PRESS RELEASE
Clermont-Ferrand, February 15, 2021

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN
Financial information for the year ended December 31, 2020

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

- **In 2020, the Group focused sharply on protecting its employees and maintaining business continuity, while supporting its host communities.**

- **With the steep drop in markets over the year, SOI* came to €1,878 million, a 37% decline that reflected:**
  - **the Covid-19 crisis, which led to a €1,703 million decrease from the 14% decline in volumes and the under-absorption of production plant fixed costs, as well as to the outlay of around €98 million for dedicated protective measures;**
  - **the disciplined management of the price-mix (up 1.2%) at a time of declining raw material prices;**
  - **the €240 million reduction in SG&A expenses.**

- **Structural free cash flow** came to €2 billion, thanks to the disciplined cash management during the crisis and the exceptionally low level of year-end inventories due to the sustained recovery in demand in the second half.**
  - **Gearing stood at 28% at year-end 2020, an 11-point improvement on 2019.**

- **The Group is continuing to deploy its strategy:**
  - **Newly acquired companies are being integrated as planned, generating €55 million in additional synergies in 2020; these synergies represent €81 million on an annualized basis;**
  - **The Group is expanding its business in new areas of growth, by investing in metal 3D printing, hydrogen mobility and, more recently, new recycling technologies.**

- **€625 million in net income, down €1,105 million, and a recommended dividend of €2.30 per share.**

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

- **Outlook for 2021:**

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

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

* SOI: Segment Operating Income
**Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material prices on trade payables, trade receivables and inventories.
***Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.

MICHELIN
A BETTER WAY FORWARD

(IN € MILLIONS)	2020	2019
SALES	**20,469**	**24,135**
SEGMENT OPERATING INCOME	**1,878**	**3,009**
SEGMENT OPERATING MARGIN	**9.2%**	**12.5%**
AUTOMOTIVE AND RELATED DISTRIBUTION	**8.3%**	**11.1%**
ROAD TRANSPORTATION AND RELATED DISTRIBUTION	**5.6%**	**9.3%**
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION	**14.8%**	**18.7%**
OTHER OPERATING INCOME AND EXPENSES	**(475)**	**(318)**
OPERATING INCOME	**1,403**	**2,691**
NET INCOME	**625**	**1,730**
EARNINGS PER SHARE	**€3.52**	**€9.69**
DIVIDEND FOR THE YEAR	**€2.30**	**€2.00**
SEGMENT EBITDA	**3,631**	**4,763**
CAPITAL EXPENDITURE	**1,221**	**1,801**
NET DEBT	**3,531**	**5,184**
GEARING	**28%**	**39%**
PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS	**3,700**	**3,873**
FREE CASH FLOW[1]	**2,004**	**1,142**
STRUCTURAL FREE CASH FLOW[2]	**2,010**	**1,615**
ROCE (2016-2020 PLAN[3])	**8.6%**	**13.7%**
ROCE[4]	**6.0%**	**10.0%**
EMPLOYEES ON PAYROLL[5]	**123,600**	**127,200**

[1] Free cash flow: net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to other financial assets, before distributions.
[2] Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material prices on trade payables, trade receivables and inventories.
[3] ROCE (2016-2020 plan) after tax and excluding goodwill, acquired intangible assets and equity-accounted companies.
[4] As from 2021, goodwill, acquired intangible assets and investments in equity-accounted companies will be added back to economic assets; amortization of acquired intangible assets and the Group's share of profit from equity-accounted companies will be added back to after-tax earnings calculation (see section 3.6 of the 2020 Annual Results Guide, available on the Group's website www.michelin.com). The Group will use this new indicator as from 2021 to measure the return on capital employed.
[5] At period-end.

Covid-19: impact of the health crisis on the Group's financial position at December 31, 2020

Background

The health crisis and the lockdown policies applied by most of the world's governments led to an unprecedented slowdown in economic activity in the first half of the year, resulting in a steep plunge in tire demand in every geography and most of the business segments.

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

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

Review of the information released by the Group during the year

- On February 10, 2020, the Group issued its guidance for 2020 excluding any impacts from a systemic crisis caused by Covid-19.

- On March 18, 2020, at 6:10 pm CET, the Michelin Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility at that time of assessing the potential impact, or by extension, the financial objectives of its 2020 plan.

- On April 1, 2020, the Group issued a press release announcing that the dividend to be submitted to shareholder approval at the Annual Shareholders Meeting, which had been postponed until June 23, 2020, would be reduced to €2.00 from the initially recommended €3.85.

- When the Group released its first-quarter sales figures on April 29, 2020, it described the initial impact of the health crisis on its business and presented the initiatives undertaken to safeguard the health of its employees and attenuate the negative impact on segment operating income and free cash flow. At the same time, the Group reaffirmed that its finances remained robust, noting that it had sufficient cash and cash equivalents to weather the crisis without having to draw down its confirmed lines of credit, even if demand were to collapse by 35% over the year. As of late April, the future direction of the health crisis remained too uncertain to issue any reliable market forecasts and a related profit scenario.

- On June 23, 2020, the Group's Annual Shareholders Meeting was held behind closed doors and broadcast live on the ag2020.michelin.com website. During the meeting, Yves Chapot, General Manager and Chief Financial Officer, again emphasized the strength of the Group's finances, noting in particular that the three leading credit rating agencies – Moody's, S&P and Fitch Ratings – had all confirmed the Group's ratings on May 14, 19 and 29, 2020, respectively.

- When it released its interim results after close of trading on July 27, 2020, the Group issued new guidance for the year, reflecting the very sharp slowdown in demand over the first half and assuming that the economic impact of the crisis would be felt over the last six months of the year. *"In this still highly uncertain market scenario, Michelin's objectives are to deliver full-year segment operating income in excess of €1.2 billion at constant exchange rates and structural free cash flow of more than €500 million, barring any new systemic impact from Covid-19 [...] "*

- On October 22, in a press release presenting its third-quarter 2020 sales, the Group responded to the stronger-than-expected upturn in demand by raising its full-year guidance versus the guidance announced on July 27 with the release of the first-half 2020 results. *With these new forecasts and the cost reductions linked to the circumstances, the Group is revising its guidance for 2020 upwards, with segment operating income in excess of €1.6 billion at constant exchange rates and structural free cash flow in excess of €1.2 billion, barring any new systemic effect from Covid-19."*

INITIATIVES UNDERTAKEN TO ATTENUATE THE IMPACT OF THE CRISIS ON CURRENT AND FUTURE PERFORMANCE

From the very first signs of the pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees and doing everything in its power to ensure business continuity.

Protecting the health and safety of employees and impact on costs

As early as mid-March, the Group temporarily suspended part of its manufacturing operations in most of its geographies and implemented effective health and safety protocols to protect its employees and curb the spread of the virus. By early April, some of these operations were able to reopen to meet customer demand and ensure continuity of the public services that were playing a critical role in fighting the pandemic. Beginning in mid-April, all of the plants located in Europe gradually resumed their manufacturing operations, with capacity utilization varying considerably by business. As of the end of June, all of the Group's production plants were up and running.

Supported by the outstanding commitment of its employees, the Group was also able to quickly produce surgical masks and hand sanitizer at many manufacturing facilities in Europe, thereby adding to its purchased stocks. All these protective, cleaning and disinfection measures resulted in additional costs during the year, in an estimated amount of €98 million.

In the plants, the distancing rules prohibiting, for example, people from physically mingling during shift changes, had an adverse impact on productivity by slowing the pace of production.
When combined with the major impact that the first-half plant closures had on output, the lower level of productivity increased the sensitivity of segment operating income to changes in demand, with every one-point decline in volumes reducing segment operating income by €121 million.

While the plants were closed, the Group received financial support from governments to help fund employee furlough programs. These furlough grants totaled €152 million over the year, of which €133 million was factored into the above-mentioned sensitivity calculations.
The Group has not requested any other form of public support to get through the crisis, such as government-backed loans or longer payment deadlines.

In addition, Michelin took steps to make some of its masks more widely available by donating a total of 3 million of them to health authorities and emergency services in all of its host communities. Thanks to its expertise in metal and plastic 3D printing, the Group was also able to launch production of parts for ventilators, thousands of sterilizable polycarbonate face shields, and positioning cushions to make breathing easier for Covid-19 patients.

In addition, hundreds of outreach initiatives were organized by Michelin around the world, including the donation of 4,600 tires and free maintenance services for emergency vehicles, financial contributions and individual support.

Protecting business continuity by limiting the impact of the crisis on segment operating income and free cash flow

To conserve cash, the Group reduced its capital expenditure budget by around 30%, or €580 million, while maintaining its ability to support innovation and efficiency projects, and lowered the recommended 2019 dividend payout by €330 million.
Tracking supply and demand on a weekly basis helped to keep inventory under control in the first half, while the stronger-than-expected upturn in the second half meant that inventory ended the year exceptionally low. Corporate overheads were reduced by €240 million through a variety of cost-saving measures.
The Group was also careful to honor its commitments to all its partners, with a constant concern for protecting the most vulnerable.
Lastly, Michelin also supplied masks and safety equipment to its customers and distributors, enabling them to conduct their activities in the best possible conditions.

Liquidity risk

To meet its future cash needs, the Group had the following sources of financing in place as of December 31, 2020:

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

With all the financing mechanisms mentioned above and the measures introduced to attenuate the negative impact of the crisis on segment operating income and free cash flow, the Group will be able to withstand any developments as the crisis continues to unfold.

Based on the trends observed to date, the Group expects business to return to 2019 levels in the second half of 2022.

IMPACT OF THE HEALTH CRISIS ON THE RISK FACTORS SPECIFIC TO THE GROUP

To a certain extent, the current health crisis and the way it has unfolded has exacerbated a number of risks or classes of risks specific to the Group, such as business interruption or continuity of supply. On the other hand, the crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in section 2 "Risk Management" of the Universal Registration Document.

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

On the manufacturing side, the Group was able to organize the resumption of operations around the world, as soon as the health situation and regulations allowed, by capitalizing on the feedback from its teams in China, where its industrial operations restarted on February 10, 2020, a week after the end of the official Chinese New Year holidays.

The current crisis has shown that the main risk that has arisen so far concerns the sudden collapse in global demand and its impact on the economy, which by nature is not specific to the Group.

As of the day before this document was published, the business continuity procedures prepared by the Group have kept its sales and administrative operations up and running around the world. However, due to the deeper disruptions seen in recent weeks in the maritime shipping industry – reflected in both longer delivery lead times and higher costs – the Group has observed minor supply interruptions at certain manufacturing plants, mainly for natural rubber. These supply chain pressures are expected to continue for several months, until such time as the shortage of containers from Asia is resolved.

- PASSENGER CAR AND LIGHT TRUCK TIRES

2020/2019 (in number of tires)	WESTERN & CENTRAL EUROPE*	RUSSIA & CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**-23%**	**-15%**	**-21%**	**-31%**	**-4%**	**-18%**	**-23%**	**-17%**
Replacement	**-11%**	**-14%**	**-9%**	**-22%**	**-6%**	**-12%**	**-17%**	**-11%**

Fourth quarter 2020/2019 (in number of tires)	WESTERN & CENTRAL EUROPE*	RUSSIA & CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**0%**	**-3%**	**0%**	**+1%**	**+8%**	**-2%**	**+2%**	**+2%**
Replacement	**+1%**	**-14%**	**+1%**	**-15%**	**+2%**	**+4%**	**-5%**	**-1%**

* Including Turkey

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

- **ORIGINAL EQUIPMENT**

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

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

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

- **REPLACEMENT**

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

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

Compared with the rest of Europe, the recovery was much weaker in **Russia and the CIS**, with the market declining by 13% in the second half.

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

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

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

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

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

- TRUCK TIRES (radial and bias)

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

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

* Including Turkey

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

- **ORIGINAL EQUIPMENT**

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

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

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

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

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

- **REPLACEMENT**

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

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

The **Eastern European** market was unchanged over the year.

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

In **China**, Replacement tire demand declined by 11% over the year. After falling 26% in the first half, the market was stable year on year in the second six months, dampened by the strong growth in Original Equipment sales.

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

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

- ## SPECIALTY TIRES

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

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

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

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

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

- **SPECIALTY POLYMERS:** Except for energy seals, the specialty polymer markets generally demonstrated greater resilience during the year, particularly in the medical applications segments.

2020 Sales and Results

• SALES

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

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

• RESULTS

Segment operating income amounted to €1,878 million or 9.2% of sales, versus €3,009 million and 12.5% in 2019.

The change in segment operating income primarily reflected:

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

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

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

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

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

• NET FINANCIAL POSITION

Free cash flow ended the year at €2,004 million, an €862 million improvement on 2019 as the sharp decline in EBITDA caused by the fall in volumes was more than offset by the reduction in trade working capital, capital expenditure, tax paid and acquisition outlays. Gearing stood at 28% at December 31, 2020, corresponding to net debt of €3,531 million, down €1,653 million from one year earlier.

• SEGMENT INFORMATION

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

▪ AUTOMOTIVE AND RELATED DISTRIBUTION

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

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

The steep decline was primarily due to the 13.8% drop in volumes caused by the contraction in the Passenger car and Light truck tire markets, which led, notably in the first half, to fixed cost under-absorption and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat mitigated by the positive price-mix effect stemming from the Group's disciplined price management, the growing proportion of 18-inch and larger tires in the sales mix and the positive impact of lower raw material prices.

▪ ROAD TRANSPORTATION AND RELATED DISTRIBUTION

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

Segment operating income came to €302 million or 5.6% of sales, compared with €597 million and 9.3% in 2019. The collapse in global demand, along with, to a lesser extent, an unfavorable geographic mix and more selective sales policies, led to a sharp 16% contraction in volumes, which fed through, mainly in the first half, to fixed cost under-absorption and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat cushioned by the relative resilience of the Services & Solutions businesses and the very robust, positive price-mix effect stemming from the Group's selective focus on value-creating market segments.

- **SPECIALTY BUSINESSES AND RELATED DISTRIBUTION**

Sales in the Specialty businesses and related distribution segment declined by 14.4% in 2020, to €4,993 million from €5,836 million the year before.

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

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

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

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

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

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

Michelin's "All Sustainable" vision

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

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

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

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

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

To support the circular economy: In 2020, the Group stepped up its commitment to making tires more sustainable, led by a number of plastic waste and tire recycling initiatives that will eventually increase the proportion of sustainable materials in Michelin products. Aware that the speed and nature of innovation in this area require new forms of cooperation, the Group has positioned itself as a unifying force for developing innovative partnerships. Examples include:

- Enviro: Industrial-scale recycling of end-of-life tires using pyrolysis technology to recover high-quality raw materials such as recovered carbon black, pyrolysis oil, steel and gas.
- Pyrowave: Using microwaves to recycle waste plastic to make styrene, a synthetic rubber component.
- Carbios: Breaking down polyethylene terephthalate (PET) waste products using an enzyme-based technology to return them to their original plastic form. Objects regenerated in this way include the polyester yarn used in tire manufacturing.
- The BlackCycle consortium: A European public-private research program that aims to develop raw materials from end-of-life tires.

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

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

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

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

To revitalize its manufacturing operations: In recent years, to support strategic shifts in its business and prepare for the future, the Group has undertaken a number of restructuring projects, plant closures and, lately, a simplification and competitiveness plan in France. 2020 saw the deployment of several revitalization projects, informed by an approach built around a deep concern for the Group's social and environmental responsibility:

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

To support gender equality: Michelin offers its employees a myriad of career opportunities, enabling it to attract the finest talent in every aspect of its business. In the same way, the Group is convinced that gender diversity, like all other forms of diversity, plays a critical role in its growth and future success. In 2020, for example, among the new members appointed to governance bodies:

- Barbara Dalibard was unanimously elected by the members of the Supervisory Board as the next Board Chairman, to take office following the 2021 Annual Shareholders Meeting.
- Bénédicte de Bonnechose and Lorraine Frega joined the Group Executive Committee (CEG) on January 1, 2021.

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

CDP Climate Change & Water Security: In 2020, for the fifth year in a row, Michelin was ranked first by CDP, a global environmental data reporting agency, with an "A-" rating for its disclosure of its climate strategy and initiatives. Michelin also earned an "A-" for the second year in a row for its sustainable water management. The rankings attest to the Group's efforts to reduce its environmental impact, with ambitious greenhouse gas emission reduction targets validated by the international Science Based Targets initiative (SBTi). Michelin's full response may be found on the CDP platform (https://www.cdp.net/en/responses) and on the Group's website.

Sustainalytics: Sustainalytics has assigned Michelin a low ESG risk rating of 15.2, reflecting the Group's relative lack of exposure to material ESG risks and robust management of ESG issues.

Vigeo Eiris Moody's: Michelin maintained its overall score of 68/100, corresponding to an advanced level of performance and ranking the Group second in the European automotive industry. In this way, the Group remained the benchmark for environmental, social and governance (ESG) performance in the automotive industry and retained its presence in the Ethibel index (Excellence Europe and Excellence Global) and the Euronext Vigeo Eiris index (France 20, Europe 120, Eurozone 120, World 120).

MCSI: Michelin was rated AA in 2020, with a score of 8.4 out of 10, up one point from 2019. The rating affirms the Group's very good performance in environmental, social and corporate governance (ESG) practices.

Taking action for safer mobility: An integral part of Michelin's culture, safety is also an absolute priority in global programs to promote sustainable mobility.

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

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

Michelin also received several CSR awards in China for its 2020 road safety awareness campaign "Safe Roads, Safe Kids," including a special award in the Corporate category from iFeng Welfare, a subsidiary of iFeng.com, one of China's leading portals.

Natural rubber: At the EuroCham Sustainability Awards 2020 ceremony, held in Singapore, Michelin won the "Smart Mobility" award for its continued efforts to ensure that its natural rubber is sustainably sourced.

Long a preferred partner to stakeholders across the industry, Michelin very quickly took initiatives to make it more eco-responsible and mutually beneficial for everyone, with the ultimate goal of eliminating deforestation in natural rubber farming.

Responsible procurement: Michelin has reaffirmed its commitment to sustainable procurement by receiving the "Responsible Supplier Relations and Procurement Label" for the sixth year in a row. To date, Michelin is the only company to have been recognized by the Label for all of its purchasing operations worldwide.

CDP Supply Chain: Michelin was named "Supplier Engagement Leader 2020" for its initiatives and strategy to support the energy transition in its supply chain. Only 7% of the companies rated by the CDP were awarded a place on the leader board.

2020 Highlights

- January 17, 2020 – Michelin and HDI Global SE form a partnership to help prevent and reduce road risk for company vehicle fleets, thereby enhancing the Group's offering of connected solutions.
- January 23, 2020 – Proposed support program for employees at the Michelin plant in La Roche-sur-Yon, France is signed by the CFDT, CFE-CGC, SUD and FO trade unions.
- January 27, 2020 – This year, the MICHELIN Guide France 2020 is celebrating sustainable gastronomy by introducing a new green star pictogram.
- February 3, 2020 – Fenner Precision Polymers acquires Fabri Cote, a leader in the development and manufacture of custom rubber-coated fabrics for aerospace applications.
- February 18, 2020 – During the third Global Ministerial Conference on Road Safety, Michelin reaffirms its commitment to safer mobility through a wide range of global partnerships and a variety of initiatives to raise the awareness of public authorities and communities.
- February 24, 2020 – Michelin and Total subsidiary AS 24 join forces to design and trial Fleet Diag 24, a new connected diagnostic solution to inspect truck tires in service stations.
- February 27, 2020 – Michelin wins a double at the Tire Technology Expo in Hanover, being voted "Tire Manufacturer of the Year" for the second consecutive year and earning the Innovation Award for Uptis, its puncture-proof tire.
- March 2, 2020 – Fenner, the world leader in polyurethane conveyor belts, launches the new Eagle Poly-V line for roller conveyor applications.
- April 6, 2020 – Covid-19: During the health crisis, in a spirit of solidarity with the community of Michelin employees, the Managers and the members of both the Executive Committee and the Supervisory Board reduce their compensation.
- April 8, 2020 – Covid-19: Michelin and other companies in France's Auvergne-Rhône-Alpes region step up to mass manufacture reusable face masks.
- April 8, 2020 – Covid-19: Michelin has mobilized on all fronts to produce masks and visors. The Group is also involved in many other projects involving medical device components, patient-positioning cushions and hand sanitizer.
- April 15, 2020 – Michelin partners with Enviro to develop and mass produce an innovative pyrolysis technology to recycle end-of-life tires. The partnership fits seamlessly with Michelin's "All Sustainable" vision.
- May 21, 2020 – The international Science Based Targets initiative (SBTi), a leading independent organization, has approved Michelin's CO_2 reduction targets. This milestone corroborates the effectiveness of Michelin's environmental initiatives, undertaken in particular to fight against global warming in line with the COP21 Paris Climate Agreement.
- June 3-4, 2020 – Rendezvousing with the future of sustainable mobility during "Digital Meetings by Movin'On".
- June 8, 2020 – All four MICHELIN Power motorcycle tire ranges entirely refreshed.
- June 10, 2020 – Michelin unveils its new MICHELIN Pilot Sport CUP2 CONNECT tire, delivering higher, longer-lasting performance and 100% connect-ready.
- June 10, 2020 – Through Symbio, its joint venture with automotive equipment manufacturer Faurecia, Michelin has become a preferred partner of the MissionH24 project, which aims to accelerate the development of zero-emissions mobility by using hydrogen fuel cell technology in endurance racing.

- June 23, 2020 – The 2020 Annual Meeting of Michelin shareholders was held behind closed doors for the first time.

- June 24, 2020 – Creation of a Corporate Social Responsibility Committee (CSRC) within the Supervisory Board and governance changes.

- June 25, 2020 – New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life.

- July 3, 2020 – Michelin joins the Coalition for the Energy of the Future. The Coalition aims to accelerate the development of energy sources and technologies to address the challenges posed by sustainable mobility in the transportation and logistics industry.

- July 8, 2020 – Michelin joins the European Clean Hydrogen Alliance, launched by the European Commission to support the EU's commitment to reach carbon neutrality by 2050. This objective is also compatible with Michelin's "All Sustainable" vision.

- July 16, 2020 – Michelin reaffirms its commitment to sustainable mobility by participating in the all-electric MotoE motorcycle racing championship, introducing new tires incorporating bio-sourced and regenerated materials.

- July 17, 2020 – A pioneer in connected tires, Michelin has upgraded its MICHELIN Track Connect solution to add two new modes. In addition to the Leisure mode, which is already available in 26 countries, users can now access the Expert mode, which lets sports car owners optimize their performance and driving experience, and the Motorsport mode, which is designed for rally drivers.

- September 3, 2020 – Coordinated by Michelin, the European BlackCycle project aims to establish a circular tire economy by designing one of the world's very first processes to make new tires from end-of-life tires.

- September 8, 2020 – Michelin expands its X® MULTI™ truck tire range. Intended for regional transport, the new products will help trucking companies to improve their safety performance and lower operating costs.

- September 14, 2020 – Michelin launches a new employee share ownership plan enabling employees to invest in new company shares and deepen their stake in the Group's growth and expansion as part of a dynamic relationship built on mutual commitments.

- September 15, 2020 – Michelin wins the Sustainable Industry Award, honoring the "zero CO_2 emissions" challenge met by its plant in Gravanches, France.

- September 15, 2020 – Michelin launches a new brand campaign, with critical investments to secure the brand's future and support the recovery in both its operations and the global economy.

- September 21, 2020 – A 23rd consecutive victory for Michelin at Le Mans 24 Hours Auto.

- October 8, 2020 – Michelin has won an award in the "Transformation of Customer Relations" category at the "Grand Prix de l'Accélération Digitale" event organized by BFM Business.

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

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

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

- October 30, 2020 – Camso acquires Chicago-based Metro Industrial Tires. In addition to strengthening Camso's Off-the-road tire service and distribution presence in North America, the acquisition will also enable the company to offer new and innovative ways to meet its customers' ever-changing needs.

- November 5, 2020 – Michelin unveils the new eco-responsible MICHELIN e.Primacy, the first eco-responsible MICHELIN tire whose life-cycle assessment has been incorporated into its design, to address all of its lifetime environmental impacts. At the 2020 Automobile Awards, the MICHELIN e.Primacy tire was voted "Best Tire of the Year" and honored with the special jury prize in the Green Innovation category.

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

- November 12, 2020 – Camso, a Michelin Group company, opens a new production plant in the United States. Based in Junction City, Kansas, the new facility will manufacture agricultural tracks and employ 50 people.

- November 18, 2020 – To promote safer roads, Michelin forms three key partnerships, with BNP Paribas Cardif, CGI, and Colas, with Essilor and with HDI Global. One example is the Better Driving Community initiative. The four partners are committed to shaping the future of mobility by harnessing the power of big data to raise awareness among their employees and the general public, develop innovative solutions, and nurture a community of engaged, proactive drivers.

- November 18, 2020 – Michelin and Pyrowave, a pioneer in the electrification of chemical processes and in plastic recycling, sign an agreement to process engineer an innovative plastic waste recycling technology. An initial industrial demonstrator will be developed by 2023.

- December 1, 2020 – Michelin has designed air cushion prototypes for patients in intensive care after four months of co-development with the Amiens-Picardie University Hospital.

- December 2, 2020 – Fenner™ Precision Polymers acquires MAV S.p.A., a leading European supplier of keyless-locking devices (KLD), shrink discs, rigid couplings and other metal products.

- December 7, 2020 – The Supervisory Board announces its intention to appoint Barbara Dalibard, a Board member since 2008, as its Chair to replace Michel Rollier, whose term of office will expire at the close of the 2021 Annual Shareholders Meeting.

- December 14, 2020 – Michelin has designed the MICHELIN Pilot Sport Cup N3 for the new Porsche 911 GT3 Cup (992).

- December 22, 2020 – The MICHELIN Guide announces its arrival in two new destinations, Slovenia and Moscow.

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

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

Presentation and conference call

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

Webcast

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

Conference call

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

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

The presentation of financial information for the year ended December 31, 2020 (press release, presentation, financial report) may also be viewed at http://www.michelin.com/en, along with practical information concerning the conference call.

Investor calendar

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

Investor Relations	Media Relations
Édouard de Peufeilhoux +33 (0) 6 89 71 93 73 (mobile) edouard.de-peufeilhoux@michelin.com Humbert de Feydeau +33 (0) 4 73 32 68 39 +33 (0) 6 82 22 39 78 (mobile) humbert.de-feydeau@michelin.com Pierre Hassaïri +33 (0) 6 84 32 90 81 (mobile) pierre.hassairi@michelin.com	+33 (0) 1 45 66 22 22 groupe-michelin.service.de.presse@michelin.com **Individual Shareholders** Isabelle Maizaud-Aucouturier +33 (0) 4 73 32 23 05 isabelle.maizaud-aucouturier@michelin.com Clémence Rodriguez +33 (0) 4 73 32 15 11 clemence.daturi-rodriguez@michelin.com

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