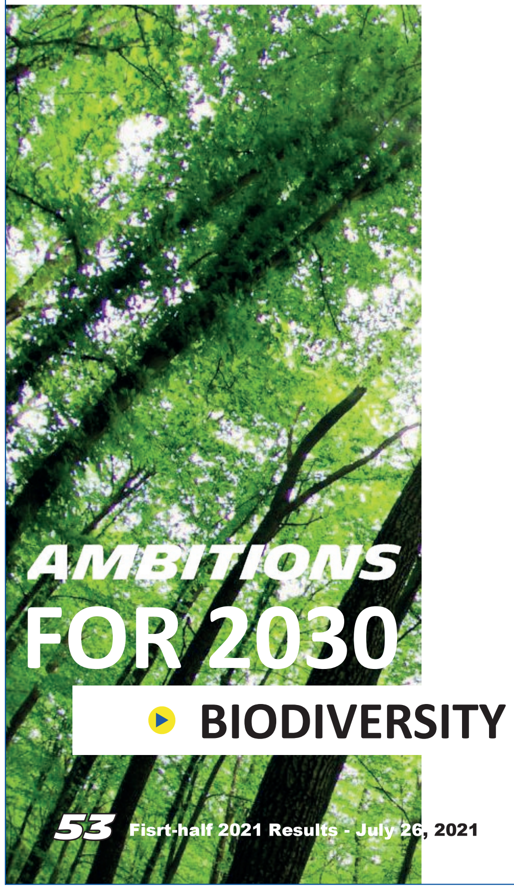
MICHELIN
A BETTER WAY FORWARD


5
ENVIRONMENTAL AWARENESS, THROUGHOUT THE LIFECYCLE
OF MICHELIN'S PRODUCT, STARTING FROM R&D DESIGN
RAW MATERIALS
Sustainable natural rubber supply
AddUp
ResiCare
MANUFACTURING
Reducing impact
LOGISTICS
Reducing the carbon footprint
MATERIALS
RECYCLING
Recycling systems /
Circular economy
Lehigh
TECHNOLOGIES
enviro
PYROWAVE
CARBIOS
USE OF PRODUCTS
AND SERVICES
63% to 96% of the life cycle impact
Low rolling resistance – reduce CO_2 emissions
Safe when new, safe when worn
ENERGY
RECOVERY
END OF LIFE
RETREADING
Substantial savings in raw materials
52
Fisrt-half 2021 Results - July 26, 2021
MICHELIN
A BETTER WAY FORWARD

5 ENVIRONMENT PROTECTION: MICHELIN IS A LEADER IN ACTING FOR BIODIVERSITY PROTECTION



act4nature international

2* Replacement of pesticides and fertilizers by mechanical methods combined with other alternative solutions

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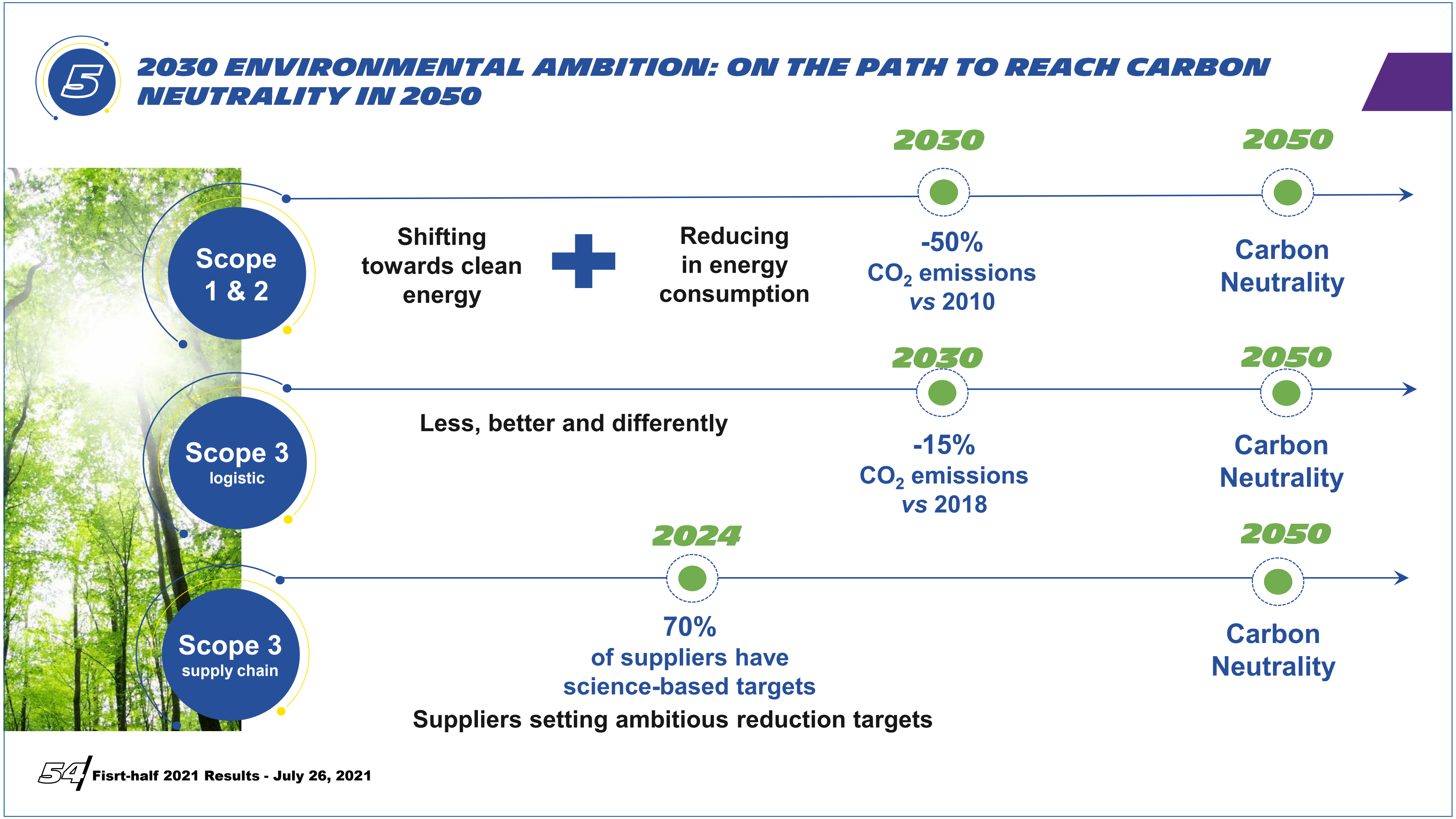
MICHELIN A BETTER WAY FORWARD


5
2030 ENVIRONMENTAL AMBITION: ON THE PATH TO REACH CARBON NEUTRALITY IN 2050
2030
2050
Scope 1 & 2
Shifting towards clean energy
Reducing in energy consumption
-50% CO_2 emissions vs 2010
Carbon Neutrality
2030
2050
Scope 3 logistic
Less, better and differently
-15% CO_2 emissions vs 2018
Carbon Neutrality
2024
2050
Scope 3 supply chain
70% of suppliers have science-based targets
Suppliers setting ambitious reduction targets
Carbon Neutrality
54
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CONTINUOUSLY IMPROVING THE ENVIRONMENTAL PERFORMANCE OF OUR PRODUCTION SITES

i-MEP
INDUSTRIAL
Michelin Environmental Performance

2030 OBJECTIVES

REDUCTION
OF THE INDUSTRIAL
ENVIRONMENTAL IMPACT
BY 1/3(1)
THROUGH **5 PROGRAMS**

WATER WITHDRAWALS	-33%(1) (m^3/t weighted by water stress index)
GENERATED WASTE	-25%(1) (kg/t)
ORGANIC SOLVENT CONSUMPTION	-50%(1) (kg/t)
ENERGY CONSUMPTION	-37%(2) (GJ/t)
CO_2 EMISSION	-50%(2) (t)

(1) vs 2019, see p.150 of the 2020 Universal Registration Document
(2) vs 2010
/t = ratio basis on semi-finished or finished products volumes

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5 SETTING THE STANDARD FOR EMPLOYEE DIVERSITY AND INCLUSION

EQUAL OPPORTUNITY

Every employee can develop his/her talents within the company. Michelin pays particular attention to the internal promotion of manufacturing operators.

GENDER BALANCE

Achieve parity among Group executives and, by 2030, set the gender balance benchmark in our industry.

DISABILITY

Michelin offers career paths to people of all abilities according to its talent development policy.

IDENTITY

(All D&I* aspects, e.g., age, sexual orientation, ethnicity, religion, etc.)
Enable every person to be who they really are and to bring their authentic selves to work.

* Diversity & Inclusion

MULTI-NATIONAL MANAGEMENT

All our host country nationalities and cultures are represented in all corporate functions in the operating regions and at headquarters, in line with the geographical footprint of each business.

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MICHELIN A BETTER WAY FORWARD

GLOSSARY

Free cash flow
FCF is stated before dividend payments and financing transactions. It 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.

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

ROCE
In the 2016-2020 Plan, ROCE 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.

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.

Tire Sales
Correspond to sales related to the core activity of Michelin including Tire as a Service (TaaS) and Distribution.

Non-tire sales
Correspond to sales of following activities: Services and Solutions (excl. TaaS and Distribution), Conveyor Belts and High-Tech Materials excluding JVs

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MICHELIN
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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."

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03. 2021 FIRST-HALF BUSINESS REVIEW

3.1 TIRE MARKETS

In the first six months of 2021, worldwide tire demand rebounded sharply off of extremely favorable prior-year comparatives.

In the Passenger car and Light truck segment, the upturn in Original Equipment demand was dampened by the semiconductor shortage, which weighed on global automobile production. In addition to favorable comparatives, the Replacement market benefited from the resumption of mobility and the partial rebuilding of dealer inventories.

In Truck tires, both the Original Equipment and the Replacement market were boosted by the global economic recovery, which is driving strong demand for freight services.

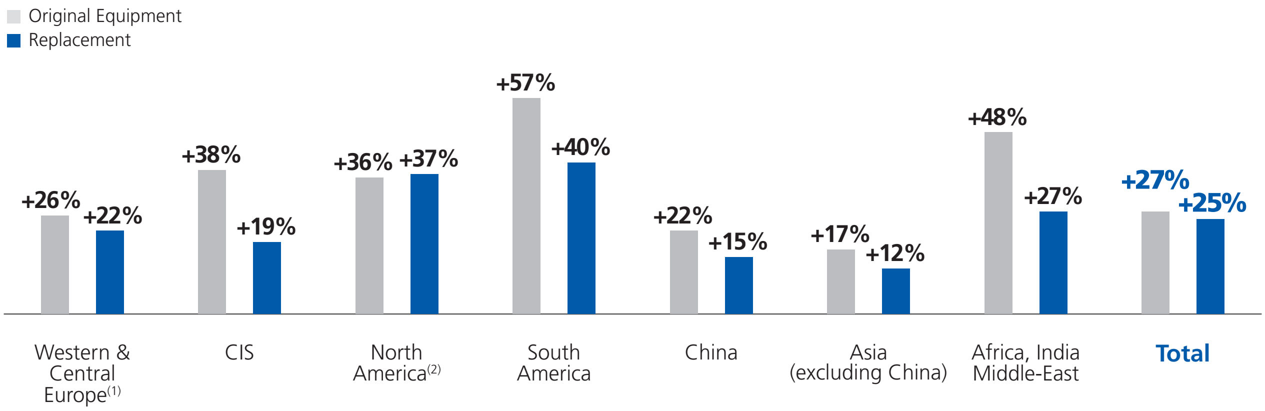
With the crisis receding, the Two-wheel, Construction, Infrastructure and Agricultural tire markets enjoyed robust growth, while Mining tire demand declined slightly due to the less favorable basis of comparison.

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

3.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

In the first half of 2021, the global Original Equipment and Replacement **Passenger car and Light truck** tire market rebounded by 26% in number of tires sold.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2021 VS. FIRST-HALF 2020



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

3.1.1 a) Original Equipment

Worldwide unit sales of Original Equipment tires rebounded by 27% in the first half of 2021. However, this sharp market upturn from the low 2020 base was dampened by the impact of semiconductor shortages on the global automotive, such as OE demand ended the period still down 14% compared with first-half 2019.

After a first quarter shaped by a 78% upsurge in Chinese demand off of favorable prior-year comparatives, the second three months saw the European and North American markets bounce back, for the same reasons, by 93% and 146% respectively. In China, however, supply chain issues caused demand to contract by 8% over the quarter.

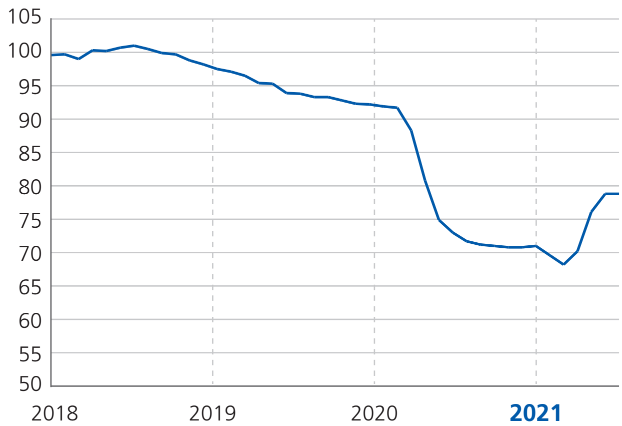
The other regions (South America, Africa/India/Middle East and Southeast Asia) also enjoyed, as expected, a strong recovery in the second quarter.

PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

Original Equipment *(in millions of tires)*	First-half 2021	First-half 2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe(1)	38.0	30.3	+26%	+93%	-4%
CIS	3.8	2.8	+38%	+80%	+11%
North America(2)	33.7	24.8	+36%	+146%	-4%
South America	6.3	4.0	+57%	+282%	+3%
China	54.0	44.2	+22%	-8%	+78%
Asia (excluding China)	33.8	28.8	+17%	+50%	-1%
Africa/India/Middle East	14.0	9.4	+48%	+132%	+20%
TOTAL	**183.6**	**144.3**	**+27%**	**+46%**	**+14%**

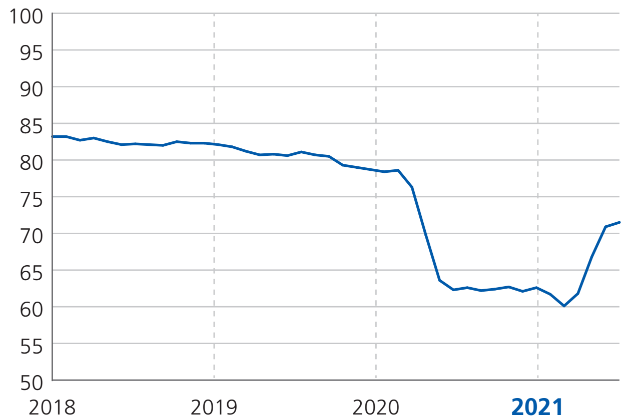
(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA
(in millions of tires – moving 12 months)



Michelin estimates.

3.1.1 b) Replacement

The global Replacement market rebounded by 25% in the first half, with a faster 46% gain in the second quarter off of much more favorable comparatives in Europe and the Americas, fueled in part by the sustained recovery in mobility and buying ahead of price increases.

In **Europe**, growth was stronger in the Southern countries, which had experienced stricter lockdowns in first-half 2020, with demand rising 30% in France, 51% in Spain and 28% in Italy, versus 14% in Germany, where mobility restrictions continued throughout the first half. Dealers replenished their inventories ahead of rising prices. In all, European tire demand ended the period down slightly on 2019 levels.

Tire demand in **North and Central America** rose a steep 37% in the first half, with a faster 74% gain in the second quarter led by very favorable comparatives and the partial rebuilding of dealer inventories. By the end of June, the Replacement market had climbed back above 2019 levels.

In **South America,** Replacement demand ended the first half up 40% year on year, with an 89% increase in the second quarter and particularly strong growth in Brazil. By period-end, the South American market had made up all of the shortfall since first-half 2019.

In China, after a particularly strong first quarter (up 38% on highly favorable comparatives and inventory rebuilding), demand was down a slight 2% year on year in the second three months, reflecting the return to normal market conditions in April of the the previous year.

In the **Africa/India/Middle East** region, markets rebounded by 27% in the first half, with an 81% increase in the second quarter led by the strong recovery in demand in India (up 225%) and North Africa (up 87%). Replacement demand, however, remained significantly below 2019 levels.

In **Southeast Asia**, Replacement demand rose by 12% over the half, with a faster 21% gain in the second quarter. In 2020, the market drop had not been as steep as in the other regions. As of end-June 2021, demand was still below 2019 levels.

PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

Replacement *(in millions of tires)*	First-half 2021	First-half 2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe[1]	151.7	123.9	+22%	+45%	+7%
CIS	30.1	25.3	+19%	+52%	-0%
North America[2]	158.3	115.3	+37%	+74%	+10%
South America	33.3	23.8	+40%	+89%	+12%
China	66.0	57.3	+15%	-2%	+38%
Asia (excluding China)	65.7	58.6	+12%	+21%	+5%
Africa/India/Middle East	49.5	39.0	+27%	+81%	-3%
TOTAL	**554.6**	**443.2**	**+25%**	**+46%**	**+9%**

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

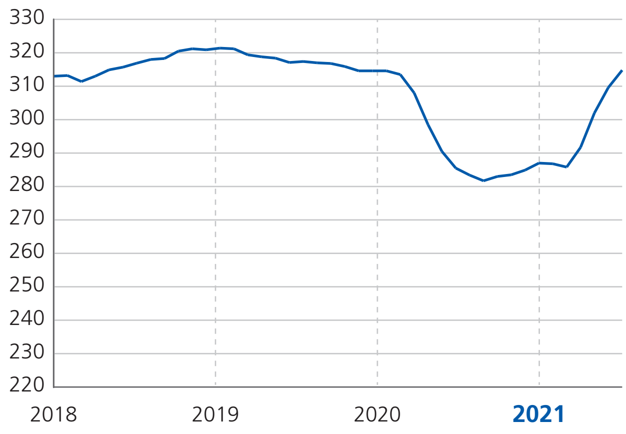
The following table shows the change in demand by major European country in first-half 2021, with growth varying in the non-euro geographies depending on export sales:

PASSENGER CAR AND LIGHT TRUCK TIRES

Replacement	2021 vs. 2020
Western and Central Europe	**+22%**
▶ of which France	+30%
▶ of which Spain	+51%
▶ of which Italy	+28%
▶ of which United Kingdom	+29%
▶ of which Germany	+14%
▶ of which Poland	+29%
▶ of which Turkey	+10%
CIS	**+19%**
▶ of which Russia	+20%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

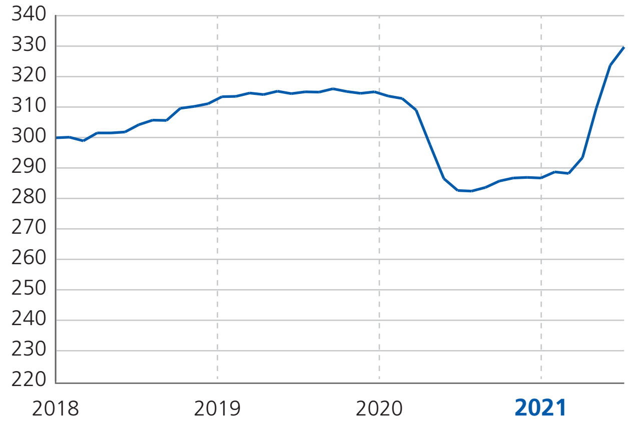
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

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

(in millions of tires – moving 12 months)

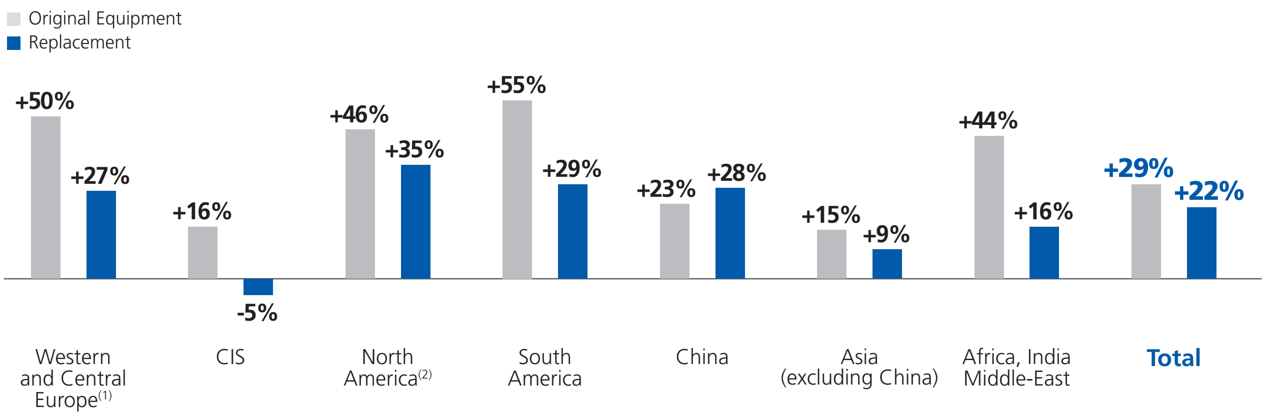


Michelin estimates.

3.1.2 TRUCK TIRE MARKETS

The number of new **Truck** tires sold worldwide climbed a sharp 24% in the first half of 2021, lifted by the global economic recovery and the resulting upturn in freight demand.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2021 VS. FIRST-HALF 2020



(1) Including Turkey.
(2) Including Central America.
Michelin estimates – new tire market only.

3.1.2 a) Original Equipment

The global Original Equipment Truck tire market, as measured by the number of new tires sold, grew by 29% in the first half of 2021.

The first quarter delivered growth of 50%, impelled by the 88% increase in Chinese demand ahead of implementation of the China 6 emission standards.

Growth slowed to 12% in the second three months, reflecting:

- an 11% decline in China, as trucking companies completed their fleet upgrades;
- strong growth in the other regions, from very favorable comparatives and in sharply rebounding economies.

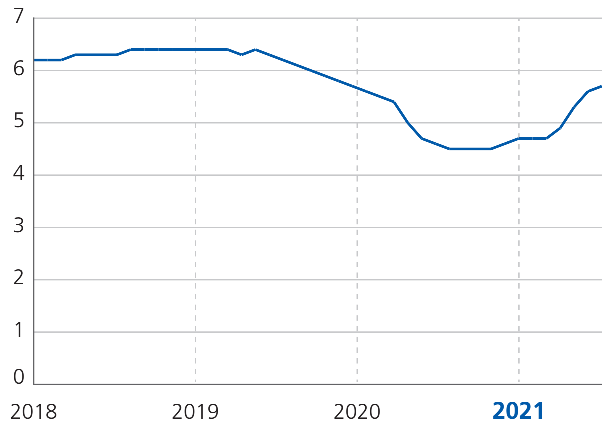
Global OE demand rose significantly above first-half 2019 levels, led by the brisk growth in China, but remained below them in the European and US markets.

TRUCK MARKETS*

Original Equipment *(in millions of tires)*	First-half 2021	First-half 2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe(1)	3.1	2.1	+50%	+98%	+21%
CIS	0.5	0.4	+16%	+19%	+13%
North America(2)	3.2	2.2	+46%	+119%	+10%
South America	1.0	0.7	+55%	+117%	+19%
China	19.5	15.8	+23%	-11%	+88%
Asia (excluding China)	2.0	1.7	+15%	+45%	-3%
Africa/India/Middle East	1.5	1.1	+44%	+127%	+7%
TOTAL	**30.8**	**23.9**	**+29%**	**+12%**	**+50%**

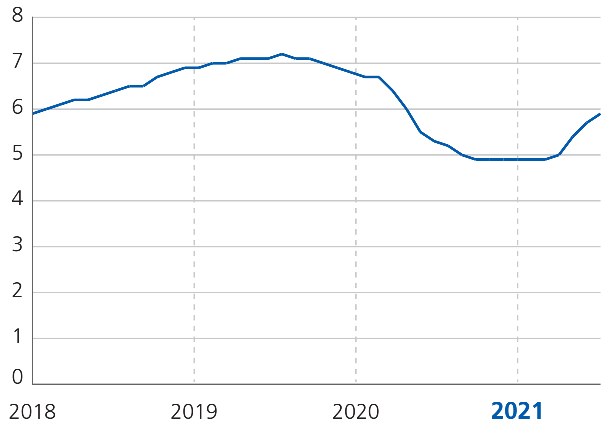
** Radial and bias.*
(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

THE OE TRUCK TIRE MARKET IN EUROPE
(in millions of radial and bias tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA
(in millions of radial and bias tires – moving 12 months)



Michelin estimates.

3.1.2 b) Replacement

Demand for Replacement Truck tires rose by 22% over the half, with a faster 26% gain in the second quarter.

In **Western and Central Europe,** in an environment shaped by very favorable economic conditions but also impacted by inventory rebuilding, the Replacement market expanded by 27%, led by very high demand in the Southern countries (up 48% in the Iberian Peninsula, 49% in Italy and 31% in France). As a result, the market ended the period above its 2019 levels.

In **North and Central America,** the Replacement market climbed 35% over the first six months, with a faster 56% increase in the second quarter. Impelled by the economic upturn in the region, this surge in growth lifted the market well above its pre-crisis levels by the end of June.

In **South America,** the Replacement market ended the period up 29%, as the 38% economic recovery-led gain in Brazil more than offset the 11% decline in Argentina. Demand now exceeds 2019 levels.

Replacement demand in the **Africa/India/Middle East** region rose by 16%, led by a 27% increase in India, but remained lower than in 2019.

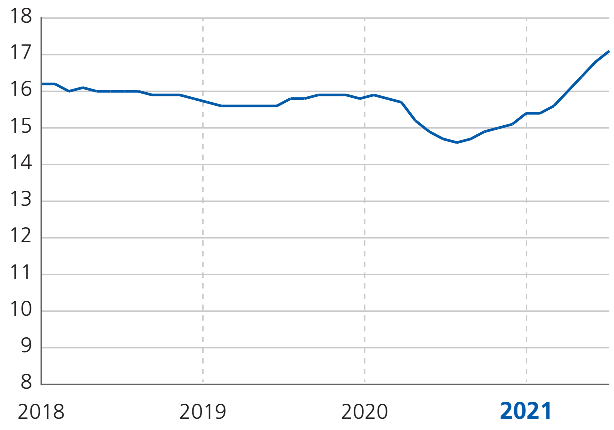
Demand in **Southeast Asia** increased by 9% in the first half, with a sharp acceleration to 19% in the second quarter. Growth varied widely by country, from 18% in Thailand and 12% in Indonesia to 7% in Japan and South Korea, and 3% in Australia. The market remains significantly below its pre-crisis levels.

TRUCK MARKETS*

Replacement *(in millions of tires)*	First-half 2021	First-half 2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe[(1)]	8.2	6.5	+27%	+38%	+18%
CIS	3.8	4.0	-5%	+2%	-11%
North America[(2)]	15.2	11.3	+35%	+56%	+16%
South America	6.8	5.2	+29%	+47%	+16%
China	20.9	16.3	+28%	+4%	+59%
Asia (excluding China)	10.4	9.5	+9%	+19%	+1%
Africa/India/Middle East	14.2	12.2	+16%	+34%	+2%
TOTAL	**79.4**	**65.0**	**+22%**	**+26%**	**+19%**

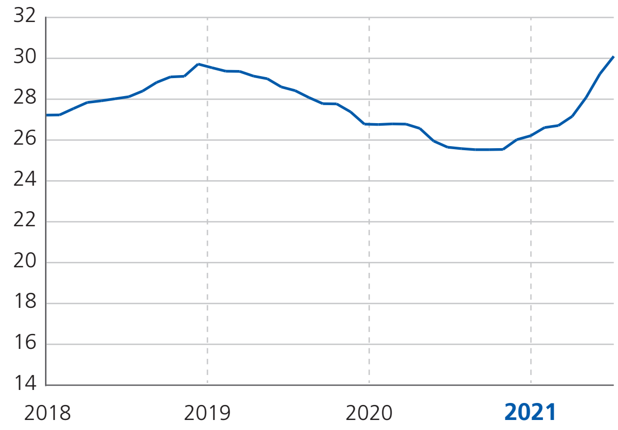
** Radial and bias.*
(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE
(in millions of radial and bias tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA
(in millions of radial and bias tires – moving 12 months)



Michelin estimates.

3.1.3 SPECIALTY TIRE MARKETS

Mining tires: After a slow start in the first quarter, Surface Mining tire demand is showing some signs of acceleration, paving the way for a strong second half.

Agricultural and Construction tires: The cyclical rebound is continuing apace, particularly in Original Equipment Agricultural tires and in Construction and Materials Handling tires.

Two-wheel tires: Demand remains high in every segment. These personal means of transportation, which still offer a more sanitary alternative to public transport, are structurally well suited to city travel, with demand being driven both by the sustainable image of bicycles and the surging popularity of recreational activities.

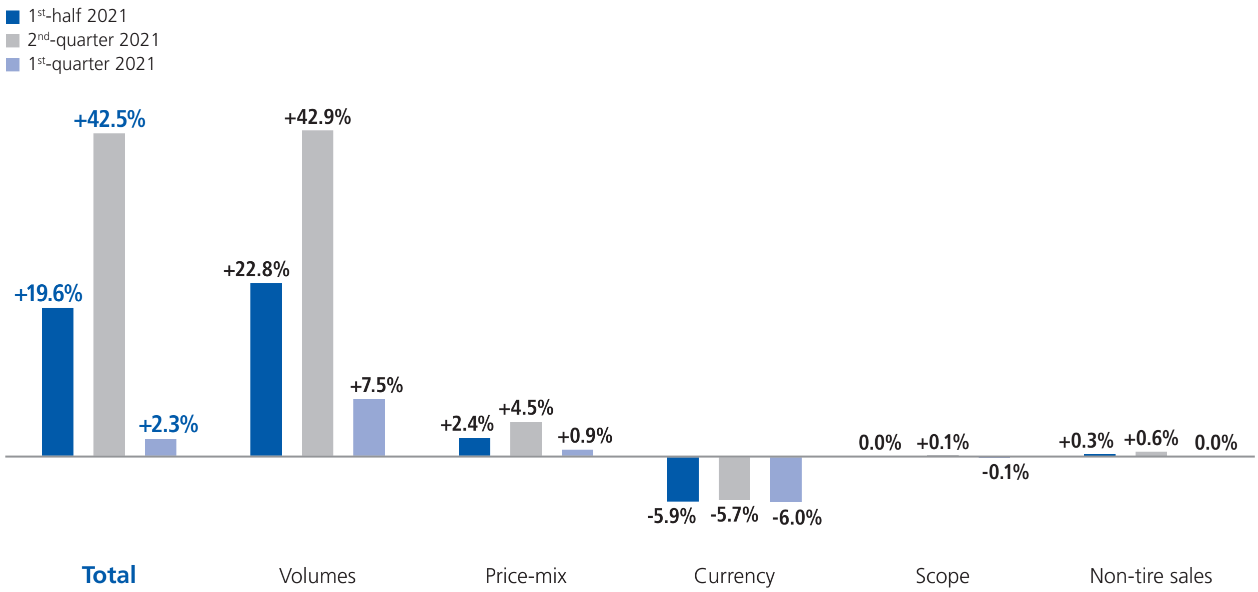
Aircraft tires: Demand for commercial aircraft tires is flat in Europe, but has recovered in the Americas and China, particularly from low-cost airlines.

The **mining conveyor belt** market turned in a mixed performance, with demand stabilizing in Australia, due to sustained Chinese restrictions on Australian ore imports and the absence of any new belt-based mining projects, while business continued to expand in the services and engineering segments. In North America, the business was impacted by customer hesitation, despite the recovery in the coal market and improving conditions in the manufacturing industry.

Specialty polymers: Markets as a whole are experiencing strong growth in demand, especially for precision polymers, hydraulic seals and energy seals.

3.2 SALES

3.2.1 ANALYSIS OF SALES



Michelin estimates.

Sales for the first six months of 2021 totaled €11,192 million, an increase of 19.6% from the year-earlier period that was attributable to the net impact of the following factors:

- the robust 22.8% increase in tire volumes, as the stronger than expected upturn in global demand offset the persistent impact of unstable health conditions, serious disruptions in the global supply chain, labor shortages and other crisis factors;
- the 2.4% positive tire price-mix effect (0.9% in the first quarter and 4.5% in the second), with i) the €133 million positive price effect resulting from responsive pricing management at a time of rising raw materials prices and transportation and energy costs; ii) the €96 million positive mix effect primarily reflecting the priority focus on the MICHELIN brand in every segment, on high value-added solutions and on share gains in the 18-inch and larger segment; and iii) the positive mix impact from the relative growth in Automotive Replacement business vs. Original Equipment business which is penalized by component shortages;
- the 4.6% increase of non-tire products and services sales, pulled by the recovery of Fenner activities and the growth of fleet management business. Fine dining, hositality and travel segments remain extremely low in the context of health crisis;
- the 5.9% negative currency effect, due mainly to the weakness of the US dollar, the Brazilian real and the Turkish lira against the euro during the period;
- the low (-0%) unfavorable impact from changes in the scope of consolidation, reflecting the removal of i) the French Maps & Guides printing, publishing and marketing assets as of February 1, 2021; and ii) Solesis following the sale of a stake in its capital to the Altaris fund on May 28, 2021[1].

(1) See note 2.6 to the condensed interim consolidated financial statements.

(in € millions and %)	First-half 2021	Second-quarter 2021	First-quarter 2021
SALES	**11,192**	**5,744**	**5,448**
Change, year on year	**+1,835**	**+1,714**	**+121**
Volumes	+2,130	+1,728	+402
Price-mix	+229	+184	+45
Currency effect	-548	-227	-321
Changes in scope of consolidation	-1	+4	-5
Non-tire sales	+25	+25	+0
% change, year on year	**+19,6%**	**+42,5%**	**+2,3%**
Volumes	+22.8%	+42.9%	+7.5%
Price-mix	+2.4%	+4.5%	+0.9%
Currency effect	-5.9%	-5.7%	-6.0%
Changes in scope of consolidation	-0.0%	+0.1%	-0.1%
Non-tire sales	+0.3%	+0.6%	-0.0%

3.2.2 SALES BY REPORTING SEGMENT

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

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

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

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

(in € millions)	First-half 2021	Second-quarter 2021	First-quarter 2021
GROUP	**11,192**	**5,744**	**5,448**
Automotive and related distribution	5,562	2,868	2,694
Road transportation and related distribution	2,897	1,509	1,388
Specialty businesses and related distribution	2,733	1,367	1,366
% change, year on year	**+19.6%**	**+42.5%**	**+2.3%**
Automotive and related distribution	+26.6%	+59.6%	+3.7%
Road transportation and related distribution	+20.2%	+43.6%	+2.1%
Specialty businesses and related distribution	+7.1%	+15.7%	-0.3%

3.2.2 a) Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution segment rose by 28% in the first six months of 2021, strengthening the segment's positions as demand rebounded faster than expected over the period, particularly in Replacement markets. During the period, the Group focused on the MICHELIN brand and on high value-added segments, delivering a strong performance while maintaining disciplined, responsive pricing policies at a time of sharply rising costs.

In **Original Equipment,** the Group maintained its positions during the first half in a market environment that was severely disrupted by the supply outages suffered by carmakers. Growth in the electric vehicle segment continued to have a positive impact.

On the **Replacement** side, the Group continued to increase its market share in the buoyant 18-inch and larger tire segment, particularly under the MICHELIN brand, and held its leadership in the all-season segment, with the MICHELIN Cross Climate line-up in the regions where it is sold.

In the distribution operations, inventories have returned to normal in some regions, like China, but are still lower than normal on average.

In **North America,** the Group strengthened its positions in the midst of a strong economic recovery. TBC has successfully rationalized its dealership network and now offers the Group unparalleled market access. Overall, dealer inventories in the region remain below their pre-crisis levels.

In **Europe,** market share is being gained at a time of fast-growing sell-out demand, even if some dealers are now approaching pre-crisis inventory levels. The all-season segment, where the Group is expanding its positions, continues to deliver robust growth year after year.

In **Asia (excluding India)** and particularly in China, the Group is gaining market share in the 18-inch and larger tire segment. The premium tiremaker price increases announced early in the year prompted dealers to move a certain amount of purchasing up to the end of the first quarter, causing a slight slowdown in sell-in demand in the second three months.

While up sharply, Group sales in **South America** lagged the market, whose growth was led by imported tire sales in Brazil and Chile. Access to the Argentine market is still being hindered by local import quotas.

In the **Africa/India/Middle East** region, the Group widened its positions in the 18-inch and larger segment, despite the challenges of the health crisis and the introduction of import quotas in India.

In the **non-tire** businesses, **Michelin Experiences** – which primarily operates in the fine dining, hospitality and travel markets – continued to be adversely impacted during the first half. During the period, the Group finalized its projects designed to digitize the services portfolio.

Also in the first half, the **Robert Parker** teams launched their Green Emblem, which honors winemakers who are leading the way in deploying environmentally friendly practices. The initiative is fully aligned with the Green Star award introduced in January 2020 by the **MICHELIN Guide** teams, which recognizes chefs who are environmentally sensitive and take a more sustainable approach to their cuisine.

In all, sales in the Automotive and related distribution segment jumped by 26.6% to €5,562 million in the first half of 2021, from €4,394 million in the prior-year period. In addition to the strong 28% rebound in tire volumes, the price-mix effect was positive over the first half, reflecting a responsive price management at a time of sharply rising raw materials and transportation costs, a favorable mix between Original Equipment and Replacement sales, as well as market share gains in the 18-inch and larger segment. The slightly negative impact from changes in the scope of consolidation resulted from the removal of the French Maps & Guides printing, publishing and marketing assets as of February 1, 2021.

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

Volumes in the Road transportation and related distribution reporting segment rose by 23.9% in the first half of 2021, buoyed by the sharp upturn in worldwide economic activity and freight demand.

The Group strengthened its positions in the **Original Equipment** segment, thanks to a favorable geographic mix.

In **Replacement** sales, new tire demand is being supported by the economic recovery. Outside China, dealer and fleet inventories are still generally lower than pre-crisis levels. In this environment, the Group continued to place a priority on its value-added offerings, led by the MICHELIN brand and retreading solutions.

In **Europe,** the Group strengthened its positions while continuing to focus on the MICHELIN brand and on high value-added segments.

The Group's positions in **North America** continued to suffer from restrictions on production capacity, particularly due to the health precautions still in place, and from labor shortages that are emerging in the wake of the various economic support plans introduced by the US government.

Sales climbed sharply in **South America,** led by the success of the MICHELIN brand, but were slightly outpaced by an import-driven market.

In **Asia (excluding India),** and particularly in China, the Group continued to target market segments that value Michelin's solutions for their technological content. In this respect, large-scale product demonstrations were organized, attracting more than one million people thanks to online webcasting.

In the **non-tire segments,** first-half sales growth was supported by the **fleet management** business, reflecting further contract wins by Sascar and Masternaut, the steady ramp-up in their solutions and the application of disciplined pricing policies in response to rising costs. The two companies are also continuing to expand in the global marketplace, with a focus on Germany, Spain and South Africa.

In all, sales in the Road transportation and related distribution segment amounted to €2,897 million in the first half of 2021, an increase of 20.2% from the €2,411 million reported for the same period in 2020. The improvement was primarily due to the steep 23.9% increase in volumes and the positive price mix over the period, supported by the Group's sustained price discipline and focus on the MICHELIN brand.

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

Mining tires: due to supply and delivery disruptions, volumes were flat on first half, with market share gains in the Surface Mining segment and a strong recovery in Original Equipment sales.

Fenner's conveyor belt business tracked the trend in contrasting markets, with a good momentum in services and engineering activities.

Agricultural and Construction tires: the Group is benefiting from the vitality of the tires and tracks markets and rising market shares, with a particularly strong rebound in Agricultural Original Equiment and Construction tires. The Defense and Powersport segments are also on a positive trend.

Two-wheel tires: driven dynamic markets, price increases and an intense use of production capacities, demand is also growing strong in the Motocycle and Bicycle segments, for the Michelin brand as well as the Levorin and Corsa brands.

Aircraft tires: the Commercial segment is still significantly down compared to 2019, but some positive signs (restart of domestic flights, acceleration of vaccination, type approval renewed for the Boeing 737 Max) could lead to recovery during the second half, occuring unevenly accross different regions.

In all, sales in the Specialty businesses increased by 7.1% over the period, to €2,733 million from €2,552 million in first-half 2020. The growth reflected the 12.1% increase in volumes, led by the Off-the-Road businesses (Construction, Agricultural and Materials Handling tires), Original Equipment in general and Two-wheel tires. It was also supported by responsive pricing policies at a time of rising costs.

3.2.3 CHANGES IN EXCHANGE RATES FOR THE MAIN OPERATING CURRENCIES

At current exchange rates, consolidated sales rose by 19.6% in the first six months of 2021. The increase includes the highly negative €549 million currency effect, due mainly to the weakness of the US dollar, the Brazilian real and the Turkish lira against the euro during the first half.

Average exchange rate	First-half 2021	First-half 2020	Change
Euro/USD	1.206	1.102	+9.4%
Euro/CNY	7.802	7.751	+0.7%
Euro/AUD	1.562	1.675	-6.7%
Euro/GBP	0.869	0.874	-0.6%
Euro/BRL	6.484	5.325	+21.8%
Euro/CAD	1.504	1.502	+0.1%
Euro/RUB	89.600	76.110	+17.7%
Euro/JPY	129.733	119.259	+8.8%
Euro/CLP	867.439	893.812	-3.0%
Euro/MXN	24.319	23.570	+3.2%
Euro/THB	37.120	34.824	+6.6%
Euro/TRY	9.465	7.110	+33.1%
Euro/SEK	10.128	10.662	-5.0%
Euro/TWD	33.798	33.071	+2.2%
Euro/ZAR	17.516	18.127	-3.4%
Euro/ARS	109.712	70.741	+55.1%
Euro/COP	4,368.620	4,036.890	+8.2%

First-half 2021 sales by currency were as follows:

Currency	As a % of sales
USD	35%
EUR	33%
CNY	6%
AUD	3%
GBP	3%
BRL	3%
CAD	3%
RUB	2%
JPY	1%
MXN	1%
CLP	1%
THB	1%
TRY	1%
SEK	1%
TWD	0.6%
ZAR	0.5%
ARS	0.2%
COP	0.2%
Other	4.4%
TOTAL	**100%**

3.2.4 SALES BY REGION

(in € millions)	First half 2021	First half 2020	First half 2021/2020
GROUP	**11,192**	**9,357**	**+19.6%**
Europe	4,248	3,382	+25.6%
of which France	*980*	*768*	*+27.6%*
North America (incl. Mexico)	3,813	3,214	+18.6%
Other regions	3,131	2,761	+13.4%

(in € millions)	First half 2021	% of total	First half 2020	% of total
GROUP	**11,192**		**9,357**	
Europe	4,248	37.9%	3,382	36.1%
of which France	*980*	*8.8%*	*768*	*8.2%*
North America (incl. Mexico)	3,813	34.1%	3,214	34.3%
Other regions	3,131	28.0%	2,761	29.5%

The Group's sales increased in every region during the first half.

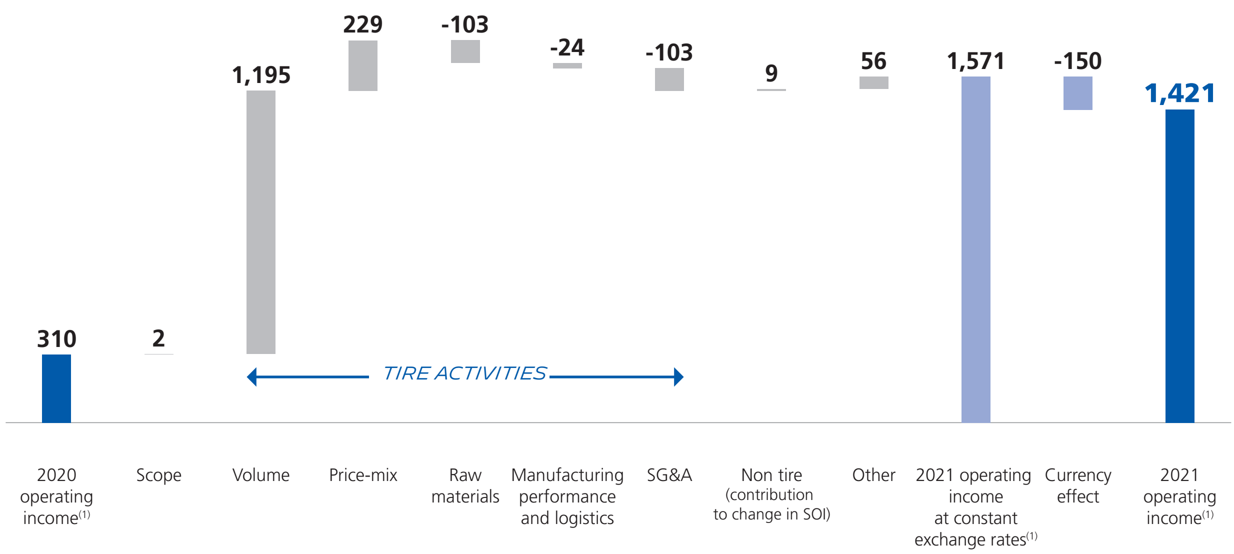
More than 60% of consolidated sales were generated outside Europe and more than 90% outside France.

3.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per-share data)	First-half 2021	First-half 2020 (1)	2021/2020	First-half 2021 *(as a % of sales)*	First-half 2020 *(as a % of sales)*
Sales	**11,192**	**9,357**	**+19.6%**		
Cost of sales	(7,807)	(7,087)	+10.2%	69.8%	75.7%
Gross income	**3,385**	**2,270**	**+49.1%**	**30.2%**	**24.3%**
Sales and marketing expenses(1)	(531)	(519)	+2.3%	4.7%	5.5%
Research and development expenses	(328)	(311)	+5.5%	2.9%	3.3%
General and administrative expenses(1)	(1,085)	(1,030)	+5.3%	9.7%	11.0%
Segment other income and expenses	(20)	(100)	-80.0%	0.2%	1.1%
Segment operating income	**1,421**	**310**	**+358.4%**	**12.7%**	**3.3%**
Other operating income and expenses	16	(133)	-	0.1%	1.4%
Operating income	**1,437**	**177**	**+711.9%**	**12.8%**	**1.9%**
Cost of net debt	(91)	(160)	-43.1%	0.8%	1.7%
Other financial income and expenses	1	(3)	-	0.0%	0.0%
Net interest on employee benefit obligations	(19)	(28)	-32.1%	0.2%	0.3%
Share of profit/(loss) from equity-accounted companies	(32)	(44)	-27.3%	0.3%	0.5%
Income/(loss) before taxes	**1,296**	**(58)**	**-**	**11.6%**	**0.6%**
Income tax	(264)	(79)	+234.2%	2.4%	0.8%
NET INCOME/(LOSS)	**1,032**	**(137)**	**-**	**9.2%**	**-1.5%**
▶ Attributable to the shareholders of the Company	1,030	(134)	-	9.2%	-1.4%
▶ Attributable to the non-controlling interests	2	(3)	-		
EARNINGS PER SHARE *(in €)*					
▶ Basic	5.74	(0.75)			
▶ Diluted	5.70	(0.75)			

(1) First-half 2020 data have been adjusted for comparison purposes (see note 2.8 to the condensed interim financial statements).

3.3.1 ANALYSIS OF SEGMENT OPERATING INCOME



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

Segment operating income amounted to €1,421 million or 12.7% of sales, versus €310 million and 3.3% in first-half 2020.

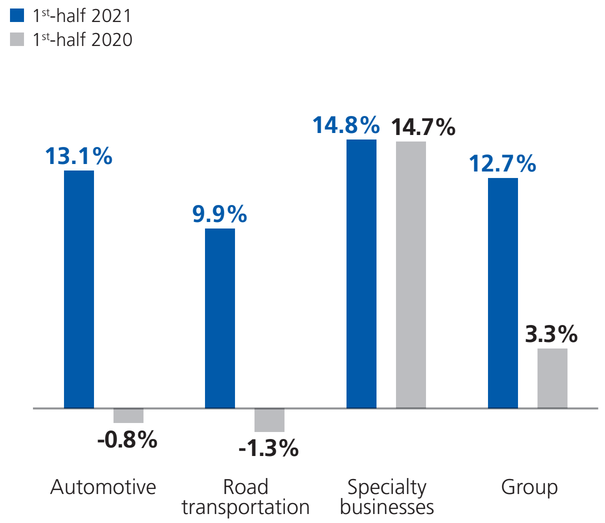
The change in segment operating income primarily reflected:

- a €1,195 million increase from the strong growth in tire volumes sold and improved fixed cost absorption;
- a robust €229 million increase from the tire price-mix effect, led by disciplined, responsive pricing management, sustained enhancement of the product mix and a favorable business mix;
- a €103 million decrease from higher raw material prices and procurement costs;
- a €103 million decrease from the rise in tire selling, general and administrative expenses from an exceptionally low first-half 2020 base, although these outlays remain far lower than in first-half 2019;
- a €24 million decrease from the Group's manufacturing and logistics performance, as manufacturing performance gains were seriously impacted by the sharp €45 million increase in logistics costs, particularly in maritime shipping;
- a €9 million improvement in segment operating income from the non-tire businesses;
- a €56 million gain stemming primarily from the year-on-year decline in Covid-19-related expenditure, including the cost of purchasing and producing masks and hand sanitizer;
- a €150 million decrease from the unfavorable currency effect.

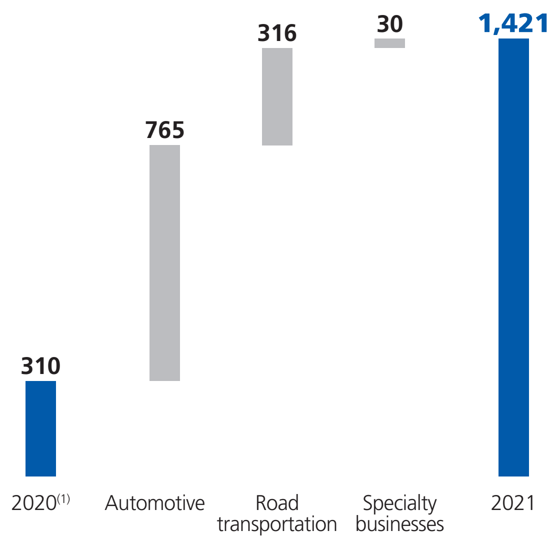
3.3.2 SEGMENT OPERATING INCOME BY REPORTING SEGMENT

(in € millions)	First-half 2021	First-half 2020
AUTOMOTIVE AND RELATED DISTRIBUTION		
Sales	5,562	4,394
Segment operating income/(loss)	730	(35)
Segment operating margin	**13.1%**	**-0.8%**
ROAD TRANSPORTATION AND RELATED DISTRIBUTION		
Sales	2,897	2,411
Segment operating income/(loss)	286	(30)
Segment operating margin	**9.9%**	**-1.3%**
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION		
Sales	2,733	2,552
Segment operating income	405	375
Segment operating margin	**14.8%**	**14.7%**
GROUP		
Sales	11,192	9,357
Segment operating income	1,421	310
Segment operating margin	**12.7%**	**3.3%**

3.3.2 a) Segment operating margin



(in € millions)



(1) Segment operating income.

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

Automotive and related distribution *(in € millions)*	First-half 2021	First-half 2020	2021/2020	2021 (% of consolidated total)	2020 (% of consolidated total)
Sales	5,562	4,394	+26.6%	50%	47%
Change in volumes	*28.0%*				
Segment operating income/(loss)	730	(35)	N/M	51%	-11%
Segment operating margin	13.1%	-0.8%	+13.9 pts		

Segment operating income amounted to €730 million or 13.1% of sales, versus a loss of €35 million and -0.8% in 2020.

The year-on-year improvement was primarily led by (i) the solid 28% increase in volumes, which drove market share gains, particularly in the MICHELIN-branded 18-inch and larger segment; and (ii) the favorable impact of the relative performances of Replacement and OE tire sales, with the latter hit by the shortages of auto semiconductors. Responsive pricing management helped to offset the increase in raw material prices and procurement costs. Exchange rate movements had a negative impact on the segment's operating income.

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

Road transportation and related distribution *(in € millions)*	First-half 2021	First-half 2020	2021/2020	2021 (% of consolidated total)	2020 (% of consolidated total)
Sales	2,897	2,411	+20.2%	26%	26%
Change in volumes	*23.9%*				
Segment operating income/(loss)	286	(30)	N/M	20%	-10%
Segment operating margin	9.9%	-1.3%	+11.2 pts		

Segment operating income totaled €286 million or 9.9% of sales, versus a loss of €30 million and -1.3% in first-half 2020.

With the upturn in global demand and a favorable geographic mix, the segment enjoyed a 24% increase in tire volumes sold over the period. The segment's selective marketing strategy and responsive pricing management helped to offset higher raw material prices and procurement costs. The Services & Solutions business is stepping up the pace of growth, led by fleet management solutions. Exchange rate movements had a negative impact on the segment's operating income.

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

Specialty businesses and related distribution *(in € millions)*	First-half 2021	First-half 2020	2021/2020	2021 (% of consolidated total)	2020 (% of consolidated total)
Sales	2,733	2,552	+7.1%	24%	27%
Change in volumes	*12.1%*				
Segment operating income	405	375	+7.9%	28%	121%
Segment operating margin	14.8%	14.7%	+0.1 pts		

Segment operating income in the Specialty businesses stood at €405 million or 14.8% of sales, versus €375 million and 14.7% in first-half 2020.

From a less favorable base than the other two segments, the Specialty businesses reported a 12.1% increase in tire volumes, led by sales of Construction and Agricultural tires, which resulted in a negative mix. Results were lifted by the segment's disciplined price management, but the impact of raw materials indexation clauses remained negative in the first half. The conveyor belt and high-tech materials businesses continued to expand over the period. Exchange rate movements had a negative impact on the segment's operating income.

3.3.3 OTHER INCOME STATEMENT ITEMS

3.3.3 a) Raw materials

The cost of **raw materials** used in production, which has been estimated at €2.31 billion in first-half 2021, versus €1.82 billion in the year-earlier period, is recognized in the income statement under cost of sales.

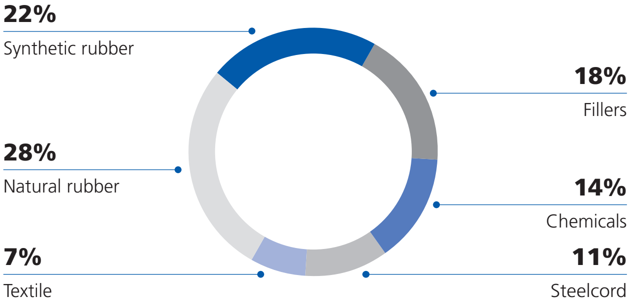
It is calculated on the basis of:

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

In first-half 2021, the raw material costs and related procurement outlays recognized in cost of sales represented a €103 million increase from the prior-year period, including the residual currency effect.

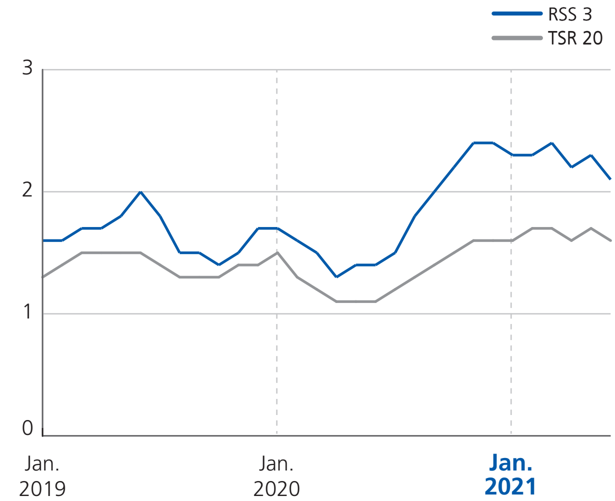
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

RAW MATERIALS COSTS RECOGNIZED IN FIRST-HALF 2021 COST OF SALES

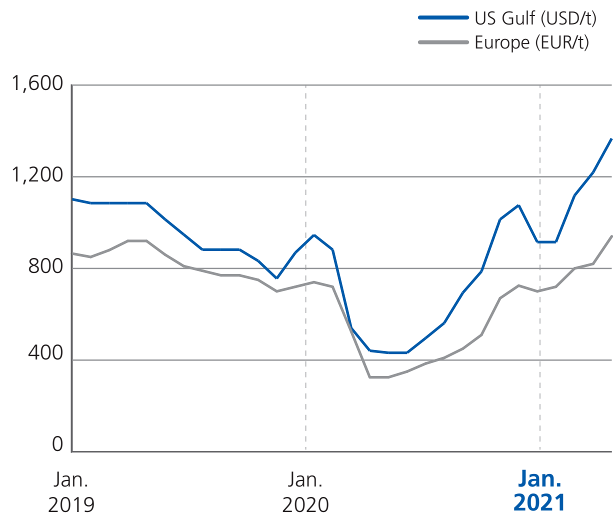


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



3.3.3 b) Employee benefit costs and number of employees

(in € millions and number of people)	First-half 2021	First-half 2020	Change
Total employee benefit costs	3,176	2,954	+7.5%
As a % of sales	*28.4%*	*31.6%*	*-3.2 pts*
Employees on payroll at June 30	123,686	124,000	-0.3%
Number of full-time equivalent employees at June 30	117,540	118,400	-0.7%
Average number of full-time equivalent employees	117,240	119,900	-2.2%

At €3,176 million, **employee benefit costs** represented 28.4% of sales in first-half 2021, up €222 million from the year-earlier period. In addition to the impact of the upturn in business, the increase reflected the €140 million in furlough grants received by the Group in first-half 2020.

In first-half 2021, €3,167 million was recognized in segment income, and €9 million in other operating income and expenses. In first-half 2020, €2,946 million was recognized in segment operating income, and €8 million in other operating income and expenses.

3.3.3 c) Depreciation and amortization

(in € millions)	First-half 2021	First-half 2020	Change
Total depreciation and amortization	897	927	-3.2%
As a % of sales	*8.0%*	*9.9%*	

Depreciation and amortization charges edged down by €30 million to €897 million in the first half of 2021, due to the slowdown in capital expenditure in 2020 in response to the Covid-19 crisis and the impairment losses recognized on the Chennai plant in 2020, which lowered depreciation for the year.

Of the total for the period, €856 million was recognized in segment operating income, and €41 million in other operating income and expenses.

3.3.3 d) Transportation costs

Transportation and logistics costs came to €782 million or 7.0% of interim sales, up €292 million on first-half 2020 due to both the increase in volumes shipped and the significant rise in transportation costs across the logistics chain.

(in € millions)	First-half 2021	First-half 2020	Change
Transportation costs	782	490	+59.5%
As a % of sales	*7.0%*	5.2%	

3.3.3 e) Sales and marketing expenses

Sales and marketing expenses represented 4.7% of sales in first-half 2021, versus 5.5% in the first six months of 2020. In value and on a like-for-like basis, they rose by €12 million due to the upturn in business and the decline in the US dollar against the euro, among other favorable exchange rate movements.

The decrease as a percentage of sales was attributable to the volume effect and the price increases implemented over the first half, which increased sales revenue for the period.

3.3.3 f) Research and development expenses

Research and development expenses stood at €328 million, up €17 million year on year, attesting to the Group's commitment to maintaining its technological leadership, particularly to improve the sustainability of both mobility and materials.

As a percentage of sales, R&D expenses declined by 0.4 points compared with first-half 2020.

(in € millions)	First-half 2021	First-half 2020	Change
Research and development expenses	328	311	+5.5%
As a % of sales	*2.9%*	*3.3%*	

3.3.3 g) General and administrative expenses

General and administrative expenses increased by €55 million year on year to €1,085 million, but declined by 1.3 points as a percentage of sales. The Group is also continuing its efforts to improve competitiveness by rolling out the simplification projects launched before the outbreak of the health crisis.

3.3.3 h) Segment other income and expenses

Segment other income and expenses came to a net expense of €20 million, versus a €100 million expense in first-half 2020.

The improvement was primarily due to the year on year decline in Covid-19-related expenditure, including the cost of purchasing and producing masks and hand sanitizer, which totaled €77 million in first-half 2020.

3.3.3 i) Other operating income and expenses

Other operating income and expenses represented a net gain of €16 million in first-half 2021, versus a net expense of €133 million a year earlier. The shift mainly reflects the following factors:

- the favorable impact from the change in consolidation method applied to Solesis, recognized during the period in an amount of €113 million;
- the non-recurrence of the unfavorable impact, in first-half 2020, of the write-downs on the intangible assets of the Tablet CGU, in an amount of €39 million.

Other operating income and expenses also includes the amortization of acquired intangible assets for €41 million, versus €45 million in first-half 2020.

3.3.3 j) Cost of net debt

(in € millions)	First-half 2021	First-half 2020	Change
Cost of net debt	91	160	-69

At €91 million, the **cost of net debt** was down €69 million compared with first-half 2020, primarily as a result of the following factors:

- a €29 million decrease in net interest expense, reflecting the net impact of:
  - a €9 million increase due to the rise in average gross debt, to €8,085 million in first-half 2021 from €7,555 million in the year-earlier period,
  - a €37 million decrease from the lower average gross interest rate on borrowings, at 2.4% in first-half 2021 versus 3.4% in first-half 2020,
  - a €1 million decrease from other factors;
- a €51 million decrease in losses on interest rate derivatives, due mainly to the effect of interest rates declining in 2020 and increasing in 2021.
- a €6 million decrease in interest income from cash and equivalents;
- a €5 million net increase from movements in other factors.

3.3.3 k) Other financial income and expenses

(in € millions)	First-half 2021	First-half 2020	Change
Other financial income and expenses	1	(3)	+4

Other financial income and expenses represented a net financial gain of €1 million, a €4 million upswing versus first-half 2020 that stemmed mainly from the year-on-year improvement in net currency gains and losses.

3.3.3 l) Income tax

(in € millions)	First-half 2021	First-half 2020	Change
Income/(loss) before taxes	1,296	(58)	+1,354
INCOME TAX	**(264)**	**(79)**	**-185**
Current tax	(250)	(77)	-173
Withholding tax	(8)	(19)	+10
Deferred tax	(6)	17	-22

Income tax expense rose by €185 million year on year to €264 million in the first half of 2021, due to the steep increase in income before taxes. The Group's effective tax rate for first-half 2021 was 20.4%.

3.3.3 m) Consolidated net income and earnings per share

(in € millions)	First-half 2021	First-half 2020	Change
Net income/(loss)	1,032	(137)	+1,169
As a % of sales	*9.2%*	*-1.5%*	*+10.7 pts*
▶ Attributable to the shareholders of the Company	1,030	(134)	+1,164
▶ Attributable to the non-controlling interests	2	(3)	
EARNINGS PER SHARE *(in €)*			
▶ Basic	5.74	(0.75)	+6.49
▶ Diluted	5.70	(0.75)	+6.45

Net income came to €1,032 million, or 9.2% of sales, compared with the loss of €137 million reported in first-half 2020. The €1,169 million improvement was attributable to the following factors:

- favorable factors:
  - the €1,111 million increase in segment operating income,
  - the €149 million improvement in net other operating expense,
  - the €69 million reduction in the cost of net debt,
  - the €12 million improvement in the Group's share of profit from associates and joint ventures,
  - a €13 million increase from other favorable factors;
- unfavorable factor: the €185 million increase in income tax expense.

3.4 CONSOLIDATED BALANCE SHEET REVIEW

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

ASSETS

(in € millions)	June 30, 2021	December 31, 2020	Total change	Translation adjustments	Movement
Goodwill	2,154	2,136	+18	+71	-53
Intangible assets	1,818	1,980	-162	+69	-231
Property, plant and equipment (PP&E)	10,713	10,821	-108	+172	-280
Right-of-use assets	1,052	1,083	-31	+18	-49
Non-current financial assets and other non-current assets	1,165	865	+300	+22	+278
Investments in equity-accounted companies	1,081	941	+140	+20	+120
Deferred tax assets	693	729	-36	+7	-43
Non-current assets	**18,676**	**18,555**	**+121**	**+379**	**-258**
Inventories	4,659	3,959	+700	+81	+619
Trade receivables	3,543	3,018	+525	+59	+466
Current financial assets	451	429	+22	0	+22
Other current assets	1,039	929	+110	-10	+120
Cash and cash equivalents	3,812	4,747	-935	+8	-943
Current assets	**13,504**	**13,082**	**+422**	**+138**	**+284**
TOTAL ASSETS	**32,180**	**31,637**	**+543**	**+517**	**+26**

EQUITY AND LIABILITIES

(in € millions)	June 30, 2021	December 31, 2020	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,746	2,746	0		0
Reserves	10,682	9,530	+1,152	+337	+815
Non-controlling interests	(1)	(2)	+1	0	+1
Total equity	**13,784**	**12,631**	**+1,153**	**+337**	**+816**
Non-current financial liabilities	5,354	6,169	-815	+9	-824
Non-current lease liabilities	755	801	-46	+12	-58
Provisions for employee benefit obligations	3,408	3,700	-292	+35	-327
Provisions and other non-current liabilities	768	775	-7	+11	-18
Deferred tax liabilities	421	425	-4	+17	-21
Non-current liabilities	**10,706**	**11,870**	**-1,164**	**+84**	**-1,248**
Current financial liabilities	1,653	1,546	+107	+4	+103
Current lease liabilities	229	222	+7	+4	+3
Trade payables	2,351	2,291	+60	+38	+22
Trade payables under reverse factoring agreements	506	437	+69	+9	+60
Provisions and other current liabilities	2,951	2,640	+311	+42	+269
Current liabilities	**7,690**	**7,136**	**+554**	**+96**	**+458**
TOTAL EQUITY AND LIABILITIES	**32,180**	**31,637**	**+543**	**+517**	**+26**

3.4.1 GOODWILL

Goodwill at June 30, 2021 is down €53 million from December 31, 2020 following the deconsolidation of Solesis.[1]

No impairment losses were recognized on the CGUs or groups of CGUs at June 30, 2021.

3.4.2 INTANGIBLE ASSETS

Intangible assets stood at €1,818 million, a €231 million decrease from December 31, 2020 before translation adjustments. This change stemmed primarily from the deconsolidation of Solesis assets, in an amount of €198 million.

3.4.3 PROPERTY, PLANT AND EQUIPMENT (PP&E)

Property, plant and equipment amounted to €10,713 million at June 30, 2021, down €280 million from December 31, 2020 before translation adjustments, reflecting the fact that overall depreciation charges exceeded capital expenditure for the period.

3.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other non-current assets stood at €1,165 million, an increase of €278 million before translation adjustments, mainly resulting from the increase in loans to equity-accounted companies. This particularly concerned Solesis, which was equity-accounted after a stake was sold to Altaris in the first-half[2].

3.4.5 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments **in equity-accounted companies** amounted to €1,081 million at June 30, 2021, up €120 million before translation adjustments. The increase was mainly due to the change to equity accounting of Solesis following the sale of a 51% stake to Altaris.

An unfavorable impact of €32 million resulted from the Group's share in the losses from equity-accounted companies; following impairement performed during first half, the Group recorded impairement of €25 million on equity-accounted companies in the natural rubber production industry.

3.4.6 DEFERRED TAX

Excluding translation adjustments, **deferred tax assets** declined by €43 million compared with December 31, 2020, mainly due to the €64 million decline in deferred taxes on items recognized in equity and the €48 million increase from the deconsolidation of Solesis.

(1) See note 2.6.1 to the condensed interim consolidated financial statements.

(2) See note 2.6.1 to the condensed interim consolidated financial statements.

3.4.7 TRADE WORKING CAPITAL

(in € millions)	June 30, 2021	June 30, 2020	Change	June 30, 2021 (as a % of sales, moving 12 months)	June 30, 2020 (as a % of sales, moving 12 months)
Inventories	4,659	4,318	+341	20.9%	19.9%
Trade receivables	3,543	2,844	+699	15.9%	13.1%
Trade payables	(2,351)	(1,615)	-736	-10.5%	-7.4%
Trade payables under reverse factoring agreements	(506)	(264)	-242	-2.3%	-1.2%
TRADE WORKING CAPITAL	**5,345**	**5,283**	**+62**	**24.0%**	**24.3%**

Trade working capital requirement increased by €62 million compared with June 30, 2020, as business recovered quickly during first-half 2021. It represented 24.0% of moving 12-month sales, a 0.3-point improvement on June 30, 2020.

At €4,659 million, **inventories** ended the period up €341 million, or 1 percentage point of sales, compared with June 30, 2020, when they were historically low during a major global crisis. The increase also reflects the impact of higher raw materials prices.

Trade receivables stood at €3,543 million at June 30, 2021, a €699-million increase in line with the strong growth in sales. As a percentage of sales, they rose 2.8 points to 15.9% from an exceptionally low base in June 2020.

Trade **payables,** including those **covered by reverse factoring contracts,** rose by €978 million year on year to €2,857 million. The steep increase stemmed from the strong growth in business and the general upturn in raw material prices and procurement costs.

3.4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €3,812 million at June 30, 2021, a €943 million decrease from December 31, 2020 (before translation adjustments) that was primarily due to the following factors:

- increases from:
  - the €346 million in free cash flow;
- decreases from:
  - the €891 million reduction in debt over the period,
  - the payment of €414 million in dividends and other distributions.

3.4.9 EQUITY

At €13,784 million, **total equity**, before translation adjustments, was €816 million higher than at December 31, 2020, primarily due to the following factors:

- €1,557 million in comprehensive income for the period, including in particular:
  - €1,032 million in net income for the period
  - a €254 million favorable impact from post-employment benefit obligations,
  - a €67 million increase in taxes payable on those obligations,
  - a €5 million decrease in the fair value of hedging instruments,
  - a €6 million increase from other factors;
- the payment of €414 million in dividends and other distributions.

As a result, at June 30, 2021, the **share capital** of Compagnie Générale des Établissements Michelin stood at €356,700,078, comprising 178,350,039 shares corresponding to 236,469,545 voting rights.

3.4.10 NET DEBT

Net debt stood at €3,679 million at June 30, 2021, up €148 million from December 31, 2020, mainly as a result of the following factors:

- the €346 million in positive free cash flow for the period;
- the payment of €414 million in dividends and other distributions;
- €85 million in new leases.

CHANGES IN NET DEBT

(in € millions)	First-half 2021	First-half 2020
At January 1	**3,531**	**5,184**
Free cash flow[1] before M&A and net financing of joint ventures and associates	(367)	248
Investments in new ventures	15	41
Net financing of joint ventures and associates	6	62
Free cash flow[1]	**(346)**	**351**
Distributions and other	414	0
Share buybacks	0	99
New finance leases	85	95
Change in scope of consolidation	(4)	1
Translation adjustment	21	(186)
Other	(23)	(34)
AT JUNE 30	**3,679**	**5,510**
CHANGE	**+148**	**+326**

(1) Free cash flow 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.

3.4.10 a) Gearing

Gearing stood at 26.7% at June 30, 2021, versus 45.0% a year earlier.

3.4.10 b) Credit ratings

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

		CGEM	Compagnie Financière Michelin SA	CFM Suisse SA
Short term	Standard & Poor's	A-2	A-2	A-2
	Fitch Ratings	F2	F2	F2
Long term	Standard & Poor's	A-	A-	A-
	Fitch Ratings	A-	A-	A-
Outlook	Standard & Poor's	Stable	Stable	Stable
	Fitch Ratings	Stable	Stable	Stable

- On December 21, 2020, Standard & Poor's affirmed Michelin's short-term A-2 and long-term A- credit ratings, while revising the outlook from negative to stable.
- On March 19, 2021, Fitch Ratings affirmed Michelin's short-term F2 and long-term A- credit ratings, as well as its stable outlook.

Moody's, whose rating has not been solicited since July 1, 2020, nevertheless affirmed, on April 28, 2021, CGEM's long-term credit rating and the stable outlook for CGEM, CFM and CFM Suisse:

	CGEM	Compagnie Financière Michelin SA	CFM Suisse SA
Long term	A3	N/A	N/A
Outlook	Stable	Stable	Stable

3.4.11 PROVISIONS

Provisions and other non-current liabilities amounted to €768 million, down €19 million before translation adjustments. The decrease was primarily due to payments out of restructuring provisions set aside in prior years and the transfer of short-term provisions to current liabilities, which were partially offset by the new provisions set aside in 2021 as part of the French simplification and competitiveness plan announced on January 6, 2021.

3.4.12 EMPLOYEE BENEFIT OBLIGATIONS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other plans	First-half 2021	First-half 2020
At January 1	**1,626**	**1,863**	**3,489**	**3,828**
Contributions paid to the funds	(10)	-	(10)	(84)
Benefits paid directly to the beneficiaries	(29)	(42)	(71)	(70)
Other movements	-	(4)	(4)	-
Items recognized in operating income				
Current service cost	22	34	56	55
Actuarial (gains) or losses recognized on other long-term benefit plans	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	-
Past service cost resulting from plan curtailments	-	-	-	-
(Gains) or losses on plan settlements	-	-	-	-
Effect of plan curtailments recognized within reorganizations and adaptation of activities	(33)	(54)	(87)	
Other items	5	-	5	3
Items recognized outside operating income				
Net interest on employee benefit obligations	6	13	19	28
Items recognized in other comprehensive income				
Translation adjustments	(5)	28	23	(17)
Actuarial (gains) or losses	(213)	(81)	(294)	(112)
Unrecognized assets due to the effect of the asset ceiling	40	-	40	33
AT JUNE 30	**1,408**	**1,758**	**3,166**	**3,664**

The net defined benefit obligation recognized in the balance sheet at June 30, 2021 amounted to €3,166 million, down €364 million year on year before €23 million in translation adjustments.

The decline reflected the following main factors:

- €81 million in payments under defined benefit plans during the period (first-half 2020: €154 million), of which:
  - €10 million in contributions paid to fund management institutions (first-half 2020: €84 million),
  - €71 million in benefits paid directly to employees (first-half 2020: €70 million);
- €294 million in actuarial gains recognized in equity at June 30, 2021, which can be broken down as follows:
  - €460 million in actuarial gains on the obligation, mainly resulting from the use of higher discount rates in North America, the United Kingdom and Europe,
  - €166 million in actuarial losses on plan assets, stemming primarily from the low real return on the assets over the period in Canada and the United Kingdom;
- a €7 million gain recognized in the income statement in respect of defined benefit plan costs, of which €87 million stemming from the French competitiveness plan announced on January 6, 2021[(1)] (2020: €86 million expense);
- the recognition in the statement of comprehensive income of €40 million in assets otherwise unrecognized, in accordance with the application of the asset ceiling rule to the Canadian pension plan;
- €4 million in other movements lowering the net benefit obligation.

In addition, contributions paid by the Group into defined contribution plans totaled €103 million in first-half 2021 (first-half 2020: €111 million).

(1) See note 4.1 to the condensed interim consolidated financial statements.

3.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

3.5.1 NET CASH FROM OPERATING ACTIVITIES

(in € millions)	First-half 2021	First-half 2020	Change
Segment EBITDA	**2,277**	**1,192**	**+1,085**
Change in net inventories	(629)	304	-933
Change in net trade receivables	(412)	262	-674
Change in net trade payables	186	(840)	+1,026
Restructuring cash costs	(108)	(110)	+2
Tax and interest paid	(339)	(266)	-73
Other	29	(52)	+81
NET CASH FROM OPERATING ACTIVITIES	**1,004**	**490**	**+514**

At €2,277 million, **segment EBITDA** was up €1,085 million year on year, reflecting the €1,111 million increase in segment operating income, to €1,421 million from €310 million in first-half 2020.

Net cash from operating activities grew by €514 million, to €1,004 million from €490 million in first-half 2020.

The increase in inventories, trade receivables, trade payables and other working capital items reflects the upturn in business.

Restructuring cash costs were unchanged year on year, as were other factors having an impact on cash (€8 million increase in tax and interest paid and other cash items).

3.5.2 CAPITAL EXPENDITURE

(in € millions)	First-half 2021	First-half 2020	2021/2020	2021 *(as a % of sales)*	2020 *(as a % of sales)*
Additions to intangible assets and PP&E	**543**	**490**	**+53**	**4.9%**	**5.2%**
Investment grants received and change in capital expenditure payables	111	279	-168	1.0%	3.0%
Proceeds from sales of intangible assets and PP&E	(17)	(24)	+7	-0.2%	-0.3%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**637**	**745**	**-108**	**5.7%**	**8.0%**

Gross purchases of intangible assets and property, plant and equipment amounted to €543 million in first-half 2021, a €53 million year-on-year increase.

Following on from the prior-year period's €175 million year-on-year reduction, the first-half 2021 increase attests to the Group's determination to continue investing (i) to improve the flexibility, competitiveness and safety of its manufacturing facilities; and (ii) to deploy technological innovations to support its expansion strategy in High-Tech Materials and Services & Solutions.

Note, however, that capital expenditure outlays during the first half were held back by procurement issues across the supply chain, which caused delays in a number of projects.

3.5.3 AVAILABLE CASH FLOW AND FREE CASH FLOW

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

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

(in € millions)	First-half 2021	First-half 2020	Change
Net cash from operating activities	**1,004**	**490**	**514**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(338)	(296)	-42
AVAILABLE CASH FLOW	**666**	**194**	**+472**
Competitiveness and growth investments	(140)	(142)	+2
Investments in new ventures	(65)	(52)	-13
Acquisitions	(15)	(41)	+26
Other	(100)	(310)	+210
FREE CASH FLOW	**346**	**(351)**	**+697**

After subtracting €338 million in routine capital expenditure, available cash flow stood at €666 million for first-half 2021.

During the period, the Group invested €15 million in acquisitions, none of which were individually material.

Free cash flow amounted to a positive €346 million in first-half 2021, compared to negative €351 million in first-half 2020.

3.6 OUTLOOK FOR 2021

After recovering sharply in the first half, global demand will not benefit from as favorable a base in the second half of the year, when it will likely continue to be impacted by global supply chain disruptions. Passenger car and Light truck tire markets are expected to expand by between 8% and 10% over the year and Truck tire markets by between 6% and 8%. The Specialty markets should deliver growth of 10% to 12% over the year.

Barring any new systemic effect from Covid-19[1], Michelin plans to strengthen its positions in the prevailing market environment. Consequently, the Group is raising its objectives for the full year, targeting segment operating income in excess of €2.8 billion at constant exchange rates (versus the previously announced > €2.5 billion) and structural free cash flow[2] of more than €1 billion (versus around €1 billion).

3.7 RELATED PARTIES

There were no new material related-party transactions during the first half of 2021, nor any material changes in the related-party transactions described in the 2020 Universal Registration Document.

3.8 RISK MANAGEMENT

The Michelin Group's main risks have been identified and are described in the 2020 Universal Registration Document, Chapter 2.

(1) Deeper supply chain disruptions or tighter restrictions on freedom of movement that would result in a significant drop in the tire markets.
(2) Structural free cash flow corresponds to the free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.

3.9 KEY FIGURES

(in € millions)	First half 2021	First half 2020	2020	2019	2018	2017	2016
Sales	11,192	9,357	20,469	24,135	22,028	21,960	20,907
% change	+19.6%	-20.6%	-15,2%	+9.6%	+0.3%	+5.0%	-1.4%
Total employee benefit costs	3,176	2,954	5,996	6,365	6,038	5,871	5,542
as a % of sales	28.4%	31.6%	29,3%	26.4%	27.4%	26.7%	26.5%
Number of full-time equivalent employees at period-end	117,240	119,900	117,500	121,300	111,100	107,800	105,700
Research and development expenses	328	311	646	687	648	641	718
as a % of sales	2.9%	3.3%	3,2%	2.8%	2.9%	2.9%	3.4%
Segment EBITDA(1)	**2,277**	**1,192**	**3,631**	**4,763**	**4,119**	**4,087**	**4,084**
Segment operating income	1,421	310	1,878	3,009	2,775	2,742	2,692
Segment operating margin	12.7%	3.3%	9.2%	12.5%	12.6%	12.5%	12.9%
Operating income	1,437	177	1,403	2,691	2,550	2,631	2,791
Operating margin	12.8%	1.9%	6.9%	11.1%	11.6%	12.0%	13.3%
Cost of net debt	91	160	242	330	200	176	203
Other financial income and expenses	1	(3)	(14)	(5)	16	0	20
Income before taxes	1,296	(58)	979	2,236	2,230	2,354	2,464
Income tax	264	79	354	506	570	661	797
Effective tax rate	20.4%	n.c.	36.2%	22.6%	25.6%	28.1%	32.3%
Net income/(loss)	1,032	(137)	625	1,730	1,660	1,693	1,667
as a % of sales	9.2%	-1.5%	3.1%	7.2%	7.5%	7.7%	8.0%
Dividends	410	-	357	666	637	585	522
Net cash from operating activities	**1,004**	**490**	**3,366**	**3,321**	**2,831**	**2,741**	**2,764**
as a % of sales	9.0%	8.2%	16,4%	13.8%	12.9%	12.5%	13.2%
Gross purchases of intangible assets and PP&E	543	490	1,121	1,801	1,669	1,771	1,811
as a % of sales	4.9%	8.2%	6.0%	7.5%	7.6%	8.1%	8.7%
Net debt(2)	3,679	5,510	3,531	5,184	4,056	716	944
Total equity	13,784	12,239	12,631	13,229	12,181	11,261	10,646
Gearing	27%	45%	28%	39%	33%	6%	9%
Net debt(2)/EBITDA(1)	1.62	4.62	0.97	1.09	0.98	0.18	0.23
Segment operating income/net interest expense(3)	13.5	2.4	7.9	10.1	13.3	15.9	13.3
Free cash flow(4)	346	(351)	2,004	1,142	-1,985	662	1,024
ROE(5)	-	-	4.9%	13.1%	13.6%	15.0%	15.7%
ROCE(6)	-	-	6.0%	10,0%	-	-	-
PER-SHARE DATA (IN €)							
Net assets per share(7)	77.3	68.5	70,8	74.1	67.8	62.7	59.1
Basic earnings per share	5.74	(0.75)	3.52	9.69	9.30	9.39	9.21
Diluted earnings per share	5.70	(0.75)	3.51	9.66	9.25	9.34	9.03
Price-earnings ratio(8)	-	-	29.8	11.3	9.3	12,7	11.5
Dividend per share	-	-	2.30	2,00	3.70	3.55	3.25
Payout ratio(9)	-	-	47%	19,5%	36.4%	36.0%	36.5%
Yield(10)	-	-	2.2%	1,8%	4.3%	3.0%	3.1%

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

(2) Net debt: financial liabilities - cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) +/- derivative assets, as defined in note 26 to the 2020 consolidated financial statements.

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

(4) Free cash flow: 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), as defined 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 requirement). 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 to the denominator.

(7) Net assets per share: total equity/number of shares outstanding at the end of the period.

(8) P/E: Share price at the end of the period/basic earnings per share.

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

(10) Dividend yield: dividend per share/share price at December 31.

3.10 SHARE INFORMATION

3.10.1 THE MICHELIN SHARE

Traded on the Euronext Paris stock exchange

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

Market capitalization

- €23,988 million at June 30, 2021.

Average daily Euronext trading volume

- 485,329 shares since January 1, 2021.

Indices

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

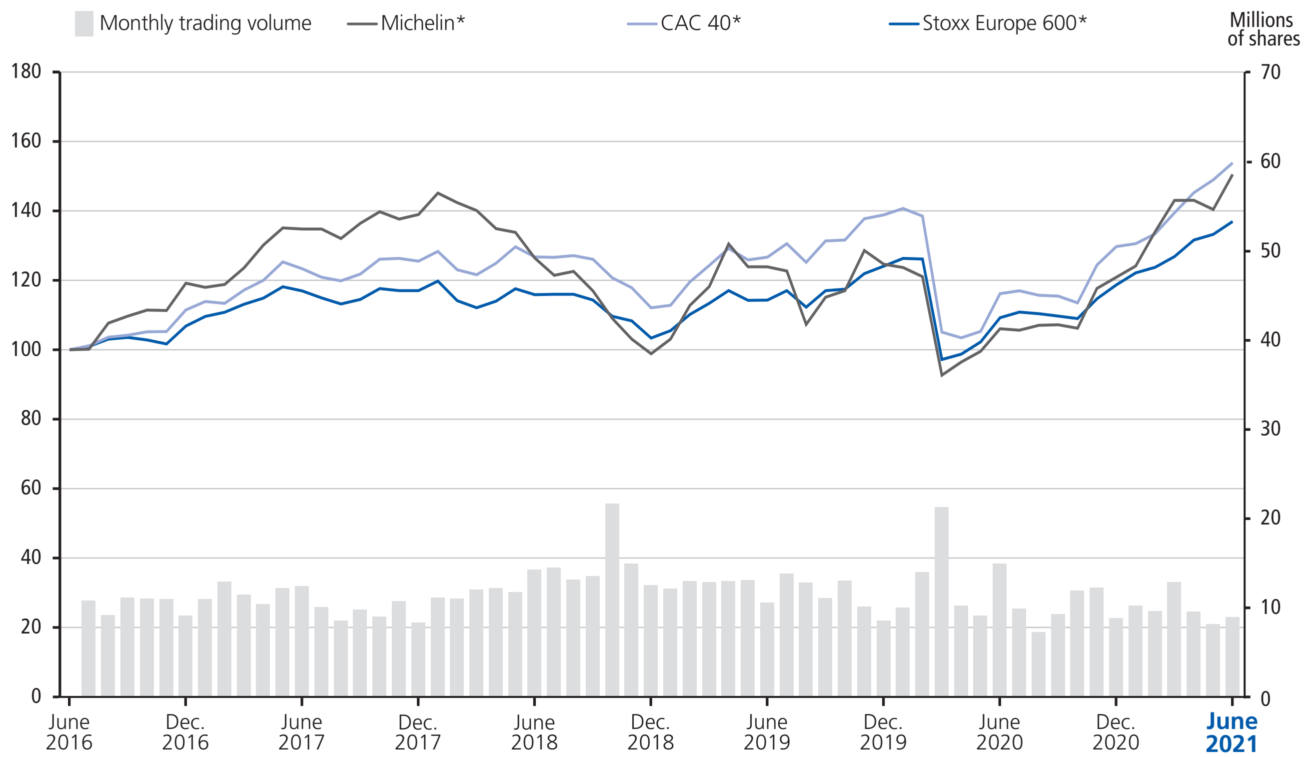
- CAC 40: 1.60% of the index at June 30, 2021;
- Euronext 100: 0.61% of the index at June 30, 2021.

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

- Ethibel Excellence Europe and Global, Euronext VigeoEiris France 20, Europe 120, Eurozone 120, World 120 and FTSE4Good.

MICHELIN SHARE PERFORMANCE AND TRADING VOLUMES

According to statistical data collected by Euronext Paris



* *Standardized monthly averages (base 100 = July 1, 2016).*

3.10.2 DETAILED SHARE DATA

According to statistical data collected by Euronext Paris.

Share price *(in €)*	First-half 2021	2020	2019	2018	2017	2016
Session high	137.95	112.80	119.50	130.85	128.40	106.80
Session low	103.30	68.00	83.74	82.68	98.93	77.40
High/low ratio	1.34	1.66	1.43	1.58	1.30	1.38
Closing price, end of period	134.50	104.95	109.10	86.70	119.55	105.70
Average closing price over the period	122.36	95.49	104.36	109.40	115.65	91.97
Change in the Michelin share price over the period	26.00%	-3.80%	25.84%	-27.48%	13.10%	20.25%
Change in the CAC 40 index over the period	*16.44%*	*-7.14%*	*26.37%*	*-10.95%*	*9.26%*	*4.86%*
Change in the Stoxx Europe 600 index over the period	*12.73%*	*-4.04%*				
Market capitalization *(at end of the period, in € billions)*	**23.99**	**18.72**	**19.49**	**15.59**	**21.45**	**19.03**
Average daily trading volume over the period	485,329	548,883	577,545	649,347	503,534	554,262
Average number of shares outstanding	178,346,100	178,497,159	179,669,608	179,384,513	180,212,806	182,122,667
Volume of shares traded over the period	60,180,827	141,062,953	147,273,882	165,583,378	128,401,095	142,445,218

3.10.3 PER-SHARE DATA

(in € per share, except ratios)	First-half 2021	2020	2019	2018	2017	2016
Net asset value per share	77.3	70.8	74.1	67.8	62.7	59.1
Basic earnings per share	5.74	3.52	9.69	9.30	9.39	9.21
Diluted earnings per share(1)	5.70	3.51	9.66	9.25	9.34	9.03
PER	-	**29.8**	**11.3**	**9.4**	**12.7**	**11.5**
Dividend per share	-	2.30	2.00	3.70	3.55	3.25
Payout ratio (excl. non-recurring items)	-	47.0%	19.5%	36.4%	36.0%	36.5%
Yield(2)	-	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) Dividend/share price at December 31.

3.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2021, Michelin's share capital amounted to €356,700,078.

	At June 30, 2021			At December 31, 2020		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors	3,910	25.7%	29.6%	3,938	27.1%	29.3%
Non-resident institutional investors		63.4%	56.7%		61.8%	57.1%
Individual shareholders	135,871	9.1%	11.5%	136,935	9.1%	11.4%
Employee share ownership plan	65,595	1.8%	2.2%	69,378	2.0%	2.3%
Treasury shares	-	-	-	-	-	-
TOTAL	**205,376**	**178,350,039 shares***	**236,469,545 voting rights**	**210,251**	**178,340,086 shares***	**243,584,598 voting rights**

* *All fully paid up.*

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

3.11 HIGHLIGHTS

3.11.1 STRATEGY

January 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 process. The 2021 Collective Settlement Agreement signed on June 7 by the CFDT, CFE-CGC and SUD trade unions was approved by the local labor authorities (DREETS) on June 14, enabling deployment of the Agreement's voluntary early retirement and outplacement measures.

January 18, 2021 – Michelin unveils the 2021 MICHELIN Guide France and its Green Stars.

For the second year in a row, the MICHELIN Guide has awarded a MICHELIN Green Star to a selection of restaurants committed to advocating a virtuous, sustainable approach to gastronomy. The 33 restaurants singled out this year are continuing to pave the way towards a more responsible future.

February 24, 2021 – The Coalition for the Energy of the Future announces seven projects with major milestones in 2021.

To date, 14 companies, including Michelin, have joined the Coalition in a commitment to accelerating the energy transition in transportation and across the entire supply chain. To achieve genuine technological breakthroughs with tangible results by 2030, the Coalition's three main goals are to i) unlock a more extensive portfolio of clean energy sources; ii) decrease the energy consumption per kilometer-equivalent of goods mobility; and iii) reduce the proportion of emissions linked to transport and logistics.

March 19, 2021 – Michelin partners with sennder, Europe's leading digital freight forwarder.

Through their partnership, Michelin and sennder will deliver a suite of fleet services to make road freight more cost effective and less carbon intensive. sennder and Michelin's collaboration will initially focus on Northern Europe and Iberia, with plans to scale it across other European markets throughout 2021.

April 2, 2021 – BMW Group reaffirms its trust in Michelin tires.

The benefits of Michelin and BMW's long-standing, 35-year relationship, built on the shared values of precision, performance, responsibility and innovation, have again been illustrated with the development of the MICHELIN Pilot Sport 4S and the MICHELIN Pilot Sport Cup 2 Connect tires specifically for the BMW M3 and M4.

April 8, 2021 – Michelin presents Michelin in Motion, its "All Sustainable" strategy for 2030.

At the Group's Capital Markets Day, Florent Menegaux explained the "All Sustainable" vision, which is based on constantly seeking the right balance between People, Profit and Planet. He also presented the Group's ambitious targets for 2030 and reaffirmed the commitment to driving strong expansion in five tire-related and other business segments: services and solutions, flexible composites, healthcare, metal 3D printing and hydrogen mobility.

April 2021 – Symbio, a Faurecia Michelin Hydrogen Company, is helping to accelerate the transition to hydrogen mobilty.

Symbio is on a roll with its two development projets underway, one with bus manufacturer Safra and the other with Stellantis, in a further illustration of the growing importance of hydrogen technology in making zero-emission mobility a reality. The company is building Europe's largest hydrogen fuel cell plant in Saint-Fons, France, with start-up scheduled for 2023.

April 15, 2021 – Michelin and Altaris announce their intention to join forces to speed the growth of Solesis, a Michelin subsidiary specializing in biomaterials for the healthcare industry.

The Partnership Agreement has three components: i) the acquisition of a 51% stake in Solesis by Altaris; ii) the deployment of a governance system; and iii) a research and development partnership between Michelin and Solesis. The announcement offers another compelling illustration of the Group's commitment to expanding beyond tires, with a focus on high-tech materials.

May 17, 2021 – Camso earns recognition as a "Partner-level supplier for 2020" in the John Deere Achieving Excellence Program.

The Partner-level status is Deere & Company's highest supplier rating. The honor recognizes Camso's dedication to providing products and services of outstanding quality as well as its commitment to continuous improvement.

May 21, 2021 – The 2021 Annual Meeting of Michelin shareholders is held behind closed doors in compliance with French health rules.

The event was an opportunity for a number of people to pay tribute to Michel Rollier, who stepped down as Chairman of the Supervisory Board. His successor, Barbara Dalibard, was elected at the sameday meeting of the Board.

June 1, 2021 – Movin'On's governance body now comprises 10 CEOs.

Nine other chief executives of leading global corporations have joined with Florent Menegaux, President of Movin'On and Managing Chairman of the Michelin Group, to set Movin'On's strategic direction and deliver actionable solutions to speed the transition to sustainable mobility. The new shared governance is a major milestone in Movin'On's development.

June 11, 2021 – Maude Portigliatti is appointed Executive Vice President, High-Tech Materials.

Currently Senior Vice President, Advanced Research at Michelin, Ms. Portigliatti will join the Group Executive Committee as Executive Vice President, High-Tech Materials on July 1, 2021. Michelin currently has outstanding expertise in high-tech materials, one of its four areas of growth.

June 30, 2021 – Michelin launches "WATEA by Michelin" to support its corporate customers in transitioning to zero-emission mobility.

Based on an all-inclusive monthly subscription and a palette of more than 80 services, the new Michelin solution will facilitate access to charging stations and make it easier to manage battery-powered and, in the near future, hydrogen-powered commercial EV fleets. This unprecedented, all-in-one solution is a further illustration of the Group's expertise in services, one of its major new growth areas.

3.11.2 INNOVATION

February 8, 2021 – The MICHELIN X® Multi™ Energy™ family of regional truck tires is enhanced with two new fitments.

The new models offer a host of benefits, including higher fuel efficiency, lower CO_2 emissions, increased mileage, greater multi-use versatility and improved safety. The technologies leveraged to deliver these performance features attest to the Group's powerful innovation capabilities.

February 9, 2021 – CAMSO optimizes productivity for its construction industry customers.

CAMSO has introduced the CAMSO TLH 732+ telehandler tire that delivers 64% more service life than its predecessor, the TLH 732. The new tire offers professionals in the construction industry performance, long-lasting durability, puncture resistance and improved traction.

February 11, 2021 – Michelin signs a letter of commitment for maritime transport with Neoline, a French shipowner relying mainly on sail propulsion.

This first step towards carbon-free shipping is fully in line with the CSR[1] strategy being pursued in Michelin's operations. It will help to meet the objective of reducing CO_2 emissions from logistics by 15% in absolute terms between 2018 and 2030. Like its production plants, which are committed to the ambitious goal of eliminating CO_2 emissions by 2050, Michelin is actively testing new solutions to decarbonize its logistics operations.

February 23, 2021 – In 2050, MICHELIN tires will be 100% sustainable.

MICHELIN is ambitiously committed to making its tires entirely from renewable, recycled, biosourced or otherwise sustainable materials by 2050, thanks to its powerful research & development capabilities, materials technology expertise and open-innovation strategy.

February 25, 2021 – Michelin launches the MICHELIN Pilot Sport EV, the first tire in the Pilot Sport family purpose-engineered for electric sports cars.

Michelin is currently the only tiremaker serving both the Original equipment and Replacement electric sports car tire markets. Designed in close collaboration with Tesla, the 20-inch MICHELIN Pilot Sport EV has been type-approved for the Tesla Model Y. By 2024, Michelin expects to increase its sales in this high-growth market by a factor of eight.

March 10, 2021 – Michelin launches its new MICHELIN Wild Enduro Racing Line mountain bike tire.

The new line has already demonstrated its capabilities with wins in some of the world's most challenging races, including two Elite World Enduro Championship titles with Sam Hill; one U21 World Enduro Championship title with Elliot Heap; and two Masters World Enduro Championship titles with Karim Amour.

April 15, 2021 – ProovStation partners with Michelin to reduce the time and costs of tire inspection.

The solution developed by ProovStation, the European leader in automated inspection, has been enhanced by Michelin's expertise thanks to MICHELIN QuickScan technology, which can check tire wear automatically and instantaneously with millimeter precision. In addition to its technology, which is protected by more than 15 patents, Michelin is contributing its experience in analyzing tire data using its proprietary artificial intelligence algorithms.

(1) Corporate Social Responsibility.

April 23, 2021 – Michelin take a major step with Carbios towards developing 100% sustainable tires.

Michelin has successfully validated the use of Carbios' enzymatic recycling technology for PET[1] plastic waste in its tires. This takes the Group one step closer to fulfilling its 2050 ambition of manufacturing tires that are 100% sustainable, *i.e.*, made entirely of renewable, recycled or otherwise sustainable materials, with an interim goal of 40% by 2030.

April 23, 2021 – Harley-Davidson and Michelin pursue their long-standing collaboration.

Michelin has custom-designed the MICHELIN Scorcher Adventure tire for the Harley-Davidson Pan America™ 1250 motorcycle. Over the past 13 years, Michelin has nurtured a close working relationship with Harley-Davidson, based on performance, quality and innovation, and today, its tires equip more than 40% of the motorcycles manufactured by the American brand.

April 29, 2021 – Michelin launches new tire lines developed entirely virtually for the headlining Le Mans Hypercar class.

For the 2021 FIA World Endurance Championship campaign, Michelin Motorsport teams developed new tire ranges with the support of innovative development processes, based solely on computers and simulators. This was a further opportunity for the Group to showcase its pioneering spirit and ability to design tires that deliver consistently high performance from the start to finish of every stint.

April 30, 2021 – Michelin designs the MICHELIN X Incity EV Z tire, the first MICHELIN range specifically engineered for electric buses.

The new range will support the transition towards cleaner, more efficient and longer range electric mobility solutions. On April 8, Michelin presented Michelin in Motion, its "All Sustainable" strategy for 2030, which singled out the EV market as a "genuine growth opportunity and energy transition accelerator."

May 11, 2021 – Michelin presents its International Mobility Award at the Blue Ocean Awards ceremony.

The International Mobility Award honored Tarmac Technologies and SUN Mobility, two startups that are contributing to the development of mobility. Presented as part of the Blue Ocean Awards, of which Michelin is a preferred partner, the Award demonstrates the Group's commitment to leveraging open innovation to become a major player in connected mobility.

May 19, 2021 – The new MICHELIN Guide – Tablet Hotels app wins its first award.

The MICHELIN Guide and Tablet Hotels have combined their expertise to develop a new global app that provides access to all the selections of their inspectors and experts in more than 30 destinations in the Americas, Europe, and Asia. The application alone contains nearly 20,000 curated addresses. The Webby Awards, which honor excellence on the Internet, awarded it the "Webby Honoree" distinction in the "Apps and Software" category.

May 27, 2021 – The new MICHELIN TRAILXBIB tire increases farm yields.

Designed in association with farmers in a number of countries, the MICHELIN TRAILXBIB tire incorporates the innovative MICHELIN Ultraflex technology that improves farm yields by reducing soil compaction. In addition, the MICHELIN TRAILXBIB range is compatible with remote inflation systems, which enable operators to easily adjust tire pressure in real time according to the driving surface or soil conditions.

May 28, 2021 – AddUp takes metal 3D printing to the next level.

AddUp, the joint venture created by Michelin and Fives in 2016 and specialized in metal 3D printing, has developed a new generation of machines with promising features for industry. Michelin believes metal 3D printing is one of the growth drivers in the high-tech materials field. The new-generation machines support Michelin's ambitions to expand its operations beyond tires.

June 1, 2021 – 2021 Movin'On: Michelin presents two innovations to accelerate the development of sustainable mobility.

The WISAMO project, an automated, telescopic, inflatable wing sail system that will help to decarbonize maritime shipping, and a high-performance racing tire containing 46% sustainable materials offer further tangible, real-world proof of the Group's determination to make mobility increasingly sustainable. The innovations also demonstrate Michelin's commitment to basing a portion of its growth on the development of new business activities, while showcasing its ability to incorporate an ever-higher percentage of sustainable materials into its products without compromising on their performance. Michelin expects to use 100% sustainable materials in all its tires by 2050.

June 17, 2021 – KRISTAL.aero and Michelin launch KRISTAL.air, a mobile app for everyone who flies light aircraft.

The new app expresses Michelin Aviation's commitment to fostering connected mobility, safe flying and closer customer relationships. It is also compatible with the Group's "All Sustainable" vision. Pilots can now optimize their flights, in particular by enhancing the quality of their landings and reducing their environmental impact with greater fuel efficiency and lower CO_2 emissions.

(1) Polyethylene terephthalate (PET) is a plastic that is currently oil-based, with its two monomers, ethylene glycol and terephthalic acid, being derived from petroleum. It is the raw material for one of the main polyester fibers used in tire reinforcements.

June 23, 2021 – Michelin designs the new MICHELIN X AGVEV, the first tire specifically engineered for automatic guided vehicles (AGVs).

Today, most AGVs operating in port facilities are electrically powered. The EV-marked MICHELIN X AGVEV is the first port tire that helps to cut CO_2 emissions and increase an electric vehicle's battery life, thanks to its very low rolling resistance.

June 30, 2021 – Michelin introduces the new MICHELIN X® MULTI GRIP™ line of truck tires built to perform in extreme winter conditions.

Designed to ensure maximum safety and mobility in extreme winter conditions and on wet roads, the new MICHELIN X® MULTI GRIP™ tire also helps to make overland shipping more sustainable, in particular by reducing CO_2 emissions per kilometer driven. Regrooving and retreading also increase the useful service lives of the entire line-up.

04. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – SIX MONTHS ENDED JUNE 30, 2021

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	First-half 2021	First-half 2020[1]
Sales	3	11,192	9,357
Cost of sales		(7,807)	(7,087)
Gross income		**3,385**	**2,270**
Sales and marketing expenses[1]		(531)	(519)
Research and development expenses		(328)	(311)
General and administrative expenses[1]		(1,085)	(1,030)
Segment other income and expenses		(20)	(100)
Segment operating income	**3**	**1,421**	**310**
Other operating income and expenses	4	16	(133)
Operating income		**1,437**	**177**
Cost of net debt	5	(91)	(160)
Other financial income and expenses	5	1	(3)
Net interest on employee benefit obligations	15	(19)	(28)
Share of profit/(loss) from equity-accounted companies	9	(32)	(44)
Income/(loss) before taxes		**1,296**	**(58)**
Income tax	6	(264)	(79)
NET INCOME/(LOSS)		**1,032**	**(137)**
▶ Attributable to the shareholders of the Company		1,030	(134)
▶ Attributable to the non-controlling interests		2	(3)
EARNINGS PER SHARE *(in €)*	**7**		
▶ Basic		5.74	(0.75)
▶ Diluted		5.70	(0.75)

(1) The first-half 2020 figures have been restated for comparison purposes (see note 2.8 to the consolidated financial statements).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	First-half 2021	First-half 2020
Net income/(loss)		**1,032**	**(137)**
Post-employment benefits	15	254	79
Tax effect – Post-employment benefits		(67)	(11)
Equity instruments at fair value through OCI – changes in fair value		4	5
Other comprehensive income that will not be reclassified to the income statement		**191**	**73**
Cash flow hedges – changes in fair value		(5)	27
Currency translation differences		337	(492)
Other		2	(8)
Other comprehensive income/(loss) that may be reclassified to the income statement		**334**	**(473)**
Other comprehensive income/(loss)		**525**	(400)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**1,557**	**(537)**
▶ Attributable to the shareholders of the Company		1,556	(534)
▶ Attributable to the non-controlling interests		1	(3)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	June 30, 2021	December 31, 2020
Goodwill	8	2,154	2,136
Intangible assets		1,818	1,980
Property, plant and equipment (PP&E)		10,713	10,821
Right-of-use assets		1,052	1,083
Non-current financial assets and other non-current assets		1,165	865
Investments in equity-accounted companies	9	1,081	941
Deferred tax assets	6	693	729
Non-current assets		**18,676**	**18,555**
Inventories	10	4,659	3,959
Trade receivables	11	3,543	3,018
Current financial assets		451	429
Other current assets		1,039	929
Cash and cash equivalents	12	3,812	4,747
Current assets		**13,504**	**13,082**
TOTAL ASSETS		**32,180**	**31,637**
Share capital	13	357	357
Share premiums	13	2,746	2,746
Reserves	14	10,682	9,530
Non-controlling interests		(1)	(2)
Total equity		**13,784**	**12,631**
Non-current financial liabilities	12	5,354	6,169
Non-current lease liabilities		755	801
Provisions for employee benefit obligations	15	3,408	3,700
Provisions and other non-current liabilities	16	768	775
Deferred tax liabilities	6	421	425
Non-current liabilities		**10,706**	**11,870**
Current financial liabilities	12	1,653	1,546
Current lease liabilities		229	222
Trade payables		2,351	2,291
Trade payables under reverse factoring agreements		506	437
Provisions and other current liabilities	16	2,951	2,640
Current liabilities		**7,690**	**7,136**
TOTAL EQUITY AND LIABILITIES		**32,180**	**31,637**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Share capital (note 13)	Share premiums (note 13)	Reserves (note 14)	Non-controlling interests	Total equity
At January 1, 2020	**357**	**2,789**	**10,080**	**3**	**13,229**
Net income/(loss)	-	-	(134)	(3)	(137)
Other comprehensive income/(loss)	-	-	(400)	-	(400)
Total comprehensive income/(loss)	**-**	**-**	**(534)**	**(3)**	**(537)**
Issuance of shares	-	1	-	-	1
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	(368)	-	(368)
Share buybacks	-	-	(99)	-	(99)
Other	-	-	13	-	13
At June 30, 2020	**357**	**2,790**	**9,092**	**-**	**12,239**
Net income/(loss)	-	-	766	(4)	762
Other comprehensive income/(loss)	-	-	(430)	1	(429)
Total comprehensive income/(loss)	**-**	**-**	**336**	**(3)**	**333**
Issuance of shares	1	53	-	-	54
Cancellation of shares	(2)	(97)	99	-	-
Dividends and other appropriations	-	-	-	-	-
Share buybacks	-	-	-	-	-
Other	1	-	3	1	5
At December 31, 2020	**357**	**2,746**	**9,530**	**(2)**	**12,631**
Net income/(loss)	-	-	1,030	2	1,032
Other comprehensive income/(loss)	-	-	526	(1)	525
Total comprehensive income/(loss)	**-**	**-**	**1,556**	**1**	**1,557**
Issuance of shares	-	-	-	-	-
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	(414)	-	(414)
Share buybacks	-	-	(1)	-	(1)
Sales of treasury shares	-	-	1	-	1
Other	-	-	10	-	10
AT JUNE 30, 2021	**357**	**2,746**	**10,682**	**(1)**	**13,784**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	First-half 2021	First-half 2020
Net income/(loss)		1,032	(137)
Adjustments			
▶ Cost of net debt	5	91	160
▶ Other financial income and expenses	5	(1)	3
▶ Net interest on employee benefit obligations	15	19	28
▶ Income tax	6	264	79
▶ Amortization, depreciation and impairment of intangible assets and PP&E		856	882
▶ Other operating income and expenses	4	(16)	133
▶ Share of profit from equity-accounted companies	9	32	44
Segment EBITDA		**2,277**	**1,192**
Other operating income and expenses (cash) and change in provisions	17	(101)	(199)
Interest and other financial income and expenses received and paid, net	17	(61)	(137)
Income tax paid		(278)	(129)
Change in working capital, net of impairment	17	(833)	(237)
Net cash from operating activities		**1,004**	**490**
Purchases of intangible assets and PP&E	17	(654)	(769)
Proceeds from sales of intangible assets and PP&E		17	24
Equity investments in consolidated companies, net of cash acquired		(4)	(33)
Disposals of equity investments in consolidated companies, net of cash sold		(3)	(1)
Purchases of equity instruments at fair value		(10)	(10)
Disposals of equity instruments at fair value		1	3
Cash flows relating to other financial assets	17	(3)	(46)
Net cash from/(used in) investing activities		**(656)**	**(832)**
Proceeds from issuance of shares	13	-	1
Dividends paid to the shareholders of the Company	13	(410)	-
Cash flows relating to financial liabilities	17	(891)	1,727
Share buybacks	14	-	(20)
Other		9	(4)
Net cash from/(used in) financing activities		**(1,292)**	**1,704**
Effect of changes in exchange rates		**9**	**(19)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(935)**	**1,343**
Cash and cash equivalents at January 1		**4,747**	**1,466**
Cash and cash equivalents at June 30		**3,812**	**2,809**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

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

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

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

After a review by the Supervisory Board, these condensed interim consolidated financial statements were authorized for issue by the Managing Chairman on July 23, 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union as of the reporting date and applicable to the period then ended.

2.2 Accounting policies

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended December 31, 2020.

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

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2021

The following amendments to IFRSs are effective from January 1, 2021; they have no material impact for the Group:

Amendments to IAS 39 – IFRS 4 – IFRS 7 – IFRS 9 – IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

No hedging relationships have been identified by the Group that would be affected by the replacement of an interest rate benchmark. The impact of applying new interest rates to leases, loans, borrowings and derivative instruments not qualifying for hedge accounting will not be material.

The amendments to other IFRSs that are effective from January 1, 2021 have no material impact on the consolidated financial statements.

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

The following amendments to IFRSs which are not applicable at June 30, 2021 are not expected to have a material impact on the consolidated financial statements at their application date:

Amendment 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 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 12

In some circumstances, entities may be exempt from the requirement to recognize a deferred tax on initial recognition of an asset and liability.

Up to now, it was not clear whether the exemption applied to transactions for which an entity recognizes both an asset and a liability such as leases and decommissioning obligations.

The amendments make it clear that the exemption does not apply in these cases and that entities are required to recognize a deferred tax on these transactions.

The amendments will be effective for annual periods beginning on or after January 1, 2023 and will apply to qualifying transactions occurring as from the beginning of the earliest comparative period presented. The impact on the consolidated financial statements of applying this amendment is currently being assessed.

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.

Amendments to IAS 1

These amendments require an entity to disclose its material accounting policy information rather than its significant accounting policies. The amendments state that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 8

These amendments are designed to help entities distinguish between changes in accounting policies and accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments will be applicable prospectively for annual periods beginning on or after January 1, 2023.

IFRS 16 – Covid-19 Related Rent Concessions Beyond June 30, 2021

Recent amendments have extended by one year the practical expedient set out in the amendment to IFRS 16 – Covid-19 Related Rent Concessions published in May 2020. Consequently, lessees may now apply this expedient to rent concessions granted up until June 30, 2022 (versus June 30, 2021 previously). The concession may consist of rent relief or a reduction in the rent originally due. Lessees may choose to account for the rent concession as variable lease payments recognized directly in the income statement of the period(s) in which the event or condition that triggers the reduced payment occurs, rather than treating it as a lease modification with the resulting obligation to remeasure the lease liability based on the revised consideration using a revised discount rate. This amendment, which had not yet been approved by the European Union as of June 30, 2021, will not have a material impact on the Group's consolidated financial statements.

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

2.5 Critical accounting assumptions and estimates

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

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

In light of the Covid-19 crisis, the Group expects business to return to 2019 levels in 2022.

2.6 Changes in the scope of consolidation

2.6.1 Transactions in the first half of 2021

Solesis Inc. change of consolidation method

On May 28, 2021, Michelin and Altaris announced the signing of a partnership agreement whereby Altaris would become a shareholder of Solesis, a Michelin subsidiary specializing in biomaterials for the healthcare industry.

The partnership agreement has three components:

- Acquisition of a 51% stake in Solesis by Altaris;
- Setup of a governance system that will enable the two Solesis shareholders to support the business' development and expansion;
- A research and development partnership between Michelin and Solesis to continue co-developing biopolymers focused on the intersection of polymer science and biology.

As a result of this agreement, the Solesis subsidiaries that were previously fully consolidated by Michelin have been accounted for by the equity method with effect from May 28, 2021.

The consideration for the sale of 51% of Solesis' net assets, based on an enterprise value of $475 million, is presented as follows in the consolidated statement of financial position:

- 49% retained interest recognized under "Investments in equity-accounted companies" for an amount of €145 million. The fair value measurement of the assets acquired and liabilities assumed by the joint venture is currently in progress and will be completed within 12 months of the date of signature of the partnership agreement.
- Preferred units, considered in substance as a financial asset measured at fair value through profit or loss, presented under "Non-current financial assets and other non-current assets" for €227 million.

The €113 million gain realized on the disposal is presented under "Other operating income and expenses" for first-half 2021 (note 4).

The transaction has had no effect on the Group's cash position as the cash contributed by Altaris has been retained in the accounts of the Solesis joint venture to fund its growth. For this reason, the transaction qualifies as a tax-exempt reorganization under US tax rules. No deferred tax liability has been recognized because the Group controls the timing of any possible sale of its investment. As of the reporting date, the Group had no plans to sell the investment.

The effects of the transaction on the transaction-date consolidated statement of financial position are as follows:

(in € millions)	**At the transaction date**
Investments in equity-accounted companies	145
Other non-current financial assets and other non-current assets	227
Net assets sold	(259)
DISPOSAL GAIN	**113**

Details of the net assets sold are presented in the table below:

(in € millions)	Net assets sold
Goodwill	(53)
Intangible assets	(198)
Property, plant and equipment (PP&E)	(41)
Non-current assets	**(292)**
Inventories	(11)
Trade receivables	(14)
Cash and cash equivalents	(1)
Current assets	**(26)**
TOTAL ASSETS	**(318)**
Net assets	**(259)**
Non-current financial liabilities	-
Non-current lease liabilities	(3)
Deferred tax liabilities	(47)
Non-current liabilities	**(50)**
Trade payables	(3)
Provisions and other current liabilities	(6)
Current liabilities	**(9)**
TOTAL EQUITY AND LIABILITIES	**(318)**

2.6.2 Transactions in the first half of 2020

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

2.7 Seasonality

Cash and cash equivalents at June 30, 2021 traditionally reflect the increase in working capital requirement and the payment of the dividend during the first half (note 13).

2.8 Restatement of comparative information

The costs of the Euromaster distribution network's support functions have been reclassified from "Sales and marketing expenses" to "General and administrative expenses" in the consolidated income statement, in order to track these expenses more effectively.

The effects of the restatement are presented in the table below:

For comparison purposes, an amount of €58 million has been reclassified from "Sales and marketing expenses" to "General and administrative expenses" in the consolidated income statement for first-half 2020.

(in € millions, except per share data)	First-half 2020 as reported	Reclassification	First-half 2020 restated
Sales	9,357	-	9,357
Cost of sales	(7,087)	-	(7,087)
Gross income	**2,270**	**-**	**2,270**
Sales and marketing expenses	(577)	58	(519)
Research and development expenses	(311)	-	(311)
General and administrative expenses	(972)	(58)	(1,030)
Segment other income and expenses	(100)	-	(100)
Segment operating income	**310**	**-**	**310**
Other operating income and expenses	(133)	-	(133)
Operating income	**177**	**-**	**177**
Cost of net debt	(160)	-	(160)
Other financial income and expenses	(3)	-	(3)
Net interest on employee benefit obligations	(28)	-	(28)
Share of profit/(loss) from equity-accounted companies	(44)	-	(44)
Income/(loss) before taxes	**(58)**	**-**	**(58)**
Income tax	(79)	-	(79)
NET INCOME/(LOSS)	**(137)**	**-**	**(137)**
▶ Attributable to the shareholders of the Company	(134)	-	(134)
▶ Attributable to the non-controlling interests	(3)	-	(3)
EARNINGS PER SHARE *(in €)*			
▶ Basic	(0.75)	-	(0.75)
▶ Diluted	(0.75)	-	(0.75)

NOTE 3 CONDENSED SEGMENT REPORTING

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

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

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

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 information is as follows:

(in € millions)	First-half 2021				First-half 2020			
	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Sales	5,562	2,897	2,733	**11,192**	4,394	2,411	2,552	**9,357**
Segment operating income/(loss)	730	286	405	**1,421**	(35)	(30)	375	**310**
As a percentage of sales	*13.1%*	*9.9%*	*14.8%*	***12.7%***	*-0.8%*	*-1.3%*	*14.7%*	***3.3%***

Segment assets are as follows:

(in € millions)	June 30, 2021				December 31, 2020			
	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total	Automotive and related distribution	Road transportation and related distribution	Specialty businesses and related distribution	Total
Segment assets	10,089	5,568	6,477	**22,134**	9,695	5,416	6,409	**21,520**

Segment assets consist of goodwill and intangible assets, property, plant and equipment, finished product inventories, and trade receivables. The amounts reported to the Group's management in respect of operating segment assets are measured in a manner consistent with the consolidated financial statements.

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

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

Geographic information breaks down as follows by segment:

(in € millions)	First-half 2021				First-half 2020			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	4,248	3,813	3,131	**11,192**	3,382	3,214	2,761	**9,357**

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

Net sales in France for the six months ended June 30, 2021 amounted to €980 million (2020: €768 million).

The Group derived 95.4% of its first-half 2021 sales (first-half 2020: 94.8%) from tire sales and sales related to the supply of tires to the original equipment or replacement market, plus sales of Fenner conveyor belts. These sales totaled €10,678 million (first-half 2020: €8,871 million). Sales are recognized at the point in time when control of the goods is transferred to the customer. Revenue recognized in first-half 2021 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 €297 million, representing 2.7% of total sales (first-half 2020: €274 million and 2.9%).

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

(in € millions)	First-half 2021	First-half 2020
Amortization of trademarks and customer relationships acquired	(41)	(45)
Reorganizations and adaptation of activities	(28)	(23)
Impairment of non-current assets	(21)	(49)
Employee benefit obligations	(9)	(8)
Other	115	(8)
OTHER OPERATING INCOME AND EXPENSES	**16**	**(133)**

4.1 First-half 2021

As part of the initiatives to improve the competitiveness of its manufacturing and office-based activities, on January 6, 2021 the Group announced the launch of a reinforced simplification and competitiveness plan to significantly improve the agility and overall performance of its operations in France.

The three-year plan will be supported by a broad co-construction and social dialogue process.

The framework agreement signed on April 27, 2021 introduced support measures for Michelin employees during the three years of the simplification and competitiveness plan, along with a set of commitments to employees who are planning to continue their careers with the company. In order to implement the voluntary early retirement and voluntary outplacement measures, a mutually agreed severance package (Collective Settlement Agreement) will be negotiated each year, in 2021, 2022 and 2023.

In June, following the signing of the 2021 Collective Settlement Agreement, a €99 million provision was set aside to cover the cost of the support measures (note 16). At the same time, €87 million was released from the provision booked in prior years for post-employment benefit obligations towards the employees concerned (note 15). The net cost of €12 million is reported under "Reorganizations and adaptation of activities".

The gain resulting from the change of consolidation method applied to Solesis (note 2.6.1) is recognized under "Other" for €113 million.

4.2 First-half 2020

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

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

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

(in € millions)	First-half 2021	First-half 2020
Interest expense	(85)	(111)
Interest expense on lease liabilities	(15)	(18)
Interest income on cash, cash equivalents and cash management financial assets	(6)	-
Interest rate derivatives	18	(33)
Fees on credit lines	(4)	(2)
Capitalized borrowing costs	1	4
COST OF NET DEBT	**(91)**	**(160)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	7	9
Currency remeasurement (including currency derivatives)	(4)	(11)
Other	(2)	(1)
OTHER FINANCIAL INCOME AND EXPENSES	**1**	**(3)**

NOTE 6 INCOME TAX

6.1 Income tax expense

(in € millions)	First-half 2021	First-half 2020
Current tax expense	(258)	(96)
Deferred tax benefit/(expense)	(6)	17
INCOME TAX	**(264)**	**(79)**

Current tax includes €8 million of withholding tax on royalties, interest and retained earnings distributed between Group companies (2020: €19 million).

The Group's effective tax rate for first-half 2021 is 20.4%.

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. Effective tax rates may differ from theoretical rates, particularly due to unrecognized deferred tax assets, withholding taxes, tax credits and other taxes not based on income. The untaxed capital gain recorded in first-half 2021 on creation of the Solesis Inc. joint venture (see note 2.6.1) had a positive impact on the Group's effective tax rate.

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. Changes in deferred taxes in first-half 2021 were not material.

6.2 Tax audits 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, the Group initiated the following procedures with the German tax authorities:

- an application to defer payment of the tax deficiency and late interest while the dispute procedure was in progress; as a result of this application, the payments made were not material;
- an appeal to a higher authority challenging the tax authorities' methodology, which is 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 June 30, 2021, the Group had yet not received any notice of reassessment in this respect.

In first-half 2021, the Group maintained its appeal concerning the 2005-2009 reassessments but decided to settle the tax claimed on the revised €96 million tax base reassessment in order to avoid the accrual of further late interest. The tax audit covering the years 2010 to 2014 is still in progress.

At June 30, 2021, the Group considers that there are no grounds for adjusting the provision booked at end-2020.

NOTE 7 EARNINGS PER SHARE

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

	First-half 2021	First-half 2020
Net income/(loss) *(in € millions)*, excluding non-controlling interests	1,030	(134)
▶ Less, estimated General Partners' profit shares	(6)	-
Net income/(loss) attributable to the shareholders of the Company used to calculate basic earnings per share	**1,024**	**(134)**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**178,344**	**178,504**
▶ Plus, adjustment for stock option plans	10	-
▶ Plus, adjustment for performance shares	1,242	-
Weighted average number of shares used to calculate diluted earnings per share	**179,596**	**178,504**
EARNINGS PER SHARE *(in €)*		
▶ Basic	**5.74**	(0.75)
▶ Diluted	**5.70**	(0.75)

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

All of the outstanding stock options were dilutive at June 30, 2021 in light of Michelin's stock market performance in the first half of the year. Performance shares are dilutive by definition.

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

NOTE 8 GOODWILL

At June 30, 2021, goodwill allocated to the CGUs or groups of CGUs breaks down as follows:

(in € millions)	June 30, 2021	December 31, 2020
Passenger car tires – global brands CGU group	359	358
Passenger car tires – regional brands CGU	155	150
Light truck and Truck tires CGU group	596	573
Mining CGU group	255	241
Two-wheel tires CGU	19	18
Beyond Road tires CGU	656	637
High-Tech Materials CGU group	114	159
GOODWILL	**2,154**	**2,136**

Excluding the currency effect, the decline in goodwill in first-half 2021 mainly concerned Solesis for €53 million (note 2.6.1).

The CGUs' financial performance is assessed by taking into account changes in the global health situation. The Group expects to return to 2019 activity levels in 2022.

At June 30, 2021, there were no indicators of impairment of goodwill allocated to any Cash Generating Units (CGUs) or groups of CGUs requiring the implementation of specific impairment tests.

NOTE 9 EQUITY-ACCOUNTED COMPANIES AND RELATED-PARTY TRANSACTIONS

9.1 Investments in equity-accounted companies

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

(in € millions)	Investments in associates	Investments in joint ventures	Total investments in equity-accounted companies
At January 1, 2020	**211**	**876**	**1,087**
Share of profit/(loss) from equity-accounted companies	(14)	(59)	(73)
Impairment	(38)	-	(38)
Dividends	(6)	-	(6)
Change 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**
Share of profit/(loss) from equity-accounted companies	2	(9)	(7)
Impairment	(4)	(21)	(25)
Dividends	(1)	-	(1)
Change in scope of consolidation/capital increases	-	146	146
Currency translation differences	-	20	20
Other/reclassifications	-	7	7
AT JUNE 30, 2021	**141**	**940**	**1,081**

There were no material new transactions between related parties during the first half of 2021 or other material changes in the nature of related-party transactions described in the notes to the 2020 consolidated financial statements.

The effect of changes in scope of consolidation corresponds mainly to the use of the equity method to account for Solesis (note 2.6.1).

Impairment tests carried out during the period led to the recognition of impairment losses of €25 million on companies involved in producing natural rubber.

The main equity-accounted company is TBC (note 9.2). All of the other companies represent less significant investments.

9.2 Joint venture with Sumitomo Corporation of Americas (TBC)

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

(in € millions)	June 30, 2021	December 31, 2020
Current assets	1,465	1,396
of which cash and cash equivalents	*80*	*251*
Non-current assets	1,676	1,677
of which goodwill	*126*	*127*
TOTAL ASSETS	**3,141**	**3,073**
Current liabilities	980	902
of which current financial liabilities	*138*	*135*
Non-current liabilities	1,139	1,193
of which non-current financial liabilities	*1,002*	*1,068*
Equity	1,022	978
TOTAL LIABILITIES AND EQUITY	**3,141**	**3,073**

(in € millions)	June 30, 2021	December 31, 2020
Sales	2,036	4,278
Interest income	1	1
Interest expense	(26)	(72)
Depreciation and amortization	(89)	(244)
Income tax	(9)	5
Net loss (a)	13	(39)
Income statement impact of elimination of profit from downstream transactions (net of tax) (b)	(4)	7
Share of net income/(loss) of the joint venture 50% x (a) + (b)	**3**	**(13)**

(in € millions)	June 30, 2021	December 31, 2020
Net assets (including goodwill)	**1,022**	**978**
Share of net assets (including goodwill) = 50%	511	489
Elimination of profit from downstream transactions (net of tax)	(24)	(19)
Carrying amount of net interest in the joint venture	**487**	**470**

In addition, a loan to TBC is included in the Group's non-current financial assets. The amount outstanding on the loan was €127 million as of June 30, 2021, after a $50 million repayment received from TBC during the period.

NOTE 10 INVENTORIES

Inventories include the following:

(in € millions)	June 30, 2021	December 31, 2020
Raw materials and supplies	1,295	1,066
Work in progress	537	438
Finished goods	2,908	2,541
Total gross inventory	**4,740**	**4,045**
Impairment of raw materials and supplies	(25)	(26)
Impairment of work in progress	(1)	(1)
Impairment of finished goods	(54)	(59)
Total impairment	**(81)**	**(86)**
NET INVENTORIES	**4,659**	**3,959**

NOTE 11 TRADE RECEIVABLES

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

(in € millions)	June 30, 2021	December 31, 2020
Gross trade receivables	3,640	3,126
Impairment	(97)	(108)
TRADE RECEIVABLES	**3,543**	**3,018**

All trade receivables are due within 12 months.

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

The Credit Department, which is part of the Group Finance Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is responsible for credit and collection processes.

NOTE 12 FINANCIAL INSTRUMENTS

12.1 Net debt

Group net debt is analyzed in the table below:

(in € millions)	June 30, 2021	December 31, 2020
Financial liabilities	7,991	8,738
Derivatives recognized as assets	(195)	(153)
Borrowing collaterals	(20)	(22)
Cash management financial assets	(285)	(285)
Cash and cash equivalents	(3,812)	(4,747)
NET DEBT	**3,679**	**3,531**

12.2 Financial liabilities

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

(in € millions)	June 30, 2021	December 31, 2020
Bonds	5,111	5,867
Loans from financial institutions and other	180	235
Derivative instruments	63	67
Non-current financial liabilities	**5,354**	**6,169**
Non-current lease liabilities	**755**	**801**
Bonds	877	77
Commercial paper	291	940
Loans from financial institutions and other	395	479
Derivative instruments	90	50
Current financial liabilities	**1,653**	**1,546**
Current lease liabilities	**229**	**222**
FINANCIAL LIABILITIES	**7,991**	**8,738**

The €747 million decrease in financial liabilities primarily reflects the redemption of short-term commercial paper in first-half 2021 for €649 million.

The average remaining maturity of short-term commercial paper outstanding at June 30, 2021 was 1.8 months.

12.3 Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of June 30, 2021:

- Cash and cash equivalents for €3,812 million;
- Cash management financial assets for €285 million;
- A €2,500 million commercial paper program, of which €249 million had been utilized at June 30, 2021;
- A $700 million (€587 million) commercial paper program, of which $50 million (€42 million) had been utilized at June 30, 2021;
- Two €468 million receivables securitization programs that are utilized based on the availability of sufficient receivables of the required quality, with securitization debt at June 30, 2021 amounting to €15 million;
- €2,500 million in confirmed, undrawn lines of credit.

12.4 Cash and cash equivalents

(in € millions)	June 30, 2021	December 31, 2020
Money-market funds	2,811	3,516
Bank deposits subject to up to a three-month notice period	768	962
Cash at bank and in hand	233	269
CASH AND CASH EQUIVALENTS	**3,812**	**4,747**

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

Restricted deposits consist mainly of cash and cash equivalents subject to prudential rules in Ireland specific to captive insurance companies (June 30, 2021: €51 million; December 31, 2020: €50 million).

12.5 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 June 30, 2021:

(in € millions)	FVTPL	FVOCI	Amortized cost	Total
Trade receivables	-	-	3,543	3,543
Current financial assets	92	10	349	451
Cash and cash equivalents	3,044	-	768	3,812
Non-current financial assets	316	292	557	1,165
TOTAL FINANCIAL ASSETS	**3,452**	**302**	**5,217**	**8,971**

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

The following tables present the Group's financial assets and liabilities measured at fair value at June 30, 2021 and December 31, 2020 by level in the fair value measurement hierarchy:

(in € millions)	Level 1	Level 2	Level 3	June 30, 2021	December 31, 2020
Cash and cash equivalents	3,044	-	-	3,044	3,786
Current financial assets	20	82	-	102	74
Non-current financial assets	54	114	440	608	336
TOTAL ASSETS	**3,118**	**196**	**440**	**3,754**	**4,196**
Financial liabilities	-	153	-	153	117
TOTAL LIABILITIES	**-**	**153**	**-**	**153**	**117**

There were no material transfers between level 1 and level 2 during first-half 2021.

NOTE 13 SHARE CAPITAL AND SHARE PREMIUMS

(in € millions)	Share capital	Share premiums	Total
At January 1, 2020	**357**	**2,789**	**3,146**
Issuance of shares upon exercise of stock options and performance share rights	-	1	1
Cancellation of shares	-	-	-
Other	-	-	-
At June 30, 2020	**357**	**2,790**	**3,147**
Issuance of shares upon exercise of stock options and performance share rights	1	53	54
Cancellation of shares	(2)	(97)	(99)
Other	1	-	1
At December 31, 2020	**357**	**2,746**	**3,103**
Issuance of shares upon exercise of stock options and performance share rights	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2021	**357**	**2,746**	**3,103**

(number of shares)	Shares issued	Treasury shares	Shares outstanding
At January 1, 2020	**178,627,555**	**-**	**178,627,555**
Issuance of shares upon exercise of stock options and performance share rights	13,786	-	13,786
Share buybacks	-	(216,935)	(216,935)
Sales of treasury shares	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
At June 30, 2020	**178,641,341**	**(216,935)**	**178,424,406**
Issuance of shares upon exercise of stock options and performance share rights	796,285	-	796,285
Share buybacks	-	(880,605)	(880,605)
Sales of treasury shares	-	-	-
Cancellation of shares	(1,097,540)	1,097,540	-
Other	-	-	-
At December 31, 2020	**178,340,086**	**-**	**178,340,086**
Issuance of shares upon exercise of stock options and performance share rights	9,953	-	9,953
Share buybacks	-	(8,032)	(8,032)
Sales of treasury shares	-	8,032	8,032
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2021	**178,350,039**	**-**	**178,350,039**

The shares have a par value of €2 (unchanged from 2020). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

The dividend approved at the Annual Shareholders Meeting of May 21, 2021 was €2.30 per share (2020: €2.00 per share). The cash-only dividend was paid on May 27, 2021 for a net amount of €410 million (2020: €357 million).

NOTE 14 RESERVES

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2020	**(287)**	**-**	**78**	**10,289**	**10,080**
Dividends and other appropriations	-	-	-	(368)	(368)
Share buybacks	-	(99)	-	-	(99)
Sale/cancellation of shares	-	-	-	-	-
Other	-	-	-	13	13
Transactions with the shareholders of the Company	**-**	**(99)**	**-**	**(355)**	**(454)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	(134)	(134)
Post-employment benefits	-	-	-	*79*	*79*
Tax effect – Post-employment benefits	-	-	-	*(11)*	*(11)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*5*	-	*5*
Tax effect – equity instruments at fair value through OCI	-	-	-	-	-
Other	-	-	-	-	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	5	68	73
Cash flow hedges – changes in fair value	-	-	*27*	-	*27*
Currency translation differences	*(492)*	-	-	-	*(492)*
Other	-	-	*(5)*	*(3)*	*(8)*
Other comprehensive income/(loss) that may be reclassified to the income statement	(492)	-	22	(3)	(473)
Total comprehensive income/(loss)	**(492)**	**-**	**27**	**(69)**	**(534)**
At June 30, 2020	**(779)**	**(99)**	**105**	**9,865**	**9,092**
Dividends and other appropriations	-	-	-	-	-
Share buybacks	-	-	-	-	-
Sale/cancellation of shares	-	99	-	-	99
Other	-	-	-	3	3
Transactions with the shareholders of the Company	**-**	**99**	**-**	**3**	**102**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	766	766
Post-employment benefits	-	-	-	*66*	*66*
Tax effect – Post-employment benefits	-	-	-	*(22)*	*(22)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*23*	-	*23*
Tax effect – equity instruments at fair value through OCI	-	-	*(7)*	-	*(7)*
Other	-	-	*(3)*	*3*	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	13	47	60
Cash flow hedges – changes in fair value	-	-	*(11)*	-	*(11)*
Currency translation differences	*(485)*	-	-	-	*(485)*
Other	*(1)*	-	*7*	-	*6*
Other comprehensive income/(loss) that may be reclassified to the income statement	(486)	-	(4)	-	(490)
Total comprehensive income/(loss)	**(486)**	**-**	**9**	**813**	**336**
At December 31, 2020 – carried forward to next page	**(1,265)**	**-**	**114**	**10,681**	**9,530**

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At December 31, 2020 – brought forward from previous page	**(1,265)**	**-**	**114**	**10,681**	**9,530**
Dividends and other appropriations	-	-	-	(414)	(414)
Share buybacks	-	(1)	-	-	(1)
Sale/cancellation of shares	-	1	-	-	1
Other	-	-	-	10	10
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(404)**	**(404)**
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,030	1,030
Post-employment benefits	-	-	-	*254*	*254*
Tax effect – Post-employment benefits	-	-	-	*(67)*	*(67)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*4*	-	*4*
Tax effect – equity instruments at fair value through OCI	-	-	-	-	-
Other	-	-	*(1)*	*1*	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	3	188	191
Cash flow hedges – changes in fair value	-	-	*(5)*	-	*(5)*
Currency translation differences	*337*	-	-	-	*337*
Other	*(2)*	-	*4*	*1*	*3*
Other comprehensive income/(loss) that may be reclassified to the income statement	335	-	(1)	1	335
Total comprehensive income/(loss)	**335**	**-**	**2**	**1,219**	**1,556**
AT JUNE 30, 2021	**(930)**	**-**	**116**	**11,496**	**10,682**

During first-half 2021, the Group bought back 8,032 shares for €1 million and then sold them immediately.

In January 2020, an agreement was signed with an investment services provider under which the Company undertook to buy back up to €100 million worth of Michelin shares before November 19, 2020.

A total of 1,097,540 shares were finally bought back under the program at an average price per share of €89.83, representing a total investment of €99 million. All of the shares bought back under the agreement were canceled before the end of 2020.

NOTE 15 EMPLOYEE BENEFIT OBLIGATIONS

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

(in € millions)	Pension plans	Other plans	2021	2020
At January 1	**1,626**	**1,863**	**3,489**	**3,828**
Contributions paid to the funds	(10)	-	(10)	(84)
Benefits paid directly to the beneficiaries	(29)	(42)	(71)	(70)
Other movements	-	(4)	(4)	-
Items recognized in operating income				
Current service cost	22	34	56	55
Actuarial (gains) or losses recognized on other long-term benefit plans	-	-	-	-
Past service cost resulting from the introduction of new plans or plan amendments	-	-	-	-
Past service cost resulting from plan curtailments	-	-	-	-
(Gains) or losses on plan settlements	-	-	-	-
Effect of plan curtailments recognized within reorganizations and adaptation of activities	(33)	(54)	(87)	-
Other items	5	-	5	3
Items recognized outside operating income				
Net interest on employee benefit obligations	6	13	19	28
Items recognized in other comprehensive income				
Translation adjustments	(5)	28	23	(17)
Actuarial (gains) or losses	(213)	(81)	(294)	(112)
Unrecognized assets due to the effect of the asset ceiling	40	-	40	33
AT JUNE 30	**1,408**	**1,758**	**3,166**	**3,664**
Recognized in the consolidated statement of financial position as follows:				
Non-current financial assets and other non-current assets			*242*	*194*
Employee benefit obligations			*3,408*	*3,858*

In France, the voluntary early retirement and voluntary outplacement measures provided for in the 2021 Collective Settlement Agreement (note 4) had the effect of reducing the Group's pension obligations by €33 million and its other post-employment benefit obligations by €54 million. A provision for reorganizations and adaptation of activities was recorded at June 30, 2021 (note 16).

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

(in € millions)	Eurozone	United Kingdom	United States	Canada	Total
Discount rate at June 30, 2021	0.93%	1.90%	2.79%	3.10%	n/a
Discount rate at December 31, 2020	0.54%	1.45%	2.49%	2.42%	n/a
Inflation rate at June 30, 2021	1.72%	3.20%	2.00%	2.00%	n/a
Inflation rate at December 31, 2020	1.68%	2.90%	2.00%	2.00%	n/a
Actuarial (gains)/losses arising from changes in assumptions	(110)	(120)	(115)	(115)	(460)
Experience (gains)/losses on plan assets	-	104	5	57	166
ACTUARIAL (GAINS) OR LOSSES	**(110)**	**(16)**	**(110)**	**(58)**	**(294)**

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

NOTE 16 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €768 million (2020: €775 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 to the consolidated financial statements at December 31, 2020 on "Revenue recognition".

16.1 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, 2021	**258**	**345**	**603**
Additional provisions	113	66	179
Provisions utilized during the period	(105)	(33)	(138)
Unused provisions reversed during the year	(2)	(1)	(3)
Translation adjustments	2	6	8
Other effects	-	(5)	(5)
AT JUNE 30, 2021	**266**	**378**	**644**
Of which short-term portion	*178*	*72*	*250*

Additional provisions for reorganizations and adaptation of activities include the provision set up for the costs associated with the simplification and competitiveness plan in France for an amount of €99 million (notes 4 and 15).

16.2 Provisions for claims and litigation, warranties and other provisions

Provisions at June 30 concern the following risks:

(in € millions)	June 30, 2021	December 31, 2020
Provisions for claims and litigation	102	90
Provisions for product warranties	69	62
Provisions for product liability claims	51	40
Other provisions for contingencies	156	153
TOTAL	**378**	**345**

NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	First-half 2021	First-half 2020
Investment grants recognized in profit or loss	(5)	(5)
Change in employee benefit obligations	(30)	(105)
Change in litigation and other provisions	30	13
Restructuring costs	(108)	(110)
Other	12	8
Other operating income and expenses (cash) and change in provisions	**(101)**	**(199)**
Interest and other financial expenses paid	(68)	(155)
Interest and other financial income received	3	11
Dividends received	4	7
Interest and other financial income and expenses received and paid, net	**(61)**	**(137)**
Change in inventories	(629)	304
Change in trade receivables and advances	(412)	262
Change in trade payables and advances	113	(665)
Change in trade payables under reverse factoring agreements	73	(175)
Change in other receivables and payables	22	37
Change in working capital, net of impairment	**(833)**	**(237)**
Purchases of intangible assets	(95)	(77)
Purchases of PP&E	(448)	(413)
Government grants received	6	4
Change in capital expenditure payables	(117)	(283)
Purchases of intangible assets and PP&E	**(654)**	**(769)**
Increase in other non-current financial assets	(35)	(51)
Decrease in other non-current financial assets	39	6
Net cash flows from cash management financial assets	-	-
Net cash flows from borrowing collaterals	2	9
Net cash flows from other current financial assets	(9)	(10)
Cash flows relating to other financial assets	**(3)**	**(46)**
Increase in non-current financial liabilities	4	505
Decrease in non-current financial liabilities	(821)	(145)
Repayment of lease liabilities	(124)	(114)
Net cash flows from current financial liabilities	63	1,537
Derivatives	(13)	(56)
Cash flows relating to financial liabilities	**(891)**	**1,727**
Details of non-cash transactions:		
▶ New leases	85	95
▶ New emission rights	1	11

NOTE 18 LITIGATION AND CONTINGENT LIABILITIES

The Group is involved in litigation arising in the normal course of business. Taken as a whole, the resulting liabilities are not expected to be material in relation to the Group's business or consolidated financial position.

During first-half 2021, one of the Group's Brazilian subsidiaries received a notice of reassessment from the tax authorities relating to the 2017 financial year.

The reassessment concerns the deductibility of goodwill amortization recorded during the year.

The company is strongly contesting the reassessment under a standard procedure brought before the administrative court on April 27, 2021. It considers that amortizing the goodwill was justified, in terms of both its form and substance, and believes that the court is likely to find in its favor. Consequently, no provision has been recorded for this matter.

NOTE 19 EVENTS AFTER THE REPORTING DATE

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

05. STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

(Half-year ended June 30, 2021)

To the Shareholders,

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

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

- the review of the accompanying condensed interim consolidated financial statements of Compagnie Générale des Établissements Michelin, for the six-month period ended June 30, 2021;
- the verification of the information contained in the interim management report.

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and limited review of the condensed interim consolidated financial statements. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency induce multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on the way in which our work is carried out.

These condensed interim consolidated financial statements have been drawn up under the responsibility of the Managing Chairman. Our role is to express our conclusion on these financial statements based on our limited review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France.

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

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

II. SPECIFIC VERIFICATION

We have also verified the information given in the half-year activity report commenting on the condensed interim consolidated financial statements on which our limited review was based.

We have no observations to make as to their fairness and their consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 26, 2021

The Statutory Auditors

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

06. STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST-HALF 2021 FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, (i) the condensed financial statements for the past six-month period have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and (ii) the first-half business review on pages 76 to 106 presents a fair review of the material events that occurred in the first six months of the financial year, of their impact on the interim accounts, and of the main related-party transactions, and also describes the principal risks and uncertainties for the remaining six months of the year.

Florent Menegaux

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