



## PRESS RELEASE

**GROUP**

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Clermont-Ferrand, April 26, 2023

# **COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN**

## **Financial information for the three months ended March 31, 2023**

**Consolidated Q1 2023 sales up 7.4% in weak markets, benefiting from premium positioning. 2023 guidance confirmed.**

**Q1 2023 sell-in markets in Europe and North America were characterized by inventory reductions in a context of improving supply chains, while Q1 2022 was boosted by inventory replenishment:**

- **PC/LT tire markets contracted by 3%, impacted by replacement demand in Europe and North America. OE markets were slightly positive but still well below 2019 levels.**
- **Truck tire markets outside China declined by 2%, as robust OE sales were more than offset by slowing RT demand, particularly in Europe and North America.**
- **Specialty tire markets remained strong, especially in the Mining and Aircraft segments, but were weaker in Construction and Two-wheels.**
- **Non-tire markets continued to expand in such segments as general industrial, mining, energy and fleet services.**

**Consolidated sales rose by 7.4% to €7.0 billion over the period, benefiting from premium positioning. The growth reflected the net impact of:**

- **A 6.6% decline in volumes, stemming primarily from weaker PC/LT and Truck sell-in demand, with Eastern Europe accounting for 25% of the decrease.**
- **A 12.3% price-mix effect, reflecting the Group products' quality and performance. The growth in high-value segments and strong Mining tire sales have more than offset an unfavorable OE/RT mix.**
- **A 15% growth in non-tire sales, both High-Tech Materials and Fleet Services.**
- **A 0.8% gain from the currency effect, reflecting mainly the USD/EUR evolution.**

### **Full-year guidance**

- **The Group confirms its projected scenario in markets trending towards the lower end of the initial ranges. Sales volumes are still expected to end the year within the [-4%; -0%] range.**
- **2023 guidance is confirmed, with segment operating income above €3.2 billion at constant exchange rates and reported free cash flow excluding M&A of more than €1.6 billion.**



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### First-quarter sales

| Sales<br>(in € millions)           | Q1<br>2023   | Q1<br>2022   | % change<br>(at current exchange<br>rates) |
|------------------------------------|--------------|--------------|--|
| <b>RS1 – Automotive*</b>           | <b>3,457</b> | <b>3,254</b> | <b>+6.2%</b>                               |
| <b>RS2 – Road Transportation*</b>  | <b>1,696</b> | <b>1,674</b> | <b>+1.3%</b>                               |
| <b>RS3 – Specialty businesses*</b> | <b>1,808</b> | <b>1,553</b> | <b>+16.4%</b>                              |
| <b>Group Total</b>                 | <b>6,961</b> | <b>6,481</b> | <b>+7.4%</b>                               |

\*And associated distribution.

## Market Review

### PASSENGER CAR AND LIGHT TRUCK TIRES

| First quarter<br>2023/2022<br>(in number of tires) | EUROPE*     | NORTH<br>& CENTRAL AMERICA | CHINA       | GLOBAL<br>MARKET |
|--|-------------|----------------------------|-------------|------------------|
| Original Equipment                                 | <b>+14%</b> | <b>+8%</b>                 | <b>-14%</b> | <b>+1%</b>       |
| Replacement  | <b>-9%</b>  | <b>-7%</b>                 | <b>+3%</b>  | <b>-4%</b>       |

\*Including Turkey and Eastern Europe.

Worldwide demand for Original Equipment and Replacement Passenger Car and Light Truck tires contracted by 3% year-on-year in the first three months of 2023, reflecting a 4% decline in the Replacement segment and a slight 1% gain in Original Equipment.

### ORIGINAL EQUIPMENT

In the OE segment, **global demand** ticked up 1% from favorable prior-year comparatives, assisted by the gradual easing of supply chain constrictions for semiconductors and other components. Chains remain under pressure, however, and automakers are still experiencing temporary production bottlenecks.



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The **European** market ended the quarter up a brisk 14% year-on-year, but the improvement primarily stemmed from the very favorable comparison with first-quarter 2022, when demand was severely impacted by automaker supply shortages and the outbreak of the war in Ukraine.

Demand in **North and Central America** grew by 8% at a time of persistently low, new vehicle inventory and gradually easing automaker supply chain difficulties.

The **Chinese** market fell 14% over the period, as high new vehicle inventory at end-2022 and the early 2023 reduction in new car incentives weighed on demand.

## REPLACEMENT

In Replacement tires, the 4% decline in **global demand** over the period reflected the generally unfavorable comparison with first-quarter 2022, when the market was lifted by across-the-board dealer restocking as high inflation drove a steady wave of price increases.

The **European** market ended the first three months down 9% in comparison with a particularly robust first-quarter 2022. Dealer inventory drawdowns over the period weighed on sell-in demand, while sell-out demand proved more resilient.

In **North and Central America**, the market slid 7% over the quarter, also on unfavorable comparatives. As in Europe, dealer inventory drawdowns dampened sell-in demand over the period, particularly following the huge surge in Asian import volumes in second-half 2022.

Demand in **China** rose 3% year-on-year, led by the upturn in mobility during the period after another episode of Covid-19 late last year.

## TRUCK TIRES (RADIAL AND BIAS)

| First quarter<br>2023/2022<br>(in number of tires) | EUROPE* | NORTH<br>& CENTRAL AMERICA | SOUTH AMERICA | GLOBAL<br>MARKET<br>(excl. China) |
|--|---------|----------------------------|---------------|-----------------------------------|
| Original Equipment                                 | +10%    | +9%                        | -18%          | +6%                               |
| Replacement  | -14%    | -4%                        | +1%           | -4%                               |

\*Including Turkey and Eastern Europe.

The global **Truck** tire market (excluding China) contracted by 2% in the first three months of 2023. In China, where the Group's presence is negligible, demand rose by 7% over the period.



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### ORIGINAL EQUIPMENT

In the Original Equipment segment, **the global market** (excluding China) rose by 6% year-on-year.

Markets in **Europe** (up 10%) and **North and Central America** (up 9%) continued to trend sharply upwards, keeping truck-maker order books full through second-half 2023. Demand in **North America** is being buoyed by truck purchases ahead of the introduction of a new emissions standard in 2024.

In **South America**, demand plunged 18% year-on-year, reflecting extensive fleet buying throughout 2022 ahead of the introduction of a new emissions standard on January 1, 2023.

### REPLACEMENT

The **global Replacement market** (excluding China) declined by 4% over the period, from particularly high first-quarter 2022 comparatives.

The fall-off was especially steep in **Europe**, with a 14% year-on-year decrease, primarily due to the very high basis of comparison. In addition, the improvement of global supply chains allowed fleets and dealers to reduce their level of inventories that remained high at end-March.

Replacement demand in **North and Central America** ended the period down 4%, with a faster 10% decline in March. As in Europe, the trend reflected very high comparatives, combined with an easing on global supply chains enabling inventory reductions.

In **South America**, demand remained strong and steady (up 1%) in the first quarter.

### SPECIALTY BUSINESSES

**AGRICULTURAL AND CONSTRUCTION TIRES:** Agricultural tire markets are still trending upwards overall, supported by Original Equipment demand and persistently high commodity prices. The construction tire market, on the other hand, is being affected by the slowdown in homebuilding, impacted by rising interest rates. The infrastructure segment is continuing to expand.

**MINING TIRES:** Demand remains high, with sustained growth in ore mining operations and ongoing inventory rebuilding.

**TWO-WHEEL TIRES:** Demand is slowing from high prior-year comparatives, primarily due to extensive inventory buildup, particularly in the bicycle tire segment.

**AIRCRAFT TIRES:** Demand is rising off still favorable comparatives, lifted by a return to pre-Covid passenger traffic on domestic flights in China.

**CONVEYOR BELTS:** The market remains robust, both in the mining segment, driven by demand for commodities, and in the manufacturing segment, supported by high capital spending.

**SPECIALTY POLYMERS:** Overall demand is flattening out as the global economy cools.

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### Sales

CHANGE – FIRST-QUARTER 2023/FIRST-QUARTER 2022

| In € millions                     | Q1 2023      |              |
|-----------------------------------|--------------|--------------|
| <b>Sales</b>                      | <b>6,961</b> |              |
| <b>Total change</b>               | <b>+480</b>  | <b>+7.4%</b> |
| Tire volumes*                     | -429         | -6.6%        |
| Tire price-mix                    | +797         | +12.3%       |
| Non-tire businesses               | +46          | +0.7%        |
| Currency effect                   | +54          | +0.8%        |
| Changes in scope of consolidation | +12          | +0.2%        |

\*In tonnes.

Sales for the first three months of 2023 totaled €6,961 million, an increase of 7.4% from the year-earlier period that was attributable to the net impact of the following factors:

- **A 6.6% or €429 million decrease** from the decline in volumes, reflecting the particularly unfavorable comparison with first-quarter 2022, which saw heavy inventory rebuilding. The decline in volumes sold is also driven by inventory reductions in the Distribution. The Group is maintaining its strategic focus on creating value by targeting the most profitable segments. The termination of operations in Russia as of March 15, 2022 accounted for around 25% of the total decline in volumes during the quarter.
- **A 12.3% or €797 million increase from the price-mix effect**, combining the impacts of:
  - **an 11.2% increase from the mix effect** from the full-period impact of the successive price increases introduced to offset inflation factors in 2022 (including price adjustments in the indexed businesses) and on January 1, 2023.
  - **a 1.1% increase from the mix effect**, reflecting sustained growth in the proportion of 18-inch and larger tires in Automotive segment sales and higher Mining tire sales. These favorable factors were partially attenuated by the unfavorable shift in the OE/Replacement business mix in the Automotive, Road Transportation and Beyond Road segments.
- **A 0.7% increase from the 15% growth in non-tire sales**, reflecting robust gains in the Fenner and fleet management businesses.
- **A €54 million or 0.8% increase from the favorable currency effect**, primarily stemming from the US dollar's rise against the euro.



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- **A favorable perimeter change of 0.2%**, mainly coming from the inclusion of Australia-based Conveyor Products & Solutions (CPS), acquired by Fenner in May 2022.

### SALES BY REPORTING SEGMENT

#### **Automotive<sup>1</sup>**

Sales in the Automotive segment rose by 6.2% to €3,457 million in the three months ended March 31, 2023.

Group volumes declined by 6.7% over the period, in markets down 3% overall.

OE volumes sold held steady overall during the quarter, as the upturn in business, particularly in Europe (albeit still hampered by tight component supply chains) offset the slowdown in China caused by cutbacks in government incentives and high automaker inventories.

Replacement tire sales declined, particularly in Europe, in a context of dealer destocking, penalizing the sell-in demand. More than a third of the decrease in volumes stemmed from the termination of operations in Russia, where the Group's exposure was greater in the Automotive segment.

Segment sales were boosted by (i) the price increases introduced in the Replacement segment throughout 2022 and in January 2023 to offset inflation factors; and (ii) the application of price indexation clauses in the Original Equipment segment on July 1, 2022 and January 1, 2023.

The positive mix was supported by sustained growth in the percentage of 18-inch and larger tires in the sales stream and by a favorable geographic mix. These favorable impacts were attenuated by the relative stability of OE sales compared with the decline in Replacement sales.

Segment sales were favorably impacted by currency rate movements.

#### **Road Transportation<sup>1</sup>**

First-quarter sales in the Road Transportation segment amounted to €1,696 million, a year-on-year increase of 1.3%.

In markets (excluding China) down 2%, Group volumes contracted by 8.9%, reflecting (i) the decrease in the sell-in as supply chains returned to normal; and (ii) the ongoing deployment of the Group's strategic focus on the division's highest value market segments. The OE business continued to expand over the quarter, supported by some vehicle pre-buy ahead of the introduction of new environmental standards, for example in North America on January 1, 2024.

Sales were also lifted by the prior-period price increases passed along to offset inflation factors and the application of indexation clauses.

The mix was hurt by the outperformance of OE sales compared with Replacement sales.

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<sup>1</sup> and associated distribution



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Note that the fleet management business grew by around 15%, reflecting growing fleet interest in solutions that enhance their ability to simultaneously improve safety performance, productivity and fuel efficiency.

Segment sales were favorably impacted by currency rate movements.

### Specialty businesses<sup>1</sup>

First-quarter sales in the Specialty businesses totaled €1,808 million, up 16.4% on the same period of 2022.

Segment volumes declined by 3.7% over the period, as fast growth in Mining and Aircraft tire sales was offset by a slowdown in the Beyond Road and Two-Wheel tire businesses.

The segment had a very positive price effect, primarily due to the indexed price adjustments applied on July 1, 2022, notably in the Mining segment.

- **Beyond Road tires:** In this highly competitive segment, where prior-year comparatives were unfavorable, OE sales remained robust, while Replacement sales declined, particularly in the Construction segment, hindered by the rise in interest rates and the slowdown in homebuilding.
- **Mining tires:** As demand continued to grow and supply chains returned to normal, volumes sold rose significantly over the quarter and sales were lifted by the indexed price adjustments introduced on July 1, 2022.
- **Two-Wheel tires:** Business declined year-on-year, impacted by (i) the unfavorable comparison with first-quarter 2022, when the MICHELIN Road 6 motorcycle tire got off to a highly successful start; and (ii) a slowdown in the take-up of two-wheel mobility following two years of growth boosted by the impact of the health crisis on consumer mobility choices.
- **Aircraft tires:** Sales remain buoyant as demand continues to recover, particularly in the commercial aviation segment, which is gradually returning to 2019 levels.
- **Fenner:** The conveyor belt, precision polymers and engineered seals businesses are experiencing sustained growth. Sales were also buoyed by a favorable price effect.

The strong growth in the Mining segment relative to the other businesses helped to deliver a positive mix effect for the division.

Segment sales were favorably impacted by currency rate movements.

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<sup>1</sup> and associated distribution



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### Non-financial performance

Michelin is included in the leading socially responsible investment (SRI) indices. The Group, whose environmental, social and governance performance has been assessed since 2003 by the main non-financial rating agencies, is today widely recognized for its engagement and outcomes.

| Rating agency | Sustainalytics   | MSCI | CDP                     |                         | Moody's ESG | ISS OEKOM   | EcoVadis           |
|---------------|------------------|------|-------------------------|-------------------------|-------------|-------------|--------------------|
| Score*        | Low risk<br>12.5 | AAA  | A-<br>Climate<br>change | A-<br>Water<br>security | 73/100      | B-<br>Prime | 77/100<br>Platinum |

\*Full details concerning the position and distribution of these scores are available at [www.michelin.com](http://www.michelin.com).

Changes in non-financial ratings since the last quarterly report:

- **Sustainalytics:** Thanks to its strong corporate governance performance, Michelin has maintained its low risk ESG rating, with a score of 12.5 points versus 12.2 previously.

### Highlights

**January 5-8, 2023** – [Beyond tires] – Symbio, the Group's hydrogen joint-venture with Faurecia, unveils its next-generation fuel cell technology at the 2023 Las Vegas Consumer Electronics Show. The new cells are designed to meet the needs of a full range of carbon-free mobility applications, thereby providing an effective response to today's most pressing environmental challenges.

**January 10, 2023** – [Tires] – MICHELIN UPTIS, the prototype airless, puncture-proof tire, will be fitted on nearly 50 DHL delivery vehicles in Singapore by end-2023. Based on internal research, Michelin projects that UPTIS airless technology could prevent the premature scrapping of up to 200 million tires a year worldwide. This major breakthrough demonstrates Michelin's ability to innovate in support of mobility that is safer and better for the environment.

**February 2, 2023** – [Beyond tires] – CDI Energy Products, which is part of the High-Tech Materials business line and a leader in the custom manufacturing of high-performance polymer products, announces the acquisition of EGC Enterprises, Inc. a major manufacturer of graphite-based sealing products based in Ohio and North Carolina. The acquisition reflects the deployment of the Group's "Beyond tires" growth strategy.

**February 15, 2023** – [Tires] – Michelin launches MICHELIN EVOBIB, the first tractor tire designed specifically for use with central tire inflation systems (CTIS), whose variable tread pattern delivers excellent performance on the road and in the field. With its promise of longer tread life, better soil protection and greater fuel savings, MICHELIN EVOBIB is a further illustration of the Group's capacity for innovation and its commitment to the environment.

**February 22, 2023** – [People and Planet] – Michelin formalizes its commitment to small-scale natural rubber estate owners in Sri Lanka as part of the River Project, a three-year public-private





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project co-funded with the French Ministry of the Economy and Finance. Designed to improve the skills of 6,000 growers with an innovative training model, the project is expected to have a positive impact on approximately 30,000 people.

**March 1, 2023** – [Tires] – The Group launches its new MICHELIN Power Adventure gravel tire, whose hybrid tread design is engineered for cyclists who spend 80% of their time on roads and 20% on trails. The MICHELIN Power Adventure offers superior durability thanks to an additional protective layer surrounding the entire casing, based on the innovative “BEAD 2 BEAD” technology.

**March 6, 2023** – [Group] – MICHELIN Guide 2023 – At an event in Strasbourg, France, Michelin announces the selection of restaurants curated for the MICHELIN Guide France 2023. Awarded for the fourth year in a row, the MICHELIN Green Star promotes the efforts of inspiring, pioneering restaurants that are fully invested in sustainable gastronomy. The award is also fully aligned with the Group’s “All Sustainable” vision.

**March 13, 2023** – [Group] – At the “Michelin in Motion 2030 – Strategy Progress Update” Capital Markets Day, Michelin’s top management reaffirmed the validity of the Group’s strategic focus on creating more value and strengthening its resilience by driving growth in tires, fleet services and solutions, and high-tech materials. The Managers again noted that the target of a more than 10.5% return on capital employed includes the impact of future acquisitions.

**March 15, 2023** – [Planet] – For the third year in a row, Michelin has been recognized by international non-profit CDP as a “Supplier Engagement Leader” for its initiatives to address global warming across its supply chain.

The award honors the Group’s long-standing commitment and the efforts undertaken by all its teams in association with its suppliers and partners.

**March 22, 2023** – [Tires] – Michelin wins two awards at the Tire Technology Expo 2023, confirming the Group’s leadership in innovation. They are the prestigious *Tire Manufacturer of the Year* award, won for the sixth time, and the *Environmental Achievement of the Year* award, recognizing the Group’s first two road-approved tires made from 45% and 58% sustainable materials, respectively, one for cars and the other for buses.

**March 28, 2023** – [People and Planet] – With a score exceeding 80%, Michelin leads the list of tire companies assessed by ZSL SPOTT, an ESG rating platform focused on soft commodities. The ranking demonstrates the Group’s commitment to ESG transparency and its efforts to improve the sustainability of the entire natural rubber value chain.

**March 29, 2023** – [Beyond tires] – With Michelin’s support, Scandinavian Enviro Systems and Antin Infrastructure Partners form a joint venture to create the world’s first large-scale tire recycling group. Michelin is planning to partner in the JV as the plants are built in the future. This is further proof of Michelin’s ability to achieve its 2050 strategic ambitions by reducing the environmental impact of its tires through innovative partnerships.

**March 31, 2023** – [People] – In Canada, Michelin’s Pictou County plant is named Excellence Awardee in the Manufacturing category at Canada’s Safest Employer Awards 2022. This marks the sixth year



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that the Pictou County facility has received the award, which honors manufacturers with outstanding health and safety records.

**April 7, 2023** – [Group] – The Group files its [2022 Universal Registration Document](#) with the AMF, supplementing the publication on its website on April 11 of an Excel file presenting data for all of its ESG indicators.

**First-quarter 2023** – [Beyond tires] – Michelin’s Wisamo inflatable wing sail system is installed on the Compagnie Maritime Nantaise’s MN Pelican ro-ro container ship. The vessel will begin testing the inflatable system’s endurance and use on its weekly rotations between Bilbao, Spain and Poole, UK. The resulting feedback will support the giant wing-sail’s ongoing development.

**First-quarter 2023** – [People] – Now being deployed across the organization, the Michelin One Care program incarnates the Group’s dedication to supporting all its employees around the world at important moments in their lives with a package of fundamental benefits. In Sri Lanka, where there is no public social safety net, Michelin has been one of the country’s first companies to introduce such a system for its employees.

**First-quarter 2023** – [Tires] – Mercedes-AMG has launched its first fully electric SUV, the Mercedes AMG EQE, fitted with Michelin tires as original equipment. As noted in the Mercedes-AMG press release, “Among other suppliers, the MICHELIN Pilot Sport EV MO1 tire specifically designed for electric-drive performance vehicles is worth mentioning. Available in 21- or 22-inch sizes, it features low rolling resistance and superior grip on wet and dry roads.”

**First-quarter 2023** – [Tires] – Ferrari has introduced the Ferrari Purosangue SUV, its first four-door, four-seater model. Naturally, the Prancing Horse brand chose Michelin to shoe its new thoroughbred, with both the original equipment tires and the model-approved winter tires.

A full description of the latest news  
may be found on the Michelin website: [www.michelin.com](http://www.michelin.com)



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### Results presentation

#### PRESENTATION AND CONFERENCE CALL

First-quarter 2023 sales will be reviewed with analysts and investors during a presentation in English scheduled for Wednesday, April 26, 2023 at **6:30 p.m.** CEST.

#### WEBCAST

The presentation will be webcast live on the Michelin website: [www.michelin.com](http://www.michelin.com)

#### CONFERENCE CALL

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

- In France +33 1 70 91 87 04 PIN: 147778
- In the United Kingdom and the rest of the world +44 1 212 818 004 PIN: 147778
- In North America +1 718 705 87 96 PIN: 147778

Financial information for the three months ended March 31, 2023 (press release and slideshow) may be viewed at [michelin.com](http://michelin.com), along with practical information concerning the conference call.

#### 2023 INVESTOR CALENDAR

- May 12 **Annual Shareholders Meeting**
- May 17 **Ex-dividend date**
- May 19 **Payment date**
- July 26 **First-half 2023 results**
- October 24 **Financial information for the nine months ending September 30, 2023**

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