



**MICHELIN**

A BETTER WAY FORWARD

OCTOBER  
25,  
2021

***SALES AT  
SEPTEMBER 30, 2021***



A person wearing a helmet and riding gear is riding a motorcycle on a dark asphalt road that curves through a mountainous landscape. The road is bordered by large, rectangular stone blocks. The background shows steep, rocky hills with some sparse vegetation. The lighting suggests it might be late afternoon or early morning, with long shadows cast across the road.

**1**

***2021 Q3 & 9 MONTHS SALES***



## **DESPITE A TURBULENT ENVIRONMENT, THE GROUP REPORTED €17.2BN IN SALES FOR THE NINE MONTHS ENDED SEPT 30, A RISE OF 15.6%**

- The environment in which the Group is currently operating is characterised by:
  - the persistent health crisis
  - extensive disruption across every supply chain
  - rising raw materials, logistics and now, energy costs
  - worsening labor shortages in North America and, to a lesser extent, in Europe
- As comparatives turned less favorable than in H1, demand varied widely in the third quarter:
  - the OE PC/LT tire market fell 21% over the quarter, dragged down by the ongoing chip shortage, while the RT segment was stable
  - the Truck tire market continued to expand outside China, gaining 7% over the quarter, but plunged by a steep 30% in China
  - demand in the Specialty markets remained robust, with a particularly strong rebound in the OE Construction and Agricultural tire segments
- With sales of €6 billion in the third quarter, consolidated sales ended the first nine months at €17.2 billion, up 15.6% year on year:
  - 14.8% growth in tire volumes, of which 1.3% in the third quarter
  - a 2.8% gain from price increases designed to offset sharply rising costs
  - a 1.3% increase from the mix effect, reflecting market share gains in the 18”+ segment and a favorable OE/RT mix in the Automotive division
  - a 5.8% increase in non-tire sales
  - a 3.5% decrease from the unfavorable currency effect
- The Group maintains its guidance for 2021<sup>(1)</sup>

*(1) Barring any new systemic impact from Covid-19, such as deeper supply chain disruptions or tighter restrictions on freedom of movement that could result in a significant drop in the tire markets.*

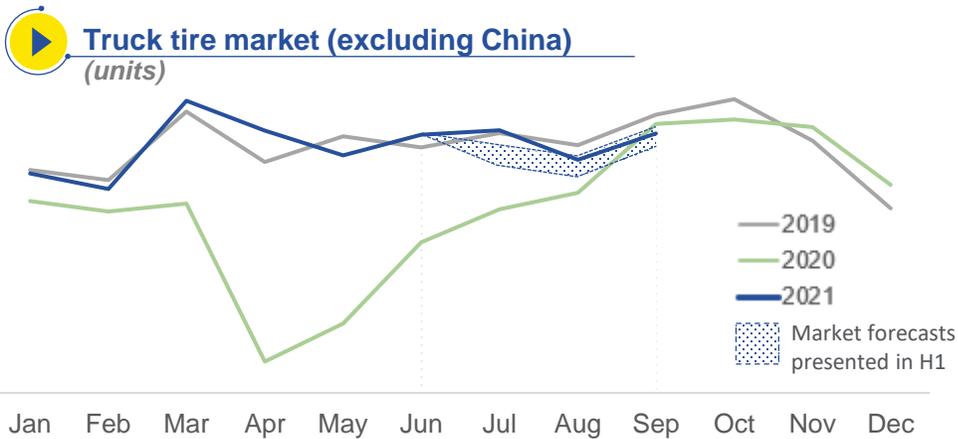
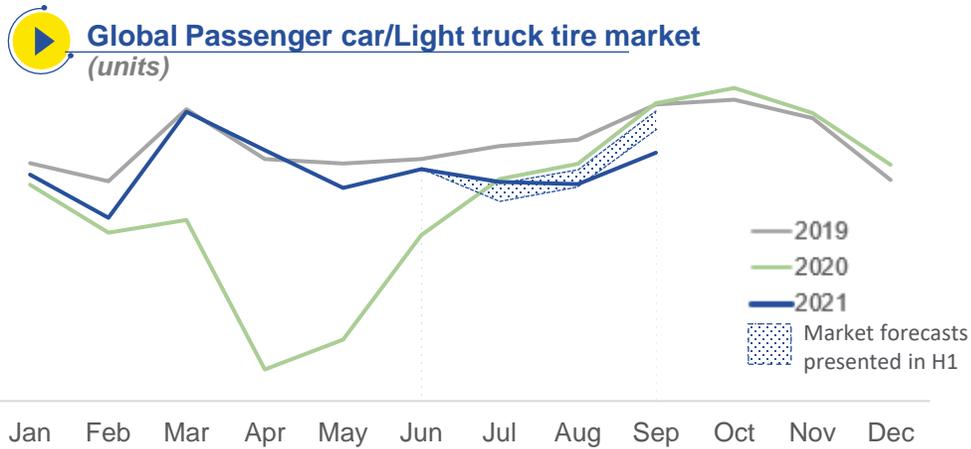




# THE SHARP SLOWDOWN IN OE PC/LT MARKETS IS WEIGHING ON DEMAND, IN AN ENVIRONMENT THAT IS LIKELY TO REMAIN DISRUPTED FOR LONG

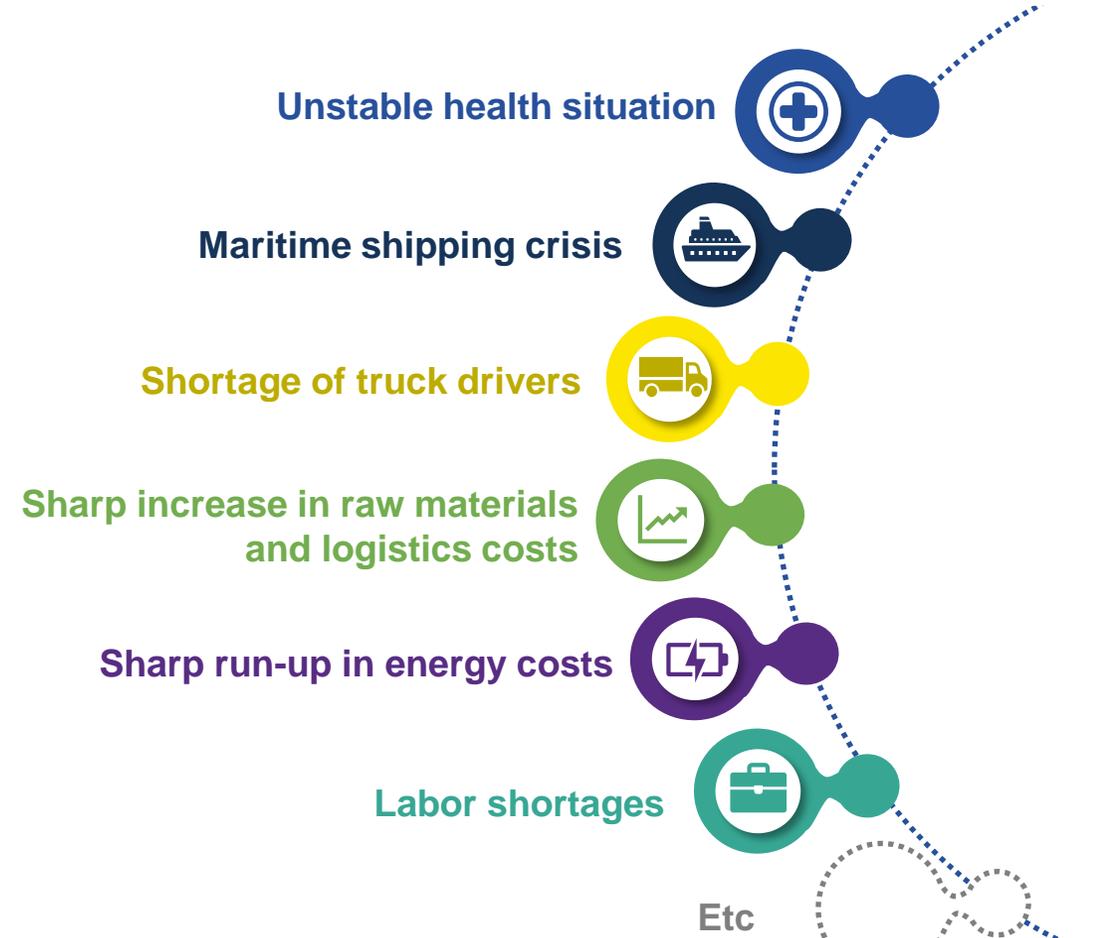
Demand has suffered in PC/LT from the slowdown in OE markets, but remains robust in the RT segment and in Truck tires excluding China...

... in an environment that is likely to remain disrupted for a long time across every supply chain



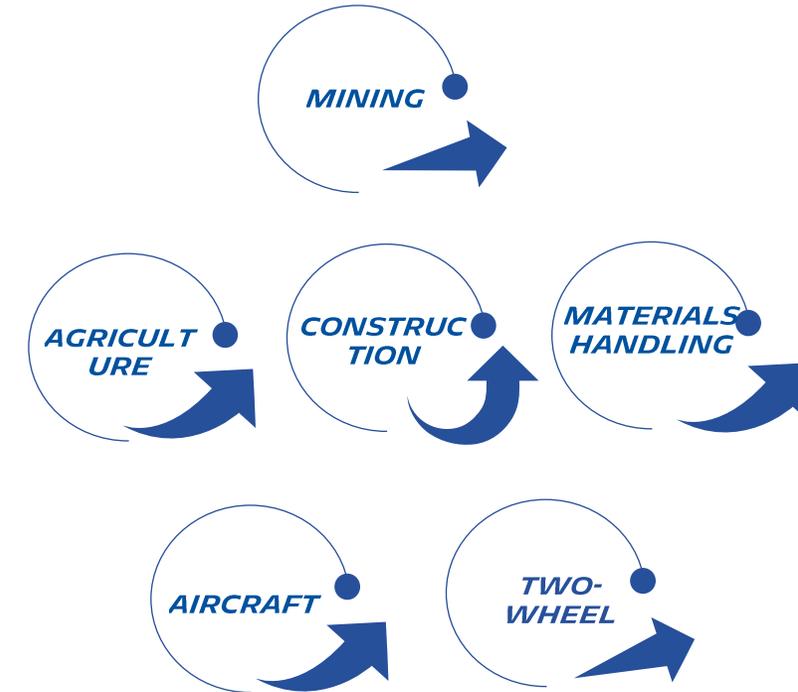
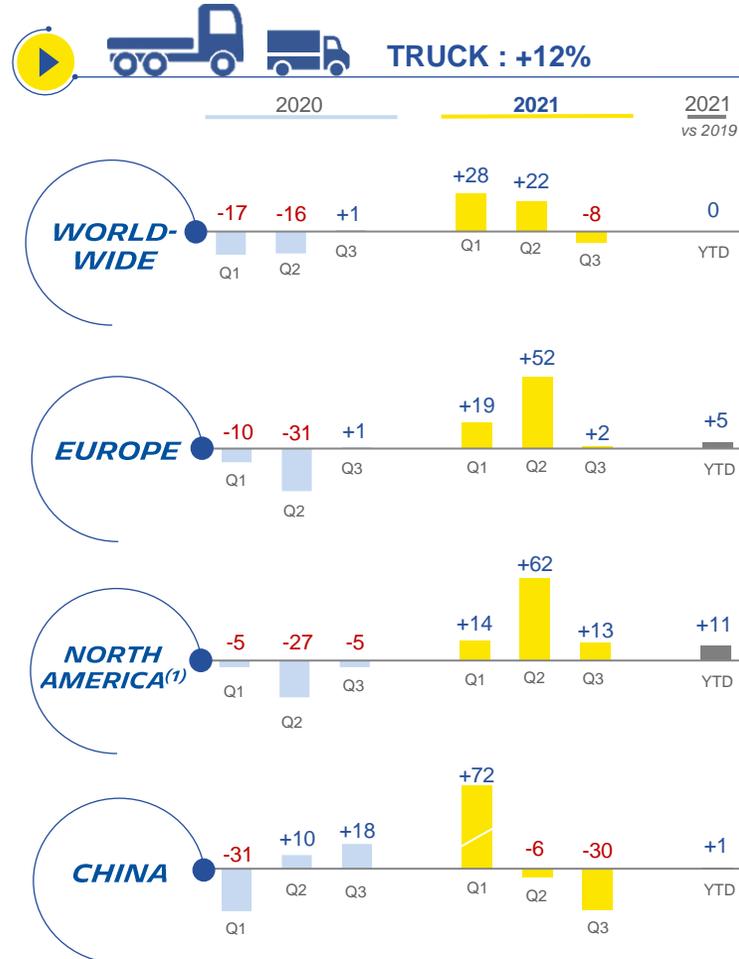
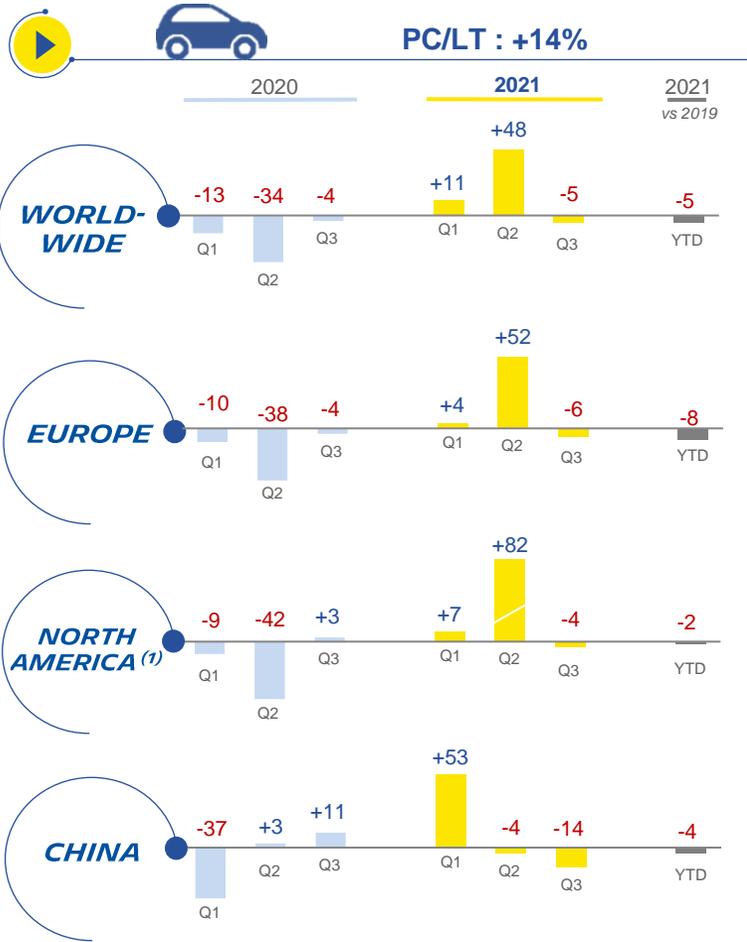
Source: Michelin Market data are regularly adjusted and may be updated following their initial publication.

**4 Sales at September 30, 2021 – October 25, 2021**





# 9M 2021 MARKETS: PC/LT DOWN ON 2019, TRUCK TIRES BACK IN LINE. SPECIALTIES EXPECTED TO REBOUND OVER THE FULL YEAR.



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

(1) Including Central America

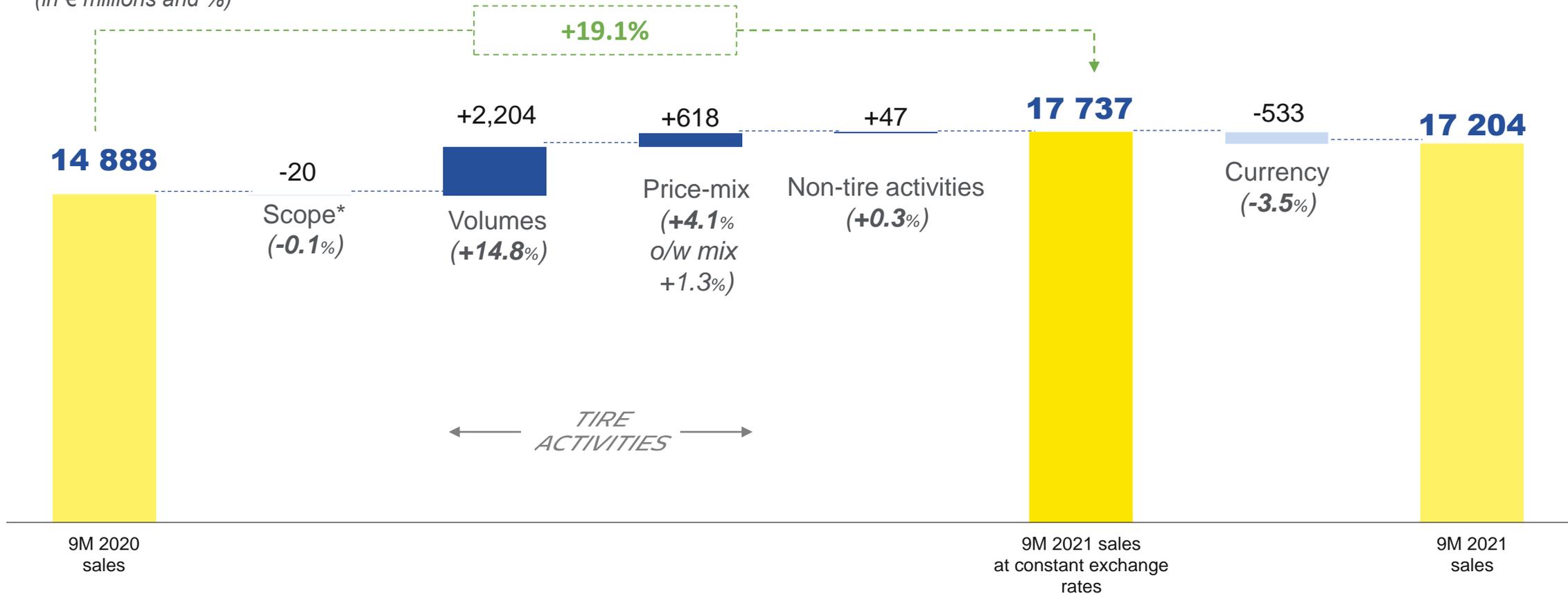


**9M 2021: TIRE SALES UP, LIFTED BY THE FIRST-HALF REBOUND IN DEMAND, A ROBUST MIX AND DISCIPLINED PRICE MANAGEMENT. NON-TIRE SALES UP €47M, OR 5.8% AT CONSTANT EXCHANGE RATES.**



**Analysis of Nine-month sales**

(in € millions and %)



\* Deconsolidation of the printing, publishing and marketing businesses associated with Maps & Guides for France (Michelin Editions) on February 1, 2021, and of Solesis on May 28, 2021; consolidation of TechnoBalt on May 1, 2021, ConVeyBelt on May 1, 2020 and MAV S.p.A. on December 1, 2020.



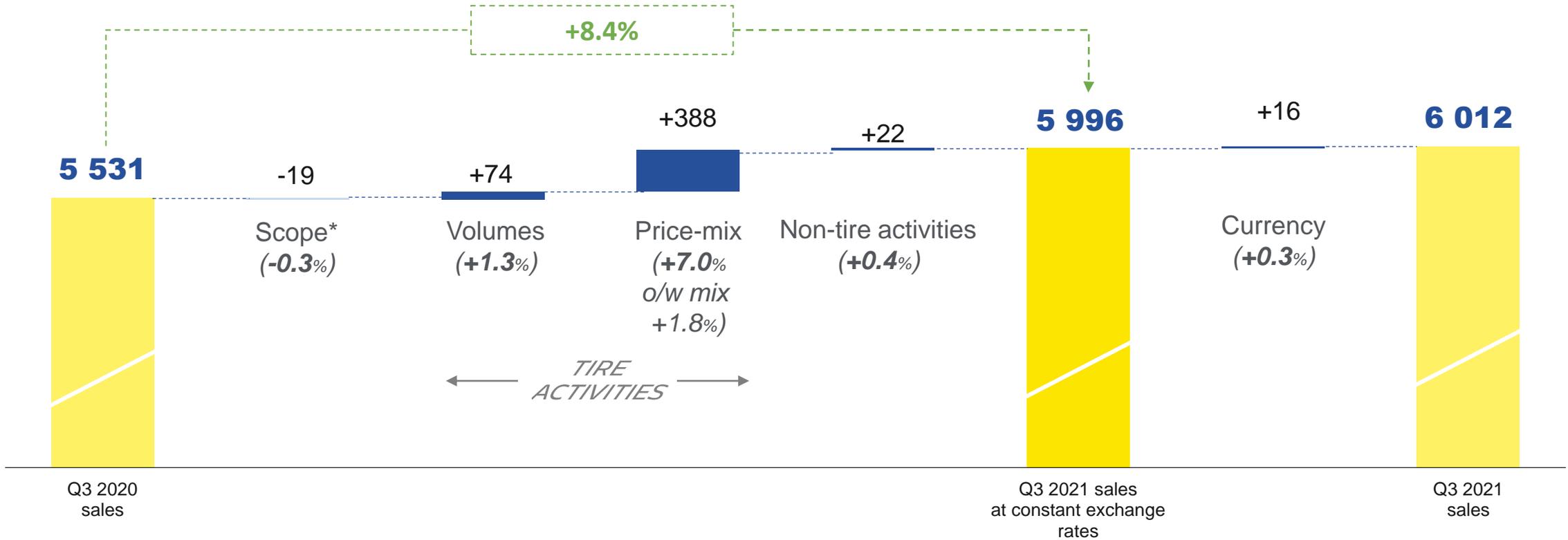


**Q3 2021: TIRE SALES UP, LIFTED BY A ROBUST MIX AND DISCIPLINED PRICE MANAGEMENT.  
NON-TIRE SALES UP BY €22 MILLION, OR 8.2% AT CONSTANT EXCHANGE RATES.**



**Analysis of quarterly sales**

(in € millions and %)



\* Deconsolidation of the printing, publishing and marketing businesses associated with Maps & Guides for France (Michelin Editions) on February 1, 2021, and of Solesis on May 28, 2021; consolidation of TechnoBalt on May 1, 2021, ConVeyBelt on May 1, 2020 and MAV S.p.A. on December 1, 2020.



## **SALES GROWTH IN EVERY SEGMENT. RESPONSIVE PRICING POLICIES IN ALL NON-INDEXED BUSINESSES.**

<i>(in € millions)</i>		<b>Nine months 2021</b>	<b>Nine months 2020</b>	<i>Change</i>
	<b>RS1 sales</b>	<b>8,603</b>	7,236	+18.9%
	<b>RS2 sales</b>	<b>4,503</b>	3,870	+16.4%
	<b>RS3 sales</b>	<b>4,098</b>	3,782	+8.4%

### **At a time of steeply rising costs and significant supply chain disruptions:**

- **RS1:** strong growth in sales led by responsive pricing management, market share gains in 18"+ tires and a favorable OE/RT mix, as OE sales were severely impacted by the shortage of auto semiconductors.
- **RS2:** strong growth in sales led by robust demand in Europe and North America, responsive pricing management and sustained expansion in fleet management solutions.
- **SR3:** higher sales driven by the Beyond Road businesses (Construction, Agricultural, Material Handling) over the first nine months, creating a negative business mix; in the non-indexed businesses, disciplined price management was not enough to offset the sharp run-up in costs over the short term (because raw materials clauses are adjusted only every six months on average). Turmoil in the supply chain is complicating finished product shipments, particularly for the Mining tire business.



Sales at September 30, 2021 – October 25, 2021





# ***2021 GUIDANCE***





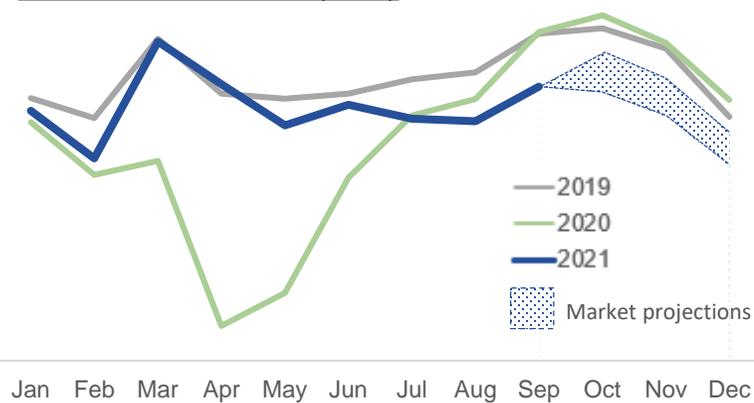
# 2021 MARKET SCENARIO: IN A HIGHLY TURBULENT ENVIRONMENT, DEMAND STILL LAGS BEHIND 2019 LEVELS



**PC/LT: +6% / +8%\***

- OE: OEM supply chain constrictions are weighing on demand more heavily than forecast in the first half
- RT: global demand remains high, despite signs of a slowdown in China

PC/LT market forecast (units)



\* vs 2020

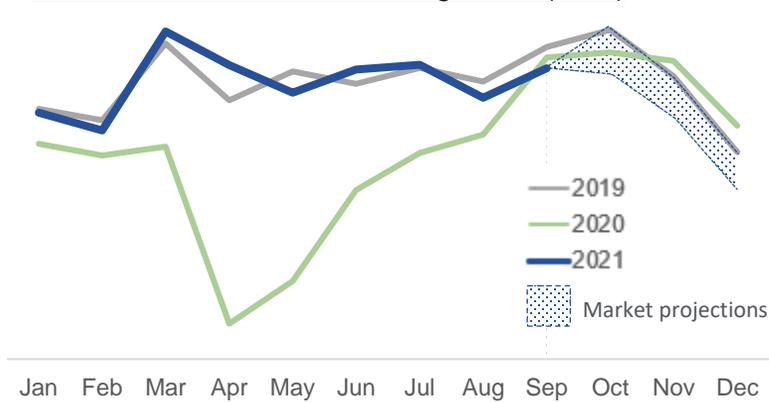


**TRUCK: +6% / +8%\***

Truck tires excl. China: +11% / +13%\*

- OE: markets rebounding outside China, from higher comparatives in the second half
- RT: global demand excluding China remains strong, buoyed by freight demand in every region

Truck market forecast, excluding China (units)



**SPECIALTIES: +9% / +11%\***

- Mining tires: demand remains robust, but supply chain disruptions are complicating shipments
- Off-the-road tires: fast growing demand
- Two-wheel tires: sustained growth
- Aircraft tires: growth in demand from weak comparatives



## 2021 SCENARIO

	2021
Volumes	<b>Slightly above markets</b>
Net price-mix/raw materials effect	<b>Positive</b> including in the second-half
Cost impact of raw materials prices, customs duties, logistics and energy	<b>Strongly negative</b>
Currency effect*	<b>Strongly negative</b>

\* See slide 21



## **FULL-YEAR 2021 GUIDANCE MAINTAINED <sup>(1)</sup>**

	<b>2021</b>
Segment Operating Income at constant exchange rates	<b>&gt; €2,800m</b>
Structural Free Cash Flow <sup>(2)</sup>	<b>&gt; €1,000m</b>

*(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) Structural Free Cash Flow : see slide 64*



# MICHELIN CROSSCLIMATE<sup>2</sup>



15" to 20"



AB 69-71 dB



All-season



Labelling from 01/05/2021 : (a) Fuel efficiency class (from A to E), B for majority dimensions. (b) Wet grip class (from A to E). (c) External rolling noise class (from A to C) and measured value in decibel (dB). (d) Tyre for use in severe snow conditions.

**1E3** Sales at September 30, 2021 – October 25, 2021





# ***APPENDICES***





## **FINANCE CALENDAR**

- **Coming events :**

- **February 14, 2022 (after close of trading) : 2021 Annual Results**
- **April 26, 2022 (after close of trading) : 2022 First Quarter Sales**



**Sales at September 30, 2021 – October 25, 2021**



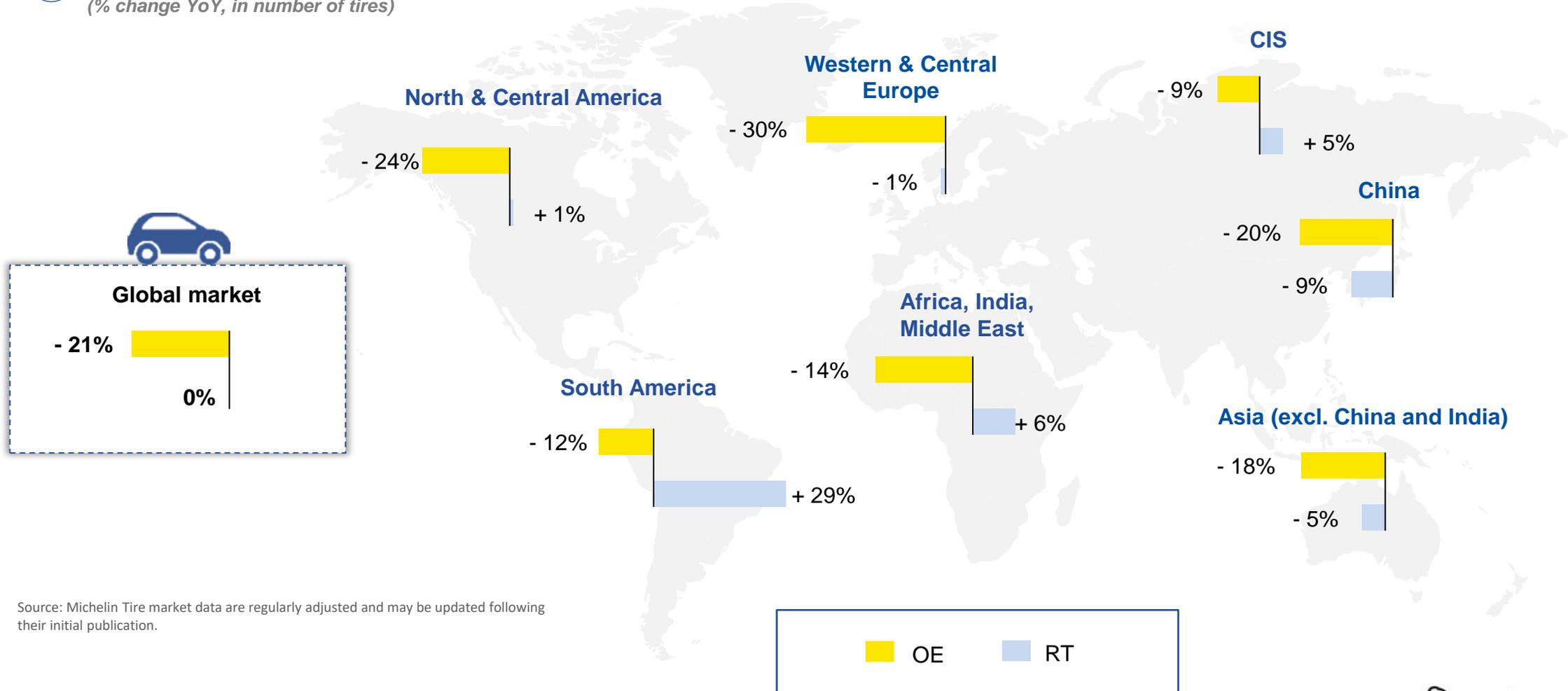


# Q3 2021 – PC/LT MARKETS: WITH LESS FAVORABLE COMPARATIVES THAN IN Q2, OE DEMAND HAS BEEN HARD HIT BY CHIP SHORTAGES; RT DEMAND REMAINS ROBUST



## PC/LT TIRE MARKET, Q3 2021

(% change YoY, in number of tires)



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

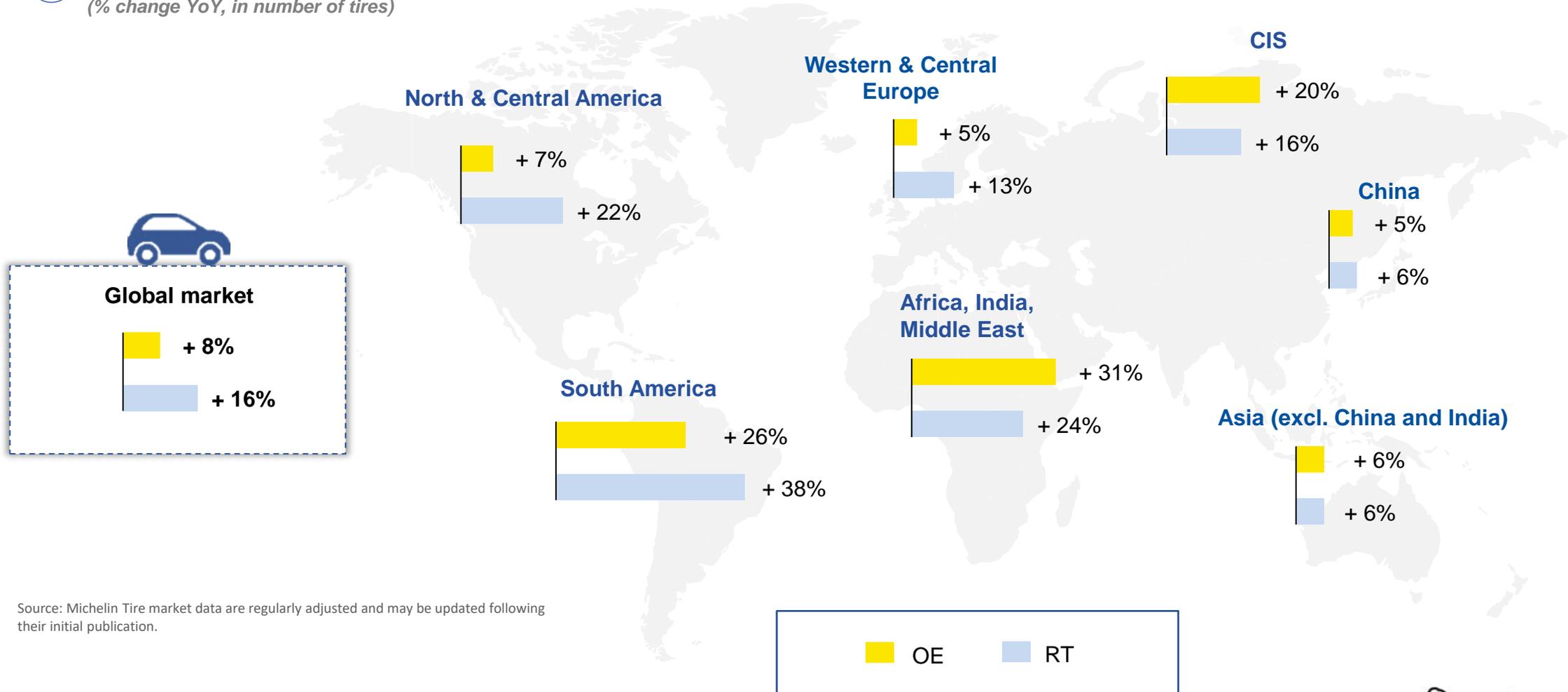


# 9M 2021 – PC/LT MARKETS: SHARP SLOWDOWN IN OE GROWTH IN THE WAKE OF Q3; RT DEMAND STILL EXPANDING DESPITE LESS FAVORABLE COMPS



## PC/LT TIRE MARKET, 9M 2021

(% change YoY, in number of tires)



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



Sales at September 30, 2021 – October 25, 2021



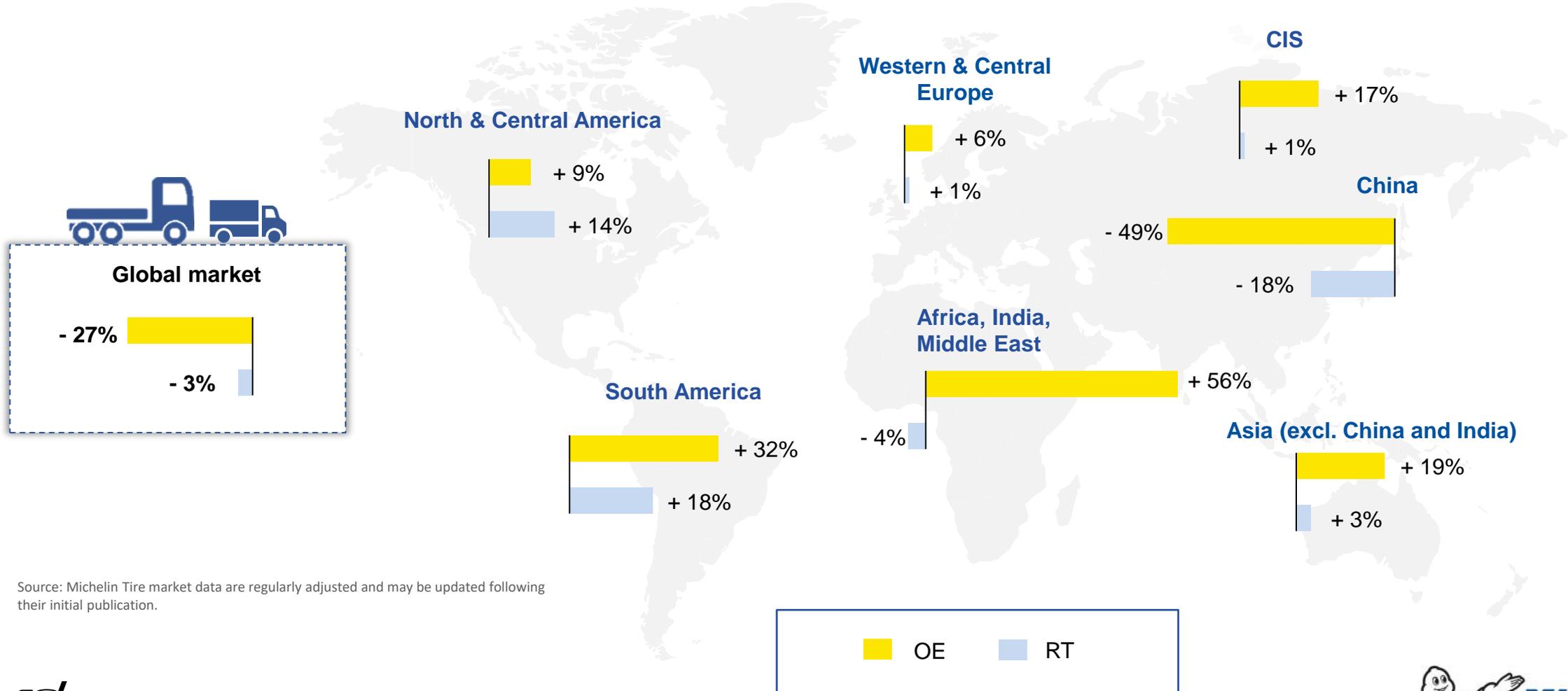


# Q3 2021 – TRUCK TIRE MARKETS: EXCLUDING CHINA AND FROM A LESS FAVORABLE BASE THAN IN Q2, DEMAND CONTINUED TO BE SUPPORTED BY FLEET UPGRADES AND GROWTH IN FREIGHT DEMAND



## TRUCK TIRE MARKET, Q3 2021

(% change YoY, in number of tires)



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

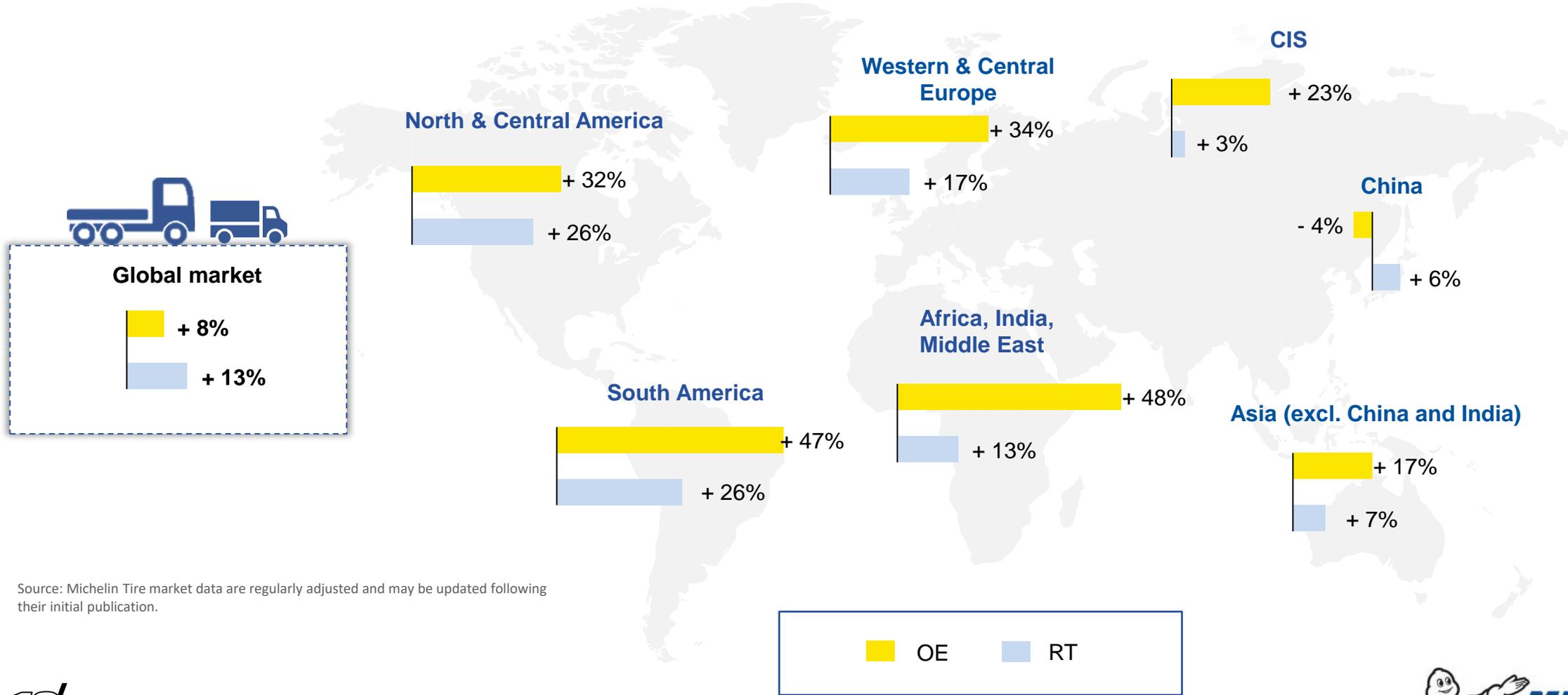


# 9M 2021 – TRUCK TIRE MARKETS: EXCLUDING CHINA, DEMAND WAS SUPPORTED BY FLEET UPGRADES AND GROWTH IN FREIGHT DEMAND, OFF OF LESS FAVORABLE COMPARATIVES



## TRUCK TIRE MARKET, 9M 2021

(% change YoY, in number of tires)



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

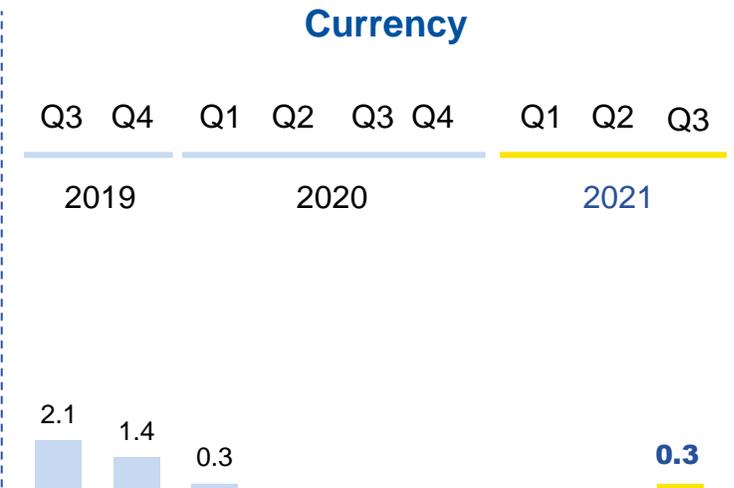


# 9M 2021: AS COMPARATIVES BECAME LESS FAVORABLE IN Q3 (VOLUMES), SALES GROWTH WAS SUPPORTED BY A ROBUST MIX AND RESPONSIVE PRICING MANAGEMENT



## YoY QUARTERLY CHANGE

(in %)





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

% of sales (2020)		9M 2021 € change vs. currency	<i>Dropthrough*</i> sales / SOI
USD	36%	+ 6%	35% / 45%
EUR	32%	-	-
CNY	6%	- 2%	25% / 30%
AUD	3%	- 5%	80% / 85%
GBP	3%	- 2%	25% / 30%
BRL	3%	+ 13%	-30% / -20%
CAD	3%	- 2%	25% / 30%
RUB	1%	+ 12%	25% / 30%
JPY	1%	+ 7%	80% / 85%

% of sales (2020)		9M 2021 € change vs. currency	<i>Dropthrough*</i> sales / SOI
CLP	1%	- 2%	80% / 85%
MXN	1%	- 1%	25% / 30%
THB	1%	+ 6%	-130% / -100%
TRY	1%	+ 29%	80% / 85%
SEK	0,8%	- 4%	80% / 85%
TWD	0,6%	0%	80% / 85%
ZAR	0,4%	- 7%	80% / 85%
ARS	0,3%	+ 48%	80% / 85%
COP	0,2%	+ 6%	80% / 85%
Others	5,7%	-	-

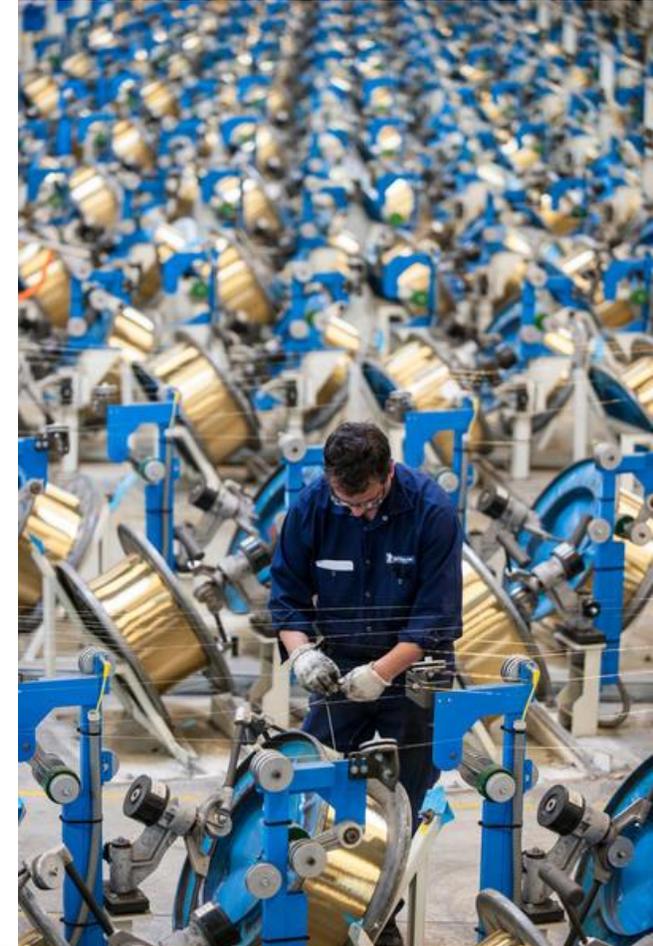
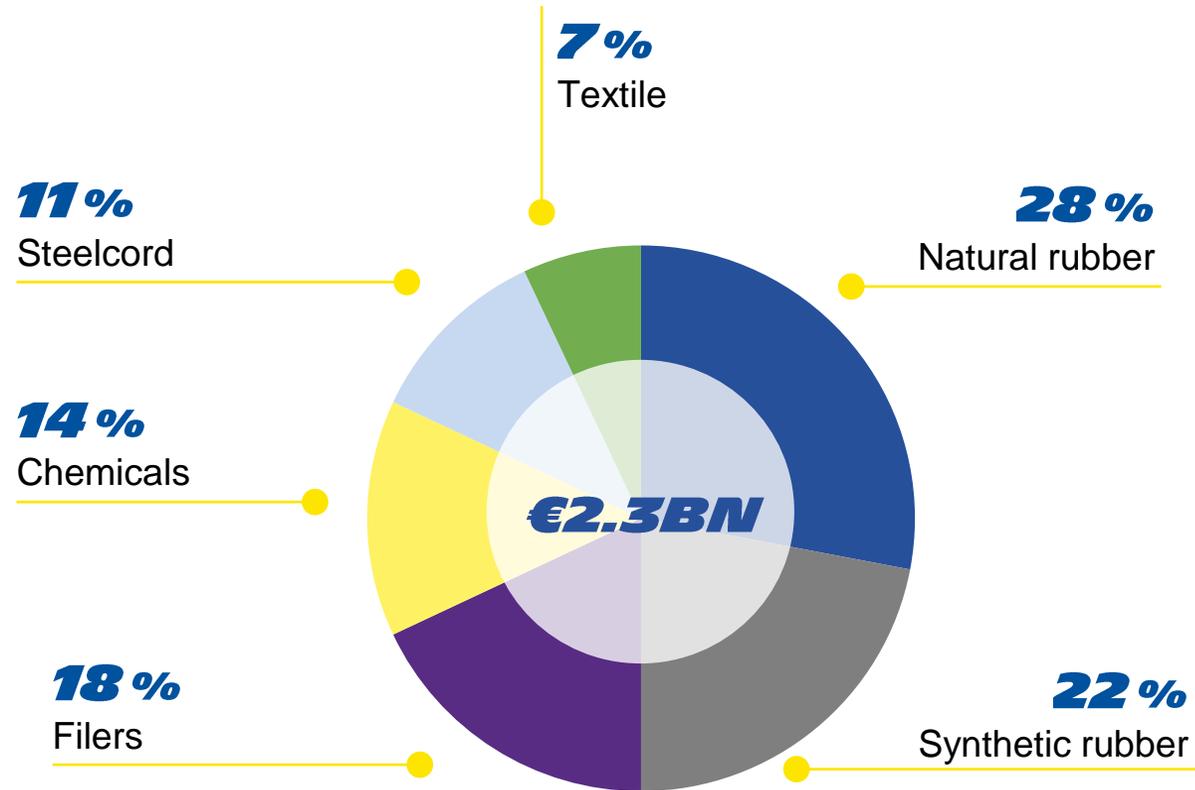
\* droptthrough linked to the export/manufacturing/sales base



## RAW MATERIALS



### COST OF RAW MATERIAL USED IN PRODUCTION IN H1 2021

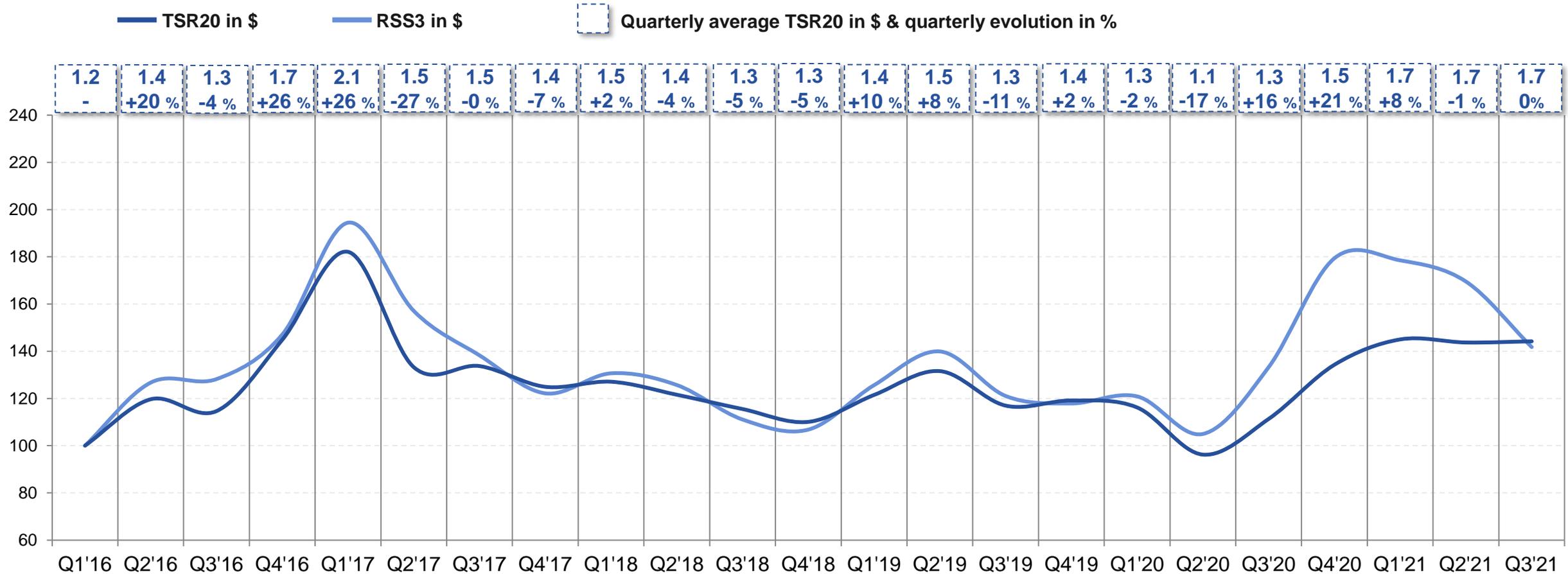




# NATURAL RUBBER PRICE TREND



\$/kg, base 100 in 1<sup>st</sup> 2016 quarter



Source : SICOM

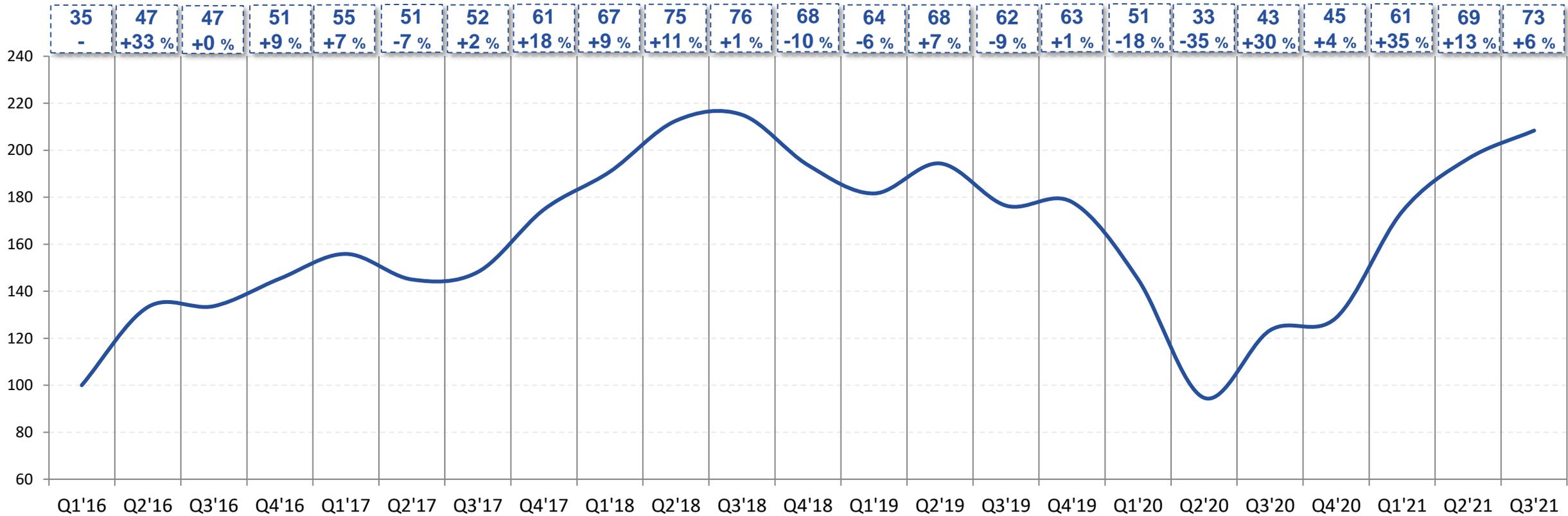


# BRENT PRICE TREND



\$/bbl, base 100 in 1<sup>st</sup> 2016 quarter

— Brent In \$      □ Quarterly average Brent in \$ & quarterly change in %





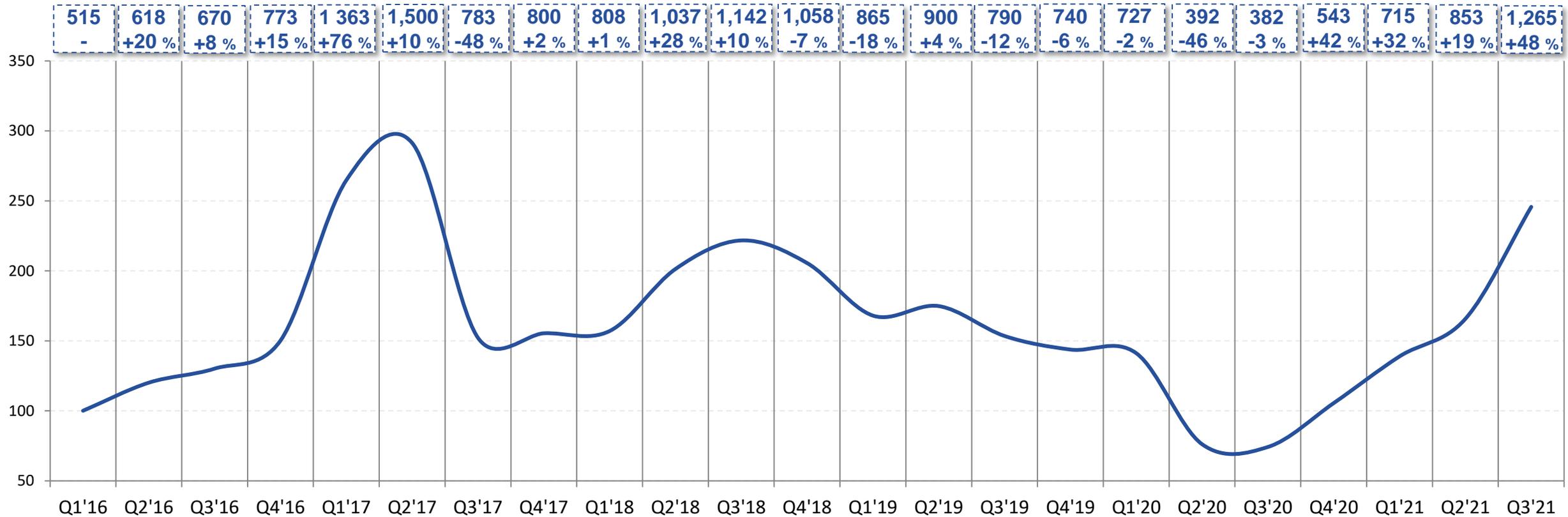
# BUTADIENE PRICE TREND



€/t, base 100 in 1<sup>st</sup> 2016 quarter

— Butadiène Europe in €

☐ Quarterly average Butadiene in \$ & quarterly change in %





# OUTSTANDING BOND ISSUES

(AS OF SEPTEMBER 30, 2021)

Issuer	Compagnie Générale des Établissements MICHELIN										
Issue Type	Senior Note Convertible	Senior Note Bond	Senior Note Convertible	Senior Note Bond	Senior Note Bond	Senior Note Bond	Senior Note Bond	Senior Note Bond	Senior Note Bond	Senior Note Bond	Senior Note 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	€ 1'000 with min. tradable amount € 1'000				

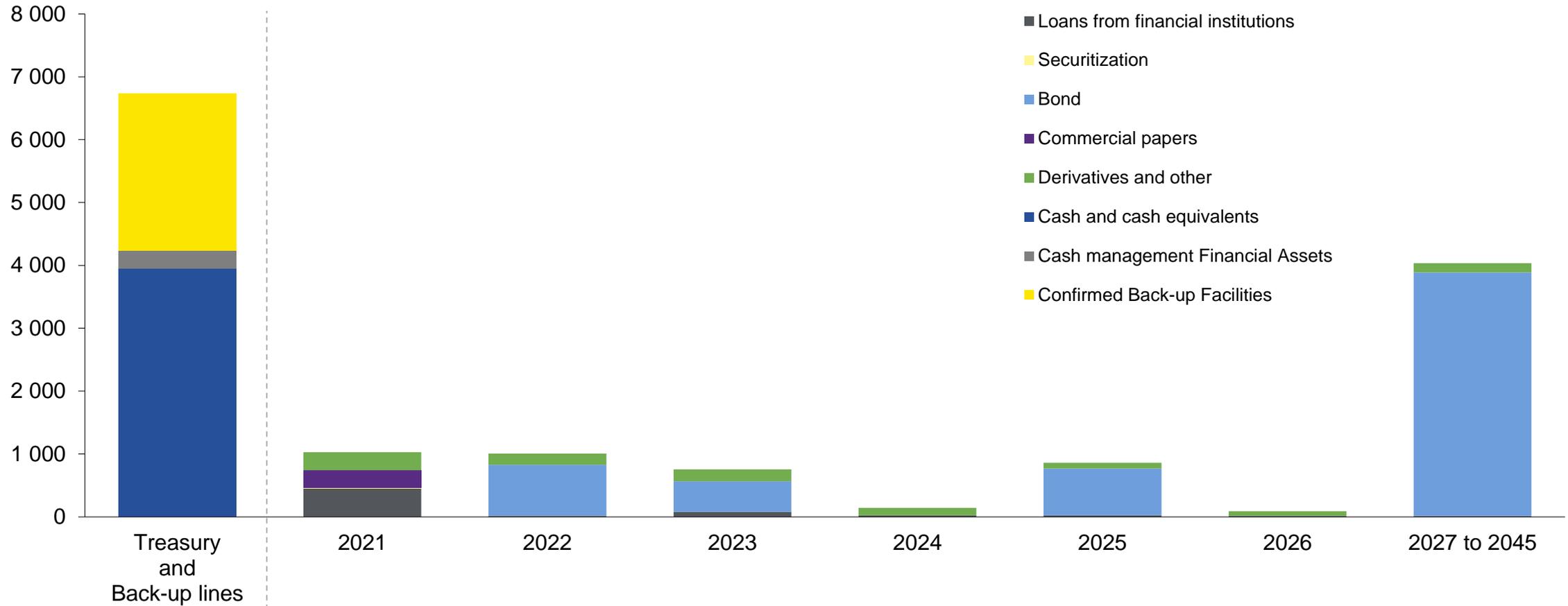


# A COMFORTABLE CASH POSITION



## Debt maturities at September 30, 2021

(carrying amount, in € millions)



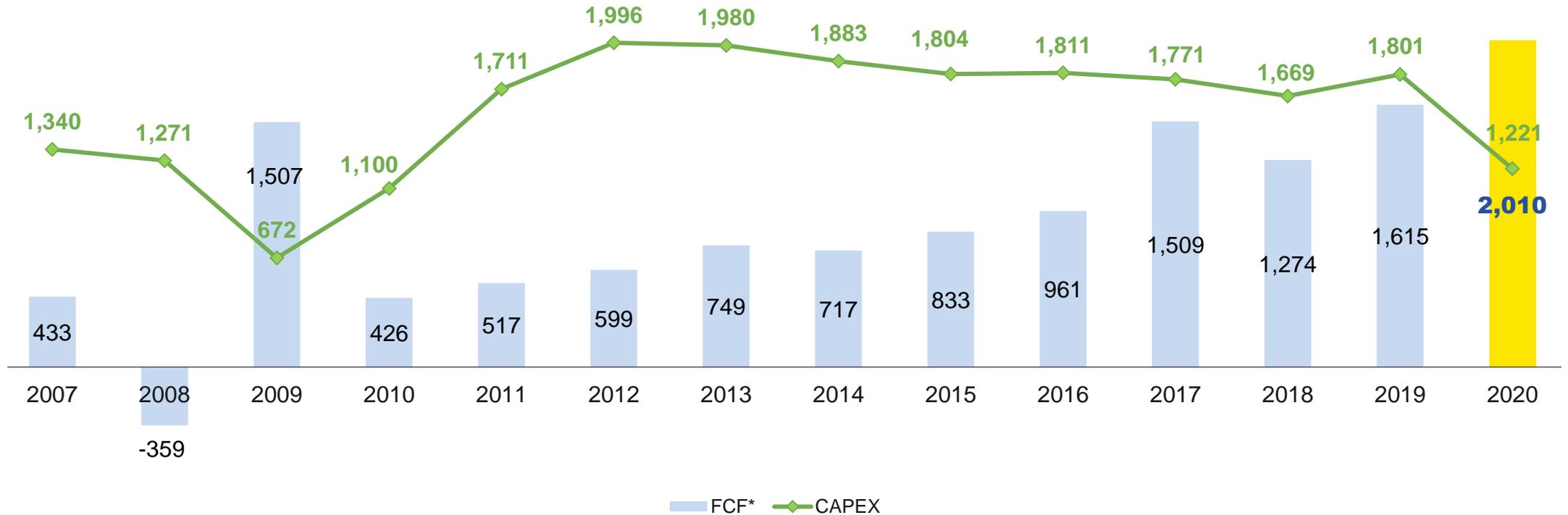


# 2007 – 2020: GROUP CAPACITY TO PROTECT AND IMPROVE ITS FREE CASH FLOW GENERATION



## Free cash flow\* and CAPEX 2007 - 2020

(in € millions)



\* Reported FCF from 2007 to 2010, Structural FCF from 2011 onwards (see slide 64 for Structural FCF definition)

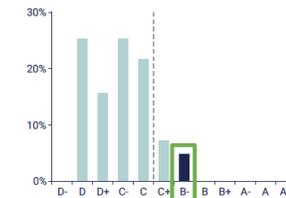
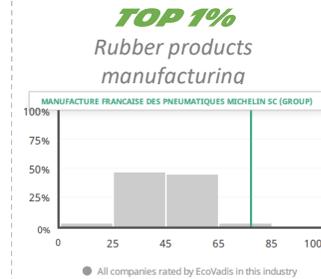
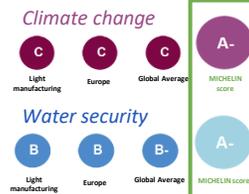
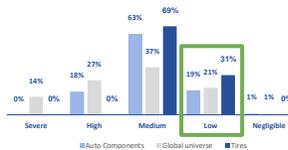


# NON-FINANCIAL PERFORMANCE: MICHELIN, A LEADING AND RECOGNIZED PLAYER IN SUSTAINABLE MOBILITY

## Major sustainability rating (as of September 30, 2021)

	SUSTAINALYTICS <i>(risk rating) 2021</i>	MSCI 2020	CDP 2020	ECOVADIS 2021	ISS ESG 2021	VIGEO EIRIS Moody's 2021
Status	<b>LOW RISK</b>	<b>AA</b>	<b>LEADERSHIP</b>	<b>PLATINUM</b>	<b>PRIME</b>	<b>A1+</b>
Rating	<b>13.1</b>	<b>8.4/10</b>	<b>A-</b>	<b>78/100</b>	<b>B-</b>	<b>73/100</b>

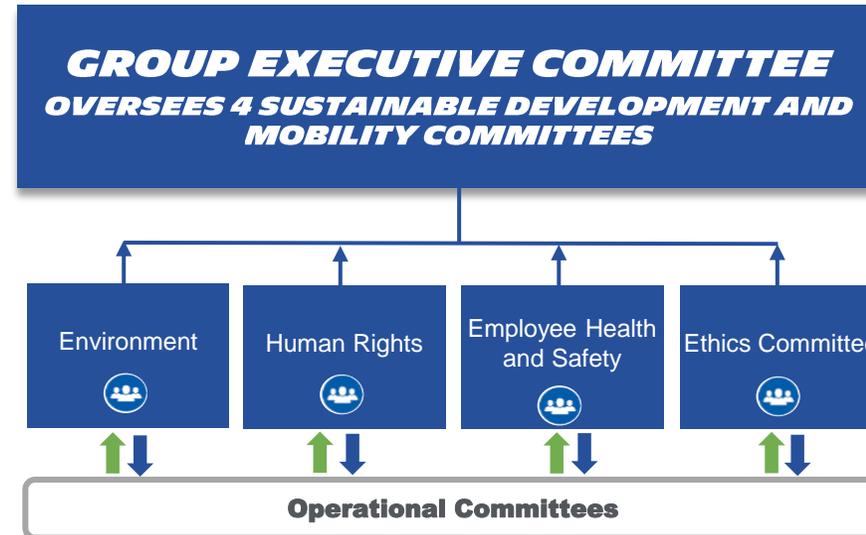
### Ranking / Distribution of ratings



**1<sup>ER</sup> SUR 39**  
in the Europe  
automobile sector



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



## SUPERVISORY BOARD - CSR COMMITTEE



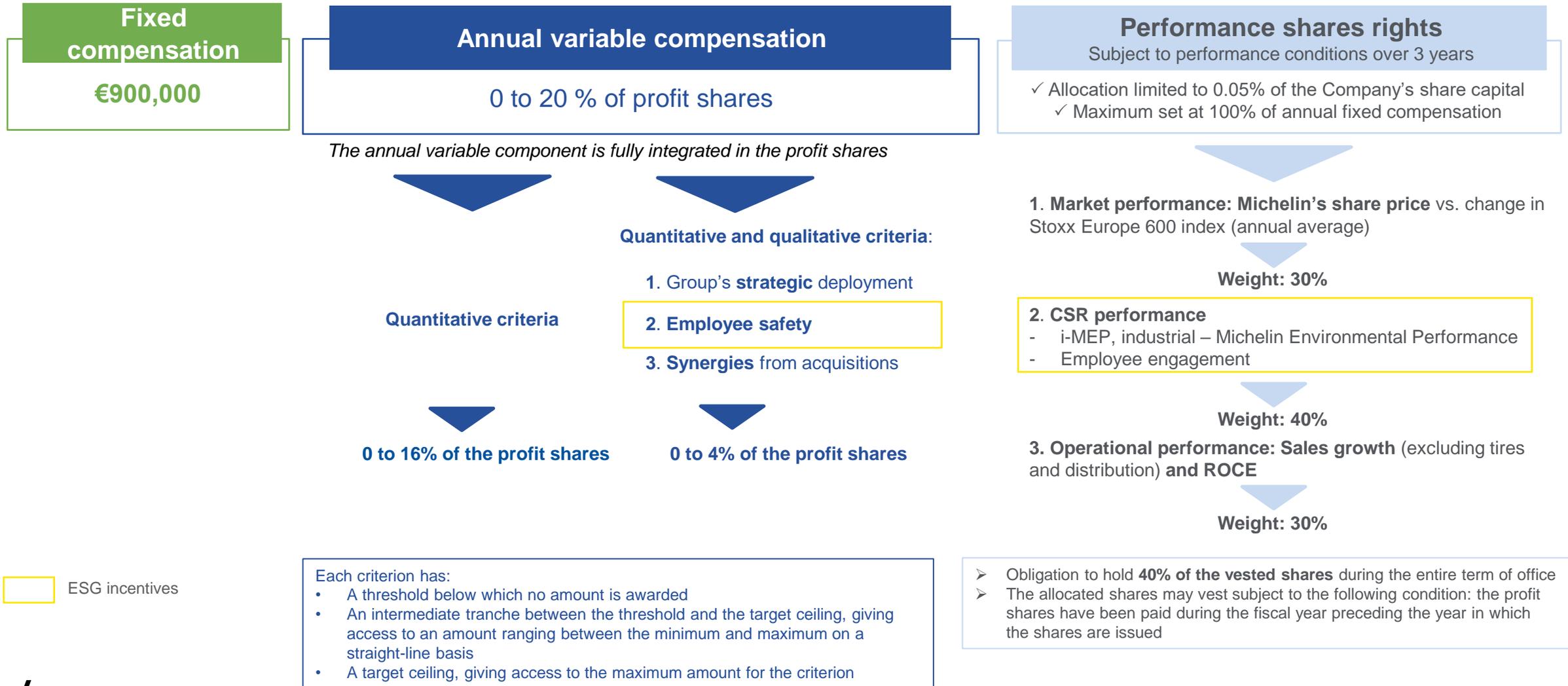
## STAKEHOLDERS COMMITTEE

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.



# ESG IS MANAGED AT HIGHEST LEVEL BY AN INCENTIVIZED TEAM

## Florent Menegaux, Managing Chairman, compensation for 2021





## ABOUT TIRE AND ROAD WEAR PARTICULES (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<sup>(1)</sup>, the ETRMA<sup>(2)</sup> and l'EAA<sup>(3)</sup> suggest that:

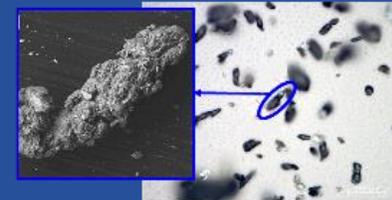
- 2% to 5% of TRWPs reach estuaries;
- TRWPs represent only a minor fraction of airborne particule matter (PM10 and PM2.5).

(1) TIP - Tire Industry Project

(2) ETRMA – European Tyre & Rubber Manufacturers Association

(3) Agence Européenne de l'Environnement – EEA report 10/2019

### TRWP



$5 \times 10^{-2}$  mm

- Characteristics: mixture of rubber and road surface minerals
- High density: 1,8
- Diameter : ~100  $\mu$ m
- High degradability rate: **50% of TRWP disappeared in 16 months**

### MICROPLASTICS



5 mm

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





# **APPENDICES**

*2023 TARGETS & 2030 AMBITIONS*



## **CAPITAL MARKETS DAY: RELIVE THE EVENT**

A dedicated page has been created for the event on the [www.michelin.com](http://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/>



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



## ▶ SALES GROWTH from 2023

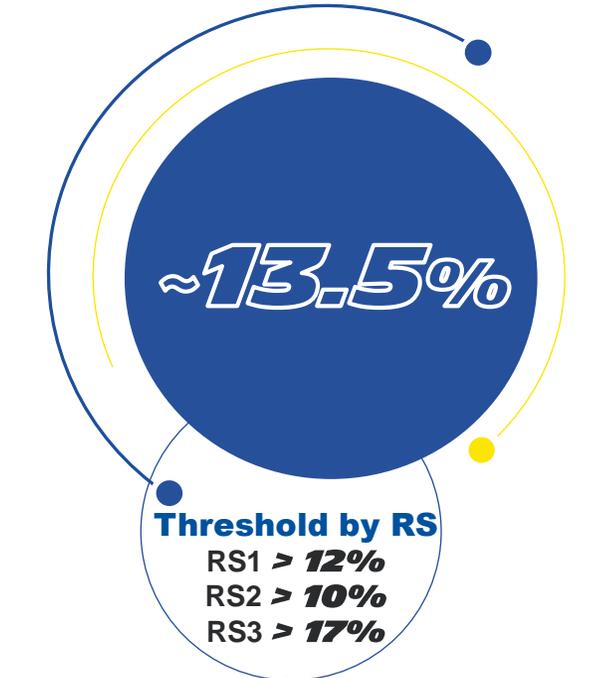


## ▶ ROCE \* from 2023



\* Return on Capital Employed (definition on slide 63), annual target

## ▶ Segment Operating Income in 2023





# 2030 VISION: DETAILED STRATEGIC SCORECARD

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

\* 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



# 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

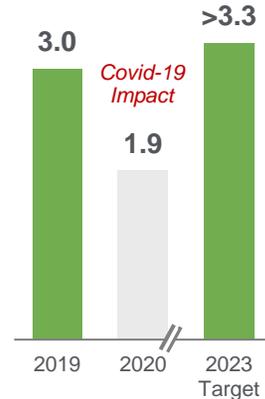
Partly reinvested to finance non-tire businesses expansion, around and beyond tire

## 2023 Group target

### PROFITABILITY

Segment Operating Income

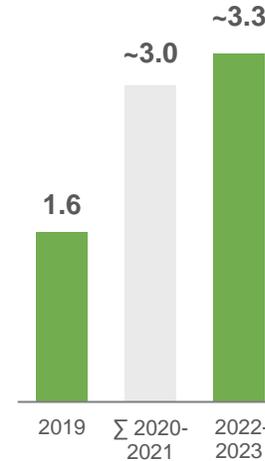
% margin  
12.5% ~13.5%



Cost competitiveness and price mix

### CASH GENERATION

Structural FCF(2)

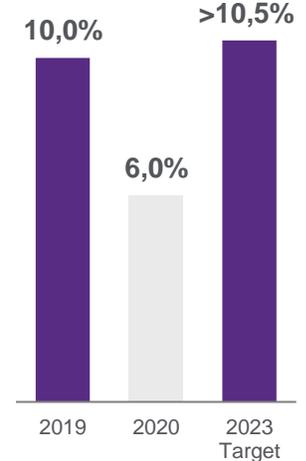


~€6.3bn cumul. structural FCF (2) over 4 years  
€100m inventory reduction / year

## From 2023 and beyond

### RETURN ON CAPITAL EMPLOYED

Including M&A (%)



**ROCE > 10.5%** from 2023, ensuring **3 points of economic added value**(1) every year

Segment operating margin thresholds:

- **RS1 > 12%**
- **RS2 > 10%**
- **RS3 > 17%**

(1) See section 5.1.6 of 2020 Universal registration document

(2) See slide 64



# M&A AND PARTNERSHIPS FRAMEWORK – CLEAR INVESTMENT CRITERIA



• Constantly exploring M&A opportunities in both core and new growth avenues



• Value-accretive acquisitions



• Open to partnerships to boost our venture potentials



• Delivering growth and significant synergies



• Very strong execution track record



**Financial discipline**  
**2023-2030 ROCE >+10.5%**

**Strong financial position and ratings**  
**(A- at both Fitch and S&P)**



# RESETTING OUR SHAREHOLDER RETURN POLICY: INCREASING PAYOUT TO 50%



## HISTORICAL PAYOUT RATIO

Dividend (€ p.s.)

€2.50

€2.85

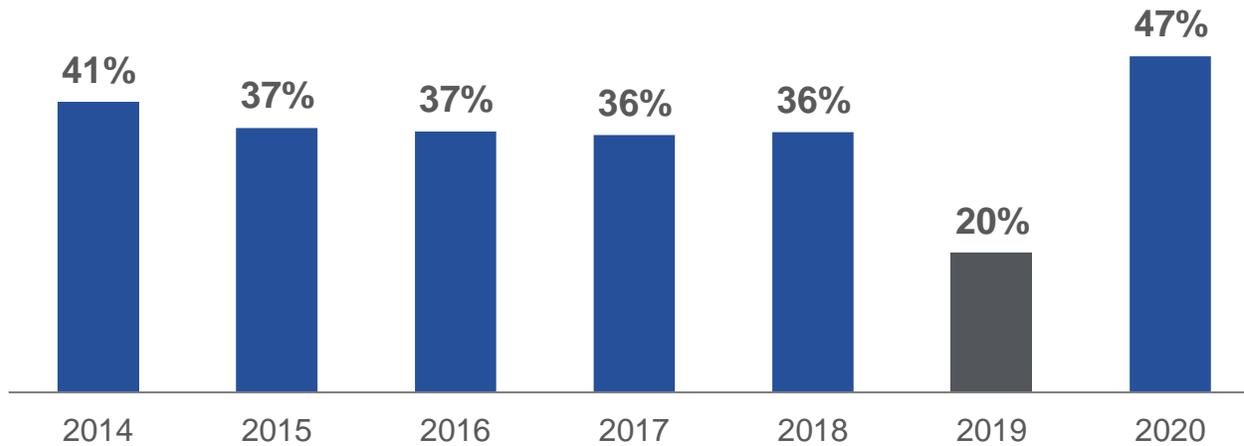
€3.25

€3.55

€3.70

€2.00

€2.30



**CONSISTENTLY DELIVERED ABOVE 35%  
DIVIDEND PAYOUT**

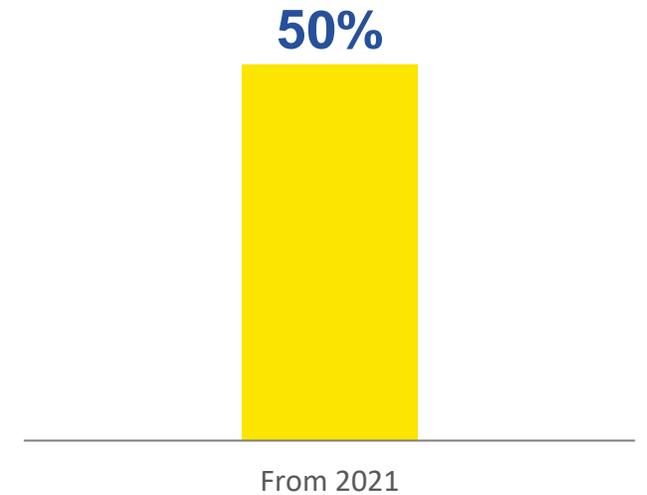
*(except in 2020 due to the pandemic)*

**Anti-dilutive / opportunistic share buyback program**



## FUTURE PAYOUT RATIO

Before non-recurring items



**INCREASED DIVIDEND  
PAYOUT RATIO AT  
50% P.A. FROM 2021**



# **APPENDICES**

*TIRES : STRONG GROWTH OPPORTUNITIES  
IN A POST COVID WORLD*



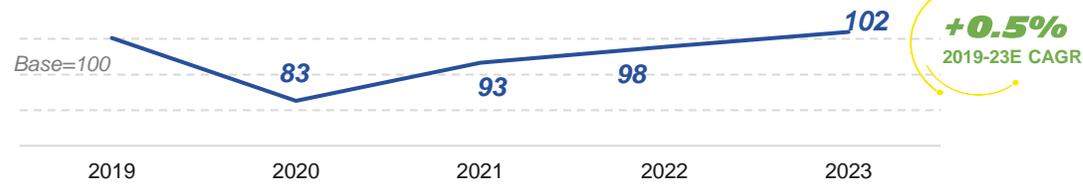


# PASSENGER CAR: STEADY GROWTH WITH STRONG MIX ENRICHMENT

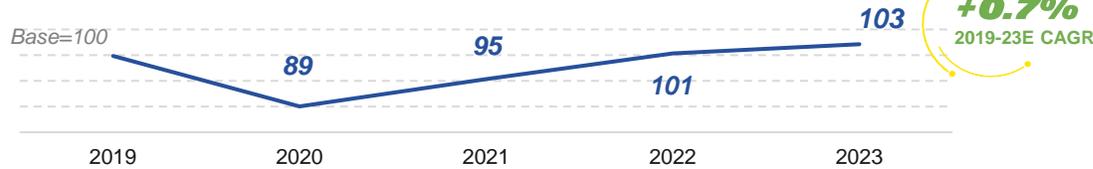


## PASSENGER CAR MARKETS TREND

Original equipment world market (unit)

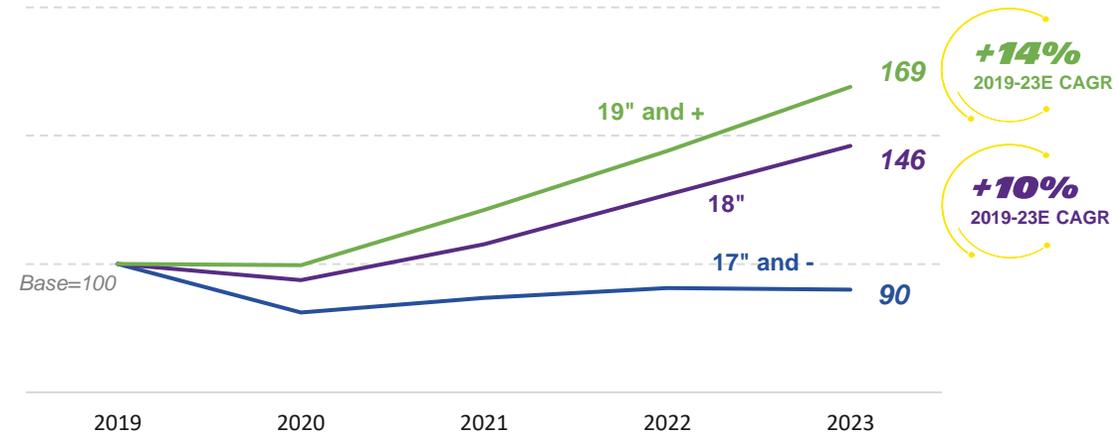


Replacement world market (Unit)



## PASSENGER CAR MARKET BY RIM DIAMETER

Original equipment + Replacement market by diameter (unit)



### 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



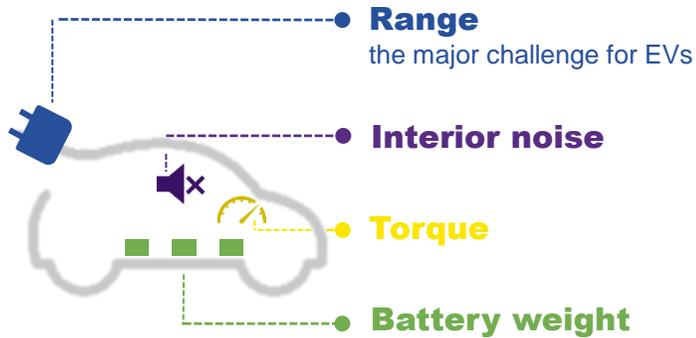
Strong and sustained mix enrichment



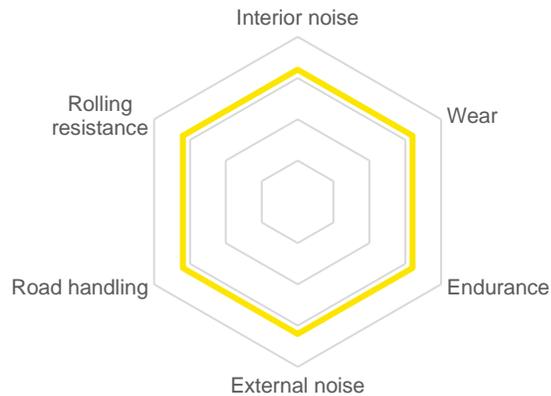
# EV<sup>(1)</sup> MARKET: A GREAT OPPORTUNITY FOR MICHELIN TO DEMONSTRATE ITS TECHNOLOGICAL LEADERSHIP



## VEHICLE ELECTRIFICATION CHALLENGES



## TIRES FOR EV: INCREASE DEMAND FOR PERFORMANCE



High-performance solutions

aligned with EV needs



## AN OFFERING FULLY ALIGNED WITH OPPORTUNITY

EV OE share / Total OE share



for battery electric-vehicles



OE/RT loyalty rate

HL TIRES (High Load)

1<sup>ST</sup> TIRES in the coming weeks

ACOUSTIC TECHNOLOGY



(1) EV: Electric Vehicle (hybrid, battery-powered and fuel cell-powered)  
 (2) ICE: Internal Combustion Engine



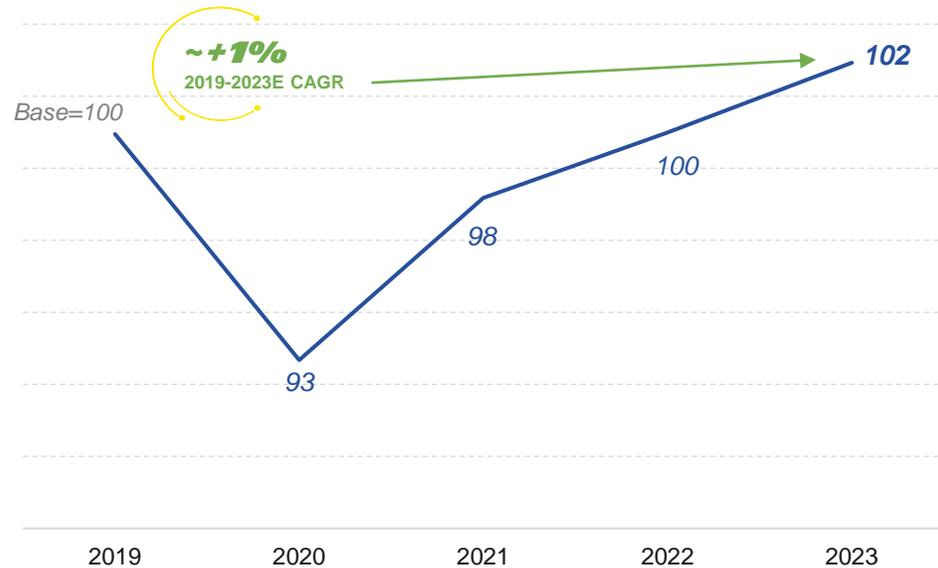


# TRUCKS: RECOVERY PROSPECTS DRIVING VALUE CREATION FOR MICHELIN

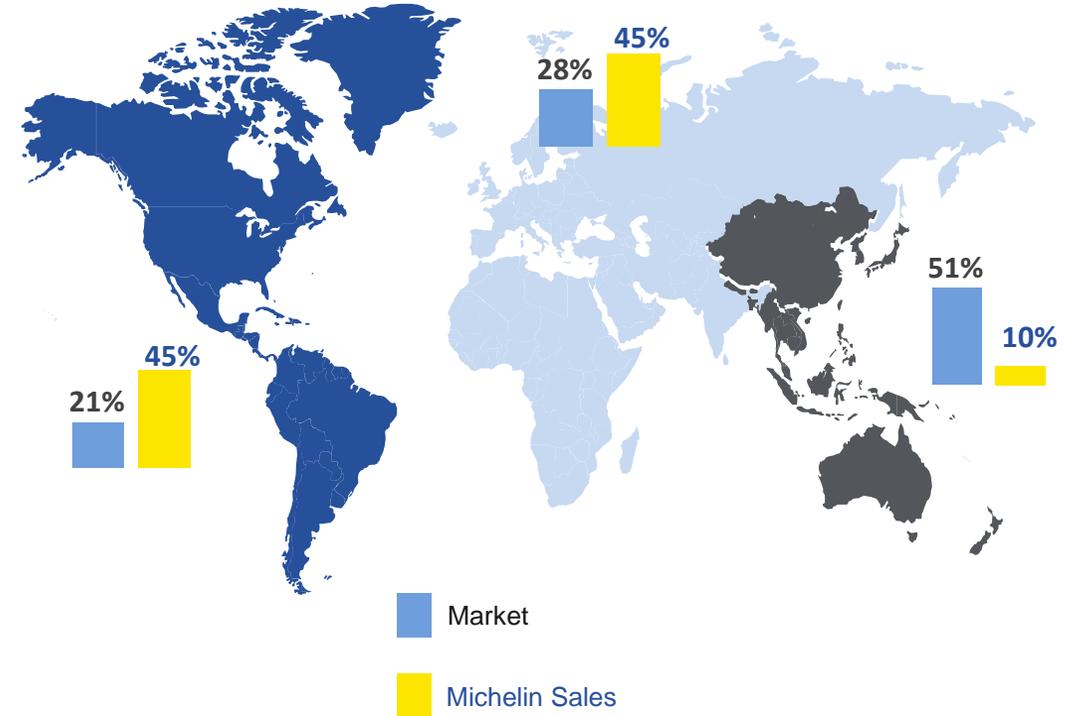


## TRUCK TIRE MARKET TREND

Worldwide market (units)



## 2020 TRUCK TIRE MARKET AND SALES GEOGRAPHICAL DISTRIBUTION



Innovating in new Solutions & Services in Americas and EMEA

Capturing pockets of value creation in Asia



# TRUCKS: NEW CHALLENGES AHEAD FUELING GROWTH OPPORTUNITIES ON VALUE CREATIVE MARKETS

## Fleets in search of increased efficiency

Additional projects 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

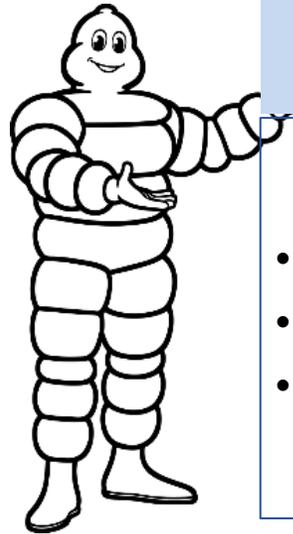
- Uptime optimization
- Reduction of maintenance costs
- Tracking, routing, etc.

## 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



# MINING, OFF THE ROAD AND 2-WHEELS TIRES: STRUCTURALLY GROWING MARKETS, INCREASINGLY INFLUENCED BY ENVIRONMENTAL CONCERNS



## MINING MARKETS

Worldwide market / underground mining (tons)

~35% of SR3 sales\*



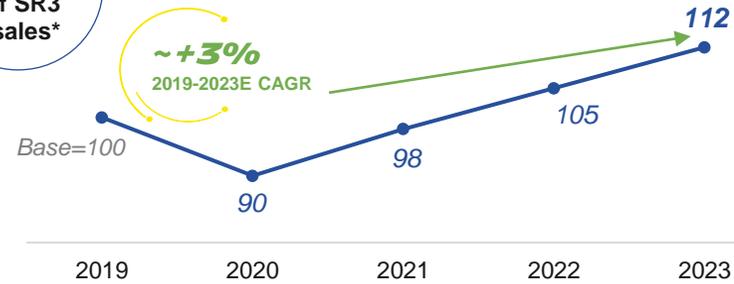
2019-2030 CAGR: ~+3%



## MOTO LEISURE & COMMUTING MARKETS

Worldwide market (units)

~7% of SR3 sales\*



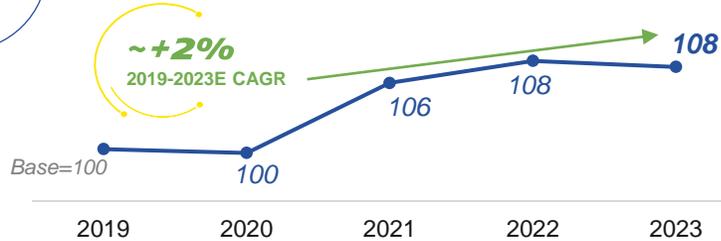
Volume and value growth: use of bicycles and scooters to increase up to 10% by 2030



## AGRICULTURE MARKETS

Worldwide\* market (units tires & tracks)

~12% of SR3 sales\*



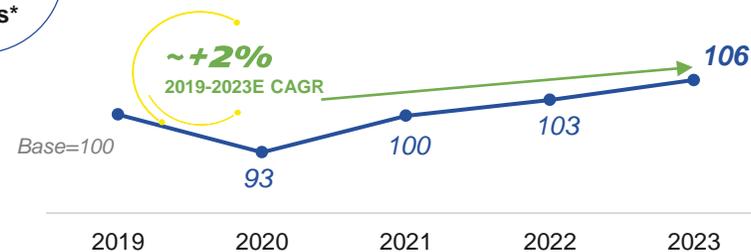
Long-term CAGR: ~+3%



## CONSTRUCTION MARKETS

Worldwide market (units)

~12% of SR3 sales\*



Recovery following adverse cycle in construction

\* 2019 Sales





# SPECIALTIES: POSITIONED TO CAPTURE CYCLE UPSIDE THROUGH DIFFERENTIATION

## Product Differentiation

- Performance and braking
  - Wet grip, for new and used tires
- 
- Tire resistance
  - Connected tire (e.g., MEMS or TPMS)
- 
- Increase in loads carried and driving speeds
  - Reduced of compaction of agricultural soils
- 
- Lower energy consumption and CO<sub>2</sub> emissions
  - Mass efficiency
  - Recyclable products

MICHELIN XDR – 63”



MICHELIN CEREXBIB 2



### SAFETY

### OPERATIONS CONTINUITY

### OPERATIONS PRODUCTIVITY

### SUSTAINABILITY

## Service Differentiation

- On-site auditing
- 
- On-site inspections and connected preventive maintenance
- 
- Real-time monitoring of mining and agricultural tires
  - Engineering (e.g., conveyors)
- 
- End-of-life product management

### ON-SITE INSPECTION AND MAINTENANCE



### RECYCLING



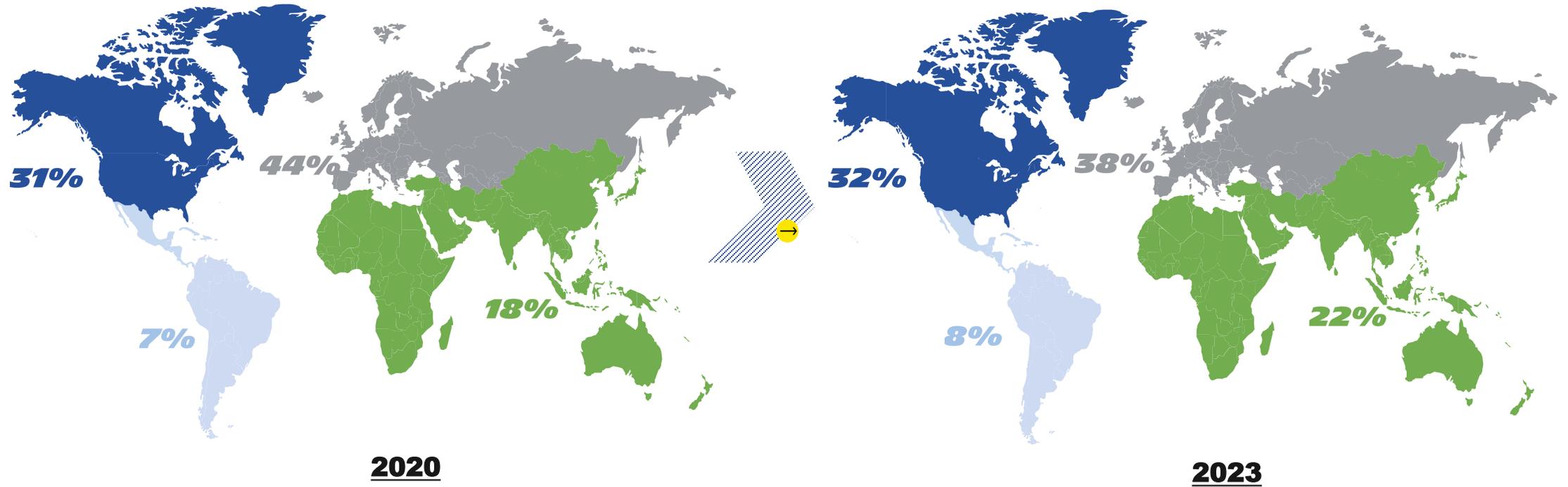


# COMPETITIVENESS PLAN: REBALANCING OUR INDUSTRIAL FOOTPRINT TO BECOME MORE LOCAL-TO-LOCAL



## SEIZING POSITIVE MOMENTUM IN EMERGING MARKETS

(% Manufacturing capacity)



Increase local-to-local ratio  
Reducing inventories and CO<sub>2</sub> emissions  
Best-in-class supply chain



# MANUFACTURING COMPETITIVENESS PLAN: 4.0 PLANTS TO MAKE OUR INDUSTRY MORE PRODUCTIVE AND FLEXIBLE

Automation  
Artificial  
Intelligence

**DIGITAL  
MANUFACTURING**

**MASSIFYING  
FLAGSHIP  
PLANTS**

**€80M**  
**in productivity**  
**gains/year**  
**net of inflation**  
**2020-2023**

**OPERATIONAL  
EXCELLENCE**

**MATERIAL COST  
REDUCTION**

Flexibility  
Simplicity  
Process  
Standardization

Responsiveness  
Cost optimum  
*In 2025, 16 sites will have an  
average production capacity  
of 140Kt*

Design to cost  
Scrap reduction  
Upstream gains



# **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

**€65M**  
in SG&A tire  
gains by 2023  
net of inflation

## **SIMPLIFYING PROCESSES**

Standardizing best practices

Decision making closer to customers

Developing shared service centers

Reengineering end to end processes



# **APPENDICES**

*AROUND & BEYOND TIRES: LEVERAGING OUR INNOVATION CAPABILITIES TO DELIVER NEW GROWTH AVENUES*





# FIVE ADJACENT ECOSYSTEMS IDENTIFIED AS GROWTH AVENUES

ECOSYSTEMS		PROMISING BUSINESSES	RATIONALE	CONTRIBUTION TO PROFITABLE GROWTH
SERVICES & TECH SOLUTIONS		 <p><i>Innovate to capture every new opportunity in IoT and emerging technologies</i></p>	<ul style="list-style-type: none"> <li>• Mobility services and digitization: key focus for all Michelin customers</li> </ul>	LEADERSHIP POSITION
HIGH-TECH MATERIALS	HIGH-TECH FLEXIBLE COMPOSITES	<p><i>Leverage our core business... ...to develop other areas in which we can play an important role</i></p> 	<ul style="list-style-type: none"> <li>• A solid basis to target attractive and synergetic markets</li> </ul>	SIGNIFICANT GROWTH
	Medical	 <p><i>Early-maker in Medical, Hydrogen, and 3D Metal Printing...</i></p>	<ul style="list-style-type: none"> <li>• Three promising ecosystems</li> </ul>	FINANCIAL VALUE CREATION
	Hydrogen	 <p><i>...with ESG focus and transition towards carbon-free operations</i></p>		
	3D Metal Printing			



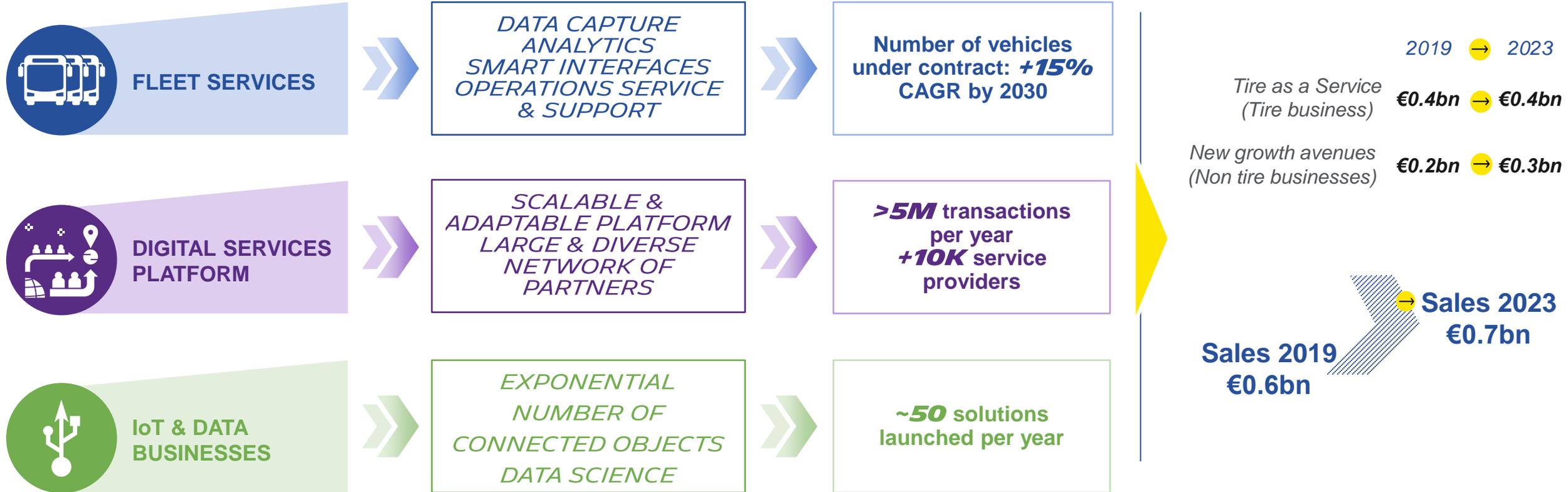
# SERVICES AND SOLUTIONS: DEVELOPING AND ENRICHING OUR VALUE PROPOSITION FOR FLEETS AND MOBILITY



Expanding our customer base  
Reaching new territories



# SERVICES AND SOLUTIONS: KEY LEVERS TO REACH OUR AMBITIONS





# HIGH-TECH MATERIALS: STRENGTHENING OUR POSITIONS ALONG THE VALUE CHAIN



## CURRENT ACTIVITIES

Recovered materials  
**Lehigh TECHNOLOGIES**  
**enviro** SCANDINAVIAN ENVIRO SYSTEMS

Sustainable monomers and polymers  
**BIOBUTTERFLY**  
**PYROWAVE** CLOSING THE LOOP

Special adhesives  
**ResiCare**

Compounding

Coated fabrics & Reinforcements  
Belting products & solutions

High-end polymers  
**Fenner** PRECISION POLYMERS  
Advanced Sealing Technologies  
**FENNER & DUNLOP** ENGINEERED CONVEYOR SOLUTIONS

## TARGET POSITIONING

Accelerator of differentiating technologies for tires and 'rubber goods', in the field of bio-sourced materials and recycling

Leading player in the field of special adhesives and tailor-made polymers

Global leading player with significant position (in top 3) in targeted segments, requiring high level of technicity and demanding balance of performance





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

## REGENERATIVE MEDICINE & CELLULAR THERAPY



### MARKET POTENTIAL

Cell & gene therapy	Cardio medical devices
<b>+20%</b> CAGR 2020-2030	<b>&gt;10%</b> CAGR 2020-2030

### AMBITIONS <sup>(1)</sup>

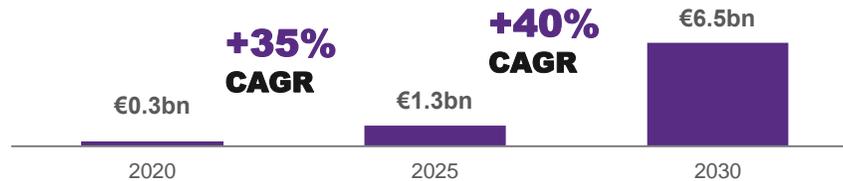
Becoming a leading innovation and manufacturing partner	Being the manufacturing operator customers' trust
<b>Cell therapy</b> <b>Bioresorbables</b> <b>Regenerative medicine</b>	

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

## HYDROGEN MOBILITY



### MARKET POTENTIAL



### AMBITIONS <sup>(2)</sup>

Becoming a leader in fuel cell stack systems

<b>€0.2bn</b> sales in 2025	<b>€1.5bn</b> sales in 2030
--------------------------------	--------------------------------

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

## 3D METAL PRINTING



### MARKET POTENTIAL

Medical & aerospace are the most industrial-scale end markets

<b>+23%</b> CAGR 2020-2030	<b>~\$13bn</b> in 2030
-------------------------------	---------------------------

### AMBITIONS <sup>(3)</sup>

<b>€100m</b> sales and breakeven by 2023	<b>&gt;€500m</b> sales by 2030
--	-----------------------------------

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



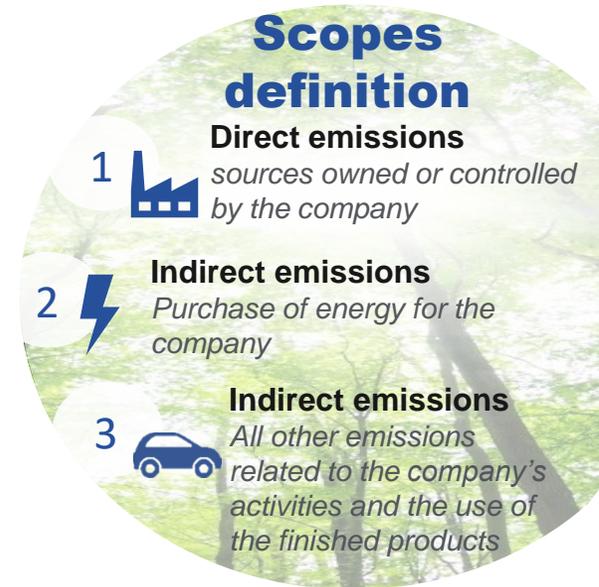
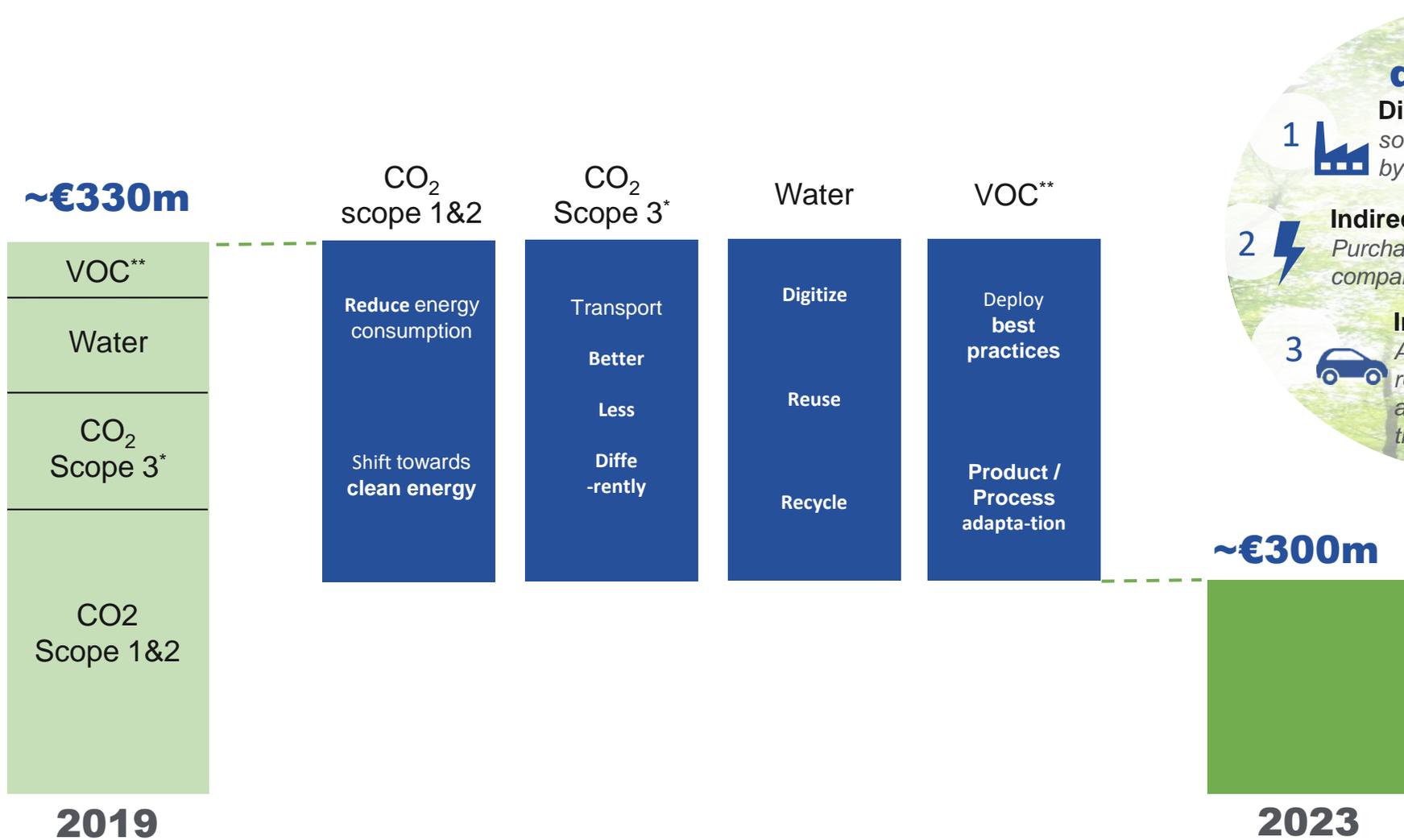
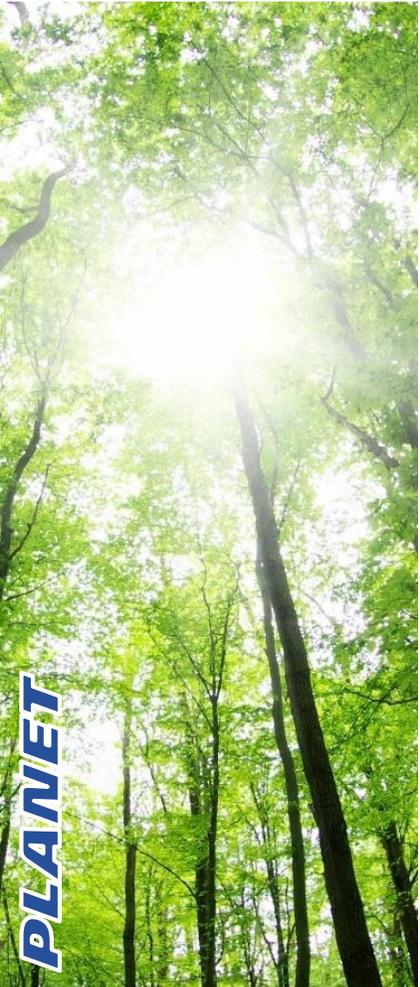
# ***APPENDICES***

*MICHELIN'S SUSTAINABLE LEADERSHIP*





**ON THE ROAD TO CARBON NEUTRALITY BY 2050, MICHELIN STARTS TO VALORIZE ITS NEGATIVE EXTERNALITIES IN 2020 AND COMMIT TO A 10% REDUCTION AS EARLY AS 2023**



(1) Only transport and distribution upstream and downstream of Natural Rubber, semi-finished and finished goods

(2) Volatile organic components



# ENVIRONMENTAL AWARENESS, THROUGHOUT THE LIFECYCLE OF MICHELIN'S PRODUCT, STARTING FROM R&D DESIGN

**RAW MATERIALS**  
Sustainable natural rubber supply



**MANUFACTURING**  
Reducing impact



**LOGISTICS**  
Reducing the carbon footprint



**MATERIALS RECYCLING**  
Recycling systems / Circular economy



**USE OF PRODUCTS AND SERVICES**

63% to 96% of the life cycle impact

Low rolling resistance – reduce CO<sub>2</sub> emissions  
Safe when new, safe when worn



**ENERGY RECOVERY**

**END OF LIFE**

**RETREADING**

Substantial savings in raw materials





# ON THE PATH TO REACH FULL CIRCULARITY OF PRODUCTS WITH 40% OF SUSTAINABLE RAW MATERIALS IN 2030, 100% IN 2050



PLANET



NATURAL RUBBER



PLASTIFIERS/RESINS



TEXTILES

SYNTHETIC RUBBER



CHARGES



METALS



OTHER



## In 2021, we will race with a Moto E tyre made of 40% sustainable materials

(1) European project funded by Horizon 2020, project number: 82068

(2) With the support of ADEME (ADEME: French Environment & Energy Management Agency)





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



## AMBITIONS FOR 2030

### ▶ BIODIVERSITY

act4nature international



(1) Replacement of pesticides and fertilizers by mechanical methods combined with other alternative solutions



# 2030 ENVIRONMENTAL AMBITION: ON THE PATH TO REACH CARBON NEUTRALITY IN 2050



Scope 1 & 2

Shifting towards clean energy



Reducing in energy consumption

2030

-50% CO<sub>2</sub> emissions vs 2010

2050

Carbon Neutrality

Scope 3 logistic

Less, better and differently

2030

-15% CO<sub>2</sub> emissions vs 2018

2050

Carbon Neutrality

Scope 3 supply chain

2024

70%

of emissions from suppliers covered by science-based targets (SBT)

Suppliers setting ambitious reduction targets

2050

Carbon Neutrality



# CONTINUOUSLY IMPROVING THE ENVIRONMENTAL PERFORMANCE OF OUR PRODUCTION SITES



## 2030 OBJECTIVES

REDUCTION OF THE INDUSTRIAL ENVIRONMENTAL IMPACT BY 1/3 <sup>(1)</sup> THROUGH 5 PROGRAMS



WATER WITHDRAWALS



**-33% <sup>(1)</sup>**

(m<sup>3</sup>/t weighted by water stress index)



GENERATED WASTE



**-25% <sup>(1)</sup>**

(kg/t)



ORGANIC SOLVENT CONSUMPTION



**-50% <sup>(1)</sup>**

(kg/t)



ENERGY CONSUMPTION



**-37% <sup>(2)</sup>**

(GJ/t)



CO<sub>2</sub> EMISSION



**-50% <sup>(2)</sup>**

(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



## **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.

### Free cash flow (FCF)

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



## **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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