



## PRESS RELEASE

### GROUP

Clermont-Ferrand – October 24, 2023 – 5:45 pm

## COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

**Nine-month sales up 2% to €21.2 billion despite soft volumes and a forex headwind, supported by mix enhancement, non-tire activities and brand leadership.**

### **Nine-month 2023 sell-in markets in Europe and North America were shaped by inventory drawdowns.**

- PC/LT tire markets were stable vs. 2022 as robust OE demand in most regions offset slightly negative RT demand dampened by destocking in Europe and the Americas. Demand for 18-inch and larger tires is steadily expanding. Inventory levels are back to normal in most regions except for winter tires in Europe.
- Truck tire markets outside China dropped 5% due to substantial dealer and B2B fleet inventory reductions. OE demand remained robust in Europe and North America. On Replacement markets, destocking is expected to be completed by the end of the year.
- Specialty tire markets were dynamic in Mining, Aircraft and OE Agricultural tires, and soft in Construction, RT Agricultural and Two-wheel tires.
- Non-tire markets expanded in most segments (fleet services, mining, energy) and were stable in general industrial applications.

### **Nine-month sales up 2.0% to €21.2 billion, supported by mix enhancement, non-tire activities and the valorization of our offers. Q3 sales stable excluding the currency effect.**

- Tire sales volumes down 3.6%, reflecting market destocking and Group's priority focus on value-accretive segments.
- The price effect stood at 6.2%, confirming the recognized value of our products and solutions, and the impact of price indexation clauses from 2022.
- The mix effect reached 1.0%, reflecting growth in the 18-inch and larger Passenger car tire segment and a favorable geo-mix, partially offset by an adverse OE/RT mix across businesses.
- Non-tire sales grew by 13% at constant exchange rates, sustainably fueling Group's growth.
- The negative currency effect reached 2.6% year-to-date, of which -5.5% in Q3.

**Growth in polymer composite solutions is accelerating** with the end-September closing of the FCG acquisition and will drive higher Group sales from Q4 onwards.

*"Our Group is reporting solid sales revenues in a complex market environment. We are continuously tightly steering our operations and adapting to the market's shifting needs. This constant agility and anticipation demonstrate once again our Group's resilience and resolve to deliver our Michelin in Motion strategy",* said Florent Menegaux, CEO.

### **Guidance revised upwards.**

Michelin's guidance for 2023 is confirmed for segment operating income at constant exchange rates (more than €3.4 billion) and is revised upwards for free cash flow before acquisitions, now calling for more than €2.3 billion (vs. more than €2.0 billion previously).

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### Sales for the nine months ended September 30, 2023

Sales (in € millions)	Nine months 2023	Nine months 2022	% change (at current exchange rates)
<b>RS1 - Automotive*</b>	<b>10,611</b>	<b>10,238</b>	<b>+3.6%</b>
<b>RS2 - Road Transportation*</b>	<b>5,173</b>	<b>5,403</b>	<b>-4.3%</b>
<b>RS3 - Specialty businesses*</b>	<b>5,368</b>	<b>5,091</b>	<b>+5.4%</b>
<b>Group Total</b>	<b>21,152</b>	<b>20,732</b>	<b>+2.0%</b>

\*And related distribution.

### Tire Market Review

#### PASSENGER CAR AND LIGHT TRUCK TIRES

Nine months 2023/2022 (in number of tires)	WESTERN & CENTRAL EUROPE*	NORTH & CENTRAL AMERICA	CHINA	GLOBAL MARKET
Original Equipment	+11%	+9%	+2%	+6%
Replacement	-6%	-4%	+13%	-1%

Third quarter 2023/2022 (in number of tires)	WESTERN & CENTRAL EUROPE*	NORTH & CENTRAL AMERICA	CHINA	GLOBAL MARKET
Original Equipment	+4%	+3%	-7%	-1%
Replacement	-4%	+6%	+8%	+1%

\*Including Turkey and Eastern Europe.

The **global sell-in** Original Equipment and Replacement **Passenger car and Light truck tire market** remained in line with prior-year levels in both the third quarter and the first nine months of 2023.



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### **ORIGINAL EQUIPMENT**

In the **Original Equipment** segment, worldwide demand eased back a slight 1% in the third quarter as the ongoing rebound in Europe (up 4%) and North America (up 3%) helped to cushion the 7% slowdown in China.

The **European** market expanded by 4% in the third quarter, feeding through to an 11% gain over the first nine months of the year. Note that this improvement reflects the favorable comparison with first-half 2022, when demand was severely impacted by automaker supply shortages and the outbreak of the war in Ukraine. In the third quarter, however, automaker inventories returned to more or less normal levels, resulting in less favorable comparatives.

Markets in **North and Central America** rose by an aggregate 3% in the third quarter, for 9% growth over the full nine months. Tire demand remained strong in July and August, as automakers continued to replenish inventory, but fell 10% year-on-year on the month of September as strikes called at a number of auto plants weighed heavily on monthly output.

In **China**, demand ended the first nine months up 2% despite a 7% decline in the third quarter. The latter reflected the particularly high prior-year comparatives, which were boosted by the lifting of health restrictions late in second-quarter 2022 and by government new car rebates. EVs accounted for around 30% of new vehicle sales in the first nine months of 2023, up more than five points on the same period last year.

### **REPLACEMENT**

In **Replacement** tires, the 1% decline in global demand in the first nine months of 2023 hid significant disparities by region.

The **European** market ended the period down 6% overall, with a 4% decline in the third quarter alone, when growth in the all-season segment failed to offset the more than 10% year-on-year drop in winter tire sell-in.

The **North American** market contracted by 4% over the full nine months, despite a 6% gain in the third quarter. Demand is continuing to trend upwards in a resilient economy, with more favorable prior-year comparatives emerging in September (massive imports of low-cost tires in July and August 2022, which led to storage capacity saturation from September onwards).

In **China**, the market climbed 13% over the nine-month period, of which 8% in the third quarter alone. Growth is being driven by the ongoing rebound in local demand as more and more people travel domestically.



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### TRUCK TIRES (RADIAL AND BIAS)

<b>Nine months</b> 2023/2022 (in number of tires)	<b>WESTERN &amp; CENTRAL EUROPE*</b>	<b>NORTH &amp; CENTRAL AMERICA</b>	<b>SOUTH AMERICA</b>	<b>GLOBAL MARKET</b> (excluding China)
Original Equipment	+8%	-2%	-23%	+2%
Replacement	-9%	-17%	+4%	-7%

<b>Third quarter</b> 2023/2022 (in number of tires)	<b>WESTERN &amp; CENTRAL EUROPE*</b>	<b>NORTH &amp; CENTRAL AMERICA</b>	<b>SOUTH AMERICA</b>	<b>GLOBAL MARKET</b> (excluding China)
Original Equipment	+6%	-4%	-25%	+1%
Replacement	-3%	-18%	-2%	-9%

\*Including Turkey and Eastern Europe.

**Global sell-in demand for Original Equipment and Replacement Truck tires (excluding China)** contracted by 5% over the first nine months of the year, with a sharper 8% decline in the third quarter, dragged down by the Replacement segment.

In **China**, where the Group's presence is negligible, demand rose by 15% over the nine-month period.

#### ORIGINAL EQUIPMENT

In the **Original Equipment** segment, the global market excluding China rose by 1% in the third quarter and by 2% over the first nine months.

Markets in **Europe** (up 8%) and **North and Central America** (down 2%) remained generally buoyant over the first nine months, albeit from high prior-year comparatives. This was particularly the case in North America where, despite some persistent truckmaker difficulties with supply and labor shortages, demand was supported by truck purchases ahead of the introduction of a new greenhouse gas emissions standard in 2024.

In **South America**, demand ended the first nine months down 23% overall, following extensive new truck buying in 2022 ahead of the introduction of a new emissions standard on January 1, 2023.



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### **REPLACEMENT**

The global **Replacement** market (excluding China) declined by 9% in the third quarter, for a total 7% contraction over the first nine months.

The fall-off was especially steep in **Europe**, with a 9% year-on-year decrease over the full nine-month period. The economic slowdown in the region has led to a glut in overland freight capacity and the whole supply chain has operated a strong reduction of truck tires inventories over the first nine months.

Replacement demand in **North and Central America** ended the first nine months down 17%, a performance that reflected particularly high 2022 comparatives and masked the market's return to 2021 levels. Dealer and fleet inventories have been high all over the period.

In **South America**, demand rose by 4% over the first nine months and remains robust, supported by opportunistic dealer buying of low-cost imports.

### **SPECIALTY BUSINESSES**

**Agricultural and Construction tires:** agricultural and construction tire markets continue to be driven by OE sales, while Replacement demand is being hit by dealer inventory drawdowns, which are set to continue through the end of the year.

**Mining tires:** demand remains high, with sustained growth in ore mining operations.

**Two-wheel tires:** demand is down, reflecting both high prior-year comparatives and extensive inventory buildup, particularly in the bicycle tire segment.

**Aircraft tires:** the market is expanding, supported in particular by a return to pre-Covid passenger traffic on regional flights, or even higher like in China.

**Conveyor belts:** the market remains robust, both in the mining segment, driven by strong demand for commodities, and in the manufacturing segment, supported by high capital spending.

**Specialty polymers:** global demand is flattening out as the economy cools.

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### Sales

In € millions	Nine months 2023	
<b>Sales</b>	<b>21,152</b>	
<b>Total change</b>	<b>+420</b>	<b>+2.0%</b>
Tire volumes	-752	-3.6%
Tire price-mix	+1,504	+7.2%
Non-tire businesses	+134	+0.6%
Currency effect	-545	-2.6%
Changes in scope of consolidation	+79	+0.4%

Sales for the first nine months of 2023 totaled €21,252 million, an increase of 2.0% from the year-earlier period that was attributable to the net impact of the following factors:

- the 3.6% decline in **tire volumes** stemming from major dealer destocking over the period, prevailing economic conditions and rising interest rates, which prompted dealers to hold down inventories. The termination of the business in Russia reduced volume growth by 0.7 points over the first nine months.
- a 7.2% increase from the positive tire **price-mix** effect (12.3% in the first quarter, 6.7% in the second and 3.3% in the third). The €1,285 million positive price effect resulted from the full-period impact of the price increases introduced in 2022 and early 2023 to offset all cost inflation factors (raw materials, freight, energy, payroll), while the €219 million positive mix effect primarily reflected (i) the priority focus on the MICHELIN brand in every segment, and (ii) the growth in demand for 18-inch and larger tires in the Passenger car and Light truck tire segment, where the Group is gaining market share. The geographic mix was also favorable, with a more buoyant demand in North America.
- the 12.6% increase in **non-tire sales**, led by the conveyor, seal and belt businesses and by the growth in fleet services solutions. The fine dining, hospitality and travel businesses are also rebounding sharply after three years of severe disruption due to the health crisis.
- a 2.6% decrease from the negative **currency effect**, primarily resulting from the declines in a large number of currencies (US dollar, Chinese yuan, Turkish lira, pound sterling, Australian and Canadian dollars, etc.) against the euro over the period.
- a 0.4% increase from **changes in the scope of consolidation**, led by the inclusion of Conveyor Product Solutions (CPS) in Australia, acquired in July 2022, and of US-based Blacksmith, following the acquisition of all its outstanding shares in April 2023.



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### SEGMENT INFORMATION

#### AUTOMOTIVE

**Sales** in the Automotive and related distribution segment increased by 3.6% to €10,611 million in the first nine months of 2023, from €10,238 million in the prior-year period.

Sales volumes edged down just 1.4% in markets that were globally flat year-on-year over the period. Original Equipment sales outpaced Replacement sales, which were adversely impacted by steep dealer inventory drawdowns.

Segment sales were lifted by the highly favorable price effect stemming from the price increases introduced in the Replacement segment in 2022 and early 2023. In the OE segment, the effect, which was favorable in the first half (reflecting the full-period impact of indexed price increases introduced on July 1, 2022), faded somewhat in the third quarter but still remained positive.

The mix was supported by (i) the sustained growth in the percentage of 18-inch and larger tires in the sales stream, driven by rising demand and market share gains, and (ii) the favorable geographic mix. These favorable impacts were mitigated by the relatively faster growth in the segment's OE sales.

Exchange rate movements had a generally unfavorable impact on segment sales.

#### ROAD TRANSPORTATION

**Sales** in the Road transportation and related distribution segment declined by 4.3% in the first nine months of 2023, to €5,173 million from €5,403 million a year earlier.

In markets (excluding China) down 5% and shaped by steep dealer inventory drawdowns, Group volumes contracted by 7.4% over the period, reflecting the steady deployment of the strategic focus on the division's most value-accretive segments. The fleet services business continued to enjoy robust growth.

Nine-month sales were lifted by the favorable price effect resulting from (i) the increases introduced in 2022 and early 2023 to offset inflation factors and (ii) the application of contractual indexation clauses.

The mix effect was generally unfavorable over the period, although it eased in the third quarter as the OE/RT market mix improved after having a highly adverse impact in the first half.

Exchange rate movements had a generally unfavorable impact on segment sales.

#### SPECIALTY BUSINESSES

**Sales** in the Specialty businesses segment increased by 5.4% over the period, to €5,368 million from €5,091 million at the end of September 2022.

**Mining tires:** in a still expanding ore market, impelled by growing demand for metals to support the energy transition, sales volumes rose year-on-year over the first nine months. However, third-quarter growth reflected more unfavorable comparatives, as improved shipping capacity helped drive particularly strong gains in third-quarter 2022. Segment sales benefited from a net positive price effect, including in the third quarter of 2023.



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**Beyond-road<sup>1</sup> tires:** in a business featuring a sharp contrast between fast expanding OE markets and shrinking Replacement demand, the Group is pursuing its strategic focus on high value-added segments. The agricultural tracks and ultra-powerful tractor tire segments continue to deliver sustained growth, particularly in the Americas.

**Two-wheel tires:** against a backdrop of unfavorable prior-year comparatives and high dealer inventories, Group sales eased slightly over the first nine months. They were nevertheless buoyed by higher prices in the Replacement segment and by ongoing expansion in the Original Equipment business.

**Aircraft tires:** from a still highly favorable basis of comparison, the Commercial segment rebounded from its nine-month 2022 performance. In particular, domestic flights now exceed 2019 levels, led by the vibrant growth in demand in China.

The **Conveyor Belts** business continued to expand over the period, tracking in particular growth in the mining industry.

The **High-Tech Materials** business reported robust growth, particularly in engineered seals and precision polymers, which enjoy a very high value-added positioning in critical applications for the medical, energy, aerospace and defense industries.

Exchange rate movements had a generally unfavorable impact on segment sales.

## Non-financial performance

Michelin is widely recognized for its engagement and outcomes in respect to the environment, its social responsibility and its corporate governance.

Rating agency	Sustainalytics	MSCI	CDP		Moody's ESG	ISS OEKOM	EcoVadis
Score*	Low risk 12.3	AAA	A- Climate change	A- Water security	71/100	B- Prime	78/100 Platinum

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

**ECOVADIS:** updated October 18<sup>th</sup> 2023, Michelin score is up by one point over the previous year to reach 78/100, platinum level, confirming the Group leading position as number 1 in the European Auto sector.

<sup>1</sup> The Beyond-road segment includes Agricultural, Materials Handling, Quarry, Construction, Defense, and Powersport (snowmobiles, quads, etc.) tires.



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### Highlights

**July 26, 2023 [Group]** – Michelin delivered sales growth of 5.9% and increased segment operating income by 11.4% in the first half of 2023, in adverse markets. Free cash flow before M&A reached €922 million. Guidance has been revised upwards.

**July 28, 2023 [Beyond tires]** – Michelin confirms the sale to Stellantis of part of its shareholding in Symbio, its hydrogen joint-venture with Faurecia. Stellantis now owns an equal 33.33% of the venture, a leading fuel cell mobility enabler, on a par with Michelin and Faurecia. The new ownership structure will enable Symbio to step up its expansion in Europe and the United States.

**September 13, 2023 [Beyond tires]** – Colorado joins the MICHELIN Guides family with 44 restaurants, including five starred establishments. The latest selection illustrates the Group's commitment to expanding the MICHELIN Guide internationally.

**September 19, 2023 [Group]** – Michelin is partnering with the biggest eSports event ever organized in France, the KCorp Xperience: KCX3–KCorp vs The World. In this way, the Group is reaffirming its commitment to raising its profile and enhancing its image across a broad audience. Its engagement with the gaming community is consistent with its capabilities in simulation, virtual design and other core competencies.

**September 23, 2023 [Beyond tires]** – Michelin announces a new phase in the development of its innovative WISAMO wind propulsion solution, which will help to decarbonize maritime shipping. The 100 sq.m inflatable wing-sail is being tested in real-world conditions on the ro-ro vessel Pelican, operated by Brittany Ferries (Compagnie Maritime Nantaise) on the Poole, UK – Bilbao, Spain route. Feedback from this latest phase will support the design of an 800 sq.m wing that will be brought to market in 2026.

**September 26, 2023 [Group]** – For the ninth year in a row (except for second-quarter 2022), Michelin once again retains its first place in the Posternak Ifop Barometer, a survey that tracks the image of leading French corporations.

**September 27, 2023 [Beyond tires]** – Michelin completes the acquisition of Flex Composite Group, creating a leader in high-tech engineered fabrics and films. In line with the Michelin in Motion 2030 strategy, the acquisition marks a significant step forward in the development of the Group's polymer composites activities. It will increase sales of the Group's High-Tech Materials business by around 20%.

**September 29, 2023 [People]** – The Group has issued its new Health and Safety Declaration, reaffirming that respect for people has always been one of its fundamental values. With the new Declaration, applicable in every host country, the Group is expressing a commitment, defining a framework and deploying resources to enable everyone to safeguard and manage their health and safety over time, both in the workplace and in their personal lives.

**September 30, 2023 [Tires]** – The Michelin UPTIS wins the Engineering Award at EQUIP AUTO's International Awards for Automotive Innovation. Presented by a panel of international journalists and experts, the Award recognizes Michelin's technological leadership, as the only tiremaker in the world to operate an airless tire in real-life conditions.



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**October 4, 2023 [Beyond tires]** – Michelin and its AirCaptif subsidiary launch the MICHELIN Inflatable Lab, an inflatable clean room structure that provides a secure environment where medical or protective operations may be performed while controlling the purity of the air within. Through the MICHELIN Inflatable Lab, Michelin is reaffirming its commitment to expanding its activities in the field of inflatable solutions and demonstrating its expertise in high-tech materials.

**October 5, 2023 [Beyond tires]** – The MICHELIN Guide has created the MICHELIN Key, a special distinction celebrating the hotels offering the most remarkable guest experiences in the world. The MICHELIN Guide selection teams will unveil the first MICHELIN Key awards in the first half of 2024.

**October 5, 2023 [Beyond tires]** – In a world first in Toulouse, France, Michelin has tested an innovative inflatable shade sail system designed to cool urban heat islands whose configuration hinders the planting of trees and other vegetation. The prototype offers another compelling illustration of Michelin's expertise in high-tech materials.

**October 12, 2023 [Group]** – Sumitomo Rubber joins the RubberWay initiative along with Michelin, Continental, Goodyear, and Pirelli. Developed in 2017 by Michelin and the company Smag, the app helps to map social and environmental risks across the natural rubber procurement chain to drive faster, wider take-up of sustainable practices.

**October 15, 2023 [Tires]** – The Indonesian Moto Grand Prix witnessed a historic moment as Michelin celebrated both its 500<sup>th</sup> victory in the Queen class (500cc/MotoGP™) and its 50 years of innovation since its first win in 1973. Today, Michelin's commitment to motorsports is a powerful accelerator of sustainable innovation. This is particularly the case for MotoE™, a fully electric motorcycle championship held as part of MotoGP™, for which Michelin has developed rear tires containing 52% biosourced, renewable, recycled or otherwise sustainable materials.

**October 20, 2023 [Planet]** – The Gravanches production facility in Clermont-Ferrand is continuing to shrink its environmental footprint. Already the world's first tire plant with net zero carbon emissions and the producer of tires containing 63% bio-based, renewable or recycled materials, the unit also plans to reduce its water use by 60% by 2025, led by the use of closed-loop water systems capable of saving almost 10,000 cu.m of water a year. This will make it the most water efficient facility in the Group.

A full description of the highlights may be found on the Michelin website, [michelin.com](https://www.michelin.com)



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### Results presentation

#### PRESENTATION AND CONFERENCE CALL

Nine-month 2023 sales will be reviewed with analysts and investors during a presentation in English today, **Tuesday October 24, 2023** at **6:30 p.m. CEST**.

#### WEBCAST

The presentation will be webcast live on [michelin.com](https://www.michelin.com).

#### CONFERENCE CALL

The conference call will be accessible on one of the following numbers:

- North America +1 (718) 705 8796 + pin code [147778](tel:+17187058796)
- France +33 1 70 91 87 04 + pin code [147778](tel:+33170918704)
- United Kingdom and rest of the world +44 1 212 818 004 + pin code [147778](tel:+441212818004)

Financial information for the nine months ended September 30, 2023 (press release and slideshow) may be viewed at [michelin.com](https://www.michelin.com).

#### Investor Calendar

- February 12, 2024 after close of trading: **2023 Annual results**

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

*In accordance with Regulation (EU) No. 596/2014, this press release may contain inside information.*