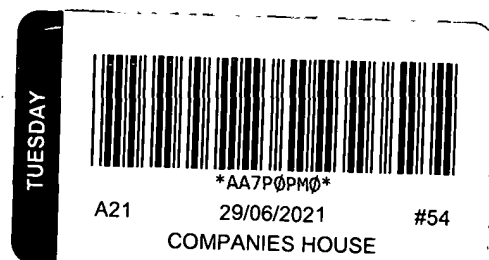


# **Michelin Tyre Public Limited Company**

## **Annual report and financial statements for the year ended 31 December 2020**

Registered number 00084559



# Michelin Tyre Public Limited Company

## Annual report and financial statements for the year ended 31 December 2020

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# **Michelin Tyre Public Limited Company**

## **Directors and advisers for the year ended 31 December 2020**

### **Directors**

P Berther

C Smith

C Beau (resigned 19 January 2021)

F Levert

M Röttger (appointed 19 January 2021)

### **Company Secretary**

N Ockleton

### **Registered office**

Campbell Road

Stoke-on-Trent

United Kingdom

ST4 4EY

### **Independent Auditors**

Deloitte LLP

Statutory Auditors

Four Brindley Place

Birmingham

B1 2HZ

# Michelin Tyre Public Limited Company

## Strategic report for the year ended 31 December 2020

The directors have pleasure in presenting their strategic report for the year ended 31 December 2020.

### Business review and principal activities

The company is engaged in the manufacture and sale of tyres, tubes, wheels and accessories.

Turnover has decreased by 30.8% compared to 2019 with our UK sales down 15.7% and exports down 77% compared to the previous year. In the UK, in our Original Equipment market we have seen reductions in both volumes (down 33.7%) and turnover (down 35.0%) compared to 2019 as a result of the Covid-19 pandemic. Sales fell sharply in quarter 2, when the Original Equipment Manufacturers closed their factories, followed by a recovery in quarter 3 and 4. In our replacement market, volumes are down 10.6% and turnover is down 9.3% compared to the previous year due to the Covid-19 pandemic. Again, sales fell sharply during Q2 and the first UK lockdown, but there was a strong recovery from June onwards. All markets were impacted to varying levels except sales of agricultural tyres, which held up well. Our exports have fallen significantly compared to 2019 (down 77%), mainly due to the closure of our factory in Dundee (see page 5), as most of the production at this factory was exported.

Our operating result has been adversely affected by low level of sales due to the Covid-19 pandemic and the ongoing costs associated with the closure of the factory in Dundee. There is an operating loss before exceptional items of £26.5 million compared to a profit of £2.0 million in 2019.

The exceptional items of £8.5 million (2019: £7.1 million) relate mainly to the closure of the Dundee factory (see page 5 and note 23).

Details of other items affecting the operating loss for the year are set out in note 6.

The directors intend to continue with the strategy of achieving sustainable performance by focusing on innovation, the high quality of products and services as well as stringent cost control.

### Results

	2020	2019
	£'000	£'000
Loss before taxation	(42,083)	(24,966)
Tax on loss	5,862	3,597
Loss for the financial year	(36,221)	(21,369)
Net debt	100,239	94,957
Net cash (outflow) / inflow – operating activities	(26,181)	9,471
Net assets / (liabilities)	62,296	(10,907)

### Strategy

#### a) Overriding objective

The directors seek to fulfil the mission of the Michelin Group to improve mobility by focusing on generating sustainable, responsible, profitable growth that creates value for customers, employees, shareholders and society as a whole.

# Michelin Tyre Public Limited Company

## Strategic report for the year ended 31 December 2020 (continued)

### b) Products (including development)

The Michelin Group serves its customers by producing tyres that maintain high performance and efficiency standards throughout their lifetimes, including for grip and feel. This is a strategy that the group applies across all its activities and products, from cars and motorcycles to trucks. The biggest technical challenge for the group's engineers is designing tyres that offer excellent safety and performance, no matter how far they have been driven and regardless of road conditions. They work on all the components that go into our customers' tyres, from materials to tread design to the tread contact area to bring the best possible performance, up to the legal wear limit of 1.6 mm for passenger vehicles. To keep our customers safe and guarantee outstanding performance, the group dedicates much of its R&D to developing new technologies for long-lasting safety and environmental protection. This is why we advocate testing used tyres at the legal wear limit, just as new tyres are tested.

### c) Investment

In 2020, our capital investments in tangible and intangible assets totalled £0.8 million (2019: £1.1 million). With the closure of our factory in Ballymena in 2018 and the closure of our factory in Dundee in 2020 (see below), the level of our capital investments has fallen significantly.

### d) Closure of Dundee factory

In November 2018 we announced our intention to cease activities at our Dundee site by the middle of 2020. The planned closure date was the end of June 2020, but the closure was brought forward to the end of March 2020 as a result of the Covid-19 pandemic.

The priority in 2020 has again been to provide the employees at the factory with the most effective support possible at this difficult time. At the beginning of 2019 the company implemented a personalised support programme for each of the factory's employees, including enhanced redundancy packages and a comprehensive plan to assist employees to start a new career as quickly as possible. This plan included intensive support to find a new job, relocation assistance and tailor-made programmes including skills training. This support continued in 2020 and some outplacement support will continue in 2021.

Michelin Development Limited, the Group's entity dedicated to local economic development in areas in which the Michelin Group has operations, has continued to work with local stakeholders in 2020 to replace the jobs lost in Dundee.

At the end of 2020 the Dundee site was given to Michelin Scotland Innovation Parc Limited, a joint venture between the company, Scottish Enterprise and Dundee City Council. They plan to turn the site into an innovation park focused on sustainable mobility and low carbon energy. During the year the company has also contributed £8 million of its £20 million cash funding commitment to the joint venture. The outstanding commitment of £12 million is reflected in the restructuring provision (see note 23).

The remaining assets at the Dundee site were either sold to other Michelin group companies or were scrapped (see note 15).

### e) Training and development

2020 has been an exceptional year due to the impact of the coronavirus pandemic. This had a significant impact on business activity, recruitment, training and on-going development. The average number of days training per person in 2020 reduced to 0.5. It is anticipated that 2021 will see a return to more normal operations, although it is unlikely to reach the levels of training delivered in 2019, when the average was 7.5 days per person.

# Michelin Tyre Public Limited Company

## Strategic report for the year ended 31 December 2020 (continued)

### f) Social responsibility

Michelin strongly believes in its social responsibility and demonstrates this through a close involvement with the local communities to which it belongs. A separate company, Michelin Development Limited, is committed to helping create quality, sustainable employment within these regions. It achieves this by offering unsecured loans at subsidised interest rates and by providing, free of charge, the company's considerable in-house expertise. Michelin Development Limited has now made almost 350 loan offers to local SMEs around our UK sites which could potentially create 2,900 jobs with the value of the loans granted now totalling £7.5 million at the end of 2020.

With the closure of our factory in Ballymena in 2018, the work of Michelin Development Limited in the local community continues in order to help support local businesses create employment and working with schools to encourage entrepreneurs of the future. However, the level of new loan offers during 2020 has been lower than originally anticipated due to the covid-19 pandemic.

Following the closure of our factory in Dundee in 2020, a similar Michelin Development scheme has been set up in the region with the aim of supporting SMEs in the Dundee and Angus area to grow and create new jobs.

### Key Performance Indicators (KPIs)

The Board monitors progress against the overall Michelin Group strategy and the individual strategic elements by reference to six KPIs.

Performance during the year, together with historical trend data is set out in the table below:

	2020	2019	Commentary
Reduction in Sales (%)	<b>(30.8%)</b>	(11.3%)	Year on year sales reduction expressed as a percentage. The result is in line with our expectations given the closure of our factory in Dundee (see page 5) and the Covid-19 pandemic.
Operating Margin before exceptional items (%)	<b>(6.6%)</b>	0.3%	Operating (loss) / profit as a percentage of sales before exceptional items. The margin has been adversely impacted by the lower sales due to the Covid-19 pandemic and ongoing costs associated with the closure of the factory in Dundee.
Trade debtors / sales	<b>26.9%</b>	25.6%	Rolling 12-month average trade debtors balance expressed as a percentage of sales.
Employee turnover	<b>3.5%</b>	6.0%	Employee turnover is the number of employees who left the company by "Natural / Unplanned" means over a 12-month period, divided by the average number of employees in the company over the same 12 month period. The result is given as a percentage. Employee turnover in 2020 has been lower than in 2019 due to the covid-19 pandemic.  Note: turnover does not include retirements, redundancies and transfers. These are considered as "planned" leavers.
Lost time incident frequency rate	<b>1.95</b>	1.36	Number of incidents resulting in more than one day of lost time per million hours worked.
Lost time incident severity rate	<b>0.01</b>	0.01	Number of working days (more than one day) lost to accidents per thousand hours worked.

# Michelin Tyre Public Limited Company

## Strategic report for the year ended 31 December 2020 (continued)

### Principal risks and uncertainties

#### i) Competition

The UK & ROI markets remain among the most price competitive in Europe.

#### ii) Employees

Employee annual turnover remained at a low level in 2020 at around 3.5 % (2019: 6%). The results of the employee engagement survey remained over 80%. 2020 was a very difficult and complex year due to the coronavirus pandemic, home working and a re-organisation of business operations in the year. Despite this challenging environment, the workforce has demonstrated excellent levels of support, flexibility and teamworking.

#### iii) Supply

Increasingly mindful of cash flow constraints, manufacturers and distributors are carefully managing stocks. To avoid overstocking, stock levels are carefully managed at a group level to meet customer demand.

#### iv) Energy costs

Primary energy prices have decreased steadily since 2018, and the decrease has been reinforced by the Covid-19 crisis. Gas and power consumption have reduced significantly over the past few years, with the closure of both our Ballymena and Dundee factories. Taxes, transport and distribution costs remain an increasing part of the overall cost of the UK's manufacturing energy. In 2021, our main challenges will be to limit the consequences of the global covid-19 crisis, and to protect our energy costs against market volatility.

#### v) Technology

The Michelin Group continues its commitment to innovation, research and development. These innovations help keep the Company at the forefront of tyre design and ensure its customers have access to industry-leading technology to suit their requirements.

#### vi) Brexit

On 1 January 2021, a Trade and Cooperation Agreement (TCA) between the UK and the EU was applied provisionally. The TCA came into force on 1 May 2021. Initial effects on the movement of goods have been mitigated largely due to the preparations and actions of the Michelin Brexit Taskforce, which includes members from the company and the wider Michelin group, covering all aspects of corporate activity (legal, finance, supply chain, logistics, production, sales and public affairs). The company continues to monitor this area and if issues were to occur the taskforce would take appropriate action.

The main risks now centre around the divergence of the UK and EU in terms of legislation and regulation, and the imposition of tariffs on a specific component used in our factory in Stoke that originates in the EU. The same component can also be shipped from our factory in Stoke to other Michelin plants in the EU. Our public affairs teams in the UK and the EU are working together closely to monitor, predict and react to relevant divergence issues, and an application to remove or suspend this particular tariff is in progress.

#### vii) Covid-19

The Covid-19 pandemic has had a significant impact on the company's operations. The company's priorities during the pandemic have been to protect our employees, maintain business continuity and support our customers, suppliers and local communities.

# Michelin Tyre Public Limited Company

## Strategic report for the year ended 31 December 2020 (continued)

### Principal risks and uncertainties (continued)

#### vii) Covid-19 (continued)

Home working has been introduced where possible for employees and safety protocols have been implemented at our factory and warehouses. Production has continued during the pandemic, as have our logistics operations. Our fleet operators have worked throughout the crisis, keeping key fleets and emergency services on the road. At the same time over 37,500 masks have been donated by the company to the local community. It was necessary to put some employees on furlough during the year, particularly in those areas of the business most impacted by the lockdowns and in total £1.8 million of furlough grants were claimed.

Sales were impacted, particularly during the second quarter of the year (see page 4) but there was a strong recovery in the second half of the year.

Consideration of future developments likely to impact the company and an analysis of the company's financial risk management policies are given in the Directors' report on page 9.

### Section 172 (1) statement

The directors recognise their responsibility to act in a way that promotes the success of the company for the benefit of its members. In doing so, they also take into account the long-term consequences of their decisions and the impact of these decisions on employees, customers, suppliers, the environment and the communities in which the company operates. For more than a century Michelin has pushed innovation forward to create the future of mobility, meet its customers and stakeholders' expectations while enabling the group's employees to develop to their full potential. Michelin cares about giving people a better way forward, which feeds both the group's strategy and its human and social models. All the company directors adhere to the Michelin core values of respect for shareholders, respect for customers, respect for the facts, respect for the environment and respect for people. In addition, the directors consult the ultimate parent company, Compagnie Générale des Etablissements Michelin, before any significant strategic decisions are made.

The difficult decision to close the factory in Dundee can be seen as an example of this (see page 5). Although the closure of the site could not be avoided, the directors were aware of the significant impact that the decision would have on the company's employees and the wider community in Dundee and as a result implemented a personalised support programme for employees including enhanced redundancy packages, intensive support to find a new job, relocation assistance and tailor-made programmes including skills training. In addition, a scheme was set up under Michelin Development to support SMEs in the Dundee and Angus area to grow and create new jobs (see page 6) and the company entered into a joint venture in 2019 with Scottish Enterprise and Dundee City Council (see page 5) to turn the Dundee site into an innovation park focused on sustainable mobility and low carbon energy and committed to provide £20 million of cash funding to this joint venture.

### Post balance sheet events

On 1 June 2021 a new £110 million multi-currency revolving credit facility was signed with Compagnie Financière Michelin. The facility comes into effect on 15 July 2021 and expires on 14 July 2023.

Approved by the Board and signed on its behalf by



C Smith

Director

16 June 2021

Registered number 00084559

# Michelin Tyre Public Limited Company

## Directors' report for the year ended 31 December 2020

The directors have pleasure in presenting their annual report and the audited financial statements of the company for the year ended 31 December 2020.

### Business review, principal activities and results

See strategic report on page 4.

### Dividends

The directors are unable to recommend the payment of a dividend (2019: £nil). The loss for the financial year of £36.2 million (2019: £21.4 million) is transferred to reserves.

On 9 December 2020 the share capital of the company was increased. The company issued 200,000 ordinary shares of £10 each for a cash consideration of £100 million (see note 24).

### Research and development

Research and Development activities are carried out at the Group's technology centres in Europe, Asia and the USA. Michelin Tyre Public Limited Company does not execute research and development in the UK but is recharged by the Group for the research and development carried out at a Group level.

### Future outlook

We expect both the replacement and original equipment markets to continue to recover in 2021, but we anticipate that demand will not be back at 2019 levels until 2022.

### Going concern

In compiling the Annual Report and Financial Statements the directors have used the going concern basis of preparation. The company has positive net assets at 31 December 2020 and although the company has made a loss for the current year and the prior year, latest forecasts show that the company will be profitable for 2021 and future years now that the Dundee factory has been closed. Cash flow forecasts have been prepared and the company expects to be able to meet its liabilities as they fall due, including restructuring payments and payments to the defined benefit pension scheme, using the existing £125 million 3 year credit facility with Compagnie Financière Michelin which expires on 15 July 2021 and a new £110 million 2 year credit facility which was signed on 1 June 2021 and expires on 14 July 2023.

### Financial risk management

The company's operations expose it to a variety of financial risks. Most of these risks are managed by the Michelin Group on behalf of the company.

#### i) Price risk

The company is exposed to commodity price risk as a result of its operations, although the purchasing of the company's raw materials is managed at a Michelin Group level. Given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits.

#### ii) Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. All customers have credit limits and sales are only made outside these limits when appropriate procedures have been followed.

#### iii) Liquidity risk

Any excess funds are cash pooled with the Michelin Group on a daily basis. Any liquidity risk is managed by the Group.

# Michelin Tyre Public Limited Company

## Directors' report for the year ended 31 December 2020 (continued)

### Financial risk management (continued)

#### iv) Interest rate risk

As any excess funds are cash pooled with the Michelin Group on a daily basis, any interest rate risk is managed by the Group.

### Key Performance Indicators (KPIs)

See strategic report on page 6.

### Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

P Berther

C Smith

C Beau (resigned 19 January 2021)

F Levert

M Röttger (appointed 19 January 2021)

The Michelin Group has maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors and officers and those of its subsidiaries. This is a qualifying third-party provision for the purposes of the Companies Act 2006.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Stakeholder engagement - employees

The company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. The Michelin Manufacturing Way approach continues to increase employee involvement in the running of their business areas. In addition, the company encourages the involvement of employees through the employee representative bodies at UK and local levels including works councils, trade unions and working groups. Key areas influencing the company's results are presented to employees at monthly team meetings and at regular Town Hall events in order to provide an appreciation of the financial and economic factors that affect the performance of the company. Employees are also able to purchase shares in the group's employee share scheme.

### Stakeholder engagement – other stakeholders

See section 172 (1) statement in the strategic report on page 8.

### Post balance sheet events

See strategic report on page 8.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

# Michelin Tyre Public Limited Company

## Directors' report for the year ended 31 December 2020 (continued)

### Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

The auditors, Deloitte LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by



C Smith  
Director

16 June 2021

Registered number 00084559

# **Michelin Tyre Public Limited Company**

## **Independent auditors' report to the members of Michelin Tyre Public Limited Company**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, the financial statements of Michelin Tyre Public Limited Company (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Michelin Tyre Public Limited Company

## Independent auditors' report to the members of Michelin Tyre Public Limited Company (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, taxation legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, environmental regulations and anti-bribery and corruption legislation.

# **Michelin Tyre Public Limited Company**

## **Independent auditors' report to the members of Michelin Tyre Public Limited Company (continued)**

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- the valuation of the customer rebate payable at year end and accuracy of revenue. This is due to the judgements and estimates involved in the calculations, making the calculations more susceptible to fraud. We have performed a test of details on customer rebates through review of customer agreements and credit notes in addition to assessing managements calculations through comparison to independently obtained customer confirmations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

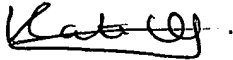
We have nothing to report in respect of these matters.

# **Michelin Tyre Public Limited Company**

## **Independent auditors' report to the members of Michelin Tyre Public Limited Company (continued)**

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Hadley, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

16 June 2021

# Michelin Tyre Public Limited Company

## Profit and loss account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	5	<b>398,802</b>	576,655
Cost of sales		(362,174)	(498,999)
<b>Gross profit</b>		<b>36,628</b>	77,656
Distribution costs		(43,475)	(51,690)
Administrative expenses		(28,106)	(31,117)
<b>Operating loss</b>	6	<b>(34,953)</b>	(5,151)
<b>Analysed as</b>			
<b>Operating (loss) / profit before exceptional items</b>		<b>(26,456)</b>	1,992
Restructuring costs	23	(8,497)	(7,143)
<b>Operating loss</b>		<b>(34,953)</b>	(5,151)
Interest receivable and similar income	8	1,743	168
Amounts written off investments	16	(3,758)	(12,188)
Interest payable and similar expenses	9	(5,115)	(7,795)
<b>Loss before taxation</b>		<b>(42,083)</b>	(24,966)
Tax on loss	13	5,862	3,597
<b>Loss for the financial year</b>		<b>(36,221)</b>	(21,369)

The above results for the years derive from continuing activities. There is no difference between the loss for the year stated above and their historical cost equivalents. The notes on pages 19 to 46 form part of these financial statements.

## Statement of comprehensive income for the year ended 31 December 2020

	2020 £'000	2019 £'000
<b>Loss for the financial year</b>	<b>(36,221)</b>	(21,369)
<b>Other comprehensive income / (expense): items that will not be reclassified to profit or loss</b>		
Actuarial gain / (loss) on post-employment benefits (note 12)	14,608	(31,483)
Movement in deferred tax related to change in tax rate (note 25)	(1,319)	-
Deferred tax on post-employment benefits (note 25)	(14,524)	5,352
Write-off of deferred tax asset on post-employment benefits (note 25)	-	(37,865)
Deferred tax on recognition of losses (note 25)	10,659	-
<b>Other comprehensive income / (expense) for the year, net of tax</b>	<b>9,424</b>	(63,996)
<b>Total comprehensive expense for the year</b>	<b>(26,797)</b>	(85,365)

# Michelin Tyre Public Limited Company

## Balance sheet as at 31 December 2020

	Note	2020 £'000	Restated 2019 £'000
<b>Fixed assets</b>			
Intangible assets	14	21	6
Tangible assets	15	43,454	67,527
Investments	16	9,689	13,447
Pension asset	12	142,414	68,423
<b>Total fixed assets</b>		<b>195,578</b>	<b>149,403</b>
<b>Current assets</b>			
Stocks	17	24,802	34,896
Debtors: amounts falling due within one year	18	137,231	138,843
Cash at bank and in hand		18	5
		<b>162,051</b>	<b>173,744</b>
<b>Creditors: amounts falling due within one year</b>	19	<b>(164,017)</b>	<b>(156,847)</b>
<b>Net current (liabilities) / assets</b>		<b>(1,966)</b>	<b>16,897</b>
<b>Total assets less current liabilities</b>		<b>193,612</b>	<b>166,300</b>
<b>Creditors: amounts falling due after more than one year</b>	20	<b>(88,247)</b>	<b>(89,243)</b>
<b>Provisions for liabilities</b>	23	<b>(43,069)</b>	<b>(87,964)</b>
<b>Net assets / (liabilities)</b>		<b>62,296</b>	<b>(10,907)</b>
<b>Capital and reserves</b>			
Called up share capital	24	59,424	57,424
Share premium account		667,576	569,576
Capital redemption reserve		75,000	75,000
Profit and loss account		(739,704)	(712,907)
<b>Total shareholders' funds / (deficit)</b>		<b>62,296</b>	<b>(10,907)</b>

Details of the restatements are contained in note 2.1.3.

The notes on pages 19 to 46 are an integral part of these financial statements.

The financial statements on pages 16 to 46 were approved by the board of directors on 16 June 2021 and were signed on its behalf by:

Director:



C Smith

Registered number 00084559

# Michelin Tyre Public Limited Company

## Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Capital redemptio n reserve £'000	Profit and loss account £'000	Total shareholders' deficit £'000
<b>At 1 January 2019</b>	<b>51,424</b>	<b>275,576</b>	<b>75,000</b>	<b>(627,542)</b>	<b>(225,542)</b>
Loss for the financial year	-	-	-	(21,369)	(21,369)
<b>Other comprehensive income / (expense) for the year:</b>					
Actuarial loss on post-employment benefits	-	-	-	(31,483)	(31,483)
Deferred tax on post-employment benefits	-	-	-	5,352	5,352
Write-off of deferred tax asset on post-employment benefits	-	-	-	(37,865)	(37,865)
<b>Total comprehensive (expense) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85,365)</b>	<b>(85,365)</b>
<b>Total transactions with owners, recognised directly in equity:</b>					
Issue of share capital	6,000	294,000	-	-	300,000
<b>At 31 December 2019</b>	<b>57,424</b>	<b>569,576</b>	<b>75,000</b>	<b>(712,907)</b>	<b>(10,907)</b>
<b>At 1 January 2020</b>	<b>57,424</b>	<b>569,576</b>	<b>75,000</b>	<b>(712,907)</b>	<b>(10,907)</b>
Loss for the financial year	-	-	-	(36,221)	(36,221)
<b>Other comprehensive income / (expense) for the year:</b>					
Actuarial gain on post-employment benefits (note 12)	-	-	-	14,608	14,608
Movement in deferred tax related to change in tax rate (note 25)	-	-	-	(1,319)	(1,319)
Deferred tax on post-employment benefits (note 25)	-	-	-	(14,524)	(14,524)
Deferred tax on recognition of losses (note 25)	-	-	-	10,659	10,659
<b>Total comprehensive (expense) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,797)</b>	<b>(26,797)</b>
<b>Total transactions with owners, recognised directly in equity:</b>					
Issue of share capital (see note 24)	2,000	98,000	-	-	100,000
<b>At 31 December 2020</b>	<b>59,424</b>	<b>667,576</b>	<b>75,000</b>	<b>(739,704)</b>	<b>62,296</b>

# Michelin Tyre Public Limited Company

## Notes to the financial statements

### 1 General information

Michelin Tyre Public Limited Company is engaged in the manufacture and sale of tyres, tubes, wheels and accessories.

The company is a privately-owned public company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Campbell Road, Stoke-On-Trent, England, ST4 4EY.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention or historic cost modified by revaluation of financial assets and financial liabilities held at fair value through the profit and loss account (as applicable) and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial Instruments Disclosures
- Paragraphs 91 to 99 of IFRS 13 Fair value measurement
- Paragraph 38 of IAS 1 Presentation of Financial Statements comparative information requirements in respect of:
  - Paragraph 73(e) of IAS 16 Property, plant and equipment
  - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between carrying amounts at the beginning and end of the period)
- The following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information) and
  - 134-136 (capital management disclosures)
- IAS 7 Statement of cash flows
- Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 Related party disclosures (key management compensation)
- The requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.1.1 Going concern

In compiling the Annual Report and Financial Statements the directors have used the going concern basis of preparation. The company has positive net assets at 31 December 2020 and although the company has made a loss for the current year and the prior year, latest forecasts show that the company will be profitable for 2021 and future years now that the Dundee factory has been closed. Cash flow forecasts have been prepared and the company expects to be able to meet its liabilities as they fall due, including restructuring payments and payments to the defined benefit pension scheme, using the existing £125 million 3 year credit facility with Compagnie Financière Michelin which expires on 15 July 2021 and a new £110 million 2 year credit facility which was signed on 1 June 2021 and expires on 14 July 2023.

### 2.1.2 New standards, amendments and IFRIC interpretations

The following new accounting standards, amendments to accounting standards, and IFRIC interpretations have been adopted by the company:

- Amendments to References to the Conceptual Framework in IFRS Standards,
- Amendments to IFRS 3, "Definition of a business" (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 1 and IAS 8, "Definition of material" (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments and IFRIC interpretations did not have a material impact on the company's financial statements.

The following new accounting standards, amendments to accounting standards, and IFRIC interpretations have been issued before 31 December 2020 with an effective date beginning on or after 1 January 2021 and have been endorsed by the European Union. They have not been adopted early by the company:

- IFRS 17 – Insurance contracts,
- IFRS 10 and IAS 28 (amendments) – Sale or contribution of assets between an investor and its associate or joint venture,
- Amendments to IAS 1 – Classification of liabilities as current or non-current,
- Amendments to IFRS 3 – Reference to the Conceptual Framework,
- Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use,
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract,
- Annual improvements to IFRS Standards 2018 – 2020 – Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

The company does not expect the application of the above on 1 January 2021 to have any significant impact.

### 2.1.3 Prior year restatements

During the year the directors have reviewed the accounting treatment of the following two items:

- Previously mileage contracts, where legal ownership is with the customer but the company has an economic influence over the tyres and generates revenue over time, were recognised as an asset within stock with a corresponding liability in creditors due within one year. Upon closer review of the contracts the directors have concluded that, whilst the company may have economic influence over the tyres, the previous treatment of recognising an asset and liability does not fully recognise the contractual nature of the arrangement. Accordingly, an asset and liability are no longer recognised and a restatement has been recorded which reduces stock at 31 December 2019 by £12.3 million, and reduces creditors due within one year by the same amount.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.1.3 Prior year restatements (continued)

- Previously amounts that were owed by other group companies were shown in debtors and amounts owed to other group companies were shown in creditors, even when these amounts were settled on a net basis. The directors have reviewed this treatment and have concluded that where the amounts are settled on a net basis they should be shown net in the financial statements. Accordingly the figures at 31 December 2019 have been restated and amounts owed by group undertakings under debtors falling due within one year have been reduced by £29.5 million and amounts owed to group undertakings under creditors falling due within one year have been reduced by the same amount.

The reconciliation between the amounts recorded in the financial statements for the year ended 31 December 2019 and the restated amounts is shown below:

	31 December 2019 £'000	Customer owned mileage contract assets £'000	Amounts settled on a net basis £'000	31 December 2019 restated £'000
Stocks – Finished goods and goods for resale	44,974	(12,256)	-	32,718
Creditors: amounts falling due within one year – Trade creditors	(36,532)	12,256	-	24,276
Debtors: amounts falling due within one year – Amounts owed by group undertakings	70,827	-	(29,487)	41,340
Creditors: amounts falling due within one year – Amounts owed to group undertakings	(134,048)	-	29,487	(104,561)

### 2.2 Consolidation

Under Section 400 of the Companies Act 2006, the company is exempt from producing group financial statements as it is a wholly owned subsidiary of a company registered in the European Union. The ultimate holding company draws up publicly available group financial statements in accordance with the EU Seventh Directive. The company's results are included in the financial statements of Compagnie Générale des Etablissements Michelin, a company incorporated in France.

### 2.3 Foreign currency translation

Items included in the financial statements of the company are measured using the currency of the primary economic environment of which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Transactions in foreign currency are converted to Sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Sterling at the rates of exchange ruling at 31 December 2020. Differences arising out of the translation of foreign currency transactions and balances are accounted for with in the profit and loss account in the year they arise.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.4 Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. No depreciation is provided on freehold land or assets in the course of construction. Depreciation is charged on all other categories of tangible fixed assets so as to write off the cost by equal annual instalments over the expected useful economic lives of the assets at the following rates:

	Per annum
Freehold buildings	2%
Fixtures, fittings and vehicles	5% to 20%
Plant and machinery	6.6% to 33.3%

The expected useful lives of the assets to the business are reassessed periodically in the light of experience. Impairment reviews are performed by the business units where there has been an indication of potential impairment.

Tangible fixed assets are reviewed when adverse economic conditions or other events indicate that they may be impaired. The carrying value of the asset is compared to its estimated recoverable amount (being the higher of net realisable value and value in use) and any resulting impairment loss is recognised in the profit and loss account. Value in use is calculated using cash flows derived from budgets and projections approved by the directors which are discounted at the groups' risk adjusted weighted average cost of capital.

### 2.5 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense when they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company or group are recognised as intangible assets and are amortised on a straight-line basis over a period of three years. The amortisation charge is included within administrative expenses.

Intangible assets are reviewed when adverse economic conditions or other events indicate that they may be impaired. The carrying value of the asset is compared to its estimated recoverable amount (being the higher of net realisable value and value in use) and any resulting impairment loss is recognised in the profit and loss account. Value in use is calculated using cash flows derived from budgets and projections approved by the directors which are discounted at the groups' risk adjusted weighted average cost of capital.

### 2.6 Investments

Fixed asset investments are stated at the lower of cost and the company's share of the net book value of the investee's net assets at the year end. Impairment reviews are performed by management when there has been an indication of potential impairment, with any resulting impairment loss recognised in the profit and loss account in the year in which it occurs.

### 2.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of weighted average cost and net realisable value. Cost in the case of manufactured products consists of direct material and labour cost, together with an appropriate proportion of overheads. Net realisable value is based on anticipated selling price less the cost of selling such goods and any sales incentives. Specific provision is made for obsolete, slow moving or defective items where appropriate.

### 2.8 Mileage contract assets

There are two different categories of contract. The first type is where the legal ownership is with Michelin Tyre Public Limited Company. These tyres are valued at cost less a usage factor and are classified within stock on the balance sheet. The second type is where legal ownership is with the customer and whilst Michelin Tyre Public Limited Company has an economic influence over these tyres enabling it to generate revenue over time, it does not control the use of the inventory which therefore does not meet the criteria to be recognised as an asset. Turnover is recognised on a per mile basis based on mileage declarations. Where amounts are un-invoiced at year end, they are accrued within accrued income, included within debtors

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.9 Trade debtors

Trade debtors are amounts due from customers for the sale of products or for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as debtors due within one year. If not, they are included in debtors due after more than one year. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Provisions against the non-recovery of debtors are made specifically against identified doubtful debtors. Additionally, a forward looking impairment provision is calculated to cover potential future losses relating to trade debtors under IFRS 9. The model applied uses a matrix of the probabilities of default based on historical write-offs, customer payment behaviour and expected losses. When a trade receivable is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'administrative costs' in the profit and loss account.

### 2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within bank loans and overdrafts within creditors falling due within one year.

### 2.11 Share capital

Ordinary shares are classified as equity. There are no preference shares, but they would be classed as liabilities if there were any.

### 2.12 Trade creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost

### 2.13 Provisions

Provisions in respect of liabilities are recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Specifically:

The company adopts a policy of partial self-insurance and a specific provision is made representing management's best estimate of the non-insured costs which have been incurred at the year end.

Provision is also made for onerous lease obligations to the extent that the company is committed to making future lease payments which will not be covered by estimated future cash inflows.

Provisions for redundancies and restructuring costs are made to the extent that a detailed formal plan has been prepared and approved and the company is irrevocably committed to implementing the plan at the year end.

Provision is made for dilapidation costs to the extent that the company has incurred a liability in respect of such costs at the year end.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.14 Deferred income and government grants

Government grants receivable in respect of tangible fixed assets are capitalised and treated as deferred income in the balance sheet and are released to the profit and loss account within cost of sales on a straight-line basis over the period in which the related fixed asset is depreciated. They are disclosed under creditors falling due within one year and creditors falling due after more than one year based on the period over which the income will be released to the profit and loss account.

Furlough grants claimed during the year under the government's covid-19 measures to support employers have been credited directly to the income statement and are disclosed in note 6.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.15 Turnover and revenue recognition

Turnover consists predominately of the sale of tyres in the original equipment or replacement market or the export of tyres to other group companies. Turnover is based on the invoiced value of all goods despatched prior to the year end, excluding value added tax (VAT) and other sales-based taxes and net of trade discounts and rebates.

In terms of the sale of tyres, the company acts as a principal and not as an agent. The customer has the full and complete possibility to use the tyres for its own benefit or to market them and fix the resale price. Furthermore, the customer carries the inventory risk. The trade terms offered by the company are in line with normal market practice and the payment for the goods sold will be made in a period appreciably less than one year and there is no reason to adjust the amount of consideration received from customers to take into account the effects of a financing component. Each delivery of tyres represents a distinct and separate performance obligation to be fulfilled at a point in time and which corresponds to the loading of goods or their delivery, in accordance with the underlying contract.

In addition, the amount that the company effectively receives for the tyres delivered can vary as a result of deferred rebates stipulated in contractual agreements and / or at the start of commercial campaigns, and which will be paid to the customers at the end of the reference period and depending on the achievement of qualitative and quantitative objectives fixed for that period. Their value is determined using the expected value method. The company relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be given to customers. The revenue is therefore recognised taking into account the uncertainty surrounding the different elements of variable consideration and to the extent that it is highly probable that the outcome will not give rise to a significant reduction in the amount of turnover already booked.

Other sales categories comprise mainly the management of tyres for commercial fleets and the supply of telematics services to reduce the consumption of fuel and increase the efficiency of fleets (mileage contracts). The services supplied within the framework of these contracts consist of a single performance obligation satisfied over time for which the sales revenue is recognised according to the level of progress, measured on the basis of efforts made and costs incurred.

### 2.16 Post-employment benefits

The company operates a defined contribution scheme, a defined benefit pension scheme and a medical scheme.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension scheme and medical scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined discounting the estimated future cash outflows using interest rates of non-government or corporate securities, which have terms of maturity approximating to the terms of the liability. The assets of the defined benefit pension scheme are held separately from those of the company in an independently administered fund.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to the profit and loss account is the net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past service costs are recognised immediately in the profit and loss account.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.17 Current and deferred taxation

The tax expense for the period comprises current and deferred taxation. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the year in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2.18 Leases and right of use assets

A contract is or contains a lease if it conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or a series of payments. Lease liabilities correspond to the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate. For contracts that include a lease component and a non-lease component (such as services), only the lease component is taken into account in calculating the present value. The interest rate implicit in the lease is used as the discount rate if it can be readily determined. If the implicit rate cannot be readily determined, the company uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability. After initial recognition, the carrying value of the lease liability is increased to reflect interest on the lease and reduced to reflect the lease payments made.

Right of use assets corresponding to leased property, plant and machinery and vehicles are initially measured at cost, corresponding to the sum of the present value of the outstanding lease payments at the commencement date. The right of use asset is depreciated over the shorter of the lease term and the useful life of the leased asset.

Leases with a term not exceeding 12 months or concerning low value assets (mainly computers and printers) are not recognised in the balance sheet. The payments relating to these leases are expensed on a straight-line basis over the duration of the contracts. Variable lease payments are expensed in the period in which the triggering event or situation occurs.

Income from sub-leasing right of use assets is credited to the profit and loss account over the life of the sub-lease.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 2.19 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other debtors, cash and cash equivalents and trade and other creditors.

#### Trade and other debtors

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any impairment losses.

#### Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Investments in equity securities

Investments in subsidiary and other group undertakings are carried at cost less impairment.

### 2.20 Derivative financial instruments and hedge activities

The company has not applied hedge accounting and all derivatives are measured at fair value through the profit and loss account.

### 2.21 Exceptional items

The company's income statement separately identifies exceptional items. Such items are those that in the directors' judgement are one-off in nature and need to be disclosed separately by virtue of their size or incidence. In determining whether an item should be disclosed as an exceptional item, the directors consider quantitative as well as qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way the financial performance is managed by management and reported to the board. Disclosing exceptional items separately provides additional understanding of the performance of the company.

## 3 Critical accounting estimates and judgements

The company makes assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements.

### 3.1 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

#### 3.1.1 Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 12 for the disclosures of the defined benefit pension scheme.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 3.1.2 Restructuring provision

The company booked a restructuring provision in 2015 regarding the closure of its factory in Ballymena and a provision in 2018 for the closure of its factory in Dundee. The provisions include social costs, site dismantling, contractual commitments and revitalisation costs. The provisions for social costs are based on the package agreed with employees following a period of consultation. The provision for the dismantling of the machines and buildings at the site and the exiting of the site are management's best estimates based on its own experience and the experience of other companies in the wider Michelin Group. These costs estimates are reviewed annually and adjusted as required. See note 23 for disclosures on the restructuring provision.

### 3.2 Critical judgements

Critical judgements made in the process of applying the company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are as follows:

#### 3.2.1 Recognition of deferred tax asset

The company has recognised a deferred tax asset on tax losses carried forward on the basis that the losses would be available to use to offset the unwinding of the deferred tax liability on the pension asset. See note 13 and 25 for more details.

## 4 Financial instruments

The company has the following financial assets (in other debtors – see note 18) and financial liabilities (in other creditors – see note 19) measured at fair value through the profit and loss account:

	2020	2019
	£'000	£'000
Derivative financial assets	325	173
Derivative financial liabilities	(224)	(658)
Derivative financial instruments	(101)	(485)

The company enters into forward foreign contracts with the group to mitigate the exchange rate risk for certain foreign currency debtors and creditors. At 31 December 2020, the outstanding contracts all mature within 3 months (2019: 3 months) of the year end. The company is committed to sell EUR 9.9 million, USD 0.3 million, AUD 0.2 million and SEK 0.1 million and receive a fixed sterling amount and to buy EUR 83.9 million and pay a fixed sterling amount. The forward currency contracts are measured at fair value, which is determined using the valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:EUR, GBP:USD, GBP:AUD and GBP:SEK.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 5 Turnover

Turnover is derived from the manufacture and distribution of tyres, tubes, wheels, and accessories.

	2020	2019
	£'000	£'000
<b>Geographical markets</b>		
United Kingdom and Republic of Ireland	366,085	434,151
Rest of Europe	29,400	137,479
Rest of World	3,317	5,025
	<b>398,802</b>	<b>576,655</b>

Turnover to other group companies is £88.5 million (2019: £219.7 million).

### 6 Operating loss

Operating loss is stated after charging / (crediting):

	2020	2019
	£'000	£'000
Depreciation of tangible fixed assets – see note 15	7,763	15,037
Amortisation of intangible fixed assets – see note 14	3	564
Loss / (profit) on sale of tangible fixed assets	288	(1,572)
Impairment of fixed asset investments – see note 16	3,758	12,188
Exchange losses	121	128
Government grants amortisation – see note 21	(579)	(834)
Stock recognised as an expense	355,779	492,784
Impairment of stock – see note 17	(2,536)	(3,710)
Restructuring provisions – see note 23	3,487	6,679
Impairment of trade debtors – see note 18	89	(95)
Bad debts written off	129	89
Lease payments for short term leases and low value assets	590	717
Income from sub-leasing right of use assets	(406)	(412)
Furlough income	(1,848)	-

### 7 Auditors' remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £98,000 (2019: £96,000 was paid to PricewaterhouseCoopers LLP, who were the company's auditors for that year). There are no non-audit fees in either period.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 8 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest on current accounts with group undertakings	47	168
Net interest credit for post-employment benefits (see note 12)	1,696	-
	<b>1,743</b>	<b>168</b>

### 9 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Bank loans and overdrafts	5	4
Interest on current accounts with group undertakings	3,493	3,231
Net cost of post-employment benefits (see note 12)	-	2,408
Finance lease interest	880	920
Other	737	1,232
	<b>5,115</b>	<b>7,795</b>

### 10 Directors' emoluments

The directors received £197,221 (2019: £456,413) in respect of their qualifying services to the company. Benefits are accruing to no directors (2019: 3) under defined benefit schemes and to 2 directors (2019: 5) under defined contribution schemes. The aggregate value of company contributions paid to the defined contribution pension scheme during the year was £29,621 (2019: £81,119). No directors (2019: no directors) received shares in Compagnie Générale des Etablissements Michelin, the ultimate parent company, during the year.

No directors (2019: no directors) exercised share options during the year with Compagnie Générale des Etablissements Michelin, the ultimate parent company.

Highest paid director	2020	2019
	£'000	£'000
Total emoluments	117	136
Company contribution to defined contribution pension scheme	18	20
	<b>135</b>	<b>156</b>

One director received £163,474 compensation for loss of office in 2019.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 11 Particulars of employee costs

The average monthly number of persons employed by the company (including directors) during the year was:

	2020	2019
	Number	Number
By activity:		
- Production, selling and distribution	813	1,230
- Administration	45	61
	858	1,291
	2020	2019
	£'000	£'000
Their total remuneration was:		
- Wages and salaries	37,127	57,444
- Social security costs	4,110	6,169
- Other pension costs	3,914	5,783
	45,151	69,396

Other pension costs relate to life insurance and income protection premiums of £0.6 million (2019: £0.9 million) and company contributions in relation to the defined contribution scheme of £3.3 million (2019: £4.9 million) (see note 12).

The above employee numbers and costs include some employees who are on Michelin Tyre Public Limited Company contracts and the Michelin Tyre Public Limited Company payroll but who are currently seconded to other companies in the Group, such as Michelin Lifestyle Limited and Michelin Travel Partner Limited. Their costs are recharged to these other companies each month.

### 12 Post-employment benefits

The company operates a defined contribution scheme, a defined benefit scheme and a post-retirement medical scheme for the benefit of employees in the UK, including the employees of the subsidiaries of Associated Tyre Specialists (Investment) Limited ("ATS"), a company whose ultimate holding company is also Compagnie Générale des Etablissements Michelin. In practice the Pension Plan is not sectionalised and the assets and liabilities are not ring-fenced. The liabilities have been calculated by allocating individual members to the respective employers based on census data at 31 March 2017 using the data provided by the Pension Plan's administrator. The assets are allocated to achieve the same funding level for each participating company and the Pension Plan as a whole at each balance sheet date.

#### Defined benefit scheme

The defined benefit scheme is a final salary scheme and is funded in advance by contributions from members at the rate set in the scheme rules and from the employing company to meet the balance of the costs, at rates assessed by the actuary of the scheme in regular funding reviews. The plan is a registered pension scheme defined by UK legislation. The scheme's assets are held in funds separate from those of the company. Responsibility for the governance of the plan, including investment decisions and contribution schedules, lies with the board of trustees in consultation with the company. The disclosures below relate to the company's share of the scheme and excludes ATS's share of the scheme. The scheme closed to future accrual from the beginning of 2009. Employees have retained the benefits that they have already earned in the defined benefit scheme, but from the beginning of 2009 they have transferred to the defined contribution scheme. As such the current service cost in the defined benefit scheme is nil.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 12 Post-employment benefits (continued)

The risks of the scheme are as follows:

#### a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a range of assets, which are expected to outperform corporate bonds in the long-term.

As the plan's funding level improves, the level of investment risk will be reduced by investing more in assets that better match the liabilities with the sale of equity holdings and riskier assets and purchase of bonds.

#### b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

#### c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the plan's liabilities.

#### d) Inflation risk

The pension obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The plan does hold some inflation linked bonds and property which are designed to hedge some of the inflation risk.

Asset-liability matching reviews of the defined benefit scheme are performed regularly. The results of the reviews are used to assist the trustees and the company to determine the optimal long-term asset allocations with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the underlying volatility inherent in investment performance and the risk of a significant increase in the scheme deficit, by providing information used to determine the scheme's investment strategy. The main strategic choices that are formulated as a result are:

- Target asset mix 13% return seeking assets and 87% liability matching assets (bonds and property).
- 95% of interest rate and inflation risk is hedged using physical bonds and swaps.
- 75% of foreign currency exposure is hedged by the use of currency forward contracts.

An accounting valuation was carried out at 31 December 2020 by Mercer, a qualified independent actuary. The liabilities have been projected from the last full funding valuation data as at 31 March 2017 and using membership data as at 31 March 2017 and the following assumptions:

Weighted average assumptions used to determine benefit obligations at 31 December:	2020	2019
Discount rate	1.40%	2.05%
Rate of compensation increase	2.90%	2.90%
Rate of increase of pensions in payment	2.80%	2.80%
Rate of increase of pensions in deferment	2.20%	1.90%
Rate of inflation	2.90%	2.90%

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 12 Post-employment benefits (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December:	2020 Male	2020 Female	2019 Male	2019 Female
Member age 65 (current life expectancy)	21.0	23.8	21.1	24.0
Member age 45 (life expectancy at age 65)	21.9	25.3	22.6	25.8

Reconciliation of scheme assets and liabilities	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2020	1,779,551	(1,711,128)	68,423
Interest credit / (cost) (see note 8)	35,826	(34,127)	1,699
Administrative expenses	-	(1,906)	(1,906)
Actuarial gains / (losses)	183,426	(168,818)	14,608
Employer contributions	59,590	-	59,590
Benefits paid	(105,032)	105,032	-
At 31 December 2020	1,953,361	(1,810,947)	142,414

The average duration of the benefit obligation is 17 years. The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 15% of the liabilities are attributable to current employees, 27% to former employees and 58% to current pensioners.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

Impact on defined benefit obligation	0.5 percentage point upward shift	0.5 percentage point downward shift
Discount rate	-7.8%	8.7%
Compensation increase rate	0.3%	-0.2%
Inflation rate	4.1%	-4.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension asset or liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 12 Post-employment benefits (continued)

Total cost recognised as an expense:

	2020	2019
	£'000	£'000
Administrative expenses	1,906	3,065
Net interest (credit) / cost (see notes 8 and 9)	(1,699)	2,403
	207	5,468

The company has determined that, on the grounds of materiality, no allowance is needed for any plan amendment / past service cost as a result of the 2020 GMP court ruling on historic transfer values. In 2018, a £19.1 million past service cost adjustment was booked following the High Court ruling on GMP equalisation on 26 October 2018.

The fair value of the plan assets was:

	2020	2019
	£'000	£'000
Equities	9,782	52,349
Bonds	1,719,766	1,511,591
Property	90,023	89,923
Cash / Alternatives	133,790	125,688
	1,953,361	1,779,551

The return on plan assets was:

	2020	2019
	£'000	£'000
Interest income	35,826	41,372
Re-measurements	183,426	155,127
	219,252	196,499

The accounting valuation at 31 December 2020 showed a net asset of £142.4 million compared to £68.4 million in the previous year. Company contributions were £59.6 million, which represented lump sum contributions in relation to the PPF levy of £0.7 million, scheme expenses of £1.3 million and recovery plan payments of £57.6 million. This included £28.9 million due in 2020 and £28.7 million due in 2021, which was paid early. Company contributions for future years are the company's share of lump sum contributions as per the recovery plan, plus the company's share of the PPF levy and the scheme expenses. The recovery plan is supported by the group. The company has recognised the net asset in relation to the pension scheme on the basis that it has an unconditional right to a refund.

A deferred tax liability of £27.1 million (2019: £11.6 million) has been recognised in relation to the pension scheme.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 12 Post-employment benefits (continued)

#### Post-retirement medical scheme

The scheme was closed to new entrants in 2007 and existing members will receive no future increase in their benefit. As such the service cost is nil. The plan has no assets and therefore no disclosures on assets have been provided.

Weighted average assumptions used to determine benefit obligations at 31 December:	2020	2019
Discount rate	2.0%	2.0%
Rate of inflation	0%	0%

As the scheme is closed to new entrants and existing members will receive no future increase in their benefit, the inflation assumption is 0%.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31 December:	2020 Male	2020 Female	2019 Male	2019 Female
Member age 65 (current life expectancy)	21.1	24.0	21.1	24.0

	Assets £'000	Liabilities £'000	Total £'000
Reconciliation of scheme liabilities			
At 1 January 2020	-	(174)	(174)
Benefits paid	-	18	18
Interest cost (see note 8)	-	(3)	(3)
At 31 December 2020	-	(159)	(159)

Total cost recognised as an expense:

	2020 £'000	2019 £'000
Net interest cost (see notes 8 and 9)	3	5

#### Defined contribution schemes

During the year the company paid contributions amounting to £3.7 million (2019: £5.1 million) in relation to defined contribution schemes. At the end of the year, there was an accrual outstanding of £0.5 million (2019: £0.9 million) in relation to such schemes. The company also incurred life insurance and income protection premiums of £0.6 million (2019: £0.9 million) under the scheme.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 13 Tax on loss

#### Tax income included in profit or loss

	2020	2019
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on loss of the year	(1,294)	(3,597)
Total current tax credit	(1,294)	(3,597)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,568)	-
Total deferred tax (see note 25)	(4,568)	-
Tax on loss	(5,862)	(3,597)

#### Tax expense included in other comprehensive income or expense

	2020	2019
	£'000	£'000
<b>Deferred tax</b>		
Origination and reversal of timing differences	3,865	(5,352)
Write off of deferred tax asset	-	37,865
Movement in deferred tax related to change in tax rate	1,319	-
Total tax expense included in other comprehensive income or expense	5,184	32,513

The tax assessed for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£'000	£'000
<b>Loss before taxation</b>	(42,083)	(24,966)
Loss multiplied by the standard rate of tax in the UK of 19.00% (2019: 19.00%)	(7,996)	(4,744)
Expenditure not deductible for tax purposes	1,412	2,297
Difference between standard tax rate of 19.00% (2019: 19.00%) and rate used for deferred tax	-	.258
Adjustment in respect of prior period	7,361	3,175
Increase in timing differences not recognised	(5,345)	(986)
Group relief	(1,294)	(3,597)
<b>Total tax credit for the year</b>	(5,862)	(3,597)

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 13 Tax on loss (continued)

In 2019, it was decided to write off the remaining deferred tax asset on unrelieved tax losses on the basis that the likelihood of deriving future economic benefit from the asset was no longer reasonably certain. In 2020 this position was reviewed, and it was determined that an asset could be recognised as the losses would be used to offset the unwinding of the deferred tax liability on the pension asset. The amount recognised takes into account any restrictions on the use of losses. Therefore, an asset of only £15.2 million has been recognised against the liability on the pension £27.1 million.

### Factors affecting current and future tax charge

The standard rate of corporation tax in the UK has been 19% with effect from 1 April 2017. Accordingly, the company's results for this accounting period are taxed at 19%.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced was to reduce the main rate to 17% from 1 April 2020 and this was substantively enacted in September 2016.

In the Chancellor's Budget on 11 March 2020 it was confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. This measure (cancelling the enacted cut to 17%) was made under a Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968. As such, it is substantively enacted on the passing of the resolution. The rate will also stay at 19% for the following year. As this change was substantively enacted in 2020, its effect is included in these financial statements.

In the Chancellor's Budget on 3 March 2021 it was announced that the rate of corporation tax will increase from 19% to 25% from 1 April 2023. As this change has not yet been substantively enacted, it is not reflected in these financial statements.

### 14 Intangible assets

Cost	Software £'000	Software in progress £'000	Total £'000
As at 1 January 2020	4,830	-	4,830
Additions	-	18	18
Disposals	(62)	-	(62)
<b>As at 31 December 2020</b>	<b>4,768</b>	<b>18</b>	<b>4,786</b>
<b>Accumulated amortisation</b>			
As at 1 January 2020	4,824	-	4,824
Amortisation charge	3	-	3
Disposals	(62)	-	(62)
<b>As at 31 December 2020</b>	<b>4,765</b>	<b>-</b>	<b>4,765</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>3</b>	<b>18</b>	<b>21</b>
At 31 December 2019	6	-	6

The amortisation charge is included within administrative expenses.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 15 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and vehicles £'000	Assets in course of construction £'000	Total £'000
Cost at 1 January 2020	66,722	180,353	17,908	2,913	267,896
Additions	-	1,128	165	737	2,030
Transfers from assets in the course of construction	18	689	105	(812)	-
Disposals	(31,668)	(138,392)	(5,631)	(399)	(176,090)
<b>Cost at 31 December 2020</b>	<b>35,072</b>	<b>43,778</b>	<b>12,547</b>	<b>2,439</b>	<b>93,836</b>
Accumulated depreciation at 1 January 2020	38,516	145,564	14,754	1,535	200,369
Charge for the year	3,051	4,527	577	(392)	7,763
Disposals	(31,022)	(121,099)	(5,629)	-	(157,750)
<b>Accumulated depreciation at 31 December 2020</b>	<b>10,545</b>	<b>28,992</b>	<b>9,702</b>	<b>1,143</b>	<b>50,382</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>24,527</b>	<b>14,786</b>	<b>2,845</b>	<b>1,296</b>	<b>43,454</b>
At 31 December 2019	28,206	34,789	3,154	1,378	67,527

Included within freehold land and buildings is £0.1 million (2019: £0.2 million) which represents land not depreciated.

Assets in the course of construction of £1.3million relates mainly to projects for Stoke factory and Logistics.

Assets with a net book value of £18.3 million were disposed of during the year. These mainly relate to assets at the Dundee factory, which were either scrapped or sold to other group companies when the factory was closed (see page 5).

Sale proceeds received on the disposal of assets were £18.0 million (2019: £2.2 million), of which £0.3 million relates to the sale of a company house and the rest relates to the sale of Dundee factory assets to other group companies following the closure of the site (see page 5).

At 31 December 2020, the Dundee site was gifted to Michelin Scotland Innovation Parc Limited. They will turn it into an innovation park focused on sustainable mobility and low carbon energy (see page 5).

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 15 Tangible assets (continued)

The net carrying value of right of use assets at 31 December 2020 and the movements during the year included in the table on page 37 are as follows:

Cost	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and vehicles £'000	Total £'000
<b>Cost at 1 January 2020</b>	13,213	3,200	337	16,750
Additions	-	1,128	165	1,293
Disposals	-	(1,144)	(67)	(1,211)
<b>Cost at 31 December 2020</b>	<b>13,213</b>	<b>3,184</b>	<b>435</b>	<b>16,832</b>
<b>Accumulated depreciation</b>				
Accumulated depreciation at 1 January 2020	1,420	970	103	2,493
Charge for the year	1,451	1,007	102	2,560
Disposals	-	(1,144)	(67)	(1,211)
<b>Accumulated depreciation at 31 December 2020</b>	<b>2,871</b>	<b>833</b>	<b>138</b>	<b>3,842</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>10,342</b>	<b>2,351</b>	<b>297</b>	<b>12,990</b>
At 31 December 2019	11,793	2,230	234	14,257

The Company leases several classes of assets including buildings, plant and machinery and vehicles. The lease terms are between 2 and 25 years for buildings, 3 to 7 years for plant and machinery and 3 to 4 years for vehicles. Leases for plant and machinery mainly relate to fork-lift trucks. Disposals during the year relate to expired contracts for fork-lift trucks and vehicles which were replaced by new leases for identical underlying assets, fork-lift trucks that were handed back early and replaced by new leases for identical underlying assets, or fork-lift trucks that were handed back early and not replaced in the case of equipment held at Dundee factory.

### 16 Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Total £'000
<b>Cost at 1 January 2020 and 31 December 2020</b>	<b>202</b>	<b>93,837</b>	<b>94,039</b>
Provision at 1 January 2020	202	80,390	80,592
Impairment provision	-	3,758	3,758
<b>Provision at 31 December 2020</b>	<b>202</b>	<b>84,148</b>	<b>84,350</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>-</b>	<b>9,689</b>	<b>9,689</b>
At 31 December 2019	-	13,447	13,447

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 16 Investments (continued)

The subsidiary undertakings as at 31 December 2020 are:

Company	Country of incorporation/ operation	Issued share capital (Ordinary)	% held by the company	Activity
Michelin Travel Partner UK Limited *	England	2 shares of £1 each	100	Marketing maps, guides, travel products and services for European road users
Michelin Development Limited *	England	2 shares of £1 each	100	Creation of quality, sustainable employment
Michelin Pensions Trust Limited *	England	2 shares of £1 each	100	Dormant

\* The registered office of the above companies is Campbell Road, Stoke-On-Trent, United Kingdom, ST4 4EY.

The accounting year dates of the financial statements for each investment is in line with that of Michelin Tyre Public Limited Company

The principal investments in other group undertakings are as follows:

Company	Country of incorporation/ operation	Issued share capital (Ordinary)	% held by the company	Activity	Registered office
Euromaster Services and Management SAS (previously Eurodrive Services and Distribution)	France	265,256 shares of EUR 134 each	18.8	Distribution	7 place Henri Dunant, 63038 Clermont-Ferrand
Michelin Tyre Services Co Limited	Nigeria	7,776,000 shares of N2 each	5.6	Distribution	Plot 2A, Ijora Causeway, Ijora, P.O. Box 2842, Lagos

During the year an impairment provision of £3.8 million (2019: £12.2 million) was booked to write the investment in Euromaster Services and Management SAS down to the company's share of its consolidated net assets.

The company received no dividends during the year.

The company also has a joint venture with Scottish Enterprise and Dundee City Council. The joint venture, Michelin Scotland Innovation Parc Limited, is incorporated in Scotland and its registered address is 15 Atholl Crescent, Edinburgh, EH3 8AH. Its issued share capital is 1 ordinary share of £1 and the company holds 33.3% of the share capital.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 17 Stocks

		Restated
	2020	2019
	£'000	£'000
Raw materials and consumables	1,062	1,183
Work in progress	338	995
Finished goods and goods for resale (includes £7.5 million (2019: £7.9 million) of mileage contract assets)	23,402	32,718
	24,802	34,896

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amount.

Stock is stated after provisions for impairment of £1.8 million (2019: £4.4 million), which includes £nil (2019: £nil) for net realisable value provisions. £2.5 million was credited to the profit and loss account in the year in relation to stock provisions (see note 6). Provisions against consumable stocks were reduced by £2.6 million, which mainly related to the utilisation of provisions when consumable stocks at the Dundee factory were written off. Provisions for obsolescence of finished products were increased by £0.1 million.

The amount of stock recognised as an expense is £355.8 million (2019: £492.8 million).

Mileage contract assets, where legal ownership is with the customer but the company has an economic influence over the tyres and generates revenue over time, are no longer recognised as an asset in stock and a corresponding liability in trade creditors. Prior year comparatives have been restated. See note 2.1.3 for further details.

### 18 Debtors: amounts falling due within one year

		Restated
	2020	2019
	£'000	£'000
Trade debtors	96,427	92,304
Amounts owed by group undertakings	37,480	41,340
Other debtors	2,486	4,389
Prepayments and accrued income	838	810
	137,231	138,843

Amounts owed by other group undertakings that are settled on a net basis have been offset against amounts owed to group undertakings (see note 19). They were previously shown separately under amounts owed by group undertakings and amounts owed to group undertakings. The prior year comparatives have been restated. See note 2.1.3 for further details.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Amounts owed by group undertakings are stated after an impairment provision of £3.5m. This provision was booked during the year against amounts owed by Michelin Travel Partner Limited, as they were no longer considered to be recoverable.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 18 Trade debtors (continued)

Trade debtors are stated after provisions for impairment of £0.3 million (2019: £0.2 million). Under IFRS9, effective from 1 January 2018, the company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

### 19 Creditors: amounts falling due within one year

	2020	Restated 2019
	£'000	£'000
Bank loans and overdrafts	1,682	799
Trade creditors	22,454	24,276
Amounts owed to group undertakings	118,913	104,561
Taxation and social security	10,587	11,736
Other creditors	2,523	4,435
Finance lease creditor (see note 22)	1,930	2,275
Accruals and deferred income (includes £0.2 million (2019: £0.6 million) of deferred government grants – see note 21)	5,928	8,765
	<b>164,017</b>	<b>156,847</b>

The bank overdraft is unsecured. There are no bank loans.

Amounts owed by other group undertakings that are settled on a net basis have been offset against amounts owed to group undertakings (see note 18). They were previously shown separately under amounts owed by group undertakings and amounts owed to group undertakings. The prior year comparatives have been restated. See note 2.1.3 for further details.

Mileage contract assets, where legal ownership is with the customer but the company has an economic influence over the tyres and generates revenue over time, are no longer recognised as an asset in stock and a corresponding liability in trade creditors. Prior year comparatives have been restated. See note 2.1.3 for further details.

Amounts owed to group undertakings are analysed as follows:

	2020	Restated 2019
	£'000	£'000
Current accounts (unsecured and repayable on demand)	21,328	18,082
Trading accounts (unsecured and repayable on demand)	74,906	69,401
Drawn down from £125 million facility ( term 3 years and unsecured)	22,679	17,078
	<b>118,913</b>	<b>104,561</b>

Interest is charged on current accounts with other group undertakings in line with group rates which generally reflect LIBOR or EONIA. No interest is charged on trading accounts which make up the majority of the balance.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 19 Creditors: amounts falling due within one year (continued)

The 3-year multi-currency credit facility for £125 million with Compagnie Financière Michelin expires in July 2021. The funds are drawn down for short periods of usually one-month duration. The amounts drawn down at 31 December each year are repayable in January the following year. Consequently, the amount outstanding at the year-end has been disclosed in amounts falling due within one year.

On 1 June 2021 a new £110 million multi-currency revolving credit facility was signed with Compagnie Financière Michelin. The facility comes into effect on 15 July 2021 and expires on 14 July 2023.

### 20 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Accruals and deferred income (government grants – see note 21)	1,977	2,225
Finance lease creditor (see note 22)	11,270	12,018
<u>Loan (term 5 years and unsecured)</u>	<u>75,000</u>	<u>75,000</u>
	<b>88,247</b>	<b>89,243</b>

The loan is with Compagnie Financière Michelin and is repayable in full in July 2023. Interest is charged quarterly in line with group rates which generally reflect LIBOR or EONIA.

### 21 Deferred income

	2020	2019
	£'000	£'000
Deferred income due within one year (see note 19)	248	579
<u>Deferred income due after more than one year (see note 20)</u>	<u>1,977</u>	<u>2,225</u>
<u>Deferred government grants</u>	<u>2,225</u>	<u>2,804</u>
The movement on deferred grant in the year was as follows: -		
- credited to profit and loss account	(579)	(834)

There remain grants of £3.9 million (2019: £3.9 million) which are still subject to claw back provisions. However, none of the conditions have been breached and therefore no amount is payable at the time or expected to be payable in the future.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 22 Finance leases

Following the implementation of IFRS 16, leases which were previously treated as operating leases are now classified as finance leases.

The future minimum finance lease payments are as follows:

	2020 £'000	2019 £'000
Not later than one year (see note 19)	2,724	3,119
Later than one year and not later than five years (see note 20)	8,657	9,576
Later than five years (see note 20)	5,553	6,053
Total gross payments	16,934	18,748
Impact of finance charges	(3,734)	(4,455)
Carrying value of liability	13,200	14,293

The finance leases primarily relate to property leases, fork-lift trucks and vehicles. The remaining lease terms are between 1 and 12 years for the property leases, between 1 and 7 years for the fork-lift trucks and between 1 and 4 years for vehicles.

The following amounts in respect of leases, where the company is a lessee, have been recognised in the profit and loss account:

	2020 £'000	2019 £'000
Finance lease charges payable	880	920
Depreciation expense on right of use assets	2,560	2,498
Lease payments for short term leases and low value assets	345	717
Income from sub-leasing right of use assets	(406)	(412)

### 23 Provisions for liabilities

	Restructuring costs £'000	Medical scheme (note 12) £'000	Deferred taxation (note 25) £'000	Other provisions £'000	Total £'000
At 1 January 2020 as restated	71,283	174	11,216	5,291	87,964
Utilised in the year	(48,713)	(18)	-	(562)	(49,293)
Released in the year	-	-	-	(275)	(275)
Charged in the year	3,487	3	616	567	4,673
At 31 December 2020	26,057	159	11,832	5,021	43,069

Provisions for liabilities have been restated to include the medical scheme deficit, which was previously shown separately on the face of the balance sheet.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 23 Provisions for liabilities (continued)

The restructuring provisions can be analysed as follows:

	Ballymena £'000	Dundee £'000	Other £'000	Total £'000
At 1 January 2020	5,537	65,349	397	71,283
Utilised in the year	(88)	(47,372)	(1,253)	(48,713)
Charged in the year	45	2,295	1,147	3,487
<b>At 31 December 2020</b>	<b>5,494</b>	<b>20,272</b>	<b>291</b>	<b>26,057</b>

The provisions for the closure of Ballymena and Dundee have both been discounted using the group's weighted average cost of capital.

The charge for the Ballymena provision relates to the unwinding of the discounting of the provision. This is shown within exceptional items. The utilisation in the year relates to ongoing contractual commitments and revitalisation activities in the local area. The provision outstanding at the end of the year relates mainly to ongoing contractual commitments and revitalisation activities in the local area. The expected period of utilisation is 7 years.

The Dundee restructuring provision outstanding at the end of the year includes social costs, site dismantling, revitalisation costs and the commitment to Michelin Scotland Innovation Parc Limited (see page 5). The utilisation in the year relates to site dismantling, contractual commitments, social costs and contributions paid to Michelin Scotland Innovation Parc Limited. The increase in the provision in the year relates to an increase in the estimate for site dismantling and contractual commitments, the creation of a new employee support fund and the unwinding of the discounting of the provision less the release of provisions for social costs that are no longer required. The expected period of utilisation is 1 year for social and dismantling costs and 8 years for revitalisation. The commitment to Michelin Scotland Innovation Parc Limited will be over a longer period but has still to be determined.

In addition to the restructuring provisions above, £4.1 million of costs were booked direct to restructuring in the year. This represented the wages and salary costs of the remaining Dundee employees between the end of March, when the factory closed, and the end of June, as the company had committed to pay their salaries until the end of June. Semi-finished and consumables stock totalling £1million was also written off during the year due to the early closure of the Dundee factory. The total cost booked through the profit and loss account relating to the restructuring and shown within exceptional items is as follows:

	2020 £'000	2019 £'000
Unwinding of discounting for Ballymena	45	17
Unwinding of discounting for Dundee	189	940
Provision for Michelin Scotland Innovation Parc Limited (see page 5)	-	20,000
Increase in / (release of) provision for social and dismantling costs for Dundee	2,106	(14,278)
Other restructuring provision	1,147	-
Impairment of Dundee consumables stock	-	464
Semi-finished and consumables stores stock written off	955	-
<b>Dundee wages and salaries charged direct to restructuring</b>	<b>4,055</b>	<b>-</b>
<b>Total exceptional items relating to restructuring</b>	<b>8,497</b>	<b>7,143</b>

Other provisions principally relate to self-insured claims against the company, onerous lease obligations and dilapidation provisions. The expected period of utilisation ranges from 1 to 13 years.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 24 Called up share capital

	2020 £'000	2019 £'000
<b>Authorised</b>		
12,700,000 (2019: 12,700,000) ordinary shares of £10 each	127,000	127,000
<b>Allotted and fully paid</b>		
5,942,400 (2019: 5,742,400) ordinary shares of £10 each	59,424	57,424

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

On 9 December 2020 the share capital of the company was increased. The company issued 200,000 ordinary shares of £10 each for a cash consideration of £100 million. The allotted share capital was increased by £2 million and £98 million was booked to the share premium account.

### 25 Deferred taxation

Deferred tax (liability) / asset:	2020 £'000	2020 £'000	2019 £'000	2019 £'000
	Recognised	Unrecognised	Recognised	Unrecognised
Unrelieved tax losses	15,227	95,160	-	79,068
Accelerated capital allowances	-	15,504	-	12,938
Deferred tax relating to the pension scheme	(27,059)	-	(11,216)	3,533
Other timing differences	-	3,468	-	6,000
Surplus ACT	-	3,134	-	3,134
<b>Total deferred tax (liability) / asset</b>	<b>(11,832)</b>	<b>117,266</b>	<b>(11,216)</b>	<b>104,673</b>

Analysis of movements in provided deferred tax:

	Unrelieved tax losses £'000	Relating to the pension scheme £'000	Total £'000
<b>At 1 January 2019</b>	13,023	8,274	21,297
(Charge) in other comprehensive income	(13,023)	(19,490)	(32,513)
<b>At 31 December 2019</b>	-	(11,216)	(11,216)
<b>At 1 January 2020</b>	-	(11,216)	(11,216)
Credit in profit and loss account	4,568	-	4,568
Credit / (charge) in other comprehensive income	10,659	(15,843)	(5,184)
<b>At 31 December 2020</b>	<b>15,227</b>	<b>(27,059)</b>	<b>(11,832)</b>

In 2019, it was decided to write off the remaining deferred tax asset on unrelieved tax losses on the basis that the likelihood of deriving future economic benefit from the asset was no longer reasonably certain. In 2020 this position was reviewed, and it was determined that an asset could be recognised as the losses would be used to offset the unwinding of the deferred tax liability on the pension asset. The amount recognised takes into account any restrictions on the use of losses. Therefore, an asset of only £15.2 million has been recognised against the liability on the pension £27.1 million.

# Michelin Tyre Public Limited Company

## Notes to the financial statements (continued)

### 26 Capital commitments.

Amounts not provided for in the financial statements are as follows:

	2020 £'000	2019 £'000
Contracted	75	126

### 27 Related party transactions

As a subsidiary undertaking of Compagnie Générale des Etablissements Michelin, the company has taken advantage of the exemption under FRS101 not to disclose transactions with other members of the group headed by Compagnie Générale des Etablissements Michelin.

There are no other related party transactions.

### 28 Ultimate parent company

The company is a wholly owned subsidiary of Compagnie Financière Michelin, a company incorporated and registered in France, whose registered office is 23, Place des Carmes, Dechaux, CEDEX 9, 63040, Clermont Ferrand, France. The company was previously registered in Switzerland. This is the immediate parent company. In the opinion of the directors the ultimate holding company and controlling party is Compagnie Générale des Etablissements Michelin, incorporated in France, situated at 23, Place des Carmes, Dechaux, CEDEX 9, 63040, Clermont Ferrand, France. Copies of the group financial statements of Compagnie Financière Michelin and Compagnie Générale des Etablissements Michelin, which are the smallest and largest groups into which the company's financial statements are consolidated, may be obtained from these stated addresses. The company benefits from technology supply and service agreements with its ultimate holding company.

### 29 Events after the end of the reporting period

On 1 June 2021 a new £110 million multi-currency revolving credit facility was signed with Compagnie Financière Michelin. The facility comes into effect on 15 July 2021 and expires on 14 July 2023.