



**CORPORATE &  
INVESTMENT BANKING**

# Press Release

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## **SG CORPORATE & INVESTMENT BANKING LEAD MANAGED A EUR500 MILLION DEEPLY SUBORDINATED DEBT ISSUE FOR THE COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN**

Compagnie Générale des Etablissements Michelin has issued a EUR500 million deeply subordinated debt issue. Michelin is the first French corporate to take advantage of the new measures in place under the financial security law of 1 August 2003, permitting lenders to launch lowest ranking subordinated debt issues. The 30-year issue has a call option at par on the tenth anniversary. Should the call option not be exercised, the margin will be increased by 100 bp on this date.

This deeply subordinated debt issue, jointly lead managed by SG CIB (Arranger and Sole Bookrunner) and HSBC-CCF, presents a reoffer spread of 195 bp above the 10-year swap rate. Despite having a lower rating than that granted to senior debt issues, this issue has been very successful, being twice oversubscribed, confirming once again the excellent reputation the French tyre maker has with European investors. Placement was diversified: France 40%, United Kingdom 29%, the Netherlands 6.5%, Italy 5%, Nordic countries 5%, Germany 4%, Switzerland 4%...

Although it is expected that this deal will be repaid in ten years, this kind of transaction reinforces Michelin's financial structure. The proceeds of this issue will be used principally to repay certain outstanding indebtedness that are reaching maturity and others that can be reimbursed in anticipation. Generally speaking senior lenders do consider this type of transaction as positive, in that it reinforces the balance sheet structure of the borrower. It presents an attractive alternative to those capital operations that may have a diluting effect, and which were not currently necessary as Michelin can rely on amply sufficient financial resources to finance its development.

### **For further information, please contact:**

#### **SG Corporate & Investment Banking**

Siobhan O'Hare, SG CIB Communication  
siobhan.ohare@sgcib.com

+44 20 7676 6801

Société Générale  
Corporate Press Relations  
Stephanie Carson-Parker  
Tel: 331 42 14 95 77  
stephanie.carson-  
parker@socgen.com

## **NOTE TO EDITORS**

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