

FIRST-HALF **2022** *FINANCIAL REPORT*



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01

**2022 FIRST-HALF
BUSINESS REVIEW**

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1.1 Tire markets

During the first half of 2022, tire markets were widely impacted by a multitude of disruptions, which generated extensive volatility and made it harder to assess the underlying demand dynamics.

Difficulties in procuring components forced automakers to scale back their output.

Complications in the global supply chain contributed to the ongoing high degree of complexity in organizing the transportation of materials and finished products.

At the same time, the resurgence of the health crisis in China had a significant impact on local demand, and the outbreak of war in Ukraine exacerbated the challenges already being faced in Europe.

The Americas enjoyed robust economic growth, despite rising inflation throughout the first half.

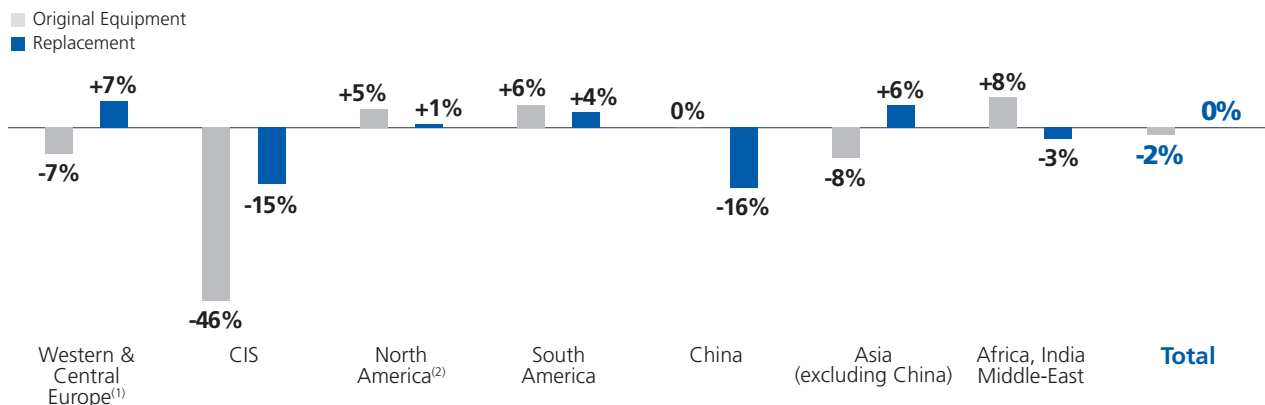
In all, the Passenger car and Light truck tire market was stable year-on-year, but remained below its 2019 level, while the Truck tire market (excluding China) rose year-on-year and exceeded its 2019 level.

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.

1.1.1 PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

In the first six months of 2022, the global Original Equipment and Replacement **Passenger car and Light truck** tire market was broadly unchanged year-on-year, but remained 3% down on first-half 2019.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, FIRST-HALF 2022 VS. FIRST-HALF 2021



Michelin estimates.

(1) Including Turkey.

(2) Including Central America.

1.1.1 a) Original Equipment

In the **Original Equipment** segment, demand varied widely by region during the period. Depending on the region, carmaker production capacity was more or less impacted by supply chain disruptions and the consequences of the health crisis. In all, the market ended the first half down 2% year-on-year and down 15% compared with 2019.

The regional market most affected by the multitude of crises was **Europe**, which felt the impact of the war in Ukraine first-hand and contracted 7% year-on-year, for a total 29% drop compared with first-half 2019.

In **China**, the Covid-19 resurgence in April and May caused demand to hit new lows before rebounding past 2019 levels in June as health restrictions were lifted. Over the first half, demand was stable year-on-year, and down just 1% on first-half 2019.

The **North American** market expanded by 5% year-on-year, albeit from a very favorable basis of comparison, but remained 17% lower than in first-half 2019.

PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

Original Equipment (in millions of tires)	First-half 2022	First-half 2021	First-half 2022/2021	Second-quarter 2022/2021	First-quarter 2022/2021
Western and Central Europe ⁽¹⁾	35.5	38.3	-7%	+2%	-15%
CIS	2.0	3.8	-46%	-67%	-25%
North America ⁽²⁾	34.3	32.8	+5%	+12%	-1%
South America	6.6	6.3	+6%	+15%	-3%
China	54.2	54.2	0%	-6%	+6%
Asia (excluding China)	31.9	34.5	-8%	-9%	-6%
Africa/India/Middle East	16.7	15.4	+8%	+8%	+8%
TOTAL	181.3	185.2	-2%	-1%	-3%

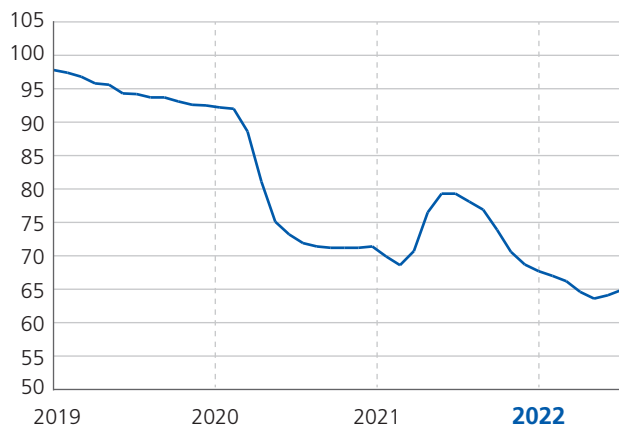
(1) Including Turkey.

(2) Including Central America.

Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE

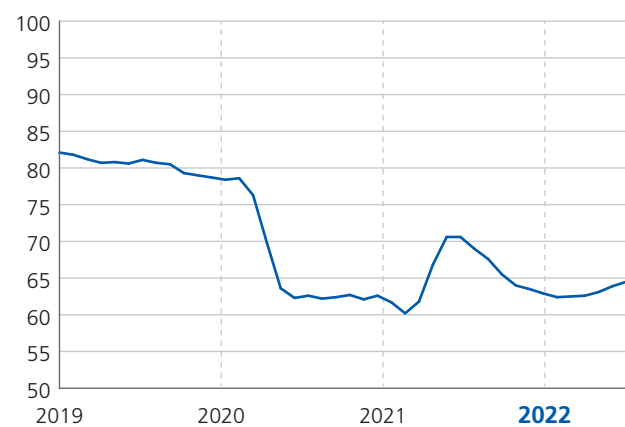
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA

(in millions of tires – moving 12 months)



Michelin estimates.

1.1.1 b) Replacement

Global demand for **Replacement** tires was generally unchanged in the first half of 2022, with year-on-year gains in every region except China and Russia. Compared to first-half 2019, the global market was up 2%.

In **Europe**, the market grew by 7% overall in the first half of 2022, but momentum slowed during the period, from 9% in the first quarter to 5% in the second. Demand ended the full six months up 6% on first-half 2019.

In **China**, mobility restrictions weighed on demand all through the half, pushing the market down 16% year-on-year and down 20% on first-half 2019.

Robust economic growth in **North America** kept demand very high throughout the period, lifting the market 1% year-on-year and a full 10% on first-half 2019.

PASSENGER CAR AND LIGHT TRUCK TIRE MARKETS

Replacement (in millions of tires)	First-half 2022	First-half 2021	First-half 2022/2021	Second-quarter 2022/2021	First-quarter 2022/2021
Western and Central Europe ⁽¹⁾	162.8	152.3	+7%	+5%	+9%
CIS	25.8	30.3	-15%	-32%	+1%
North America ⁽²⁾	162.3	160.0	+1%	-2%	+6%
South America	35.6	34.2	+4%	0%	+8%
China	54.9	65.7	-16%	-23%	-10%
Asia (excluding China)	70.1	66.1	+6%	0%	+13%
Africa/India/Middle East	53.4	55.1	-3%	-7%	+1%
TOTAL	564.9	563.8	0%	-4%	+5%

(1) Including Turkey.

(2) Including Central America.

Michelin estimates.

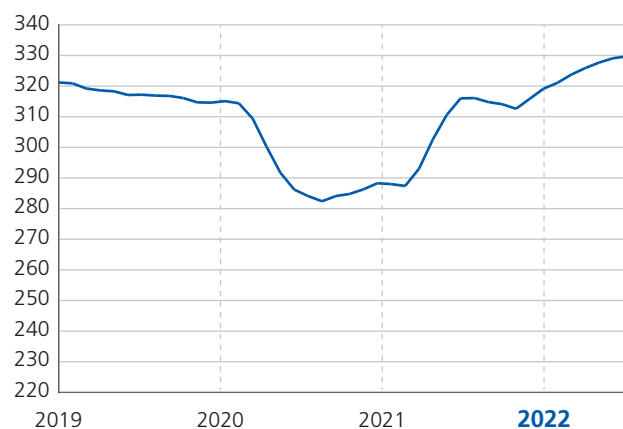
The main European country markets rose or declined as follows during the first half of 2022:

PASSENGER CAR AND LIGHT TRUCK TIRES

Replacement	2022 vs. 2021
WESTERN AND CENTRAL EUROPE	7%
▶ of which France	3%
▶ of which Spain	3%
▶ of which Italy	10%
▶ of which United Kingdom	1%
▶ of which Germany	5%
▶ of which Poland	3%
▶ of which Turkey	7%
CIS	-15%
▶ of which Russia	-14%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE

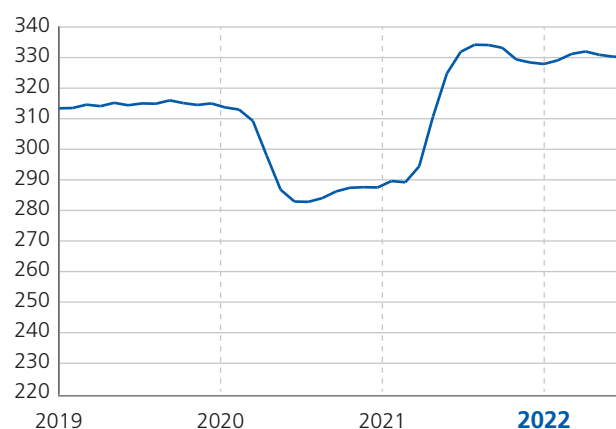
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

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

(in millions of tires – moving 12 months)

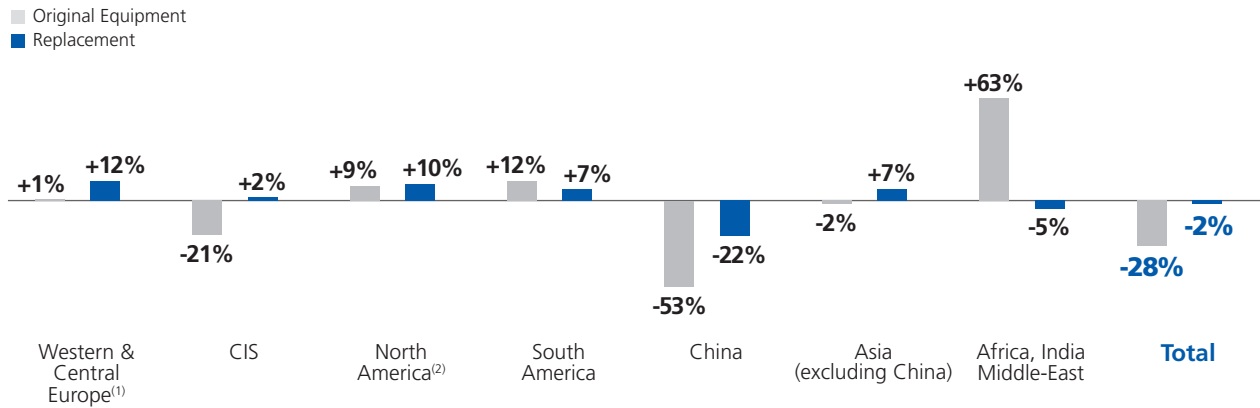


Michelin estimates.

1.1.2 TRUCK TIRE MARKETS

The worldwide **Truck** tire market shrank by 9% in the first half of 2022, dragged down by the 36% plunge in Chinese demand⁽¹⁾. Excluding China, the market ended the first six months up 6% year-on-year and up 8% on first-half 2019.

THE GLOBAL TRUCK TIRE MARKET, FIRST-HALF 2022 VS. FIRST-HALF 2021



(1) Including Turkey.

(2) Including Central America.

Michelin estimates – new tire market only.

1.1.2 a) Original Equipment

The global Original Equipment Truck tire market contracted by 28% in the first half of 2022. Excluding China, the market rose by 13% over the period and was unchanged compared with first-half 2019.

In Europe and the Americas, robust economic growth and driver shortages continued to prompt trucking companies to massively

upgrade their fleets, to the extent that most tractor unit manufacturers have filled their order books through the end of the year. Compared to first-half 2019, demand was globally stable in Europe (down 1%), down 5% in North America and up a sharp 25% in South America.

TRUCK MARKETS*

Original Equipment (in millions of tires)	First-half 2022	First-half 2021	First-half 2022/2021	Second-quarter 2022/2021	First-quarter 2022/2021
Western and Central Europe ⁽¹⁾	3.2	3.1	+1%	+2%	0%
CIS	0.4	0.5	-21%	-40%	+3%
North America ⁽²⁾	3.5	3.2	+9%	+16%	+2%
South America	1.2	1.0	+12%	+13%	+11%
China	9.0	19.1	-53%	-56%	-50%
Asia (excluding China)	2.1	2.1	-2%	-4%	0%
Africa/India/Middle East	3.2	2.0	+63%	+80%	+52%
TOTAL	22.5	31.1	-28%	-28%	-27%

* Radial and bias.

(1) Including Turkey.

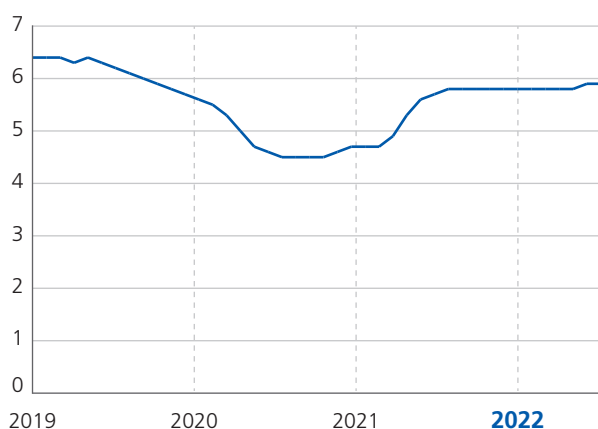
(2) Including Central America.

Michelin estimates.

(1) The fall-off in Chinese demand over the period largely reflected the highly unfavorable comparison with first-half 2021, when new truck purchases soared ahead of implementation of the China 6 emissions standard on July 1. This was followed by a sharp slowdown in demand, first for OE tires and then, in turn, for Replacement tires. In all, the Chinese market ended first-half 2022 down 36% year-on-year and down 30% compared with 2019.

THE OE TRUCK TIRE MARKET IN EUROPE

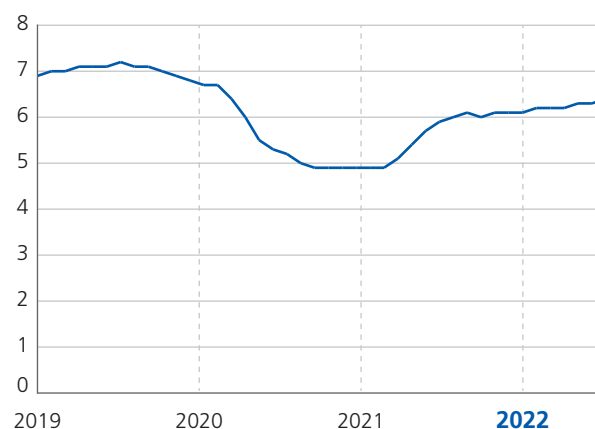
(in millions of radial and bias tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of radial and bias tires – moving 12 months)



Michelin estimates.

1.1.2 b) Replacement

The global **Replacement** Truck tire market declined by 2% in the first half of 2022. Excluding China, the market ended the first six months up 5% year-on-year and up 10% on first-half 2019.

Demand for overland transportation was especially strong during the period in Western and Central Europe, as well as in the Americas, gaining an aggregate 10% year-on-year and 30% compared with first-half 2019.

TRUCK MARKETS*

Replacement (in millions of tires)	First-half 2022	First-half 2021	First-half 2022/2021	Second-quarter 2022/2021	First-quarter 2022/2021
Western and Central Europe ⁽¹⁾	9.4	8.4	+12%	+10%	+14%
CIS	4.1	4.1	+2%	-10%	+16%
North America ⁽²⁾	16.7	15.2	+10%	+13%	+6%
South America	7.9	7.4	+7%	+3%	+11%
China	16.6	21.3	-22%	-18%	-25%
Asia (excluding China)	10.8	10.1	+7%	0%	+14%
Africa/India/Middle East	13.9	14.6	-5%	-3%	-6%
TOTAL	79.5	81.0	-2%	-2%	-2%

* Radial and bias.

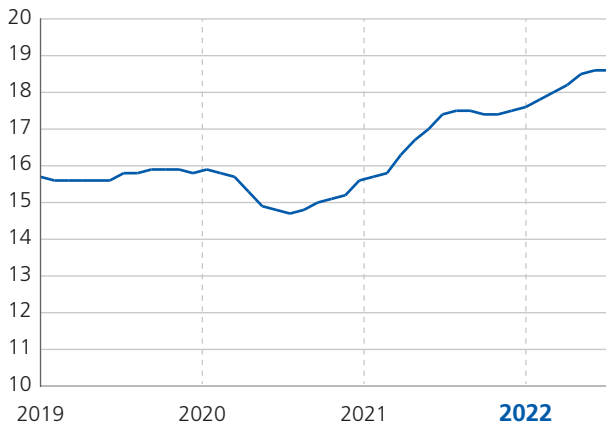
(1) Including Turkey.

(2) Including Central America.

Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET IN EUROPE

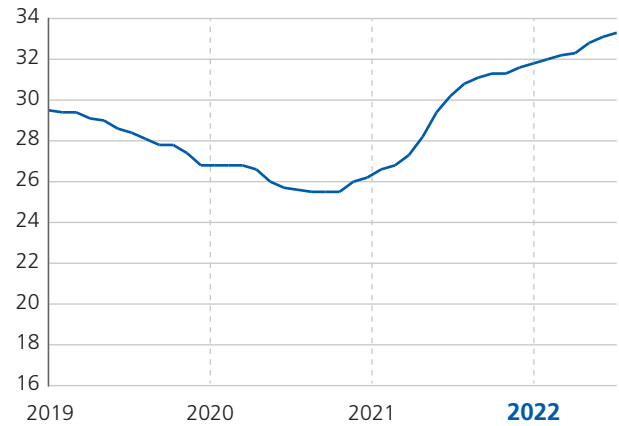
(in millions of radial and bias tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET IN NORTH AMERICA

(in millions of radial and bias tires – moving 12 months)



Michelin estimates.

1.1.3 SPECIALTY TIRE MARKETS

Mining tires: Demand for surface mining tires remained very high in the first half, in a market limited by a lack of supply and tire manufacturers' reduced capacity to produce and ship enough product.

Agricultural and Construction tires: Agricultural and Construction tire markets rose over the period, particularly in the Replacement segment. Original Equipment demand, however, was more or less impacted by supply chain disruptions, depending on the OEM.

Two-wheel tires: Demand for two-wheel tires remained high during the first half, impelled by an upturn in Asia.

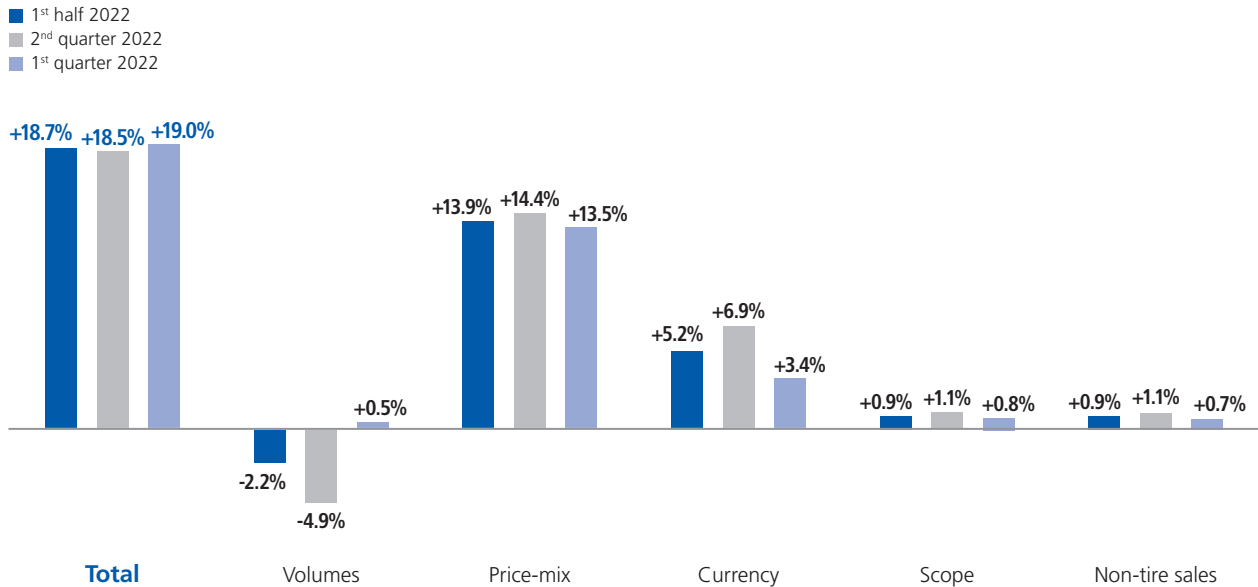
Aircraft tires: Markets rebounded in the first half from still favorable prior-year comparatives. In the second quarter, growth was led by the Americas and Europe, which picked up the pace from China. The General Aviation market continued to expand, in line with 2021 trends.

Conveyor belts: The conveyor belt market remains robust in every region, both in the mining segment, driven by strong demand for commodities, and in the manufacturing segment, supported by economic growth and high capital spending.

Specialty polymers: Demand is continuing to expand in the leading markets, including industry, aerospace, energy and medical applications.

1.2 SALES

1.2.1 ANALYSIS OF SALES



Sales for the first six months of 2022 amounted to €13,289 million, an increase of 18.7% from the year-earlier period that was attributable to the net impact of the following factors:

- ▶ the 2.2% decline in tire volumes in an uncertain economic environment, shaped by the impact of geopolitical tensions in Eastern Europe, the resurgence of Covid-19 in China, and the sustained, extensive disruption of global supply chains. Excluding China and Eastern Europe, the Group's sales volumes were on a par with first-half 2021.
- ▶ a 13.9% increase from the highly positive tire price-mix effect (13.5% in the first quarter and 14.4% in the second), reflecting: (i) the €1,431 million positive price effect resulting from assertive pricing management at a time of sharply rising raw materials, transportation and energy costs; and (ii) the €132 million positive mix effect, which primarily reflected the

priority focus on the MICHELIN brand in every segment, on high value-added solutions and on growth in demand for 18-inch and larger tires. The mix effect was also improved by slower sales in the Automotive Original Equipment business, which remains adversely impacted by the shortages of electronic parts and components (exacerbated in Europe by the conflict in Ukraine);

- ▶ the 17.6% increase in non-tire sales, led by the Fenner business and the growth of fleet management services. The fine dining, hospitality and travel segments are rebounding as health restrictions are lifted in many parts of the world;
- ▶ a 5.2% increase from the highly positive currency effect, due mainly to the upsurge in the US dollar, as well as the Brazilian real, against the euro during the period;
- ▶ a 0.9% increase from changes in the scope of consolidation, primarily the inclusion of Allopneus since December 30, 2021.

(in € millions and %)

	First-half 2022	Second-quarter 2022	First-quarter 2022
SALES	13,289	6,808	6,481
% change, year-on-year	+2,097	+1,064	+1,033
Volumes	-251	-279	+28
Price-mix	+1,563	+827	+736
Currency effect	+580	+394	+186
Changes in scope of consolidation	+106	+62	+44
Non-tire sales	+99	+60	+39
% change, year-on-year	+18.7%	+18.5%	+19.0%
Volumes	-2.2%	-4.9%	+0.5%
Price-mix	+13.9%	+14.4%	+13.5%
Currency effect	+5.2%	+6.9%	+3.4%
Changes in scope of consolidation	+0.9%	+1.1%	+0.8%
Non-tire sales	+0.9%	+1.1%	+0.7%

1.2.2 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, 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.

<i>(in € millions)</i>	First-half 2022	Second-quarter 2022	First-quarter 2022
GROUP	13,289	6,808	6,481
Automotive and related distribution	6,599	3,345	3,254
Road transportation and related distribution	3,469	1,795	1,674
Specialty businesses and related distribution	3,221	1,668	1,553
% change, year-on-year	+18.7%	+18.5%	+19.0%
Automotive and related distribution	+18.6%	+16.6%	+20.8%
Road transportation and related distribution	+19.7%	+19.0%	+20.6%
Specialty businesses and related distribution	+17.9%	+22.0%	+13.7%

1.2.2 a) Automotive and related distribution – Analysis of sales

Sales in the Automotive and related distribution segment increased by 18.6% to €6,599 million in the first half of 2022, from €5,562 million in the prior-year period.

Volumes sold ended the period down 3.4% after being severely impacted particularly in the second quarter by the conflict in Ukraine, the health situation in China, and the persistent supply chain issues faced by automobile manufacturers.

However, the segment was able to deliver a significant increase in sales revenue by assertively raising prices in response to sharply rising costs and steadily moving the mix up the value chain.

In addition to the positive price-mix effect, the consolidation of Allopneus as from December 30, 2021 had a favorable impact on the sales.

In **Original Equipment**, the Group maintained its positions during the first half in a market environment that was still disrupted by the supply outages suffered by carmakers. The business was hard hit in Europe by component shortages in the wake of the conflict in Ukraine, but enjoyed strong growth in North America based on the more favorable prior-year comparatives.

The ongoing growth in the electric vehicle segment continued to have a positive impact.

In the **Replacement** segment, Group sales volumes contracted year-on-year due to (i) the sharp slowdown in Chinese demand following the strict lockdowns imposed in response to the resurgence of Covid-19; and (ii) the conflict in Eastern Europe. Excluding China and Eastern Europe, sales volumes were on a par with first-half 2021. The percentage of 18-inch and larger tires in the sales mix continued to increase over the period, while the Group held its leadership in the all-season segment, with the MICHELIN Cross Climate line in the regions where it is sold.

In the buoyant **North American** market, where dealer inventories are close to normal, the Group maintained its market share and increased volumes sold over the period. Production restrictions, however, prevented all of the demand from being met.

In **Europe excluding the CIS**, sales volumes rose overall, as particularly robust gains in Central and Northern Europe offset under-market volume growth in Southern Europe (France, Benelux, Italy and Spain), where dealer inventories were higher than normal at end-June 2022. The all-season segment, in which the Group is consolidating its positions, continues to expand year after year. The Group is steadily meeting the fast growth in demand in the 18-inch and larger tire segment.

In **Asia (excluding India)** Group sales were deeply impacted by the strict lockdowns enforced in China from March to May. They also suffered from an unfavorable geographic mix stemming from the Group's premium market positioning in the country's most economically developed metropolitan areas and regions, which were more affected by the lockdowns.

In **South America**, Group sales rose in line with demand and benefited from market share gains in the most profitable segments.

In the **Africa/India/Middle East** region, volumes sold were impacted by import restrictions in India and by the new import procedures introduced in Egypt in March 2022, which require the use of letters of credit. However, the Group is gaining market share in the 18-inch and larger segment, particularly in Africa and the Middle East.

In the **non-tire** businesses, **Michelin Experiences** – which primarily operates in the fine dining, hospitality and travel markets – enjoyed stronger demand as health restrictions were lifted in a large number of countries. This was particularly the case in the hospitality segment, which returned to 2019 levels in the first half.

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

Sales in the Road transportation and related distribution segment rose by 19.7% in first-half 2022, to €3,469 million from €2,897 million in the year-earlier period.

With volumes sold broadly stable year-on-year, growth in sales was primarily driven by (i) the price increases introduced across every segment and geography to offset cost inflation factors; and (ii) the more prominent premium positioning of the Group's solutions.

In a dynamic **Original Equipment** market, where truck manufacturers are introducing upgraded models to comply with the Euro VI emissions standards and other new regulations, the Group strengthened its positions and gained market share.

On the **Replacement** side, new tire sales increased on the back of buoyant freight demand, which is still on an overall upward trend. At a time when dealer inventories have more or less returned to normal, the Group continued to place a priority on its value-added solutions, led by the MICHELIN brand.

In **Europe**, the Group maintained its focus on high value-added market segments, while upgrading its retreading solutions to make them more competitive. In Southern Europe (France, Benelux, Italy and Spain), demand remained buoyant despite higher-than-normal dealer inventories at end-June, while sell-in was brisk in Northern and Central Europe, where the MICHELIN brand gained market share.

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

Sales in the Specialty businesses increased by 17.9% over the period, to €3,221 million from €2,733 million in first-half 2021, led by the highly assertive pricing policy.

Mining tires: In an upwardly trending ore market, impelled by growing demand for metals to support the energy transition, first-half Group sales were dampened by disruptions in downstream supply chains, which significantly slowed finished product shipments, and by the conflict in Ukraine, which impacted demand in Eastern Europe.

Nevertheless, May and June showed noticeable signs of improvement in the supply chain situation, which fed through to an increase in volumes sold.

Beyond-road⁽¹⁾ tires: Sales rose year-on-year in markets shaped by rising demand, especially for Replacement Agricultural and Materials Handling tires. However, volumes sold were dampened by production and supply chain disruptions, due in particular to the significant energy shortages in Sri Lanka, where the Group has extensive manufacturing facilities.

The volume decline was offset by a proactive, disciplined pricing policy in the non-indexed businesses.

In **North America**, the Group's positions suffered from ongoing restrictions on local production capacity. Sales of fleet tire services were sharply lifted by the impact of price indexation clauses.

Sales rose in **South America** during the period, as the popularity of the MICHELIN brand drove market share gains in the premium segments.

In **Asia**, where it has little exposure to China, the Group continued to target market segments that value Michelin's solutions for their technological content. Sales benefited in particular from a favorable geographic mix, shaped by gains in the most profitable countries in the region (Australia, Japan and South Korea).

In the **Africa/India/Middle East** region, the Group is increasing its market shares, particularly in India, where demand is continuing to shift to radials and fleet upgrades are being encouraged by the government's policy of scrapping older vehicles.

In the **non-tire segments**, first-half sales growth was supported by the **fleet management** business. The gains were led by contract wins at Sascar and Masternaut, which both delivered double-digit growth over the first half while pooling their operational platforms. The two companies are also continuing to expand in the global marketplace, with a focus on Germany, Spain and South Africa.

The Defense and Powersport businesses are continuing to trend upwards.

Two-wheel tires: Group sales rose during the period, in an increasingly competitive environment. Motorcycle tire sales were impacted in the Replacement segment by high dealer inventories at period-end, particularly in the United States, and in the Original Equipment segment by semiconductor shortages.

Bicycle tire sales were hurt in the Original Equipment segment by sluggish demand in Brazil and the shortage of OEM spare parts.

Price increases offset all of the cost inflation factors and drove a significant increase in sales.

Aircraft tires: The Commercial segment rebounded sharply from very favorable first-half 2021 comparatives, in an environment that was nevertheless roiled by the resurgence of Covid-19 in China and the shortage of pilots and ground crew.

Conveyor belt operations expanded over the period, led by strong gains in the mining business, while Fenner's other activities were buoyed by growth in the energy and industrial markets.

(1) Beyond Road activities include Agricultural, Material Handling, Construction, Quarries, Defense and Powersports (ATVs/UTVs, Snowmobiles...)

1.2.3 CHANGES IN EXCHANGE RATES FOR THE MAIN OPERATING CURRENCIES

At current exchange rates, consolidated sales rose by 18.7% in the first six months of 2022. The increase included a €580 million gain from the highly positive currency effect, due mainly to the rise in the US dollar, as well as the Brazilian real and the Chinese yuan, against the euro during the first half.

Average exchange rate	First-half 2022	First-half 2021	Change
Euro/USD	1.095	1.206	-9.2%
Euro/CNY	7.087	7.802	-9.2%
Euro/AUD	1.520	1.562	-2.7%
Euro/GBP	0.841	0.869	-3.1%
Euro/BRL	5.542	6.484	-14.5%
Euro/CAD	1.391	1.504	-7.5%
Euro/RUB	81.653	89.600	-8.9%
Euro/JPY	133.973	129.733	+3.3%
Euro/MXN	22.195	24.319	-8.7%
Euro/THB	36.880	37.120	-0.6%
Euro/TRY	16.148	9.465	+70.6%

First-half 2022 sales by currency were as follows:

Currency	As a % of sales
USD	38%
EUR	31%
CNY	5%
BRL	4%
CAD	3%
GBP	3%
AUD	3%
MXN	1%
JPY	1%
TRY	1%
RUB	1%
THB	1%
Other	8%
TOTAL	100%

1.2.4 SALES BY REGION

(in € millions)	First-half 2022	First-half 2021	First-half 2022/2021
GROUP	13,289	11,192	+18.7%
Europe (incl. CIS)	4,901	4,248	+15.4%
of which France	1,184	980	20.8%
North America (incl. Mexico)	4,982	3,813	+30.7%
Other regions	3,406	3,131	+8.8%

(in € millions)	First-half 2022	% of total	First-half 2021	% of total
GROUP	13,289		11,192	
Europe (incl. CIS)	4,901	36.9%	4,248	38.0%
of which France	1,184	8.9%	980	8.8%
North America (incl. Mexico)	4,982	37.5%	3,813	34.1%
Other regions	3,406	25.6%	3,131	28.0%

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.

IMPACT OF THE CONFLICT BETWEEN RUSSIA AND UKRAINE ON GROUP OPERATIONS IN FIRST-HALF 2022

The information presented below describes the impact of the hostilities between Russia and Ukraine, which broke out on February 24, 2022, on the Group's operations during the first half of 2022.

THE GROUP'S EXPOSURE TO RUSSIA

Following on from an initial presence in the early 20th century, Michelin has been operating in Russia since 1997 and in 2004 was the first foreign tire manufacturer to open a plant there. Michelin Russia employs around 1,000 people, including 750 at the Davydovo plant, located about 100 kilometers from Moscow. With production capacity of 1.5 to 2 million tires a year, mainly for passenger cars, the facility represents 1% of the Group's worldwide capacity in this segment.

Most of its output consists of mass-market sizes, intended primarily for the Russian market.

Michelin's sales in Russia, across every segment, accounted for around 2% of the consolidated total in 2021.

IMPACT OF THE CONFLICT ON GROUP OPERATIONS IN FIRST-HALF 2022

Before hostilities broke out, Michelin, like every other tire manufacturer, sourced certain raw materials from Russia for its European production plants.

Given the procurement issues and supply chain disruptions ensuing from the conflict, and in order to optimize its operations, the Group announced in a press release on March 3, 2022 that it would stop production at some of its European plants for a few days in March. This very brief period of adjustment, which lasted an average of three days, enabled the Group to shift its priority focus to segments delivering higher value-added.

The deployment of alternative sourcing solutions helped to limit the operational impact, attesting to the effectiveness of the Group's business continuity procedures in addressing production interruption and supply continuity risks, as described in section 2 of the 2021 Universal Registration Document.

As a result, since the end of May 2022, none of the Group's operations are dependent on any Russian sourcing.

IMPACT OF THE CONFLICT ON GROUP OPERATIONS IN RUSSIA

In a press release issued on March 15, 2022, the Group announced that it was suspending its industrial operations in Russia as well as its exports to the country, due to the severe operational constraints arising from procurement difficulties, disrupted financial flows and currency instability.

In a June 28, 2022 press release, Michelin acknowledged the technical impossibility of resuming operations, in particular due to procurement difficulties in an environment of persistent, widespread uncertainty. As a result, it was compelled to dispose of all its operations in Russia by the end of the year.

As of June 30, 2022, however, the Group retained control of its Russian subsidiary, which was therefore still consolidated at that date.

IMPACT ON THE GROUP'S FINANCIAL POSITION

The Group's balance sheet exposure to Russia before the recognition of impairment losses stood at approximately €250 million, of which €69 million in fixed assets. The differences with the figures disclosed in the 2021 Universal Registration Document primarily reflect the very steep appreciation of the ruble against the euro between December 31, 2021 and June 30, 2022.

At June 30, 2022, the Group recognized an impairment loss of €202 million corresponding to the partial write-down of its balance sheet exposure. Of this amount, €195 million was recognized in operating income unallocated to the operating segments and €7 million in a tax expense.

After these write-downs, the residual balance sheet exposure therefore amounts to approximately €50 million, of which €16 million in translation adjustments.

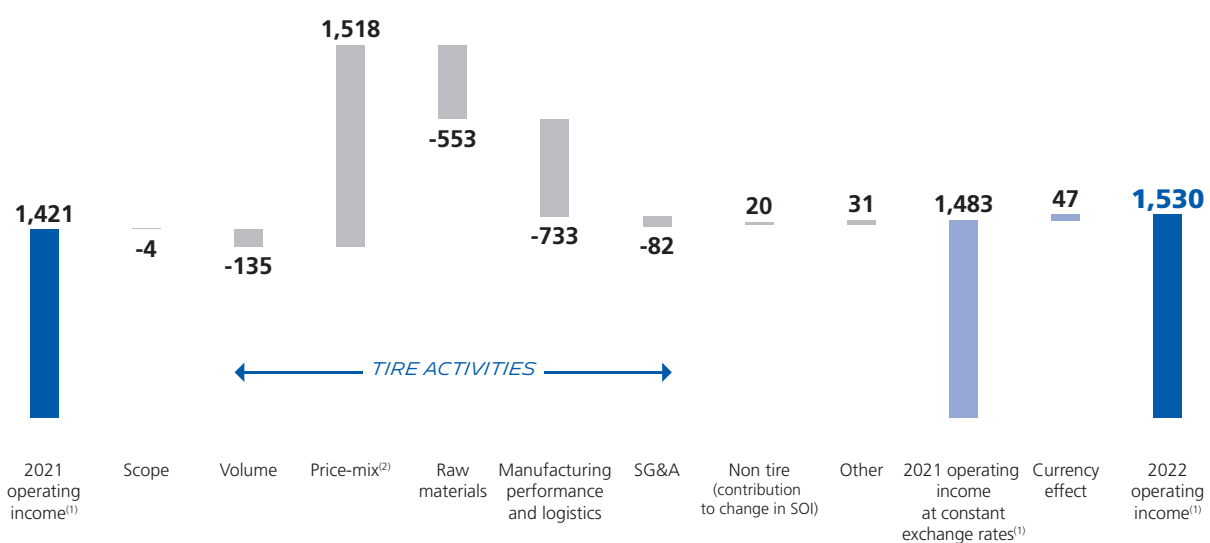
1.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per-share data)	First-half 2022	First-half 2021	First-half 2022/2021	First-half 2022 (as a % of sales)	First-half 2021 (as a % of sales)
Sales	13,289	11,192	+18.7%		
Cost of sales	(9,651)	(7,807)	+23.6%	72.6%	69.8%
Gross income	3,638	3,385	+7.5%	27.4%	30.2%
Sales and marketing expenses	(582)	(531)	+9.6%	4.4%	4.7%
Research and development expenses	(340)	(328)	+3.7%	2.6%	2.9%
General and administrative expenses	(1,169)	(1,085)	+7.7%	8.8%	9.7%
Segment other income and expenses	(17)	(20)	-15.0%	0.1%	0.2%
Segment operating income	1,530	1,421	+7.7%	11.5%	12.7%
Other operating income and expenses	(273)	16	-1,806.3%	2.1%	0.1%
Operating income	1,257	1,437	-12.5%	9.5%	12.8%
Cost of net debt	(87)	(91)	-4.4%	0.7%	0.8%
Other financial income and expenses	(9)	1	-1,000.0%	0.1%	0.0%
Net interest on employee benefit obligations	(21)	(19)	+10.5%	0.2%	0.2%
Share of profit/(loss) from equity-accounted companies	16	(32)	-150.0%	0.1%	0.3%
Income before taxes	1,156	1,296	-10.8%	8.7%	11.6%
Income tax	(313)	(264)	+18.6%	2.4%	2.4%
NET INCOME	843	1,032	-18.3%	6.3%	9.2%
▶ Attributable to the shareholders of the Company	841	1,030	-18.3%	6.3%	9.2%
▶ Attributable to the non-controlling interests	2	2	0.0%		
EARNINGS PER SHARE⁽¹⁾ (in €)					
▶ Basic	1.18	1.44	-18.1%		
▶ Diluted	1.17	1.43	-18.1%		

(1) First-half 2021 earnings per share have been restated to reflect the four-for-one stock split on June 16, 2022 (see note 2.8 and 13 to the condensed consolidated interim financial statements).

1.3.1 ANALYSIS OF SEGMENT OPERATING INCOME

(in € millions)



(1) Segment operating income.

(2) Mix = product, brand, customer, OE/RT, division mix.

Segment operating income amounted to €1,530 million or 11.5% of sales, versus €1,421 million and 12.7% in first-half 2021.

The change in segment operating income primarily reflected:

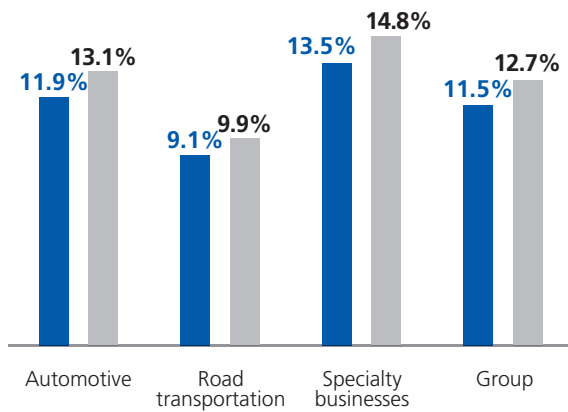
- ▶ a €135 million decrease from the decline in tire volumes sold, caused primarily by the Covid-19-related fall-off in demand in China (especially in April and May) and by the conflict in Ukraine;
- ▶ a €1,518 million increase from the tire price-mix effect, thanks to the disciplined, highly assertive pricing policies deployed in response to sharply rising raw materials, freight and energy costs;
- ▶ a €553 million decrease from higher raw material prices and procurement costs;
- ▶ a €733 million decrease from the Group's manufacturing and logistics performance, as operations were seriously impacted by the surge in logistics costs and the steep run-up in energy costs, which was particularly pronounced following the outbreak of hostilities in Ukraine;
- ▶ an €82 million increase in tire selling, general and administrative expenses, reflecting the recovery in business compared with first-half 2021, which was still heavily impacted by the pandemic;
- ▶ a €20 million improvement in segment operating income from the non-tire businesses, reflecting their robust growth and widening margins;
- ▶ a €31 million decrease in other costs;
- ▶ a €47 million gain from exchange rate movements, as the very favorable impact of the rise in the US dollar against the euro was attenuated by the unfavorable impact of some other currencies, most notably the decline the Turkish lira.

1.3.2 SEGMENT OPERATING INCOME BY REPORTING SEGMENT

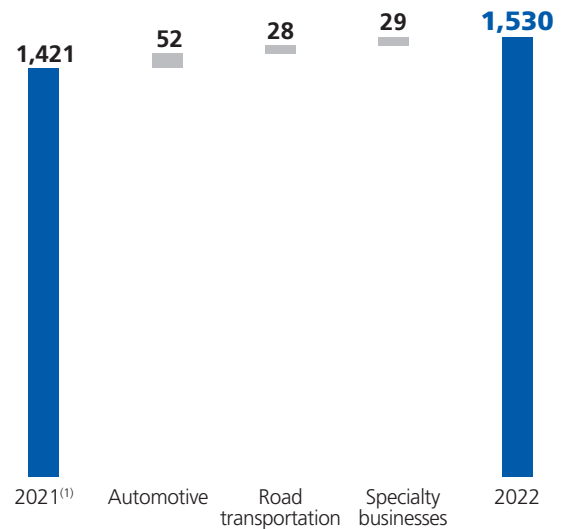
<i>(in € millions)</i>	First-half 2022	First-half 2021
AUTOMOTIVE AND RELATED DISTRIBUTION		
Sales	6,599	5,562
Segment operating income	782	730
Segment operating margin	11.9%	13.1%
ROAD TRANSPORTATION AND RELATED DISTRIBUTION		
Sales	3,469	2,897
Segment operating income	314	286
Segment operating margin	9.1%	9.9%
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION		
Sales	3,221	2,733
Segment operating income	434	405
Segment operating margin	13.5%	14.8%
GROUP		
Sales	13,289	11,192
Segment operating income	1,530	1,421
Segment operating margin	11.5%	12.7%

1.3.2 a) Segment operating margin

■ 1st half 2022
■ 1st half 2021



(in € millions)



(1) Segment operating income.

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

Automotive and related distribution (in € millions)	First-half 2022	First-half 2021	First-half 2022/2021	First-half 2022 (% of consolidated total)	First-half 2021 (% of consolidated total)
Sales	6,599	5,562	+18.6%	50%	50%
Change in volumes	-3.4%				
Segment operating income	782	730	+7.1%	51%	51%
Segment operating margin	11.9%	13.1%	-1.2 pts		

Segment operating income amounted to €782 million or 11.9% of sales, versus €730 million and 13.1% in first-half 2021.

With volumes down year-on-year, the improvement in segment operating income stemmed primarily from the very favorable price-mix effect, the Group's dynamic pricing management and the up-market shift in the mix, which helped to offset the increase in raw materials, transportation and energy costs.

The decline in segment operating margin was mainly attributable to the dilutive effect of the price increases introduced in response to high inflation, which raised sales revenue for the period.

Exchange rate movements had a positive impact on segment operating income.

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

Road transportation and related distribution (in € millions)	First-half 2022	First-half 2021	First-half 2022/2021	First-half 2022 (% of consolidated total)	First-half 2021 (% of consolidated total)
Sales	3,469	2,897	+19.7%	26%	26%
Change in volumes	-0.2%				
Segment operating income	314	286	+9.8%	21%	20%
Segment operating margin	9.1%	9.9%	-0.8 pts		

Segment operating income totaled €314 million or 9.1% of sales, versus €286 million and 9.9% in first-half 2021.

Volumes were unchanged year-on-year. The segment's selective marketing strategy and responsive pricing management helped to offset higher raw materials, procurement and energy costs. The Services & Solutions business drove faster growth and new productivity gains, in particular by pooling the fleet management operational platforms.

The decline in segment operating margin was mainly attributable to the dilutive effect of the price increases introduced in response to high inflation, which raised sales revenue for the period.

Exchange rate movements had a positive impact on segment operating income.

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

Specialty businesses and related distribution (in € millions)	First-half 2022	First-half 2021	First-half 2022/2021	First-half 2022 (% of consolidated total)	First-half 2021 (% of consolidated total)
Sales	3,221	2,733	+17.9%	24%	24%
Change in volumes	-2.5%				
Segment operating income	434	405	+7.2%	28%	28%
Segment operating margin	13.5%	14.8%	-1.3 pts		

Segment operating income stood at €434 million or 13.5% of sales, versus €405 million and 14.8% in first-half 2021.

Unit sales of Specialty tires declined by 2.5% over the period, primarily due to (i) the difficulties in shipping Mining tires, particularly in the first quarter; and (ii) the operational challenges impacting the Beyond Road segments. Results were lifted both by the segment's disciplined pricing management in the non-indexed businesses and by the favorable impact of raw materials clauses in the Mining tire and other indexed segments.

The conveyor belt and high-tech materials businesses continued to expand over the period.

The decline in segment operating margin was mainly attributable to the dilutive effect of the price increases introduced in response to high inflation, which raised sales revenue for the period.

Exchange rate movements had a positive impact on segment operating income.

1.3.3 OTHER INCOME STATEMENT ITEMS

1.3.3 a) Raw materials

The cost of **raw materials** used in production, which has been estimated at €3.07 billion in first-half 2022, versus €2.31 billion in the year-earlier period, is recognized in the income statement under cost of sales.

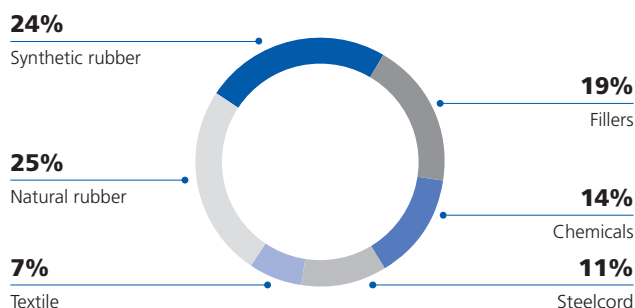
It is calculated on the basis of:

- ▶ 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 2022, the raw material costs and related procurement outlays recognized in cost of sales represented a €553 million increase from the prior-year period, including the residual currency effect.

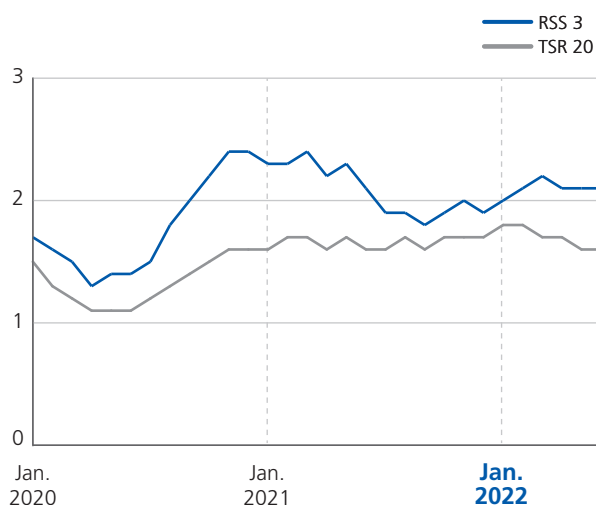
Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

RAW MATERIALS COSTS RECOGNIZED IN FIRST-HALF 2022 COST OF SALES

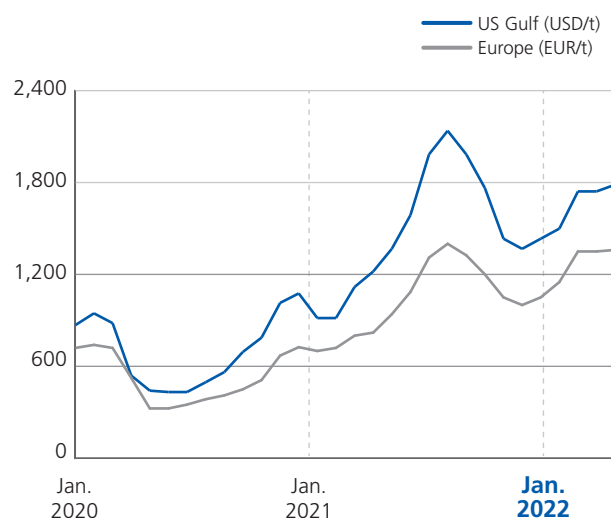


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



1.3.3 b) Employee benefit costs and number of employees

(in € millions and number of people)

	First-half 2022	First-half 2021	Change
Total employee benefit costs	3,464	3,176	+9.1%
As a % of sales	26.0%	28.4%	-2.4 pts
Employees on payroll at June 30	127,387	123,686	+3.0%
Number of full-time equivalent employees at June 30	121,017	117,540	+3.0%
Average number of full-time equivalent employees	120,041	117,240	+2.4%

At €3,464 million, **employee benefit costs** represented 26.0% of sales in first-half 2022, up €276 million from the year-earlier period. In addition to the rise in the average number of employees as business improved, the year-on-year increase reflected the appreciation of the US dollar against the euro, which lifted dollar-denominated payroll costs.

The decline in employee benefit costs as a percentage of sales stemmed from the dilutive effect of the price increases introduced to counter high inflation, which raised sales revenue for the period.

In first-half 2022, €3,458 million was recognized in segment operating income, and €6 million in other operating income and expenses. In first-half 2021, €3,167 million was recognized in segment income, and €9 million in other operating income and expenses.

1.3.3 c) Depreciation and amortization

(in € millions)

	First-half 2022	First-half 2021	Change
Total depreciation and amortization	947	897	+5.5%
As a % of sales	7.1%	8.0%	

Depreciation and amortization charges increased by €50 million to €947 million in the first half of 2022, primarily as a result of the stepped up capital expenditure drive underway since second-half 2021. Capital expenditure programs advanced on schedule during the period, in line with the annual forecast.

Of the total charges for the period, €909 million was recognized in segment operating income, and €38 million in other operating income and expenses.

Their decline as a percentage of sales stemmed from the dilutive effect of the price increases introduced in response to high inflation, which raised sales revenue for the period.

1.3.3 d) Transportation costs

Transportation and logistics costs came to €1,002 million or 7.5% of interim sales, up €220 million on first-half 2021 due to the significant rise in transportation costs across the logistics chain. Another factor was the appreciation of the US dollar against the euro, which had a negative impact on dollar-denominated logistics costs.

<i>(in € millions)</i>	First-half 2022	First-half 2021	Change
Transportation costs	1,002	782	+28.2%
As a % of sales	7.5%	7.0%	

1.3.3 e) Sales and marketing expenses

At €582 million, **sales and marketing expenses** represented 4.4% of sales in first-half 2022, versus 4.7% in the first six months of 2021. In value and on a like-for-like basis, they rose by €51 million due to the upturn in business and the rise in the US dollar against the euro, among other unfavorable exchange rate movements.

The decrease as a percentage of sales was attributable to the dilutive effect of price increases, which raised sales revenue for the period.

1.3.3 f) Research and development expenses

Research and development expenses stood at €340 million, up €12 million versus first-half 2021, reflecting the Group's commitment to maintaining its technological leadership and the sustainability of its products and services.

As a percentage of sales, R&D expenses declined by 0.3 points compared with first-half 2021, mainly as a result of the dilutive effect from price increases, which raised sales revenue for the period.

<i>(in € millions)</i>	First-half 2022	First-half 2021	Change
Research and development expenses	340	328	+3.7%
As a % of sales	2.6%	2.9%	

1.3.3 g) General and administrative expenses

General and administrative expenses increased by €84 million year on year to €1,169 million, but declined by 0.9 points as a percentage of sales. The percentage decline stemmed from the dilutive effect of the price increases introduced in response to high inflation, which raised sales revenue for the period.

The Group is also continuing its efforts to improve competitiveness by rolling out the simplification projects launched before the outbreak of the health crisis.

1.3.3 h) Segment other income and expenses

Segment **other income and expenses** came to a net expense of €17 million, versus a €20 million expense in first-half 2021.

1.3.3 i) Other operating income and expenses

Other operating income and expenses unallocated to the operating segments represented a net expense of €273 million in first-half 2022, versus net income of €16 million in the prior-year period. The shift mainly reflected the following factors:

- ▶ the favorable €113 million impact in first-half 2021 of the change in consolidation method applied to Solesis;
- ▶ the unfavorable €195 million impact in first-half 2022 of the impairment losses recognized following the suspension of the Group's activities in Russia.

Other operating income and expenses also includes the amortization of acquired intangible assets for €38 million, versus €41 million in first-half 2021.

1.3.3 j) Cost of net debt

<i>(in € millions)</i>	First-half 2022	First-half 2021	Change
Cost of net debt	87	91	-4

At €87 million, the **cost of net debt** was down €4 million compared with first-half 2021, primarily as a result of the following factors:

- ▶ a €31 million increase in net interest expense, reflecting the net impact of:
 - a €12 million decrease due to the fall in average gross debt, to €7,137 million in first-half 2022 from €8,085 million in the year-earlier period,

- a €43 million increase from the higher average gross interest rate on borrowings, at 3.6% in first-half 2022 versus 2.4% in first-half 2021;
- ▶ a €31 million increase in gains on interest rate derivatives;
- ▶ a €3 million increase in interest income from cash and cash equivalents;
- ▶ an aggregate €1 million net decrease from movements in other factors.

1.3.3 k) Other financial income and expenses

(in € millions)	First-half 2022	First-half 2021	Change
Other financial income and expenses	(9)	1	-10

Other financial income and expenses represented a net financial expense of €9 million at end-June 2022, including €14 million in additional currency derivative costs.

1.3.3 l) Income tax

(in € millions)	First-half 2022	First-half 2021	Change
Income before taxes	1,156	1,296	-140
INCOME TAX	(313)	(264)	-49
Current tax	(315)	(250)	-65
Withholding tax	(24)	(8)	-16
Deferred tax	26	(6)	+32

Income tax expense rose by €49 million year-on-year to €313 million in the first half of 2022, representing an effective tax rate of 27.0%. The recognition of impairment losses on the Group's assets in Russia had an unfavorable impact on the first-half 2022 rate, whereas in first-half 2021, the capital gain recognized at period-end on the creation of the Solesis Inc. joint venture had a favorable impact on the rate, which stood at 20.4% for the period.

1.3.3 m) Consolidated net income and earnings per share

(in € millions)	First-half 2022	First-half 2021	Change
Net income	843	1,032	-189
As a % of sales	6.3%	9.2%	-2.9 pts
▶ Attributable to the shareholders of the Company	841	1,030	-189
▶ Attributable to the non-controlling interests	2	2	
EARNINGS PER SHARE⁽¹⁾ (in €)			
▶ Basic	1.18	1.44	-0.26
▶ Diluted	1.17	1.43	-0.26

(1) First-half 2021 earnings per share have been restated to reflect the four-for-one stock split on June 16, 2022 (see note 2.8 and 13 to the condensed consolidated interim financial statements).

Net income came to €843 million, or 6.3% of sales, compared with net income of €1,032 million in first-half 2021. The €189 million decline was primarily attributable to the following factors:

- ▶ favorable factors:
 - the €109 million increase in segment operating income,
 - the €48 million improvement in the Group's share of profit from associates and joint ventures;

- ▶ unfavorable factors:
 - the €289 million increase in operating expenses unallocated to the operating segments, primarily corresponding to the impairment losses recognized on the Group's assets in Russia,
 - the €49 million increase in income tax expense,
 - an €8 million decrease from other unfavorable factors.

1.4 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

<i>(in € millions)</i>	June 30, 2022	December 31, 2021	Total change	Translation adjustments	Movement
Goodwill	2,407	2,286	+121	+120	+1
Intangible assets	1,824	1,811	+13	+19	-6
Property, plant and equipment	11,500	11,231	+269	+441	-172
Right-of-use assets	1,035	1,034	+1	+37	-36
Non-current financial assets and other non-current assets	1,456	1,404	+52	+12	+40
Investments in equity-accounted companies	1,139	1,103	+36	+55	-19
Deferred tax assets	650	751	-101	+13	-114
Non-current assets	20,011	19,620	+391	+697	-306
Inventories	6,759	5,272	+1,487	+247	+1,240
Trade receivables	4,052	3,576	+476	+131	+345
Current financial assets	889	713	+176	-1	+177
Other current assets	1,304	1,038	+266	+9	+257
Cash and cash equivalents	1,929	4,482	-2,553	+34	-2,587
Current assets	14,933	15,081	-148	+420	-568
TOTAL ASSETS	34,944	34,701	+243	+1,117	-874

EQUITY AND LIABILITIES

<i>(in € millions)</i>	June 30, 2022	December 31, 2021	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,746	2,746	0		0
Reserves	13,119	11,871	+1,248	+568	+680
Non-controlling interests	(2)	(3)	+1	-1	+2
Total equity	16,220	14,971	+1,249	+567	+682
Non-current financial liabilities	5,339	5,360	-21	+6	-27
Non-current lease liabilities	722	731	-9	+25	-34
Provisions for employee benefit obligations	2,763	3,362	-599	+61	-660
Provisions and other non-current liabilities	718	759	-41	+16	-57
Deferred tax liabilities	535	503	+32	+9	+23
Non-current liabilities	10,077	10,715	-638	+117	-755
Current financial liabilities	1,223	1,682	-459	+183	-642
Current lease liabilities	236	229	+7	+8	-1
Trade payables	3,316	3,174	+142	+112	+30
Trade payables under reverse factoring agreements	685	613	+72	+35	+37
Provisions and other current liabilities	3,187	3,317	-130	+96	-226
Current liabilities	8,647	9,015	-368	+434	-802
TOTAL EQUITY AND LIABILITIES	34,944	34,701	+243	+1,117	-874

1.4.1 GOODWILL

There were no acquisitions giving rise to **goodwill** in the first six months of 2022 (the Allopeus acquisition was still in progress at period-end). As a result, other than translation adjustments, there were no material changes in goodwill over the period.

No impairment losses were recognized on the CGUs or groups of CGUs at June 30, 2022.

1.4.2 INTANGIBLE ASSETS

Intangible assets amounted to €1,824 million, down a very slight €6 million from December 31, 2021 before translation adjustments, reflecting the fact that amortization charges were more or less equal to additions.

1.4.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to €11,500 million at June 30, 2022, down €172 million from December 31, 2021 before translation adjustments. The decrease was led by (i) the fact that depreciation charges exceeded capital expenditure for the period; and (ii) the €69 million in impairment losses recognized on the Group's industrial assets in Russia following the suspension of Group operations there.

1.4.4 NON-CURRENT FINANCIAL ASSETS AND OTHER ASSETS

Non-current financial assets and other non-current assets stood at €1,456 million, an increase of €40 million (before translation adjustments), that was primarily attributable to the higher actuarial gains on the pension plan in the United Kingdom.

1.4.5 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments in equity-accounted companies amounted to €1,139 million at June 30, 2022, down €19 million (before translation adjustments). The decrease mainly reflected the disposal of the Group's 20% stake in German auto service center chain ATU during the first half, partially offset by the purchase of new shares issued by the AddUp joint venture.

1.4.6 DEFERRED TAX

Excluding translation adjustments, **deferred tax assets** declined by €114 million compared with December 31, 2021, mainly as a result of the €164 million reduction in deferred taxes on items recognized in equity (corresponding essentially to employee benefits).

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1.4.7 TRADE WORKING CAPITAL

(in € millions)	June 30, 2022	June 30, 2021	Change	2022 (as a % of sales, moving 12 months)	2021 (as a % of sales, moving 12 months)
Inventories	6,759	4,659	+2,100	26.1%	20.9%
Trade receivables	4,052	3,543	+509	15.6%	15.9%
Trade payables	(3,316)	(2,351)	-965	-12.8%	-10.5%
Trade payables under reverse factoring agreements	(685)	(506)	-179	-2.6%	-2.3%
TRADE WORKING CAPITAL	6,810	5,345	+1,465	26.3%	24.0%

Trade working capital requirement increased by €1,465 million compared with June 30, 2021, reflecting the strong growth in sales over first-half 2022. It represented 26.3% of moving 12-month sales, a 2.3-point increase on June 30, 2021.

At €6,759 million, **inventories** ended the period up €2,100 million compared with June 30, 2021, or 5.2 points higher as a percentage of sales. The increase primarily stemmed from the rise in production input prices, as well as from the still relatively low prior-year comparatives.

Trade receivables stood at €4,052 million, or 15.6% of sales, at June 30, 2022, a €509 million year-on-year increase in line with strong growth in sales. Before impairment losses, they were on a par with first-half 2021 as a percentage of sales, reflecting the Group's highly disciplined credit policies at a time of rising prices.

Trade payables, including those covered by **reverse factoring contracts**, rose by €1,144 million year on year to €4,001 million. The increase was led by the sharp upsurge in raw materials, energy and procurement costs.

1.4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at €1,929 million at June 30, 2022, a €2,587 million decrease from December 31, 2021 (before translation adjustments) that was primarily due to the following factors:

- ▶ the negative €964 million in free cash flow;

- ▶ the €781 million reduction in debt over the period;
- ▶ the payment of €808 million in dividends and other distributions.

1.4.9 EQUITY

At €16,220 million, **total equity**, before translation adjustments, was €682 million higher than at December 31, 2021, primarily due to the following factors:

- ▶ €1,528 million in comprehensive income before translation adjustments for the period, which may be analyzed as follows:
 - €843 million in net income for the period,
 - a €855 million favorable impact from post-employment benefit obligations,
 - a €166 million increase in taxes payable on those obligations,

- an €8 million decrease in the fair value of derivatives qualifying for hedge accounting,
- a €4 million increase from other factors;
- ▶ the payment of €808 million in dividends and other distributions;
- ▶ the buyback of existing Company shares, in an amount of €120 million, to offset the new shares issued under performance share plans.

As a result, at June 30, 2022, the **share capital** of Compagnie Générale des Établissements Michelin stood at €357,060,924, comprising 714,121,848 shares corresponding to 966,260,553 voting rights⁽¹⁾.

(1) Shares and voting rights outstanding have been restated to reflect the four-for-one stock split on June 16, 2022 (see notes 2.8 and 13 to the condensed consolidated interim financial statements).

1.4.10 NET DEBT

Net debt stood at €4,852 million at June 30, 2022, up €2,063 million from December 31, 2021, mainly as a result of the following factors:

- ▶ €964 million in negative free cash flow for the period;
- ▶ the payment of €808 million in dividends and other distributions;

- ▶ €99 million in new leases;
- ▶ €120 million in share buybacks under the program mentioned in paragraph 1.4.9;
- ▶ €187 million in translation adjustments.

CHANGES IN NET DEBT

<i>(in € millions)</i>	First-half 2022	First-half 2021
At January 1	2,789	3,531
Free cash flow ⁽¹⁾ before M&A	+963	-367
Investments in new ventures	-50	+15
Financing of joint ventures and associates	+51	+6
Free cash flow⁽¹⁾	+964	-346
Distributions and other	+808	+414
Share buybacks	+120	0
New leases	+99	+85
Change in scope of consolidation	0	-4
Translation adjustment	+187	+21
Other	-115	-23
AT JUNE 30	4,852	3,679
CHANGE	+2,063	+148

(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.

1.4.10 a) Gearing

Gearing stood at 29.9% at June 30, 2022, versus 26.7% a year earlier.

1.4.10 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

Moody's, whose rating has not been solicited since July 1, 2020, nevertheless affirmed CGEM's "A3" long-term credit rating and "stable" outlook on March 19, 2022.

	CGEM
Long term	A3
Outlook	Stable

1.4.11 PROVISIONS

Provisions and other non-current liabilities amounted to €718 million, down €57 million before translation adjustments. The decrease was led by payments out of restructuring provisions set aside in prior years, mainly in France and Germany.

1.4.12 EMPLOYEE BENEFIT OBLIGATIONS

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

<i>(in € millions)</i>	Pension plans	Other plans	First-half 2022	First-half 2021
At January 1	1,256	1,774	3,030	3,489
Contributions paid to the funds	(5)	(4)	(9)	(10)
Benefits paid directly to the beneficiaries	(18)	(31)	(49)	(71)
Other movements	(1)	1	-	(4)
ITEMS RECOGNIZED IN OPERATING INCOME				
Current service cost	16	39	55	56
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	2	-	2	(87)
Other items	4	-	4	5
ITEMS RECOGNIZED OUTSIDE OPERATING INCOME				
Net interest on employee benefit obligations	5	16	21	19
Other	-	(5)	(5)	-
ITEMS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Translation adjustments	23	50	73	23
Actuarial (gains) or losses	(533)	(364)	(897)	(294)
Unrecognized assets due to the effect of the asset ceiling	42	-	42	40
AT JUNE 30	791	1,476	2,267	3,166

The net obligation recognized in the balance sheet at June 30, 2022 amounted to €2,267 million, a decline of €763 million over the period as reported and of €836 million excluding the €73 million translation adjustment stemming primarily from the increase in the US dollar against the euro.

The decline reflected the following main factors:

- ▶ €58 million in payments under defined benefit plans during the period (first-half 2021: €81 million), of which:
 - €9 million in contributions paid to fund management institutions (first-half 2021: €10 million),
 - €49 million in benefits paid directly to employees (first-half 2021: €71 million);
- ▶ €897 million in actuarial gains recognized in equity at June 30, 2022, which can be broken down as follows:
 - €2,196 million in actuarial gains on the obligation, mainly resulting from the use of higher discount rates in North America, the United Kingdom and Europe,

- €1,299 million in actuarial losses on plan assets, stemming primarily from the negative returns on the assets over the first half in the United States, Canada and the United Kingdom;
- ▶ a €77 million expense recognized in the income statement in respect of defined benefit plan costs;
- ▶ the recognition in the statement of comprehensive income of €42 million in assets otherwise unrecognized, in accordance with the application of the asset ceiling rule to the Canadian pension plan.

In addition, contributions paid by the Group into defined contribution plans totaled €122 million in first-half 2022 (first-half 2021: €103 million).

1.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

1.5.1 NET CASH FROM OPERATING ACTIVITIES

<i>(in € millions)</i>	First-half 2022	First-half 2021	Change
Segment EBITDA	2,439	2,277	+162
Change in net inventories	-1,239	-629	-610
Change in net trade receivables	-419	-412	-7
Change in net trade payables	+316	+186	+130
Restructuring cash costs	-106	-108	+2
Tax and interest paid	-507	-339	-168
Other	-477	+29	-506
NET CASH FROM OPERATING ACTIVITIES	7	1,004	-997

At €2,439 million, **segment EBITDA** was up €162 million year-on-year, primarily reflecting the €109 million increase in segment operating income, to €1,530 million from €1,421 million in first-half 2021.

Net cash from operating activities declined by €997 million, to €7 million from €1,004 million in first-half 2021.

In particular, the working capital items reflect the surging inflation during the period, which impacted the value of inventories and trade payables.

Restructuring cash costs were unchanged year-on-year.

The other factors having an impact on cash primarily concerned increases in compensation, reflecting in particular the payment in first-half 2022 of the 2021 Group performance bonuses.

1.5.2 CAPITAL EXPENDITURE

<i>(in € millions)</i>	First-half 2022	First-half 2021	First-half 2022/2021	First-half 2022 (as a % of sales)	First-half 2021 (as a % of sales)
Additions to intangible assets and PP&E	709	543	+166	5.3%	4.9%
Investment grants received and change in capital expenditure payables	271	111	+160	2.0%	1.0%
Proceeds from sales of intangible assets and PP&E	(9)	(17)	+8	(0.1%)	(0.2%)
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	971	637	+334	7.3%	5.7%

Gross purchases of intangible assets and property, plant and equipment amounted to €709 million in first-half 2022, a €166 million year-on-year increase.

Capital expenditure outlays during the first half were in line with the Group's objective of implementing in 2022 a portion of the capital programs that could not be carried out in 2020 and 2021 due to the Covid-19 crisis, supply chain disruptions and shortages of materials and components.

1.5.3 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.

<i>(in € millions)</i>	First-half 2022	First-half 2021	Change
Net cash from operating activities	7	1,004	-997
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(216)	(338)	+122
AVAILABLE CASH FLOW	(209)	666	-875
Competitiveness and growth investments	(422)	(140)	-282
Investments in new ventures	(71)	(65)	-6
Acquisitions	50	(15)	+65
Other	(312)	(100)	-212
FREE CASH FLOW	(964)	346	-1,310

After subtracting €216 million in routine capital expenditure, available cash flow stood at a negative €209 million for first-half 2022.

Free cash flow came to a negative €964 million, compared with a positive €346 million in the first half of 2021, with a significant increase in competitiveness and growth investments.

The positive cash flow from acquisitions mainly reflected the disposal during the first half of the Group's 20% stake in German auto service center chain ATU.

1.6 OUTLOOK FOR 2022

Market projections have been lowered to reflect global economic growth uncertainties. Passenger car and Light truck tire markets are now expected to end the year between +2% and -2%, Truck tire markets to expand by between 2% and 6%, and the Specialty markets to grow by between 4% and 8%.

In this scenario, and barring any new systemic impacts⁽¹⁾, Michelin maintains its guidance for 2022, with full-year segment operating income above €3.2 billion at constant exchange rates, and structural free cash flow⁽²⁾ of more than €1.2 billion.

1.7 RELATED PARTIES

There were no new material related-party transactions during the first half of 2022, nor any material changes in the related-party transactions described in the 2021 Universal Registration Document.

1.8 RISK MANAGEMENT

The Michelin Group's main risks have been identified and are described in the 2021 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 free cash flow before acquisitions, adjusted for the impact of changes in raw material costs on trade payables, trade receivables and inventories.

1.9 KEY FIGURES

(in € millions)	First-half 2022	First-half 2021 (restated)*	2021 (restated)*	2021 (reported)	2020	2019	2018
Sales	13,289	11,192	23,795	23,795	20,469	24,135	22,028
% change	+18.7%	+19.6%	+16.3%	+16.3%	-15.2%	+9.6%	+0.3%
Total employee benefit costs	3,464	3,176	6,445	6,445	5,996	6,365	6,038
As a % of sales	26.1%	28.4%	27.1%	27.1%	29.3%	26.4%	27.4%
Number of full-time equivalent employees at period-end	120,041	117,240	118,400	118,400	117,500	121,300	111,100
Research and development expenses	340	328	682	682	646	687	648
As a % of sales	2.6%	2.9%	2.9%	2.9%	3.2%	2.8%	2.9%
Segment EBITDA⁽¹⁾	2,439	2,277	4,700	4,700	3,631	4,763	4,119
Segment operating income	1,530	1,421	2,966	2,966	1,878	3,009	2,775
Segment operating margin	11.5%	12.7%	12.5%	12.5%	9.2%	12.5%	12.6%
Operating income	1,257	1,437	2,777	2,777	1,403	2,691	2,550
Operating margin	9.5%	12.8%	11.7%	11.7%	6.9%	11.1%	11.6%
Cost of net debt	87	91	192	192	242	330	200
Other financial income and expenses	(9)	1	(4)	(4)	(14)	(5)	16
Income before taxes	1,156	1,296	2,471	2,471	979	2,236	2,230
Income tax	313	264	626	626	354	506	570
Effective tax rate	27.1%	20.4%	25.3%	25.3%	36.2%	22.6%	25.6%
Net income	843	1,032	1,845	1,845	625	1,730	1,660
As a % of sales	6.3%	9.2%	7.8%	7.8%	3.1%	7.2%	7.5%
Dividends	803	410	410	410	357	666	637
Net cash from operating activities	7	1,004	2,906	2,906	3,366	3,321	2,831
As a % of sales	0.1%	9.0%	12.2%	12.2%	16.4%	13.8%	12.9%
Gross purchases of intangible assets and PP&E	709	543	1,705	1,705	1,221	1,801	1,669
As a % of sales	5.3%	4.9%	7.2%	7.2%	6.0%	7.5%	7.6%
Net debt ⁽²⁾	4,852	3,679	2,789	2,789	3,531	5,184	4,056
Total equity	16,220	13,784	14,971	14,971	12,631	13,229	12,181
Net debt ⁽²⁾ /equity	29.9%	26.7%	19%	19%	28%	39%	33%
Net debt ⁽²⁾ /EBITDA ⁽¹⁾	1.99	1.62	0.59	0.59	0.97	1.09	0.98
Segment operating income/net interest expense ⁽³⁾	11.5	13.5	13.7	13.7	7.9	10.1	13.3
Free cash flow ⁽⁴⁾	(964)	346	1,357	1,357	2,004	1,142	-1,985
ROE ⁽⁵⁾			12.3%	12.3%	4.9%	13.1%	13.6%
Operating ROCE ⁽⁶⁾			10.3%	10.3%	6.0%	10.0%	-
PER-SHARE DATA (in €)							
Net assets per share ⁽⁷⁾	22.7	19.3	20.9	83.9	70.8	74.1	67.8
Basic earnings per share	1.18	1.44	2.58	10.31	3.52	9.69	9.30
Diluted earnings per share	1.17	1.43	2.56	10.24	3.51	9.66	9.25
Price-earnings ratio ⁽⁸⁾			14.0	14.0	29.8	11.3	9.3
Dividend per share			1.125	4.50	2.30	2.00	3.70
Payout ratio ⁽⁹⁾			42.0%	42.0%	47.0%	19.5%	36.4%
Yield per share ⁽¹⁰⁾			3.1%	3.1%	2.2%	1.8%	4.3%

* First-half and full-year 2021 per-share data have been restated to reflect the four-for-one stock split on June 16, 2022 (see notes 2.8 and 13 to the condensed consolidated interim financial statements).

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

(2) Net debt: financial liabilities less cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) plus/minus derivative assets.

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

(4) Free cash flow: as calculated in section 5.1.5 c) of the 2021 Universal Registration Document.

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

(6) Operating ROCE: based on the method in use since 2021, as explained in section 5.1.6 of the 2021 Universal Registration Document. Full-year 2019 and 2020 ROCE have been remeasured using this method.

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

(8) Price-earnings ratio: 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) Yield: dividend per share/share price at December 31.

1.10 SHARE INFORMATION

1.10.1 THE MICHELIN SHARE

Stock split

At the Annual Meeting of May 13, 2022, shareholders approved a four-for-one split in the par value of the Michelin share. On May 16, 2022, the Managers decided to carry out the split effective June 16, 2022. As a result, for each existing share with

a par value of €2.00 held on that date, shareholders received four new shares with a par value of €0.50 in exchange, and the total number of shares making up the capital was multiplied by four.

Traded on the Euronext Paris stock exchange

- ▶ Compartment A;
- ▶ Eligible for the SRD deferred settlement system;
- ▶ ISIN: FR001400AJ45;
- ▶ Par value: €0.50;
- ▶ Traded in units of: 1.

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

- ▶ CAC 40: 1.60% of the index at June 30, 2022;
- ▶ Euronext 100: 0.61% of the index at June 30, 2022.

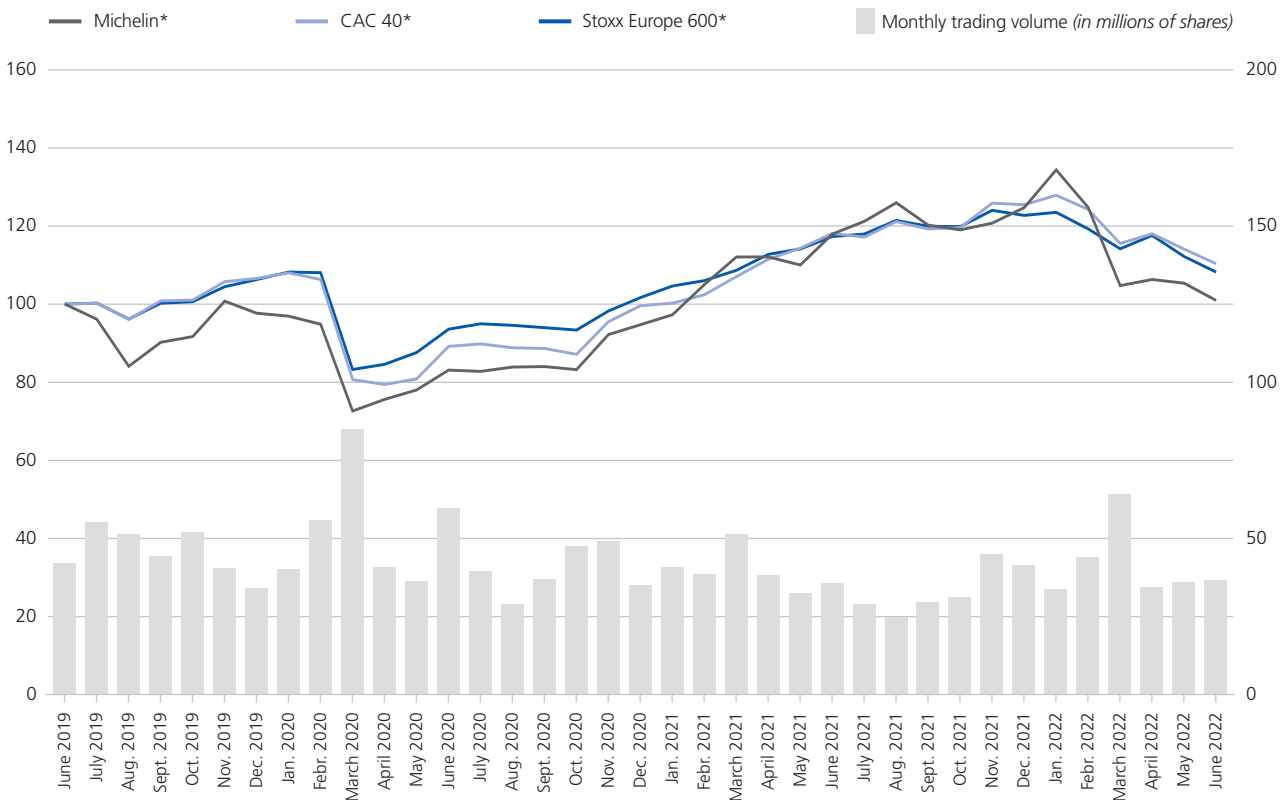
Michelin is also included in the main Socially Responsible Investing (SRI) indices:

- ▶ 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.

Historical trading volume data have been restated to reflect the four-for-one stock split on June 16, 2022.



* Standardized monthly averages (base 100 = July 1, 2019).

1.10.2 DETAILED SHARE DATA

According to statistical data collected by Euronext Paris.

Only the 2021 share data have been restated ("2021 restated") to reflect the four-for-one stock split on June 16, 2022 (see notes 2.8 et 13 to the condensed interim consolidated financial statements).

Share price (in €)	First-half 2022	2021 (restated)	2021 (reported)	2020	2019	2018	2017
Session high	38.93	36.50	146.00	112.80	119.50	130.85	128.40
Session low	24.90	25.83	103.30	68.00	83.74	82.68	98.93
High/low ratio	1.56	1.41	1.41	1.66	1.43	1.58	1.30
Closing price, end of period	25.98	36.04	144.15	104.95	109.10	86.70	119.55
Average closing price over the period	31.55	32.44	129.75	95.49	104.36	109.40	115.65
Change in the Michelin share price over the period	-29.15%	+37.35%	+37.35%	-3.80%	+25.84%	-27.48%	+13.10%
Change in the CAC 40 index over the period	-17.93%	+28.85%	+28.85%	-7.14%	+26.37%	-10.95%	+9.26%
Change in the Stoxx Europe 600 index over the period	-16.90%	+22.25%	+22.25%	-4.04%			
Market capitalization (at end of the period, in € billions)	18.55	25.74	25.74	18.72	19.49	15.59	21.45
Average daily trading volume over the period	2,004,423	1,743,820	435,955	548,883	577,545	649,347	503,534
Average number of shares outstanding	714,121,840	713,512,772	178,378,193	178,497,159	179,669,608	179,384,513	180,212,806
Volume of shares traded over the period	254,561,674	449,905,428	112,476,357	141,062,953	147,273,882	165,583,378	128,401,095

1.10.3 PER-SHARE DATA

(in € per share, except ratios)	First-half 2022	2021 (restated)	2021 (reported)	2020	2019	2018	2017
Net asset value per share	22.7	20.9	83.9	70.8	74.1	67.8	62.7
Basic earnings per share	1.18	2.58	10.31	3.52	9.69	9.30	9.39
Diluted earnings per share ⁽¹⁾	1.17	2.56	10.24	3.51	9.66	9.25	9.34
Price-earnings ratio	-	14.0	14.0	29.8	11.3	9.4	12.7
Dividend per share	-	1.125	4.50	2.30	2.00	3.70	3.55
Payout ratio (excl. non-recurring items)	-	42.0%	42.0%	47.0%	19.5%	36.4%	36.0%
Yield ⁽²⁾	-	3.1%	3.1%	2.2%	1.8%	4.3%	3.0%

(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.

1.10.4 CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 2022, Michelin's share capital amounted to €357,060,924.

	At June 30, 2022			At December 31, 2021			At December 31, 2020		
	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding	Number of shareholders	Shares outstanding	Voting rights outstanding
French institutional investors	4,490	23.0%	26.4%	4,123	23.6%	27.3%	3,938	27.1%	29.3%
Non-resident institutional investors		65.8%	60.2%		65.5%	59.2%		61.8%	57.1%
Individual shareholders	150,619	9.3%	11.5%	139,099	9.2%	11.5%	136,935	9.1%	11.4%
Employee share ownership plan	59,552	1.7%	1.9%	62,118	1.7%	2.0%	69,378	2.0%	2.3%
Treasury shares	-	0.2%	-				-	-	-
TOTAL	214,661	714,121,848	966,260,553	205,340	178,530,450	238,147,046	210,251	178,340,086	243,584,598
		shares*	voting rights		shares	voting rights		shares	voting rights

* All fully paid up.

Data prior to 2022 are historical data and have not been adjusted to reflect the four-for-one stock split on June 16, 2022.

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

Given the 1,484,292 Company shares held in treasury, which have been stripped of their voting rights, the number of theoretical voting rights outstanding at June 30, 2022 differs from the number of voting rights exercisable at that date.

To the Company's knowledge, no material portion of its issued capital has been pledged.

1.11 HIGHLIGHTS

January 7, 2022 – [with tires]

Michelin launches the new MICHELIN Road 6/Road 6 GT motorcycle tire. Leveraging the latest technologies developed by Michelin's R&D, the new tire differentiates in both wet grip and tire life improvement.

January 13, 2022 – [beyond tires]

WISAMO, Michelin's prototype wing sail system designed to help decarbonize maritime shipping, will be fitted on the ro-ro container ship operated by Compagnie Maritime Nantaise – MN. By the end of 2022, it will power the vessel's two weekly rotations between Spain and the United Kingdom.

January 28, 2022 – [with tires]

Michelin introduces two new summer tires, the MICHELIN Pilot Sport 5 and the MICHELIN Primacy 4+. With their long-lasting performance, they can be used for more kilometers, thereby helping to reduce mobility's environmental impact.

February 3, 2022 – [with tires]

Michelin launches the new MICHELIN City Extra commuter tire, with fitments available for scooters, step-throughs and small motorcycles. By offering a larger range of sizes, Michelin aims to broaden its global market coverage.

February 22, 2022 – [beyond tires]

Michelin, Air France's exclusive tire supplier for the next ten years, has been selected, via its Michelin Editions subsidiary, to produce travel-related content for the airline's new "EnVols" media platform.

February 23, 2022 – [with tires]

Michelin redesigns its MICHELIN EVOBIB tractor tire to optimize longevity, reduce soil compaction and improve fuel economy.

March 7, 2022 – [with tires]

Michelin is chosen by Ferrari as an official tire supplier for its new 296 GTB. The new fittings are the product of Michelin's innovation capabilities and co-design work by Michelin and Ferrari teams.

March 10, 2022 – [with tires]

Michelin introduces its new MICHELIN STARCROSS 6 tire, the first motocross tire to use MICHELIN Silica Technology for superior long-lasting performance.

March 15, 2022 – [Group]

The Michelin Group suspends its industrial operations in Russia as well as its exports to the country. Michelin is dedicated to helping address the humanitarian needs of the people impacted by the conflict, both in Ukraine and abroad. Through the Michelin Corporate Foundation and its facilities in Central Europe, the Group has donated funding to support local humanitarian organizations, as well as initiatives undertaken by the Red Cross and the Red Crescent.

March 21, 2022 – [with tires]

At a time when soft mobility is becoming increasingly popular with consumers, Michelin is launching the new MICHELIN Power Cup premium road bicycle tire range, designed for racers and optimized for highly demanding cyclists.

March 2022 – [with tires]

Michelin is participating with French National Railways (SCNF), Milla Group and the Railenium Technology Research Institute in a project to develop a fully electric shuttle. Known as Flexy, the hybrid concept will be able to run on roads and rails, with the goal of revitalizing smaller transit lines in France.

March 22, 2022 – [beyond tires]

In Cognac, Michelin presents the 2022 restaurant selection of the MICHELIN Guide France and celebrates the environmentally responsible commitment of 87 chefs by awarding them a Green Star.

March 22, 2022 – [Group]

Because road traffic accidents result in the death of an estimated 1.35 million people every year, including 220,000 young people, Michelin, a global sustainable mobility enabler, is actively involved in a number of international partnerships that are helping to make mobility safer.

In March 2022, Michelin joined with the Global Alliance of NGOs for Road Safety to promote safer roads and sustainable mobility across Latin America through the Alliance's local members.

April 12, 2022 – [beyond tires]

The California Energy Commission selects Symbio, Faurecia and Michelin, along with other industry partners, to develop and demonstrate a hydrogen-fueled, regional-haul Class 8 truck, as leading contributors to a state-supported, zero-emission hydrogen mobility project.

April 29, 2022 – [with tires]

Michelin launches the new all-season MICHELIN CrossClimate2 SUV tire. Delivering outstanding performance up to the legal wear limit, the new tire is a further demonstration of the Group's "All-Sustainable" commitment. Its technical features enable drivers to contend with most weather conditions in every season. As a certified 3PMSF (Three-Peak Mountain Snow Flake) tire, it can handle occasional temperature drops and snowfall with ease.

May 13, 2022 – [Group]

The Annual Meeting of Michelin shareholders is held in Clermont-Ferrand under the chairmanship of Florent Menegaux, Managing Chairman. The event, which was attended by nearly 800 people, offered an opportunity for the Group to present its electric vehicle solutions and climate strategy to shareholders. Florent Menegaux explained how the "Michelin in Motion" strategy is being deployed and how Michelin is developing its business activities with, around and beyond tires.

May 24, 2022 – [beyond tires]

Fenner Conveyors acquires Conveyor Products & Solutions, a global leader in innovative design, engineering and Australian-based manufacturing of high-quality conveyor rollers, idlers and pulleys. The acquisition has strengthened Fenner Conveyors' access to global markets and expanded its services portfolio.

May 25, 2022 – [Group]

Michelin will support UNICEF in its road safety programs for children in Southeast Asia and China.

June 3, 2022 – [with tires]

Michelin unveils the MICHELIN Pilot Sport CUP2 R tire, custom-made to fit the new Mercedes-AMG ONE hypercar. Developed in close collaboration with Mercedes-AMG, the new tire delivers unrivaled performance on both the track and the road, exemplifying the extraordinary potential of Michelin's R&D teams.

June 7, 2022 – [beyond tires]

Symbio, the Group's hydrogen power joint venture with Faurecia, and Schaeffler Group agree to form Innoplate, a joint venture that will produce bipolar plates (BPP), a strategic component in fuel cells. For Symbio, the joint venture will accelerate the development of hydrogen mobility and strengthen its commitment to becoming a worldwide fuel cell system leader by 2030.

June 7, 2022 – [Group]

The cornerstone is officially laid for the Cleantech Innovation Park, a project to revitalize the Bamberg facility in Bavaria, Germany. With the support of its partners – the Land of Bavaria, the District of Bamberg and the City of Hallstadt – Michelin is making an active contribution to a promising new industrial venture. The Cleantech Innovation Park aims to attract a variety of sustainable industries, such as new mobility concepts, driving systems and leading-edge green technologies, while creating new jobs and strengthening the region's economy. It also showcases the ability of Michelin teams to transform industrial facilities and revitalize pools of skilled labor.

June 8, 2022 – [Group]

Michelin breaks ground on the future Parc Cataroux in Clermont-Ferrand. Scheduled for completion in late 2026, the highly ambitious project involves transforming spaces in the century-old Cataroux facility, the emblem of Michelin's history and culture of innovation. Organized into four centers – Innovation, Training, Sustainable Materials and Sport/Health/Culture – the future park is seamlessly aligned with the Group's values and its "All Sustainable" vision of the future.

June 13, 2022 – [with tires]

At the 24 Hours of Le Mans, Michelin unveils a tire containing 53% sustainable materials, demonstrating its full potential on the Mission H24 hydrogen fuel-cell prototype and the new fully electric Porsche 718 Cayman GT4 ePerformance. The sharp improvement in the sustainable materials rate attests to Michelin's ability to meet the milestones in its roadmap to making all its tires from 100% sustainable materials by 2050, while ensuring that they deliver the same superior performance and low environmental impact throughout their useful lives.

June 16, 2022 – [Group]

As announced at the Annual Shareholders Meeting, Michelin's four-for-one stock split is effective as from June 16, 2022. The four-for-one split makes the stock more accessible to retail investors and employees, thereby supporting the Group's commitment to effectively sharing its created value.

June 20, 2022 – [Group]

The Michelin Group, which previously owned 49% of Royal Lestari Utama (RLU), has purchased the remaining 51% of the joint venture created with Barito Pacific Group.

By becoming RLU's sole owner, Michelin has reasserted its objectives and its long-term commitment to producing sustainable natural rubber in Indonesia and to improving the living conditions of local communities.

Launched in 2015, the ambitious project is supporting community development, environmental protection and economic performance over 88,000 hectares of tropical forest that are highly rich in biodiversity, but which had been heavily damaged and deforested before Michelin's involvement.

June 21, 2022 – [beyond tires]

Michelin unveils the first curated selection in the MICHELIN Guide Dubai, after presenting three other first-time selections for Florida, Estonia and Nara Prefecture in Japan.

June 23, 2022 – [beyond tires]

Michelin launches AirProne, a line of air cushions designed for the treatment of intensive care patients, an innovative technology developed jointly with the Amiens University Hospital and trialled in nine French hospitals. Designed as an emergency response during the Covid-19 crisis, AirProne highlights Michelin's capacity for innovation and the potential bridges that exist between tire manufacturing and a multitude of other sectors like the healthcare industry.

June 28, 2022 – [Group]

After suspending its manufacturing activities in Russia on March 15, Michelin announces its intention to transfer all its Russian activities to local management by the end of 2022 and is working to provide the most favorable framework possible for its employees. Completion of the project would lead to the removal of the related assets from the Group's scope of consolidation, but would not have any impact on the Group's financial guidance.

June 28, 2022 – [around tires]

Group subsidiary Watèa is awarded the 2022 Clean Transport Sustainable Industry Award by French magazine Usine Nouvelle, in recognition of its comprehensive electric mobility solution for business fleets.

June 30, 2022 – [Group]

Michelin recognized as a Clarivate™ Top 100 Global Innovator 2022. With a budget of €682 million in 2021 and a key role in the all-sustainable "Michelin in Motion" strategy, innovation is a core focus of every aspect of the Group's business. A global leader in providing trusted insights and analytics to accelerate the pace of innovation, Clarivate™ compares tens of millions of innovation ideas, through billions of calculations, to discover the world's top 100 innovators.

June 30, 2022 – [Group]

During the UN High-level Meeting on Global Road Safety in New York, Michelin announced its renewed support for the United Nations Road Safety Fund, UNRSF, with the aim of helping lower- and middle-income countries that need road safety improvements.

Through its Foundation, Michelin has pledged to donate a total of €1 million over the next two years to support the Global Plan's goal of reducing the number of road traffic deaths and injuries by at least 50% by 2030.

July 5, 2022 – [beyond tires]

Launch of the Michelin-coordinated WhiteCycle project to encourage the recycling of plastic waste. WhiteCycle is a public/private European partnership co-financed by Horizon Europe, the European Union's research and innovation program. Its primary objective is to develop a circular economy solution to transform complex, textile-based plastic waste into high value-added products.

WhiteCycle expects that by 2030 its circular solution will support the annual recycling of more than two million tonnes of PET, the world's third most widely used plastic.

July 5, 2022 – [Group]

Michelin receives the Value Sharing Grand Prize at the Annual Meeting and Gender Equality Awards ceremony organized by the Responsible Capitalism Institute (ICR). The prize honors the instructive, transparent information about the Group's business model, compensation policies and, especially, the sharing of created value that was provided to shareholders and employees at the 2022 Annual Meeting.

July 11, 2022 – [around tires]

Michelin acquires RoadBotics, a US-based start-up specialized in road infrastructure computer vision. The acquisition offers a further illustration of Michelin's ambitions around tires, in particular in the field of mobility intelligence.

July 13, 2022 – [beyond tires]

Symbio, the Group's hydrogen power joint venture with Faurecia, celebrates the rapid progress being made on the construction of its Gigafactory in Saint-Fons, near Lyon. Mass production is scheduled to start in mid-2023 with an initial capacity of 15,000 fuel cell systems, followed by gradual ramp-up to 50,000 systems a year. In particular, Symbio will supply fuel cell systems for Stellantis light commercial vehicles.

July 13, 2022 – [beyond tires]

Symbio, the Group's hydrogen power joint venture with Faurecia, is one of the companies involved in the European Commission's IPCEI Hy2Tech program, which will provide up to €5.4 billion in state aid support from 15 member states to speed the development of a European hydrogen value chain.



02

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – SIX MONTHS ENDED JUNE 30, 2022

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – SIX MONTHS ENDED JUNE 30, 2022

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CONSOLIDATED INCOME STATEMENT

<i>(in € millions, except per-share data)</i>	Note	First-half 2022	First-half 2021
Sales	3	13,289	11,192
Cost of sales		(9,651)	(7,807)
Gross income		3,638	3,385
Sales and marketing expenses		(582)	(531)
Research and development expenses		(340)	(328)
General and administrative expenses		(1,169)	(1,085)
Segment other income and expenses		(17)	(20)
Segment operating income	3	1,530	1,421
Other operating income and expenses	4	(273)	16
Operating income		1,257	1,437
Cost of net debt	5	(87)	(91)
Other financial income and expenses	5	(9)	1
Net interest on employee benefit obligations	15	(21)	(19)
Share of profit/(loss) from equity-accounted companies	9	16	(32)
Income before taxes		1,156	1,296
Income tax	6	(313)	(264)
NET INCOME		843	1,032
▶ Attributable to the shareholders of the Company		841	1,030
▶ Attributable to the non-controlling interests		2	2
EARNINGS PER SHARE <i>(in €)⁽¹⁾</i>	7		
▶ Basic		1.18	1.44
▶ Diluted		1.17	1.43

(1) Data for the first half of 2021 have been restated to reflect the four-for-one stock split on June 16, 2022 (note 2.8).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	Note	First-half 2022	First-half 2021
Net income		843	1,032
Post-employment benefits	15	855	254
Tax effect – Post-employment benefits		(166)	(67)
Equity instruments at fair value through OCI – changes in fair value		(2)	4
Tax effect – equity instruments at fair value through OCI		1	-
Other comprehensive income that will not be reclassified to the income statement		688	191
Cash flow hedges – changes in fair value		(8)	(5)
Currency translation differences		641	337
Other		5	2
Other comprehensive income that may be reclassified to the income statement		638	334
Other comprehensive income		1,326	525
TOTAL COMPREHENSIVE INCOME		2,169	1,557
▶ Attributable to the shareholders of the Company		2,168	1,556
▶ Attributable to the non-controlling interests		1	1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in € millions)</i>	Note	June 30, 2022	December 31, 2021
Goodwill	8	2,407	2,286
Intangible assets		1,824	1,811
Property, plant and equipment (PP&E)		11,500	11,231
Right-of-use assets		1,035	1,034
Non-current financial assets and other non-current assets		1,456	1,404
Investments in equity-accounted companies	9	1,139	1,103
Deferred tax assets	6	650	751
Non-current assets		20,011	19,620
Inventories	10	6,759	5,272
Trade receivables	11	4,052	3,576
Current financial assets		889	713
Other current assets		1,304	1,038
Cash and cash equivalents	12	1,929	4,482
Current assets		14,933	15,081
TOTAL ASSETS		34,944	34,701
Share capital	13	357	357
Share premiums	13	2,746	2,746
Reserves	14	13,119	11,871
Non-controlling interests		(2)	(3)
Total equity		16,220	14,971
Non-current financial liabilities	12	5,339	5,360
Non-current lease liabilities		722	731
Provisions for employee benefit obligations	15	2,763	3,362
Provisions and other non-current liabilities	16	718	759
Deferred tax liabilities	6	535	503
Non-current liabilities		10,077	10,715
Current financial liabilities	12	1,223	1,682
Current lease liabilities		236	229
Trade payables		3,316	3,174
Trade payables under reverse factoring agreements		685	613
Provisions and other current liabilities		3,187	3,317
Current liabilities		8,647	9,015
TOTAL EQUITY AND LIABILITIES		34,944	34,701

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in € millions)</i>	Share capital (note 13)	Share premiums (note 13)	Reserves (note 14)	Non-controlling interests	Total equity
At January 1, 2021	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-based payments – current service cost	-	-	10	-	10
Share buybacks	-	-	(1)	-	(1)
Sales of treasury shares	-	-	1	-	1
Other	-	-	-	-	-
At June 30, 2021	357	2,746	10,682	(1)	13,784
Net income/(loss)	-	-	814	(1)	813
Other comprehensive income/(loss)	-	-	364	-	364
Total comprehensive income/(loss)	-	-	1,178	(1)	1,177
Issuance of shares	-	-	-	-	-
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	-	(1)	(1)
Share-based payments – current service cost	-	-	11	-	11
Share buybacks	-	-	-	-	-
Other	-	-	-	-	-
At December 31, 2021	357	2,746	11,871	(3)	14,971
Net income/(loss)	-	-	841	2	843
Other comprehensive income/(loss)	-	-	1,327	(1)	1,326
Total comprehensive income/(loss)	-	-	2,168	1	2,169
Issuance of shares	-	-	-	-	-
Cancellation of shares	-	-	-	-	-
Dividends and other appropriations	-	-	(808)	-	(808)
Share-based payments – current service cost	-	-	8	-	8
Share buybacks	-	-	(120)	-	(120)
Other	-	-	-	-	-
AT JUNE 30, 2022	357	2,746	13,119	(2)	16,220

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Note	First-half 2022	First-half 2021
Net income		843	1,032
Adjustments			
▶ Cost of net debt	5	87	91
▶ Other financial income and expenses	5	9	(1)
▶ Net interest on employee benefit obligations	15	21	19
▶ Income tax	6	313	264
▶ Amortization, depreciation and impairment of intangible assets and PP&E		909	856
▶ Other operating income and expenses	4	273	(16)
▶ Share of profit from equity-accounted companies	9	(16)	32
Segment EBITDA		2,439	2,277
Other operating income and expenses (cash) and changes in provisions	17	(206)	(101)
Interest and other financial income and expenses received and paid, net	17	(111)	(61)
Income tax paid		(396)	(278)
Change in working capital, net of impairment	17	(1,719)	(833)
Net cash from operating activities		7	1,004
Purchases of intangible assets and PP&E	17	(980)	(654)
Proceeds from sales of intangible assets and PP&E		9	17
Equity investments in consolidated companies, net of cash acquired		(1)	(4)
Disposals of equity investments in consolidated companies, net of cash sold		55	(3)
Purchases of equity instruments at fair value		(4)	(10)
Disposals of equity instruments at fair value		-	1
Cash flows relating to other financial assets	17	(112)	(3)
Net cash from/(used in) investing activities		(1,033)	(656)
Proceeds from issuance of shares	13	-	-
Dividends paid to the shareholders of the Company	13	(803)	(410)
Cash flows relating to financial liabilities	17	(781)	(891)
Share buybacks	14	(44)	-
Other		67	9
Net cash from/(used in) financing activities		(1,561)	(1,292)
Effect of changes in exchange rates		34	9
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,553)	(935)
Cash and cash equivalents at January 1		4,482	4,747
Cash and cash equivalents at June 30		1,929	3,812

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 25, 2022.

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, 2021, 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, 2021.

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.

Some of the Group’s subsidiaries operate in hyperinflationary economies; however, the impact of applying IAS 29 on the condensed consolidated interim financial statements for the six months ended June 30, 2022 was not material.

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2022 in the European Union

The following amendments to IFRSs are effective from January 1, 2022; they have no material impact for the Group:

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 asset is being prepared for its intended use (for example, during the testing phase). Instead, the proceeds from selling such items must be recognized in profit or loss.

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Cost of Fulfilling a Contract

The amendment specifies the costs to be taken into account when assessing whether a contract will be loss-making.

Amendment to IFRS 3 – Update of the Conceptual Framework

This amendment updates a reference in IFRS 3 to the latest Conceptual Framework without changing the accounting requirements for business combinations.

Annual Improvements to IFRSs – 2018-2020 Cycle

Minor amendments have been made to IFRS 9, IAS 41, IFRS 16 and IFRS 1.

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

The following new IFRS standards, amendments and interpretations which are not applicable at June 30, 2022 are not expected to have a material impact on the consolidated financial statements at their application date:

Amendment to IAS 1 – Disclosure of Accounting Policies

This amendment requires entities to disclose their accounting policy information only if it is material. 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. This amendment to IAS 1 was adopted by the European Union on March 2, 2022 and will be effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendment published in January 2020 clarifies the principles to be applied to classify liabilities as current or non-current. In September 2021, the IASB proposed a new amendment to IAS 1 to clarify the classification of debt with covenants. These amendments would be effective at the earliest for annual periods beginning on or after January 1, 2024.

Amendment to IAS 8 – Definition of Accounting Estimates

This amendment is designed to help entities distinguish between changes in accounting policies and changes in accounting estimates by introducing a new definition of accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendment is effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments narrow the scope of the initial recognition exemption by excluding transactions for which companies recognize both an asset and a liability, such as leases and decommissioning obligations. In future, companies will be required to recognize 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.

IFRS 17 – Insurance Contracts – Recognition, Measurement and Presentation

The new standard, including the amendments issued in June 2020, will be effective for accounting periods beginning on or after January 1, 2023. It was adopted by the European Union on November 19, 2021 and will not have a material impact on the Group's consolidated financial statements.

There are no other new standards, updates or 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.

2.6 Operations in Russia

After suspending its Russian manufacturing activities in March of this year, the Group announced in June that it had become technically impossible to resume production, due in particular to supply chain difficulties in an environment of persistent, widespread uncertainty.

As a result, the Group feels that it has no choice but to dispose of all its operations in Russia by the end of 2022 and is reviewing the possibility of transferring control of its administrative, sales and manufacturing assets to the current local management.

It has therefore recorded impairment losses of €202 million at June 30, 2022, of which €195 million in "Other operating income and expenses" and €7 million in "Income tax".

The remaining balance sheet exposure amounted to approximately €50 million at June 30, 2022, of which €16 million corresponds to translation adjustments.

The functional currency of operations in Russia is the ruble. The following exchange rates were used:

- ▶ closing rate: RUB 54.66/€;
- ▶ average rate: RUB 81.65/€.

2.7 Changes in the scope of consolidation

2.7.1 Transactions in the first half of 2022

During first-half 2022, the Group completed several investments and acquisitions that were individually not material, representing a total investment of €5 million. In addition, the equity-accounted investment in Auto Teile Unger (ATU) was sold during the period (note 9).

2.7.2 Completion of the purchase price allocation for acquisitions carried out in 2021

2.7.2.1 Solesis Holdings LLC

The purchase price allocation was completed during the first half of 2022. The final opening statement of financial position of Solesis Holdings LLC at May 28, 2021, included in “Investments in equity-accounted companies”, is as follows:

<i>(in USD millions)</i>	Net assets
Goodwill	186
Intangible assets	203
Property, plant and equipment (PP&E)	50
Cash allocated to preferred stock	282
Non-current assets	721
Inventories	11
Trade receivables	27
Cash and cash equivalents	11
Current assets	49
TOTAL ASSETS	770
Net assets	366
Non-current financial liabilities	108
Debt related to preferred stock	282
Non-current liabilities	390
Trade payables	9
Provisions and other current liabilities	5
Current liabilities	14
TOTAL EQUITY AND LIABILITIES	770

Additional information about Solesis’ financial position at June 30, 2022 is provided in note 9.3.

2.7.2.2 Allopnus

The acquisition of Allopnus resulted in the recognition of provisional goodwill in the amount of €65 million at December 31, 2021. Identification and measurement at their acquisition-date fair value of the identifiable assets acquired and liabilities assumed began in the first half of 2022 and will be completed within 12 months from the acquisition date, i.e., no later than December 30, 2022.

2.8 Four-for-one stock split

On June 16, 2022, the par value of Michelin shares was divided by four pursuant to the decision of the Shareholders Meeting on May 13, 2022.

To effect the stock split, the 178,530,462 outstanding shares were delisted and 714,121,848 new shares were created and listed on Euronext.

For each existing share with a par value of €2.00 held on June 16, 2022, shareholders received four new shares with a par value of €0.50 in exchange, and the total number of shares making up the capital was multiplied by four.

The stock split had no impact on the double voting rights attached to the shares under the conditions set out in the Company’s Bylaws. It did not lead to any costs or formalities for Michelin’s shareholders and their rights were unaffected.

2.9 Seasonality

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

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:

<i>(in € millions)</i>	First-half 2022				First-half 2021			
	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	6,599	3,469	3,221	13,289	5,562	2,897	2,733	11,192
Segment operating income	782	314	434	1,530	730	286	405	1,421
As a percentage of sales	11.9%	9.1%	13.5%	11.5%	13.1%	9.9%	14.8%	12.7%

Segment assets are as follows:

<i>(in € millions)</i>	June 30, 2022				December 31, 2021			
	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	11,371	6,190	7,356	24,917	10,638	5,714	6,779	23,131

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:

<i>(in € millions)</i>	First-half 2022				First-half 2021			
	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	4,901	4,982	3,406	13,289	4,248	3,813	3,131	11,192

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

Net sales in France for the six months ended June 30, 2022 amounted to €1,184 million (first-half 2021: €980 million).

The Group derived 95.5% of its first-half 2022 sales (first-half 2021: 95.4%) from tire sales and sales related to the supply of tires to the original equipment or replacement market, plus sales of Fenner conveyor belts. These sales totaled

€12,697 million (first-half 2021: €10,678 million). Sales are recognized at the point in time when control of the goods is transferred to the customer. Revenue recognized in first-half 2022 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 €338 million, representing 2.5% of total sales (first-half 2021: €297 million and 2.7%).

NOTE 4 OTHER OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	First-half 2022	First-half 2021
Amortization of trademarks and customer relationships acquired	(38)	(41)
Reorganizations and adaptation of activities	(22)	(28)
Impairment of non-current assets	(3)	(21)
Impairment of Russian assets (note 2.6)	(195)	-
Employee benefit obligations	(6)	(9)
Changes in scope of consolidation	-	113
Other	(9)	2
OTHER OPERATING INCOME AND EXPENSES	(273)	16

4.1 First-half 2022

In first-half 2022, the Group noted that it was technically impossible to pursue its operations in Russia and that its assets in that country would have to be sold before the end of 2022. It therefore recorded impairment losses of €195 million on these assets at June 30, 2022 (note 2.6)

4.2 First-half 2021

The line “Reorganizations and adaptation of activities” mainly included the net impact of the provision set aside for the implementation of support measures and the reversal of the provision for benefit obligations booked in prior years (note 15), for the employees concerned by the first phase of the plan to improve the competitiveness of the Group’s manufacturing and office-based activities in France.

The line “Changes in the scope of consolidation” included the €113 million gain resulting from the change in consolidation method for Solesis (note 2.7.2.1).

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:

<i>(in € millions)</i>	First-half 2022	First-half 2021
Interest expense	(116)	(85)
Interest expense on lease liabilities	(15)	(15)
Interest income on cash, cash equivalents and cash management financial assets	(2)	(6)
Interest rate derivatives	48	18
Fees on credit lines	(4)	(4)
Capitalized borrowing costs	2	1
COST OF NET DEBT	(87)	(91)
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	5	7
Currency remeasurement (including currency derivatives)	(17)	(4)
Other	3	(2)
OTHER FINANCIAL INCOME AND EXPENSES	(9)	1

NOTE 6 INCOME TAX

6.1 Income tax expense

<i>(in € millions)</i>	First-half 2022	First-half 2021
Current tax expense	(339)	(258)
Deferred tax benefit/(expense)	26	(6)
INCOME TAX	(313)	(264)

Current tax includes €24 million of withholding tax on royalties, interest and retained earnings distributed between Group companies (first-half 2021: €8 million).

The Group's effective tax rate for first-half 2022 was 27.0% (first-half 2021: 20.4%). The effective rate was adversely affected in first-half 2022 by the recognition of impairment losses on assets in Russia (note 2.6), and favorably affected in first-half 2021 by the creation of the Solesis Inc. joint venture.

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 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. There were no material adjustments to recognized deferred tax assets during first-half 2022.

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.

In addition, a second tax audit covering the years 2010 to 2014 began in 2016.

In November 2020, the reassessment for the period 2005-2009 was revised downwards to €96 million from €382 million previously.

In late 2021, an agreement was reached with the German tax authorities on the main components of the tax adjustment. The Group has accepted a €31 million reassessment of the tax base for the period 2005 to 2009 and a €58 million reassessment of the tax base for the period 2010 to 2014. The reassessments were covered by a provision at December 31, 2021. However, the German subsidiary continues to challenge certain reassessments proposed by the local tax authorities that do not relate to transfer pricing policy. The tax base reassessments in these cases amount to €45 million in tax base and are covered by a provision at June 30, 2022.

Final notifications were received for the 2005-2009 tax audit during the first half of 2022. Final notifications for the 2010-2014 audit are expected by the end of 2022.

The related provision was adjusted at June 30, 2022 to take into account tax and late interest paid in the first half of the year, and the risk assessment was unchanged from December 31, 2021.

NOTE 7 EARNINGS PER SHARE

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

	First-half 2022	First-half 2021
Net income <i>(in € millions)</i> , excluding non-controlling interests	841	1,030
▶ Less, estimated General Partners' profit shares	(2)	(6)
Net income attributable to the shareholders of the Company used to calculate basic earnings per share	839	1,024
Weighted average number of shares outstanding <i>(thousands of shares)</i>⁽¹⁾ used to calculate basic earnings per share	713,756	713,378
▶ Plus, adjustment for stock option plans	-	41
▶ Plus, adjustment for performance shares	4,988	4,967
Weighted average number of shares used to calculate diluted earnings per share	718,744	718,386
EARNINGS PER SHARE <i>(in €)</i>⁽¹⁾		
▶ Basic	1.18	1.44
▶ Diluted	1.17	1.43

(1) Data for the first half of 2021 have been restated to reflect the four-for-one stock split on June 16, 2022 (note 2.8).

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. As of June 30, 2022, the only potentially dilutive financial instruments consisted of performance shares.

NOTE 8 GOODWILL

At June 30, 2022, goodwill allocated to the CGUs or groups of CGUs breaks down as follows:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Passenger car tires – global brands CGU group*	441	367
Passenger car tires – regional brands CGU	174	162
Light truck and Truck tires CGU group	637	587
Mining CGU group	254	260
Two-wheel tires CGU	21	18
Beyond-road tires CGU	743	690
High-Tech Materials CGU group	137	137
Other*	-	65
GOODWILL	2,407	2,286

* At June 30, 2022, the provisional goodwill arising from the acquisition of an additional 60% of Allopneus in 2021 was allocated to the Passenger car tires – global brands CGU group.

The increase in goodwill in first-half 2022 was entirely due to the impact of changes in exchange rates recorded in translation adjustments.

At June 30, 2022, no indications of impairment had been identified based on available information that could affect the long-term value of the Group's Cash Generating Units (CGUs) or groups of CGUs as determined at December 31, 2021.

NOTE 9 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

9.1 Investments in equity-accounted companies

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

<i>(in € millions)</i>	Investments in associates	Investments in joint ventures	Total investments in equity-accounted companies
At January 1, 2021	110	831	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	107	974	1,081
Share of profit/(loss) from equity-accounted companies	10	(20)	(10)
Impairment	(4)	(37)	(41)
Dividends	(2)	(5)	(7)
Change in scope of consolidation/capital increases	(16)	68	52
Currency translation differences	2	36	38
Other/reclassifications	-	(10)	(10)
At December 31, 2021	97	1,006	1,103
Share of profit/(loss) from equity-accounted companies	(3)	(1)	(4)
Impairment	-	5	5
Dividends	-	-	-
Change in scope of consolidation/capital increases	(40)	18	(22)
Currency translation differences	-	55	55
Other/reclassifications	-	2	2
AT JUNE 30, 2022	54	1,085	1,139

The main equity-accounted companies are TBC (note 9.2) and Solesis (note 9.3). All of the other companies represent less significant investments.

The effect of changes in scope of consolidation corresponds mainly to the disposal of ATU during the first half of the year. This transaction led to the recognition of a €16 million disposal gain, recorded in the line "Share of profit/(loss) from equity-accounted companies".

In addition, on June 20, 2022, the Group signed an agreement to acquire 51% of the capital of Royal Lestari Utama (RLU), a joint venture set up with the Barito Group to develop sustainable rubber plantations in Indonesia. The transaction will increase the Group's interest in RLU from 49% to 100%. It is subject to various conditions precedent that are expected to be fulfilled after the reporting date. RLU will be fully consolidated as from the transaction completion date.

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:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Current assets	2,476	1,636
<i>of which cash and cash equivalents</i>	14	48
Non-current assets	1,763	1,695
<i>of which goodwill</i>	143	133
TOTAL ASSETS	4,239	3,331
Current liabilities	1,841	1,139
<i>of which current financial liabilities</i>	290	144
Non-current liabilities	1,175	1,086
<i>of which non-current financial liabilities</i>	999	930
Equity	1,223	1,106
TOTAL LIABILITIES AND EQUITY	4,239	3,331

<i>(in € millions)</i>	First-half 2022	First-half 2021
Sales	2,502	2,036
EBITDA	155	145
Interest income	2	1
Interest expense	(27)	(26)
Depreciation and amortization	(90)	(98)
Income tax	(11)	(9)
NET INCOME	29	13

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Net assets (including goodwill)	1,223	1,106
Share of net assets (including goodwill)	612	553
Elimination of profit from downstream transactions (net of tax)	(36)	(31)
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	576	522

The equity-accounted share of TBC included in the Group's consolidated income statement (including elimination of downstream transactions) is a profit of €12 million in first-half 2022 (first-half 2021: profit of €3 million).

9.3 Joint venture with Altaris (Solesis)

Summarized financial data in respect of Solesis are set out in the table below:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021*
Current assets	48	37
<i>of which cash and cash equivalents</i>	7	4
Non-current assets	677	649
<i>of which goodwill</i>	177	351
<i>of which cash allocated to preferred stock</i>	269	250
TOTAL ASSETS	725	686
Current liabilities	101	99
<i>of which current financial liabilities</i>	93	-
Non-current liabilities	269	254
<i>of which non-current financial liabilities</i>	-	4
<i>of which preferred stock</i>	269	250
Equity	355	333
TOTAL LIABILITIES AND EQUITY	725	686

* as published in the 2021 Group consolidated financial statements, before completion of the purchase price allocation (note 2.7.2.1)

<i>(in € millions)</i>	First-half 2022	First-half 2021 (1 month)
Sales	45	6
EBITDA	12	1
Interest expense	(2)	-
Depreciation and amortization	(10)	-
Income tax	-	-
NET INCOME	-	1

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Net assets (including goodwill)	355	329
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	174	161

The equity-accounted share of Solesis' results included in the Group's first-half 2022 income statement represented a profit of less than €1 million (first-half 2021: profit of less than €1 million).

NOTE 10 INVENTORIES

Inventories include the following:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Raw materials and supplies	1,920	1,481
Work in progress	803	644
Finished products	4,207	3,267
Total gross inventory	6,930	5,392
Impairment of raw materials and supplies	(60)	(44)
Impairment of work in progress	(3)	(2)
Impairment of finished goods	(108)	(74)
Total impairment	(171)	(120)
NET INVENTORIES	6,759	5,272

NOTE 11 TRADE RECEIVABLES

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

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Gross trade receivables	4,224	3,678
Impairment	(172)	(102)
TRADE RECEIVABLES	4,052	3,576

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:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Financial liabilities	7,520	8,002
Derivatives recognized as assets	(167)	(222)
Borrowing collaterals	(137)	(74)
Cash management financial assets	(435)	(435)
Cash and cash equivalents	(1,929)	(4,482)
NET DEBT	4,852	2,789

12.2 Financial liabilities

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

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Bonds	5,137	5,090
Loans from financial institutions and other	112	187
Derivative instruments	90	83
Non-current financial liabilities	5,339	5,360
Non-current lease liabilities	722	731
Bonds	-	823
Commercial paper	502	258
Loans from financial institutions and other	625	499
Derivative instruments	96	102
Current financial liabilities	1,223	1,682
Current lease liabilities	236	229
FINANCIAL LIABILITIES	7,520	8,002

The €823 million decrease in current portion of bonds was mainly due to:

- ▶ the redemption at maturity of the convertible bonds due in January 2022 for €523 million;
- ▶ the early retirement in March 2022 of the bonds due May 2022, for €300 million.

The exercise price of the convertible bonds due November 2023 has been adjusted to take into account the stock split (note 2.8).

12.3 Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of June 30, 2022:

- ▶ cash and cash equivalents for €1,929 million;
- ▶ cash management financial assets for €435 million;
- ▶ a €2,500 million commercial paper program, of which €478 million had been utilized at June 30, 2022;
- ▶ a \$700 million (€666 million) commercial paper program, of which \$25 million (€24 million) had been utilized at June 30, 2022;
- ▶ two €490 million receivables securitization programs that are utilized based on the availability of sufficient receivables of the required quality, with securitization debt at June 30, 2022 amounting to €15 million;
- ▶ €2,500 million in undrawn syndicated lines of credit.

On May 23, 2022, the agreement for the €2,500 million syndicated credit lines was amended. The participating banks are unchanged, but the new agreement provides for a new five-year maturity (2027) with two one-year extension options at the lenders' discretion.

12.4 Cash and cash equivalents

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Money-market funds	753	3,372
Bank deposits subject to up to a three-month notice period	854	784
Cash at bank and in hand	322	326
CASH AND CASH EQUIVALENTS	1,929	4,482

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.

The less easily available cash and cash equivalents amounted to €166 million at June 30, 2022 (December 31, 2021: €103 million); they correspond mainly to deposits set aside in Ireland in accordance with prudential rules specific to captive insurance companies.

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, 2022:

<i>(in € millions)</i>	FVTPL	FVOCI	Amortized cost	Total
Trade receivables	-	-	4,052	4,052
Current financial assets	225	2	662	889
Cash and cash equivalents	1,075	-	854	1,929
Non-current financial assets	532	287	637	1,456
TOTAL FINANCIAL ASSETS	1,832	289	6,205	8,326

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, 2022 and December 31, 2021 by level in the fair value measurement hierarchy:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	June 30, 2022	December 31, 2021
Cash and cash equivalents	1,075	-	-	1,075	3,698
Current financial assets	197	30	-	227	171
Non-current financial assets	148	405	266	819	846
TOTAL ASSETS	1,420	435	266	2,121	4,715
Financial liabilities	-	185	-	185	185
TOTAL LIABILITIES	-	185	-	185	185

There were no material transfers between level 1 and level 2 during first-half 2022.

NOTE 13 SHARE CAPITAL AND SHARE PREMIUMS

<i>(in € millions)</i>	Share capital	Share premiums	Total
At January 1, 2021	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
Issuance of shares upon exercise of stock options and performance share rights	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
At December 31, 2021	357	2,746	3,103
Issuance of shares upon exercise of stock options and performance share rights	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2022	357	2,746	3,103

<i>(number of shares)</i>	Shares issued ⁽¹⁾	Treasury shares ⁽¹⁾	Shares outstanding ⁽¹⁾
At January 1, 2021	713,360,344	-	713,360,344
Issuance of shares upon exercise of stock options and performance share rights	39,812	-	39,812
Share buybacks	-	(32,128)	(32,128)
Sales of treasury shares	-	32,128	32,128
Cancellation of shares	-	-	-
Other	-	-	-
At June 30, 2021	713,400,156	-	713,400,156
Issuance of shares upon exercise of stock options and performance share rights	721,644	-	721,644
Share buybacks	-	-	-
Sales of treasury shares	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
At December 31, 2021	714,121,800	-	714,121,800
Issuance of shares upon exercise of stock options and performance share rights	48	-	48
Share buybacks	-	(1,589,724)	(1,589,724)
Sales of treasury shares	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
AT JUNE 30, 2022	714,121,848	(1,589,724)	712,532,124

(1) Data have been restated to reflect the four-for-one stock split as of June 16, 2022 (note 2.8).

As explained in note 2.8, for each existing share with a par value of €2.00 held on June 16, 2022, shareholders received four new shares with a par value of €0.50 in exchange, and the total number of shares making up the capital was multiplied by four. To effect the stock split, the 178,530,462 outstanding shares were delisted and 714,121,848 new shares were created and listed on Euronext.

The dividend of €1.125 per share decided at the Annual Shareholders Meeting of May 13, 2022 (2021, as recalculated value following the four-for-one stock split: €0.575 per share). The cash-only dividend was paid on May 19, 2022 for a net amount of €803 million (2021: €410 million).

NOTE 14 RESERVES

<i>(in € millions)</i>	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2021	(1,265)	-	114	10,681	9,530
Dividends and other appropriations	-	-	-	(414)	(414)
Share-based payments – current service cost	-	-	-	10	10
Share buybacks	-	(1)	-	-	(1)
Sale/cancellation of shares	-	1	-	-	1
Other	-	-	-	-	-
Transactions with the shareholders of the Company	-	-	-	(404)	(404)
Net income/(loss) attributable to the shareholders of the Company	-	-	-	1,030	1,030
<i>Post-employment benefits</i>	-	-	-	254	254
<i>Tax effect – Post-employment benefits</i>	-	-	-	(67)	(67)
<i>Equity instruments at fair value through OCI – changes in fair value</i>	-	-	4	-	4
<i>Tax effect – equity instruments at fair value through OCI</i>	-	-	-	-	-
<i>Other</i>	-	-	(1)	1	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	3	188	191
<i>Cash flow hedges – changes in fair value</i>	-	-	(5)	-	(5)
<i>Currency translation differences</i>	337	-	-	-	337
<i>Other</i>	(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
Dividends and other appropriations	-	-	-	-	-
Share-based payments – current service cost	-	-	-	11	11
Share buybacks	-	-	-	-	-
Sale/cancellation of shares	-	-	-	-	-
Other	-	-	-	-	-
Transactions with the shareholders of the Company	-	-	-	11	11
Net income/(loss) attributable to the shareholders of the Company	-	-	-	814	814
<i>Post-employment benefits</i>	-	-	-	97	97
<i>Tax effect – Post-employment benefits</i>	-	-	-	(16)	(16)
<i>Equity instruments at fair value through OCI – changes in fair value</i>	-	-	27	-	27
<i>Tax effect – equity instruments at fair value through OCI</i>	-	-	(7)	-	(7)
<i>Other</i>	-	-	-	-	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	20	81	101
<i>Cash flow hedges – changes in fair value</i>	-	-	(5)	-	(5)
<i>Currency translation differences</i>	280	-	-	-	280
<i>Other</i>	(5)	-	(2)	(5)	(12)
Other comprehensive income/(loss) that may be reclassified to the income statement	275	-	(7)	(5)	263
Total comprehensive income/(loss)	275	-	13	890	1,178
AT DECEMBER 31, 2021 – CARRIED FORWARD TO NEXT PAGE	(655)	-	129	12,397	11,871

<i>(in € millions)</i>	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At December 31, 2021 – brought forward from previous page	(655)	-	129	12,397	11,871
Dividends and other appropriations	-	-	-	(808)	(808)
Share-based payments – current service cost	-	-	-	8	8
Share buybacks	-	(120)	-	-	(120)
Sale/cancellation of shares	-	-	-	-	-
Other	-	-	-	-	-
Transactions with the shareholders of the Company	-	(120)	-	(800)	(920)
Net income/(loss) attributable to the shareholders of the Company	-	-	-	841	841
<i>Post-employment benefits</i>	-	-	-	855	855
<i>Tax effect – Post-employment benefits</i>	-	-	-	(166)	(166)
<i>Equity instruments at fair value through OCI – changes in fair value</i>	-	-	(2)	-	(2)
<i>Tax effect – equity instruments at fair value through OCI</i>	-	-	1	-	1
<i>Other</i>	-	-	-	-	-
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	(1)	689	688
<i>Cash flow hedges – changes in fair value</i>	-	-	(8)	-	(8)
<i>Currency translation differences</i>	642	-	-	-	642
<i>Other</i>	-	-	3	2	5
Other comprehensive income/(loss) that may be reclassified to the income statement	642	-	(5)	2	639
Total comprehensive income/(loss)	642	-	(6)	1,532	2,168
AT JUNE 30, 2022	(13)	(120)	123	13,129	13,119

In March 2022, an agreement was signed with an investment services provider under which the Company undertook to buy back up to €120 million worth of Michelin shares before November 24, 2022.

Following the four-for-one stock split (note 2.8), the maximum purchase price per share under the share buyback program authorized by the Annual Shareholders Meeting of May 13, 2022 was reduced from €220.00 to €55.00.

A total of 1,589,724 shares were bought back under the program during the six-month period at an average price per share of €27.77, representing a total amount of €44 million. All of the shares bought back under the agreement will be canceled before the end of 2022.

NOTE 15 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

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

<i>(in € millions)</i>	Pension plans	Other plans	2022	2021
At January 1	1,256	1,774	3,030	3,489
Contributions paid to the funds	(5)	(4)	(9)	(10)
Benefits paid directly to the beneficiaries	(18)	(31)	(49)	(71)
Other movements	(1)	1	-	(4)
Items recognized in operating income				
Current service cost	16	39	55	56
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 (note 4)	2	-	2	(87)
Other items	4	-	4	5
Items recognized outside operating income				
Net interest on employee benefit obligations	5	16	21	19
Other	-	(5)	(5)	-
Items recognized in other comprehensive income				
Translation adjustments	23	50	73	23
Actuarial (gains) or losses	(533)	(364)	(897)	(294)
Unrecognized assets due to the effect of the asset ceiling	42	-	42	40
AT JUNE 30	791	1,476	2,267	3,166
Amounts recognized in the statement of financial position:				
<i>Non-current financial assets and other non-current assets</i>			496	242
<i>Provisions for employee benefit obligations</i>			2,763	3,408

The €763 million decrease in provisions for employee benefit obligations is mainly due to the increase in discount rates, partly offset by the effects of rising inflation and negative yields on plan assets between December 31, 2021 and June 30, 2022.

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:

<i>(in € millions)</i>	Eurozone	United Kingdom	United States	Canada	Total
Discount rate at June 30, 2022	3.27%	3.80%	4.54%	5.10%	n/a
Discount rate at December 31, 2021	0.90%	1.70%	2.77%	2.90%	n/a
Inflation rate at June 30, 2022	2.41%	3.55%	2.50%	2.00%	n/a
Inflation rate at December 31, 2021	1.89%	3.30%	2.00%	2.00%	n/a
Actuarial (gains)/losses arising from changes in assumptions	(545)	(808)	(529)	(314)	(2,196)
Experience (gains)/losses on plan assets	3	636	440	220	1,299
ACTUARIAL (GAINS) OR LOSSES	(542)	(172)	(89)	(94)	(897)

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). The inflation rates used reflect the long term weighted average duration of the Group's plans.

NOTE 16 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €718 million (first-half 2021: €759 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, 2021 on “Revenue recognition”.

16.1 Changes in provisions (current and non-current)

Changes in provisions during the period are presented below:

<i>(in € millions)</i>	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2022	302	398	700
Additional provisions	19	72	91
Provisions utilized during the period	(99)	(37)	(136)
Unused provisions reversed during the year	(5)	(5)	(10)
Translation adjustments	(1)	14	13
Other effects	(1)	3	2
AT JUNE 30, 2022	215	445	660
Of which short-term portion	159	105	264

Provisions used during the period mainly reflect payments made under the plan to improve the competitiveness of the Group's manufacturing and office-based activities in France and for the closure of the Bamberg plant in Germany.

16.2 Provisions for claims and litigation, warranties and other provisions

Provisions at June 30 concern the following risks:

<i>(in € millions)</i>	June 30, 2022	December 31, 2021
Provisions for claims and litigation	114	102
Provisions for product warranties	82	69
Provisions for product liability claims	88	74
Other provisions for contingencies	161	153
TOTAL	445	398

NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

<i>(in € millions)</i>	First-half 2022	First-half 2021
Investment grants recognized in profit or loss	(5)	(5)
Change in employee benefit obligations	(6)	(30)
Change in litigation and other provisions	18	30
Restructuring costs	(106)	(108)
Other	(107)	12
Other operating income and expenses (cash) and changes in provisions	(206)	(101)
Interest and other financial expenses paid	(124)	(68)
Interest and other financial income received	9	3
Dividends received	4	4
Interest and other financial income and expenses received and paid, net	(111)	(61)
Change in inventories	(1,239)	(629)
Change in trade receivables and advances	(419)	(412)
Change in trade payables and advances	244	113
Change in trade payables under reverse factoring agreements	72	73
Change in other receivables and payables	(377)	22
Change in working capital, net of impairment	(1,719)	(833)
Purchases of intangible assets	(106)	(95)
Purchases of PP&E	(603)	(448)
Government grants received	2	6
Change in capital expenditure payables	(273)	(117)
Purchases of intangible assets and PP&E	(980)	(654)
Increase in other non-current financial assets	(26)	(35)
Decrease in other non-current financial assets	7	39
Net cash flows from cash management financial assets	-	-
Net cash flows from borrowing collaterals	(63)	2
Net cash flows from other current financial assets	(30)	(9)
Cash flows relating to other financial assets	(112)	(3)
Increase in non-current financial liabilities	49	4
Decrease in non-current financial liabilities	(84)	(821)
Repayment of lease liabilities	(129)	(124)
Net cash flows from current financial liabilities	(712)	63
Derivatives	95	(13)
Cash flows relating to financial liabilities	(781)	(891)
Details of non-cash transactions:		
▶ New leases	99	85
▶ New emission allowances granted	6	1

NOTE 18 LITIGATION AND CONTINGENT LIABILITIES

The Group is involved in litigation arising in the normal course of business. There were no material developments in the matters concerned during the period between December 31, 2021 and June 30, 2022.

Taken as a whole, the resulting liabilities are not expected to be material in relation to the Group's business or consolidated financial position.

NOTE 19 EVENTS AFTER THE REPORTING DATE

In connection with the share buyback agreement entered into in March 2022 (note 13), the investment services provider decided to exercise its acceleration option on July 1, 2022 for a total buyback target of €120 million. Pursuant to this decision, shares totaling €76 million were bought back by the Group on July 13, 2022.

On July 14, 2022, the Group finalized the acquisition of 100% of the Australian company Conveyor Products & Solutions, a developer and manufacturer of conveyors for the mining market. This company will be fully consolidated in the second half of the year.

No other 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.



03

**STATUTORY
AUDITORS'
REVIEW REPORT**

STATUTORY AUDITORS' REVIEW
REPORT ON THE INTERIM
FINANCIAL INFORMATION

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STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

(Half-year ended June 30, 2022)

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 Etablissements Michelin, for the six-month period ended June 30, 2022;
- ▶ the verification of the information contained in the interim management report.

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, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit
Jean-Christophe Georghiou

Deloitte et Associés
Frédéric Gourd



04

STATEMENT BY THE PERSON RESPONSIBLE

STATEMENT BY THE
PERSON RESPONSIBLE
FOR THE FIRST-HALF 2022
FINANCIAL REPORT

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STATEMENT BY THE PERSON RESPONSIBLE FOR THE FIRST-HALF 2022 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 2 to 34 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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