PRESS RELEASE

GROUP

Clermont-Ferrand, February 14, 2022

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

The Michelin Group delivered segment operating income of €2,966 million and a margin back in line with 2019, at 12.5%, demonstrating once again its strength and business model resilience.

- **Sales rose by 16.3% to €23,795 million and segment operating income stood at €2,966 million, or 12.5% of sales:**
  - **Tire volumes up 11.8% and non-tire sales up 7.7%,**
  - **Very favorable Original Equipment/Replacement business mix in the Automotive segment, with market share gains in 18-inch and larger tires confirming the Group's leadership in technological innovation,**
  - **Dynamic price management in the non-indexed businesses, leveraging the brand's pricing power and offsetting cost inflation factors,**
  - **Specialty businesses hit harder by labor shortages, supply chain disruptions and cost inflation.**
- **€1.5 billion in free cash flow before acquisitions, or €1.8 billion in structural free cash flow[1] adjusted for higher raw materials costs.**
- **The Group's performance in 2021 was in line with its "Michelin in Motion" strategic plan's 2030 objectives set for each of its three pillars: People, Profit, Planet.**
  - **Percentage of women in management positions increased to 28.9%,**
  - **Ongoing integration of acquired companies, generating €41 million in additional synergies and bringing the annualized total to €122 million,**
  - **Sustained deployment of the simplification and competitiveness plans,**
  - **A 10.3% return on capital employed,**
  - **Environmental commitments strengthened with the signing of the Race to Zero agreement.**
- **€1,845 million in net income, up €1,220 million, and a recommended dividend of €4.50 per share.**
- **Florent Menegaux, Managing Chairman, said: "In 2021, Michelin delivered very good results in extremely difficult conditions, while maintaining the priority to protect its employees. I would like to warmly thank all our employees who, every day, are successfully meeting the many challenges we face. In line with our drive to share the value created by our Group, we will reward their dedication in these exceptional circumstances, in particular through a substantial increase in variable compensation for the year. With these 2021 results, our Group has once again demonstrated its strength and resilience. We are confidently looking forward to the continued deployment of our Michelin in Motion strategy."**
- **Outlook for 2022:**

  In 2022, in a still highly unsettled environment, Passenger car and Light truck tire markets are expected to expand by 0% to 4% over the year, Truck tire markets by 1% to 5%, and Specialty markets by 6% to 10%.

  In this market scenario, and barring any new systemic impact from Covid-19[2], Michelin's objective is to report full-year segment operating income in excess of €3.2 billion at constant exchange rates[3] and structural free cash flow of more than €1.2 billion.

[1] 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.

[2] Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.

[3] See 2021 results presentation available on www.michelin.com

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(IN € MILLIONS)	2021	2020	2019
SALES	**23,795**	**20,469**	**24,135**
SEGMENT OPERATING INCOME	**2,966**	**1,878**	**3,009**
SEGMENT OPERATING MARGIN	**12.5%**	**9.2%**	**12.5%**
AUTOMOTIVE AND RELATED DISTRIBUTION	**13.7%**	**8.3%**	**11.1%**
ROAD TRANSPORTATION AND AND RELATED DISTRIBUTION	**9.6%**	**5.6%**	**9.3%**
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION	**13.0%**	**14.8%**	**18.7%**
OTHER OPERATING INCOME AND EXPENSES	**(189)**	**(475)**	**(318)**
OPERATING INCOME	**2,777**	**1,403**	**2,691**
NET INCOME	**1,845**	**625**	**1,730**
EARNINGS PER SHARE	**€10.31**	**€3.52**	**€9.69**
DIVIDEND FOR THE YEAR (PER SHARE)	**€4.50**[5]	**€2.30**	**€2.00**
SEGMENT EBITDA	**4,700**	**3,631**	**4,763**
CAPITAL EXPENDITURE	**1,705**	**1,221**	**1,801**
NET DEBT	**2,789**	**3,531**	**5,184**
GEARING	**18.6%**	**28.0%**	**39.2%**
PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS	**3,362**	**3,700**	**3,873**
FREE CASH FLOW[1]	**1,357**	**2,004**	**1,142**
STRUCTURAL FREE CASH FLOW[2]	**1,793**	**2,010**	**1,615**
ROCE[3]	**10.3%**	**6.0%**	**10.0%**
EMPLOYEES ON PAYROLL[4]	**124,760**	**123,600**	**127,200**

[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.
[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] For the ROCE calculation, amortization of acquired intangible assets and Group's share of profit/(loss) from equity-accounted companies are added to the segment operating income. The ROCE is calculated after tax, at a standard rate of 25%.
[4] At period-end.
[5] Dividend to be submitted to shareholder approval at the Annual Shareholders Meeting of May 13, 2022.

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Impact of Covid-19 on the Group's business in 2021

In 2021, the world transitioned from a state of sudden shock and an economy on life support from governments and central banks to a possible “new normal,” to which the Michelin Group successfully adapted thanks to the strength of its assets and the unflagging commitment of its teams.

Following on from the initiatives undertaken in 2020, the Group continued to focus on its two core priorities: protecting the health and safety of its employees and partners and doing everything necessary to ensure business continuity.

The Group also took care to ensure strict compliance with national or local work-from-home directives, guaranteeing that every employee concerned had the resources required to perform his or her tasks remotely. Beside these Covid-related arrangements, Michelin has signed multi-year agreements with the unions that would offer employees in compatible jobs, and in compliance with local legislation, the opportunity of contractualizing, over time, their working from home either occasionally or on a regular basis.

In addition to the sales lost to the temporary restrictions on mobility during the year, the Covid-19 crisis had a significantly adverse impact on the Group's business in 2021.
Supply chains were disrupted, primarily due to severe constraints in the maritime shipping industry. The robust upturn in global demand, combined with a shortage of cargo space (many shipowners had taken advantage of the 2020 decline in business to start upgrading their fleets) and the closure of certain ports due to Covid-19, caused extensive slowdowns across the supply chain, tightening raw material supplies and crimping the Group’s ability to ship from some of its plants.
The year was also shaped by labor shortages that impacted the manufacturing operations of both the Group and its suppliers. While government financial support may have temporarily delayed the return to work, it is also possible that, in a more structural way, these hiring difficulties arise from certain Covid-related social changes that have created a new relationship to work.
In the face of these severe disruptions, Michelin never ceased operating throughout the year, attesting to the soundness and efficiency of its business continuity procedures, particularly those concerning business interruption risks in the production plants and supply continuity risks.
Lastly, the strong rebound in global demand in 2021 spurred a sharp run-up in raw material and energy costs, in addition to the steep increase in supply chain costs. Over the full year, the Group was faced with approximately €1.2 billion in additional costs, which it successfully offset with productivity gains, assertive pricing management and a higher value product mix.

These spiraling costs and supply chain disruptions have not undermined Michelin’s strategic objectives nor the resources deployed to meet them. Convinced of the validity of its strategic model, the Group has gained in strength during the crisis and reaffirms that its “All Sustainable” vision represents the keystone of its future performance.

Market Review

- PASSENGER CAR AND LIGHT TRUCK TIRES

2021/2020 (in number of tires)	WESTERN & CENTRAL EUROPE*	CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**-5%**	**+6%**	**0%**	**+12%**	**+3%**	**+2%**	**+16%**	**+2%**
Replacement	**+10%**	**+15%**	**+14%**	**+27%**	**+3%**	**+5%**	**+17%**	**+11%**

Fourth-quarter 2021/2020 (in number of tires)	WESTERN & CENTRAL EUROPE*	CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**-27%**	**-18%**	**-17%**	**-16%**	**-4%**	**-10%**	**-30%**	**-14%**
Replacement	**+3%**	**+2%**	**-7%**	**-1%**	**-4%**	**+2%**	**0%**	**-1%**

*Including Turkey

The global Original Equipment and Replacement Passenger car and Light truck tire market rose by 9% in number of tires sold in 2021, but ended the year 4% lower than in 2019.

- **ORIGINAL EQUIPMENT**

After expanding a strong 28% in the first half due to low comparatives (caused by OEM plant shutdowns in first-half 2020), Original Equipment tire demand was heavily impacted in the second half by the worsening global shortage of semiconductors, which led to a 17% decline for the period. By quarter, demand fell a steep 19% in the third before recovering slightly to a 14% contraction in the fourth, following a relative easing of chip shortages in North America and China.

In all, the global Original Equipment tire market ended 2021 down 15% on 2019.

In every region, market growth was lifted by favorable comparatives in the first half and impacted by global semiconductor shortages in the second. By end-2021, only the Chinese market had returned more or less to 2019 levels, with just a 1% decline for the year. Elsewhere, markets contracted by 17% in the rest of Asia, 21% in North America and 27% in Western Europe.

- **Replacement**

After surging 27% off of very favorable comparatives in the first half, global Replacement tire demand was stable year-on-year in the second six-month period and ended the year on a par with 2019.

After rebounding a sharp 22% in the first half and declining by a slight 2% in the third quarter, tire demand in **Europe (excluding the CIS)** rose by 3% in the fourth quarter to end the year up 10% on 2020. The fourth quarter saw strong market growth in France (up 8%), Germany (up 6%) and Central Europe. Demand in the United Kingdom fell 10% from the prior-year period, which had been buoyed by the massive buildup of dealer inventory in fourth-quarter 2020 ahead of Brexit on January 1, 2021. The Spanish and Italian markets slipped 2% and 3% respectively over the period. In all, the market ended the year at close to 2019 levels in most countries, except Turkey (up 19%) and Italy (down 10%).

In the **CIS**, demand surged 21% in the first half and remained on an upward trend, delivering a 10% gain in the second. By year-end, the market was up 15% on 2020 and a slight 2% ahead of 2019.

In **North and Central America**, demand remained very high in the first nine months, ending the period up 23% on 2020 and 7% on 2019, supported by favorable comparatives and dealer inventory rebuilding. It turned down in the final three months, losing 7% in comparison with the prior-year period, when dealer inventories rose on speculative buying ahead of possible new US duties on tires imported from South Korea, Thailand, Vietnam and Taiwan. In all, the market ended the year up 14% on 2020 and 4% ahead of 2019.

Demand in **South America** climbed a steep 39% over the first nine months, reflecting the impact of Covid-19 on the first three quarters of 2020. The market then flattened out over the final three months to end the year up 27% on 2020 and a slight 2% ahead of 2019.

After rebounding 15% in the first half thanks to very favorable first-quarter comparatives, demand in **China** moved back in line with 2019 in the second six months of the year. However, it declined 7% compared with second-half 2020, which had seen a particularly robust 8% rebound as the country emerged from lockdown. In all, the market expanded by 3% over the full year, but remained a slight 2% below its 2019 level.

In **Asia (excluding China and India)**, demand rebounded by 13% in the first half but was hard hit by Covid-19 in the third quarter, with declines of 5% overall and of 42% in Thailand, 38% in Vietnam and 14% in Indonesia. It recovered somewhat in the final three months, gaining 2% to end the year up 5% on 2020, but still a steep 6% behind 2019.

Markets in **Africa, India and the Middle East** rebounded sharply off of very favorable prior-year comparatives in the first half, with growth of 36% overall and of 64% in India. They rose a further 6% in the third quarter before leveling out in the fourth, leading to a 17% increase for the year, but a 3% decline compared to 2019.

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- TRUCK TIRES (radial and bias)

2021/2020 (in number of tires)	WESTERN & CENTRAL EUROPE*	CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**+25%**	**+20%**	**+25%**	**+35%**	**-16%**	**+16%**	**+28%**	**-2%**
Replacement	**+12%**	**+3%**	**+21%**	**+19%**	**-7%**	**+6%**	**+11%**	**+7%**

Fourth-quarter 2021/2020 (in number of tires)	WESTERN & CENTRAL EUROPE*	CIS	NORTH & CENTRAL AMERICA	SOUTH AMERICA	CHINA	ASIA (EXCLUDING INDIA & CHINA)	AFRICA/ INDIA/ MIDDLE EAST	TOTAL
Original Equipment	**+4%**	**+14%**	**+6%**	**+8%**	**-49%**	**+11%**	**-12%**	**-30%**
Replacement	**0%**	**+12%**	**+4%**	**0%**	**-28%**	**+2%**	**+7%**	**-7%**

*Including Turkey

The number of new **Truck** tires sold worldwide increased by 4% in 2021. Demand rose in every region except China, where it fell 11% from prior-year levels, which had been lifted exceptionally high by buying ahead of the implementation of the China 6 emissions standard.

- **ORIGINAL EQUIPMENT**

The global Original Equipment Truck tire market, as measured by the number of new tires sold, contracted by 2% year-on-year in 2021, moving back in line with 2019 levels (up 1%). These overall figures mask a marked contrast between China and the other regions.

In **Europe (excluding the CIS) and the Americas**, the robust economic recovery and driver shortages prompted trucking companies to massively upgrade their fleets. This drove strong growth in demand in these regions over the year, with gains of 25% in North America and Europe and of 35% in South America.

By year-end, markets had exceeded their 2019 levels by 2% in **Europe**, but fell a significant 10% short in North America, where 2019 had been an exceptionally strong year.
After rebounding a vigorous 88% in the first quarter, demand in **China** was dampened over the rest of the year by the highly unfavorable comparison with the 2020 period, which saw massive buying ahead of implementation of the China 6 emissions standard.
As a result, the market ended the year down 16%, but remained 11% higher than in 2019.

Markets in **the rest of the world** expanded during the year, with gains of 16% in Asia excluding China and of 28% in the Africa/India/Middle East region, but still fell short of their 2019 levels, by 16% in Asia excluding China and by 34% in the Africa/India/Middle East region.

- **Replacement**

After rebounding a firm 25% from favorable comparatives in the first half, demand for Replacement tires retreated by 6% in the second six months, feeding through to a 7% increase in the market for the year, but a 3% decline compared to 2019. These overall figures mask a marked contrast between China and the other regions.

After rebounding a solid 28% in the first half, demand in **Western and Central Europe** leveled off in the second six months, with gains of 12% in Germany and of 19% in the Nordic countries offset by flat growth in France and Spain and a 7% decline in Central Europe.

Over the full year, the market rose by 12% on 2020 and by 9% compared with 2019 (including an 18% improvement in Turkey).

Demand in **North and Central America** remained very robust, rising 9% after rebounding by 35% in the first six months.

Buoyed by the strong economic recovery, it ended the year up 21% on 2020 and 18% on 2019.

Markets in **South America** tracked North American trends, with a 33% rebound in the first half and a sustained 7% increase in the second. Supported by the strong economic recovery, demand ended the year up 19% on 2020 and 10% on 2019.

• Specialty tires

- **Mining tires:** Despite the pervasive disruption in global supply chains, demand for surface mining tires rose over the full year, with an acceleration in the second half.

- **Agricultural and Construction tires:** Farm machinery tire markets climbed sharply year-on-year, with a very strong cyclical upturn in Original Equipment sales. The Construction and Infrastructure tire markets maintained their robust recovery, which was more pronounced in the Original Equipment segment, while the Infrastructure tire market was lifted by the growth in the construction industry.

- **Two-wheel tires:** Despite a mid-year period dampened by Covid-19 in Asian markets, Two-wheel tire demand remained strong across every geography and segment.

- **Aircraft tires:** In a very turbulent environment, aircraft tire markets rebounded in line with the uptick in air traffic, Covid-19 vaccinations and border reopenings. Demand in the Military and General Aviation segments continued to hold up well over the period.

- **Conveyor belts:** The mining conveyor belt market turned in a mixed performance. Demand in Australia turned slightly upwards after suffering from the restrictions on China-bound coal exports, while the Services and Engineering segments were adversely impacted by Covid-19. In North America, the market rebounded at year-end in both the mining and the industrial segments.

- **Specialty polymers:** Specialty polymer markets rose overall during the year, led by the economic recovery, particularly in the infrastructure and energy industries.

2021 Sales and Results

• SALES

Sales stood at €23,795 million for the year ended December 31, 2021, up 16.3% from 2020 due to the combined impact of the following factors:

- The strong 11.8% rebound in tire volumes, as demand turned sharply upward in every tire market. Replacement tire sales were also lifted by dealer inventory rebuilding throughout the year.
- A 4.5% or €921 million increase from the price effect. At a time of sharply rising costs, the Group's assertive pricing management in the non-indexed businesses enabled it to offset their specific cost inflation factors.
- A 1.6% or €330 million increase from the positive mix effect. The collapse in automotive output caused by the semiconductor shortage fed through to a very favorable sales mix, with a greater percentage of Replacement sales in the Automotive segment. The mix effect also reflects the sustained success of the MICHELIN brand's premium strategy, particularly the market share gains in the 18-inch and larger Passenger car tire segment.
- The 7.7% increase in aggregate sales by the non-tire businesses, driven by Fenner and fleet management services.
- The 1.9% negative currency effect, primarily stemming from the declines in the US dollar and the Turkish lira against the euro.
- A slight 0.2% decrease from changes in the scope of consolidation following the removal of Solesis and the printing, publishing and marketing businesses associated with Maps & Guides for France.

• RESULTS

Segment operating income amounted to €2,966 million or 12.5% of sales, versus €1,878 million and 9.2% in 2020.

The change in segment operating income primarily reflected:

- A €6 million decrease from changes in the scope of consolidation following the removal of Solesis and the printing, publishing and marketing businesses associated with Maps & Guides for France,
- A €1,389 million increase from the sharp 11.8% rebound in tire volumes sold and the resulting improvement in fixed cost absorption,
- A robust €1,251 million increase from the tire price-mix effect, led by assertive pricing management in the non-indexed businesses, sustained enhancement of the product mix and a favorable business mix,
- A €574 million decrease from higher raw material prices and related transportation costs,
- A €622 decrease from the Group's manufacturing and logistics performance, reflecting the steep run-up in energy and supply chain costs,
- A €181 million decrease from higher tire SG&A expenses, which remained lower than in 2019,
- A €13 million increase from the improvement in segment operating income from the non-tire businesses,
- A €46 million decrease from other factors, including Covid-19-related costs, which were down €63 million for the year,
- a €136 million unfavorable currency effect.

Other operating income and expenses amounted to a net expense of €189 million, corresponding to the amortization of intangible assets acquired in business combinations (€78 million), restructuring costs (€86 million) and impairment losses on non-current assets (€116 million), partially offset by the €114 million in proceeds from the sale of a stake in Solesis.

In all, **net income for the year came to €1,845 million**, versus €625 million in 2020.

- ## NET FINANCIAL POSITION

Free cash flow ended the year at €1,357 million, a €647 million decline on 2020 as the vibrant €1,069 million growth in EBITDA, led by the rebound in business in 2021, was offset by the expected upturn in working capital requirement, which rose by €824 million in 2021 (including a €1,106 million increase in inventories) compared with a decline of €700 million in 2020. Gearing stood at 18.6% at December 31, 2021, corresponding to net debt of €2,789 million, down €742 million from one year earlier.

- ## SEGMENT INFORMATION

In € millions	Sales		Segment operating income		Segment operating margin	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Automotive and related distribution	**11,998**	**10,103**	**1,643**	**839**	**13.7%**	**8.3%**
Road transportation and related distribution	**6,233**	**5,373**	**599**	**302**	**9.6%**	**5.6%**
Specialty businesses and related distribution	**5,564**	**4,993**	**724**	**737**	**13.0%**	**14.8%**
Group	**23,795**	**20,469**	**2,966**	**1,878**	**12.5%**	**9.2%**

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- **AUTOMOTIVE AND RELATED DISTRIBUTION**

  Sales in the Automotive and related distribution reporting segment increased by 18.8% to €11,998 million,from €10,103 million in 2020.

  Segment operating income amounted to €1,643 million or 13.7% of sales, versus €839 million and 8.3% in 2020.

  The robust improvement was primarily led by the 12.3% growth in volumes, which outpaced the market. In addition, inflationary factors driving up the cost of sales were offset by an assertive pricing policy, a highly favorable business mix due to the greater percentage of Replacement sales in the segment total and a product mix enhanced by share gains in the 18-inch and larger tire market.

- **ROAD TRANSPORTATION AND RELATED DISTRIBUTION**

  Sales in the Road transportation and related distribution reporting segment climbed 16% year-on-year, to €6,233 million from €5,373 million in 2020.

  Segment operating income came to €599 million or 9.6% of sales, compared with €302 million in 2020.

  In sharply recovering markets, with the exception of China, segment volumes rose by 12.9% over the year. A selective marketing strategy with a sharper focus on the MICHELIN brand and ambitious pricing policies helped to offset the inflationary factors driving up the cost of sales. The fleet management operations remained on a growth trajectory.

- **SPECIALTY BUSINESSES AND RELATED DISTRIBUTION**

  Sales in the Specialty businesses and related distribution segment rose by 11.4% in 2021, to €5,564 million from €4,993 million the year before.

  Segment operating income amounted to €724 million or 13% of sales, versus €737 million and 14.8% the year before. With a 9.8% increase in volumes, the Specialty businesses were more impacted than the other segments by labor shortages, supply chain disruptions and rising raw materials, energy and supply chain costs.

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

  Surface mining tires: the surface mining tire business remained severely disrupted by difficulties arising from labor shortages and constricted inbound and outbound supply chains, which prevented the Group from fully meeting still robust customer demand.

  Two-wheel tires: Sales rose sharply over the year, impelled by (i) fast-growing demand, (ii) market share gains, particularly in the Original Equipment segment, and (iii) the appeal of personal means of transportation in mature markets.

  Aircraft tires: Business improved considerably over the year, reflecting the somewhat shaky, yet real upturn in air traffic, as well as successful sales in the General Aviation segment and resilience in the Military business.

  Fenner's **conveyor belt** business generally held firm, with a strong rebound in North America in the fourth quarter. End-2021 order backlog was very high.

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The Michelin in Motion strategic plan: 2023 Objectives

The Group confirms its targets:

- More than €3.3 billion in 2023 segment operating income at January 2021 exchange rates
- A 13.5% segment operating margin in 2023, of which:
  - > 12% in Automotive and related distribution
  - > 10% in Road transportation and related distribution
  - > 17% in Specialty businesses and related distribution
- A more than 10.5% ROCE
- €6.3 billion in cumulative 2020-2023 structural free cash flow, including capex outlays over the 2022-2023 period to make up for postponements in 2020-2021.

The Group is continuing to deploy its simplification and competitiveness plans, as announced at the Capital Markets Day on April 8, 2021, but with inflation running well above the recent-year average, the delivered savings will not be enough to offset rising costs.

The Michelin in Motion strategic plan: 2030 Ambitions

- PEOPLE OBJECTIVES

	INDICATOR	2019	2020	2021	TARGET FOR 2030
Set the global standard in employee engagement	Engagement rate	80%	82%	**80%**	>85%
Set the global standard in workplace safety	TCIR(1)	1.43	1.19	**1.29**	<0.5
Set the standard for employee diversity and inclusion	IMDI(2)		62	**67**	80/100 points
Lead the industry in creating customer value	Partner NPS(3)	38.0	40.5	**38.9**	up 10 pts vs. 2020 to 48
	End customer NPS(3)				up 5 pts vs. 2020

(1) *Total Case Incident Rate*: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.
(2) Diversities and Inclusion Management Index.
(3) Two composite indicators will be created:
The "Partner" NPS, a weighted average of the OEM and dealer clusters, and the "End Customer" NPS, a weighted average of the retail and business customer clusters. In the case of the latter, operational difficulties made it impossible to calculate for 2021. Once the indicator has been published, the Group's objective will be adjusted.

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- **Set the global standard in employee engagement:**

  The 2020 engagement rate expressed the gratitude of Michelin Group employees to the company and its managers for their sharp focus on protecting everyone's safety and health. In 2021, the persistent health crisis, extensive supply chain disruptions and resulting changes in their internal and external environments put intense pressure on employees, particularly in the production plants, across the supply chain, in the customer service centers and other front-line operations.

  Although lower than in 2020, the overall rate of 80% remains high.

  The 2030 engagement rate target remains 85%.

- **Set the global standard in workplace safety:**

  In 2021, Michelin's head office safety team conducted an in-depth analysis of the most serious accidents over a two-year period, whose findings were shared with the Group Executive Committee and Manufacturing Department executives. The resulting lessons are now being used to define areas for action in 2022 and to deploy measures to prevent recurrences, thereby lowering the TCIR, further instilling the culture of safety, and building the safety and ergonomics roadmap to meet the Group's objectives for 2030.

- **Set the global standard for employee diversity and inclusion:**

  Attesting to the Group's commitment to this objective, all the metrics (gender balance, identity, multi-national management, disability, equal opportunity) in the IMDI diversity and inclusion indicator improved in 2021, raising the aggregate score to 67/100 from 62. To support wider acceptance of diversity across the Group, a variety of projects were undertaken during the year, including a half-day training course on bias and stereotypes attended by thousands of employees in Europe and the United States, the appointment of disability ambassadors in eight geographies and a program to hire and retain disabled employees at the Chennai plant in India with the NGO Handicap International. In the case of gender diversity, the percentage of women in management positions continued to climb in 2021, to 28.9% by year-end. Management also became increasingly multi-national in the growth regions, with the percentage of local top managers rising to 83% from 79%, and in the cohort of top 100 executives, where it improved to 35% from 30% over the year.

- **Lead the industry in creating customer value:**

  Despite significant improvements in the OEM NPS[4], particularly in the Automotive segment, the Partner NPS indicator declined overall due to the steep fall in the Dealer NPS, which was attributable to:

  - supply chain disruptions, particularly in regions where the Group's market share is robust. This was the case in North America, where NPS declined significantly, notably in the Passenger car and Light truck Replacement tire segments.
  - the frequent, major price increases introduced to offset inflation, particularly in emerging economies.

  In the Automotive Original Equipment segment, NPSs improved across every customer cluster. Customer comments show that professionalism, superior products, and quality remain the Group's core strengths. They are also increasingly positive about two issues that have been identified for improvement: responsiveness and efficiency.

[4] Net Promoter Score

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- PROFIT OBJECTIVES

	INDICATOR	2019	2020	2021	TARGET FOR 2030
Drive significant growth in sales, particularly in segments other than tire manufacturing and distribution	Average annual growth in sales, 2023 to 2030	€24.1bn	€20.5bn	**€23.8bn**	CAGR 5%
Continuously create value	ROCE(4)	10,0%	6,0%	**10,3%**	> 10.5% from 2023
Maintain the strength of the MICHELIN brand	Brand vitality indicator(5)		58	**68**	up 5 pts vs. 2021
Maintain the sustained pace of product and service innovation	Product/service vitality indicator(6)	33%	33%	**31%**	>30%

(4) Consolidated ROCE is calculated after adding back (i) goodwill, acquired intangible assets and investments in equity-accounted companies to economic assets; and (ii) amortization of acquired intangible assets and the Group's share of profit from and loans to equity-accounted companies to after-tax earnings.
(5) Composite indicator used to measure the brand's vitality.
(6) Percentage of sales from products and services introduced in the last three years.

- **Drive significant growth in sales in segments other than tire manufacturing and related distribution:**

  In 2021, the Group reported a robust 16.3% increase in sales, led by the rebound in demand, market share gains, a dynamic pricing policy and the 7.7% growth in its non-tire businesses. The Group is continuing to deploy its growth strategy in new ecosystems around and beyond tires. In 2021, this expansion was driven primarily by sales of precision polymers and fleet management solutions.

- **Continuously create value:**

  The Group is committed to achieving at least three points of value creation each year from 2023 onwards. Based on a weighted average cost of capital of 7.5%, this implies at least a 10.5% annual return on capital employed. In 2021, the Group revised the definition of its ROCE indicator by adding back goodwill, acquired intangible assets and investments in and loans to equity-accounted companies to economic assets. Consolidated ROCE stood at 10.3% in 2021, compared to 6% in 2020 (which is not material due to the disruptions caused by the emergence of Covid-19) and 10.0% in 2019. The gain since 2019, which reflects the improvements in both the Group's profitability and its optimization of capital employed, is perfectly in line with the target of 10.5% in 2023.

- **Maintain the strength of the MICHELIN brand:**

  The brand vitality indicator rose sharply in 2021, reflecting the rollout of the MICHELIN brand campaign and a weaker performance by the other brands tracked in the panel.

- **Maintain the sustained pace of product and service innovation:**

  In line with objectives, the Group maintained its product/service vitality indicator above 30% in 2021, with 31% of its products and services marketed during the year having been introduced in the last three years. The Group's ability to constantly refresh and improve its offering is illustrated by the launch of the Pilot Sport EV tire engineered for premium electric vehicles, whose very low rolling resistance extends range without sacrificing any other performance features.

- PLANET OBJECTIVES

	INDICATOR	2019	2020	2021	TARGET FOR 2030
Achieve carbon neutrality in manufacturing and energy use by 2050	Scope 1 and 2 CO_2 emissions	-24.8%	-36.5%	**-29%**	down 50% vs. 2010
Help achieve carbon neutrality in use	Product/tire energy efficiency (Scope 3)		100	**100,5**	up 10% vs. 2020
Set the global standard for the environmental footprint of manufacturing facilities	i-MEP(7)		100	**92,6**	down one-third vs. 2020
Ensure that tires are made entirely of sustainable materials	Sustainable materials rate	26%	28%	**29%**	40%

(7) The "industrial - Michelin Environmental Performance" (i-MEP) indicator will be used to track the environmental impacts of the Group's manufacturing operations over the next ten years. It will make these impacts easier to understand by focusing on five priority areas: energy use, CO_2 emissions, organic solvent use, water withdrawals, and waste production. The i-MEP is described in more detail in the methodological note in section 4 of the 2020 URD.

- **Achieve carbon neutrality in manufacturing and energy use by 2050:**

  The 2021 i-MEP score indicates a sustained reduction in CO_2 emissions, supported by the robustness of the energy efficiency improvement initiatives that have restored performance to 2019 levels despite the impact of the Covid-19 crisis and the inclusion of the third synthetic rubber production plant. In addition, the percentage of renewable energy in the Group's total use rose to 18% from 13% in 2019, reflecting the installation of photovoltaic panels at several plants and the purchase of electricity from certified renewable sources in Brazil and Serbia. The Group's medium-term objectives will be supported by a larger capital expenditure budget averaging €60 million a year. By 2030, all the technological levers identified in the roadmap will make it possible to meet the objective.

- **Help achieve carbon neutrality in use**

  A number of new tires introduced in 2021 deliver significant gains in energy efficiency, such as the MICHELIN E-Primacy and the MICHELIN CrossClimate 2 for Passenger cars and the MICHELIN X Multi Energy D for trucks and the 275/70R22.5 MICHELIN X Incity EV Z for electric buses. The projects now under way have put the roadmap on track to meet the target of a 10% gain in energy efficiency by 2030.

GROUP

- **Set the global standard for the environmental footprint of manufacturing facilities:**
  The first year of the Group's new environmental indicator revealed better-than-expected improvements in all five of its components, even as output rose over the period. Water withdrawals, for example, were reduced by 7%, notably by deploying water recycling and reuse solutions at a number of plants across the Group. These results show that the indicator has got off to a good start in meeting the target of a one-third reduction by 2030.
- **Ensure that tires are made entirely of sustainable materials:**
  Michelin's indicator for the year was in line with the roadmap to reach 40% sustainable materials in Group tires by 2030. Due to the nature of the issues addressed, growth in this percentage has not been nor will be linear over the indicator's time frame.
  In 2021, improvements were delivered on schedule in the maturity of specific technologies in Group R&D projects and in the traceability of certain supply chains with our suppliers. These initiatives did not yet have a material impact on tonnages used in 2021, as measured by the indicator.

- ### VALUING THE COST OF NEGATIVE EXTERNALITIES

(in €M)

2019	**330**
> Increase in the internal CO_2 price, to €100 per ton from €58	176
2019 restated	**506**
> Change in Scope 1 and Scope 2 CO_2 emissions	(15)
> Change in Scope 3 CO2 emissions from the supply change, excluding the impact of disruptions in 2021	(16)
> Impact of 2021 supply chain disruptions on Scope 3 CO_2 emissions	37
> Change in water withdrawals	(2)
> Change in volatile organic compound emissions	(2)
2021	**508**

2023 target (restated with a CO_2 of €100/T)	**467**

In 2020, as part of its All Sustainable strategy, Michelin began translating its environmental impacts into euros by valuing (i) its CO_2 emissions from all of Scopes 1 and 2 and part of Scope 3 (upstream and downstream transportation and distribution); (ii) its volatile organic compound (VOC) emissions; and (iii) its water withdrawals. This process is designed to facilitate the representation of environmental issues, enhance transparency and provide a valuation method for use in assessing the performance of Group units or during acquisitions. The levers to reduce these impacts have been clearly identified.

A reduction from around €330 million in 2019 to around €300 million in 2023 was announced at the Capital Markets Day on April 8, 2021.

In response to the sharp run-up in carbon quota prices on the European market in late 2021, Michelin raised the cost per ton of CO_2 used to value its emissions to €100. As a result, the total cost of externalities in 2019 is now valued at €506 million. In 2021, the total cost of valued externalities stood at €508 million, up just 0.4% on the revised 2019 figure. In response to supply chain disruptions, the Group occasionally had to resort to more costly workarounds on an as-needed basis, which had an adverse impact on CO2 emissions for the year. Nevertheless, the underlying progress made in reducing each externality puts the Group firmly on track to meet its 2023 targets.

Michelin's "All Sustainable" vision

- BIODIVERSITY

Biodiversity commitments for 2030: In 2021, the Group reaffirmed its commitment to attenuating the impact of its operations across the value chain by setting new biodiversity targets for 2030 as part of the Act4nature international initiative. As part of the "All Sustainable" approach, the new targets cover three areas: research and development (in particular by addressing biodiversity in lifecycle assessments), raw materials and production facilities.

- NATURAL RUBBER**:**

In addition to flagship projects in support of sustainable natural rubber production, such as the Michelin Ouro Verde (Green Gold) project in Bahia, Brazil, Michelin is pursuing its commitment through new projects:

- Supporting Indonesian natural rubber producers: Michelin and Porsche have broadened their partnership to sustainable natural rubber with a four-year program to train Indonesian smallholders in responsible labor and environmental practices, with the ultimate goal of improving living conditions for them and their families.
  This is the first natural rubber project based on the findings of the Environmental, Social and Governance (ESG) risk mapping exercise conducted with the RubberWay™ application, which is now being used across the supply chain by smallholders and their partners, a natural rubber processor, a tire manufacturer and a car manufacturer with the support of a local non-governmental organization.

- Developing agroforestry practices in Thailand to support sustainable rubber tree farming: Michelin is funding a project run by the Global Platform for Sustainable Natural Rubber (GPSNR[5]) in Thailand that is helping small rubber producers diversify their sources of income with environmentally beneficial agroforestry practices. The three-year project is designed to provide additional income for smallholders, while reducing the use of agrochemical inputs, enhancing carbon sequestration and improving biodiversity.

[5] *Global Platform for Sustainable Natural Rubber*

- Increasing natural rubber harvests in the state of Amazonas, Brazil: Supported by WWF Brazil and the Michelin Corporate Foundation, this project is focused on increasing natural rubber harvests in the Brazilian state of Amazonas, while preserving the forest and supporting the development of communities in the Amazon. Over the next three years, it expects to generate a positive economic impact for 3,800 families by managing 6.8 million hectares in 14 Conservation Units in the state. The production of 700 tons of rubber will drive growth in the local economy while respecting the defined social and environmental standards.

- Encouraging natural rubber production and supporting farmers in Africa through SIPH, Africa’s leading natural rubber producer with nine processing plants and more than 60,000 hectares of plantations in Côte d'Ivoire, Ghana, Nigeria and Liberia. As a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), SIPH supports the development of village plantations and trains nearly 90,000 smallholders a year in best agricultural practices, workplace health and safety and environmental issues. The company is also well respected for its social outreach, with the enrollment of more than 12,000 students in its 47 schools and the creation of 37 healthcare centers.

NON-FINANCIAL RATINGS:

To assess its Environmental, Social and Governmental (ESG) performance as objectively as possible, the Michelin Group tracks the ratings and scores assigned to it by the leading internationally recognized non-financial rating agencies.

Their 2021 ratings attest to the progress made by the Group.

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

- **MSCI**: MSCI upgraded Michelin’s rating to the maximum AAA, recognizing the Group as best-in-class in the Automotive industry for its robust approach to managing product quality and environmental performance.

- **SUSTAINALYTICS (ESG RISK RATING)**: Michelin improved its overall rating from 15.2 to 13.1, taking it from 11th to 6th place in the global Automotive components industry.

- **ISS ESG**: Michelin retained its B- rating and PRIME status, thereby continuing to rank in the top decile across all the rated industries.

- **ECOVADIS**: Michelin retained its 78/100 score, along with its Platinum Medal rating for its CSR commitment and leadership (awarded to the top 1% of rated companies).

- **CDP**: In 2021, the CDP,[6] an independent non-financial rating organization, awarded Michelin a score of A based on its assessment that the Group had demonstrated exceptional leadership in tackling the challenges of climate change. The rating recognizes the quality of the Group’s governance, its long-term strategy and its results.

[6] Carbon Disclosure Program

2021 Highlights

January 6, 2021 – Michelin launches a simplification and competitiveness project to support developments in its operations in France.

February 9, 2021 – Thanks to its Camso TLH 732+ tire, Camso is optimizing productivity for its construction industry customers.

March 10, 2021 – Michelin launches the new MICHELIN Wild Enduro Racing Line mountain bike tire, which has already demonstrated its capabilities with championship wins in some of the world's most challenging races.

March 19, 2021 – Michelin partners with sennder, Europe's leading digital freight forwarder, to broaden its portfolio of fleet services that make road freight more cost-effective and less carbon intensive.

April 2021 – With its two development projects underway with Safra and Stellantis, and the project to build Europe's largest hydrogen fuel cell plant in Saint-Fons, France, Symbio (a Faurecia Michelin Hydrogen Company) is helping to accelerate the transition to hydrogen mobility.

April 2, 2021 – BMW Group reaffirms its trust in the Michelin Group with the development of two tires specifically for the BMW M3 and M4: the MICHELIN Pilot Sport 4S and the MICHELIN Pilot Sport Cup2 Connect.

April 8, 2021 – At its Capital Markets Day, Florent Menegaux presents Michelin in Motion, the Group's "All Sustainable" strategy for 2030.

April 15, 2021 – ProovStation, the European leader in automated inspection, partners with Michelin to reduce the time and costs of tire inspection, thanks to MICHELIN QuickScan technology.

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

April 23, 2021 – Harley-Davidson and Michelin pursue their long-standing collaboration with the MICHELIN Scorcher Adventure tire, custom-designed for the Harley-Davidson Pan America™ 1250 motorcycle.

April 23, 2021 – By validating the use of Carbios' enzymatic recycling technology for PET[7] plastic waste in Michelin tires, Michelin takes a major step towards developing 100% sustainable tires, one of Michelin's major goals for 2050.

April 30, 2021 – Following on from the February launch of the MICHELIN Pilot Sport EV, the first tire in the Pilot Sport family purpose-engineered for electric sports cars, Michelin has announced the roll-out of the MICHELIN X Incity EV Z tire, the Group's first family of tires designed specifically for electric buses.

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

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

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May 19, 2021 – The new MICHELIN Guide - Tablet Hotels app wins its first award, as "Webby Honoree" in the "Apps and Software" category. The distinction was presented at the Webby Awards, which honor excellence on the Internet.

May 21, 2021 – The Annual Meeting of Michelin shareholders was held behind closed doors in compliance with French health rules. The event was an opportunity for a number of people to pay tribute to Michel Rollier, who stepped down as Chairman of the Supervisory Board. His successor, Barbara Dalibard, was elected at the same-day meeting of the Board.

May 27, 2021 – The new MICHELIN Trailxbib tire, designed in association with farmers in a number of countries, increases farm yields thanks to the innovative MICHELIN Ultraflex technology.

May 28, 2021 – AddUp, the joint venture created by Michelin and Fives in 2016, takes metal 3D printing to the next level with the development of a new generation of machines with promising features for industry.

June 1, 2021 – Movin'On's shared governance represents a major milestone in the organization's development, designed to set its strategic direction and deliver actionable solutions to speed the transition to sustainable mobility.

June 1, 2021 – At Movin'On 2021, Michelin presents two innovations: the WISAMO project, an automated, telescopic, inflatable wing sail system that will help to decarbonize maritime shipping, and a high-performance racing tire containing 46% sustainable materials that a few weeks later will take its first parade laps around the Le Mans 24 Hours track. Both offer further tangible, real-world proof of the Group's determination to make mobility increasingly sustainable.

June 17, 2021 – KRISTAL.aero and Michelin launch KRISTAL.air, a mobile app for everyone who flies light aircraft, aligned with Michelin Aviation's commitment to fostering connected mobility, safe flying and closer customer relationships. It is also contributing to the Group's "All Sustainable" vision.

June 23, 2021 – Michelin designs the new MICHELIN X AGVEV, the first tire specifically engineered for automatic guided vehicles (AGVs) in port facilities. The new tire helps to cut CO_2 emissions and increase an electric vehicle's battery life, thanks to its very low rolling resistance.

June 30, 2021 – Four months after launching its new MICHELIN X® Multi™ Energy™ tires, Michelin expands the lineup with the new MICHELIN X® Multi Grip™ truck tire designed for extreme winter conditions and wet roads. All the new tires have in common the ability to make overland shipping more sustainable, in particular by reducing CO_2 emissions per kilometer driven.

June 30, 2021 – Michelin launches "WATEA by Michelin" to support its corporate customers in transitioning to "zero-emission" mobility, based on an all-inclusive monthly subscription and a palette of more than 80 services.

September 2, 2021 – Michelin introduces MICHELIN CrossClimate 2, the new generation of MICHELIN All-Season tires. The launch reflects the Group's commitment to investing and innovating to develop premium tires delivering very high technological value.

September 15, 2021 – Michelin and Dorna extend their MotoGP™ partnership, confirming that Michelin will remain the exclusive official supplier of the premier class of motorcycle Grand Prix racing from 2024 to 2026.

September 24, 2021 – Engie supports Michelin in decarbonizing its historic Cataroux plant in Clermont-Ferrand, with the goal of reducing the facility's energy use while cutting its greenhouse gas emissions.

October 1, 2021 – At its fifth annual Supplier Awards, Michelin honors nine of its best suppliers based on five criteria: Sustainability, Innovation, Quality, Risk Management and Support provided during the crisis. Michelin believes that the quality and effectiveness of its supplier relations are essential drivers of its sustainable performance.

GROUP

October 1, 2021 – Fenner™ Precision Polymers acquires Lumsden Corporation, a leading manufacturer of metal conveyor belting. The deal strengthens the position of Fenner™ Precision Polymers as a leading supplier of highly specialized conveying products.

October 13, 2021 – ResiCare, a Michelin subsidiary that develops and manufactures high-performance adhesives that are better for people and the planet, finds an initial outlet "beyond the tire." ResiCare offers a compelling illustration of the Michelin Group's commitment to moving into new growth territories.

November 17, 2021 – At the Solutrans trade show, Michelin introduces MICHELIN Connected Fleet, its new umbrella brand for fleets. MICHELIN Connected Fleet now brings together all the Group's fleet management services and solutions under the same banner.

November 19, 2021 – Michelin acquires AirCaptif, a specialty manufacturer of ultralight inflatable structures, in a new illustration of the Michelin's expansion beyond tires in high-tech materials.

November 25, 2021 - At its first Media Day, held at its global Research and Development center in Clermont-Ferrand, Michelin sets out the challenges of 100% sustainable tires. By 2030, Michelin will be using an average of 40% sustainable materials in its tires, with the goal of raising the rate to 100% by 2050.

December 30, 2021 - Michelin acquires 100% ownership of Allopneus SAS, the French leader in sales and tire fitting online for private individuals. With this acquisition, Michelin consolidates its e-commerce presence in France.

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

Presentation and Conference Call

Full-year 2021 results will be reviewed with analysts and investors during a presentation today, Monday, February 14, 2022 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: 60407000#
- In France — +33 (1) 72 72 74 03 (English) — PIN code: 62446094#
- In the UK — +44 (0) 207 194 3759 (English) — PIN code: 62446094#
- In North America — +1 646 722 4916 (English) — PIN code: 62446094#
- From anywhere else — +44 (0) 207 194 3759 (English) — PIN code: 62446094#

The presentation of financial information for the year ended December 31, 2021 (press release, presentation, financial report) may also be viewed at http://www.michelin.com/en, along with practical information concerning the conference call.

Investor calendar

- **Quarterly information for the three months ending March 31, 2022:** Tuesday, April 26, 2022 after close of trading.
- **Annual Shareholders Meeting:** Friday, May 13, 2022
- **Ex-dividend date:** Tuesday, May 17, 2022
- **Payment date:** Thursday, May 19, 2022
- **Results for the six months ending June 30, 2022**: Tuesday, July 26, 2022 after close of trading.
- **Financial information for the nine months ending September 30, 2022:** Monday, October 25, 2022 after close of trading.
- **Update about Michelin in Motion (digital event):** Tuesday, November 29, 2022.

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