

GROUP

Clermont-Ferrand – March 13, 2023

COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Michelin presents an update on the deployment of its *Michelin in Motion* strategic roadmap

On March 13, 2023, Michelin held its Capital Markets Day to provide an update on the deployment of its *Michelin in Motion* strategic roadmap, with the following main takeaways.

2030 strategic update

- During its 2021 Capital Markets Day, Michelin had revealed its growth strategy towards 2030 named “*Michelin in Motion*”, with the ambition to grow revenues by 5% a year from 2023 to 2030 and achieve 20 to 30% of Group’s revenues Around & Beyond tire.
- Over the past 2 years, the Group has delivered a high performance on its People, Profit and Planet key performance indicators, navigating a very disrupted environment. We are on track to reach the targets set for 2023.
- The ongoing mega-trends – fragmentation of the world, deep change in relation to work, environmental awareness, electrification of mobility – fully confirm the relevance of our strategy that is, growing to further increase value creation and Group’s resilience.
- These transformations are seen as opportunities as they emphasize Michelin’s differentiation, this should develop in the coming years as the Group further enhances its distinctive capabilities.
- As a deep-tech company able to address many high-value market verticals, Michelin leverages technology and science to increase its leadership and differentiate vs competition, both in terms of performance and sustainability.
- Our future success will come from our ability to further improve our structural performance in the tire space on the one hand, and to catalyze growth Around and Beyond tire on the other hand; this growth will be both organic and fueled by M&A.
- Michelin’s M&A track record over the last 5 years is very encouraging: we designed our M&A patterns according to our strategy, we successfully integrated our acquired businesses, and we see new product developments out of deep-innovation synergies reaching the market and increasing our differentiation towards demanding customers. The Group is actively managing its portfolio of activities to move faster toward high growth drivers and crystallize the value of its ventures.
- Group ROCE target of 10.5% over time includes the impact of M&A.

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2023 outlook vs targets announced at 2021 Capital Markets Day

During its 2021 Capital Markets Day, the Group had set 2023 targets on several financial indicators. The table below reports on the progress and evolution on these KPIs¹:

KPI	2023 Target set in 2021	Progress report
Sales	Around €24.5 billion at Jan. 2021 exchange rates	Since 2019, Group's sales have soared from €24 bn to almost €29 bn in 2022 despite volumes down 6%, mainly driven by price increases to offset rising costs, but also sustained product mix enrichment, with a focus on value-creative segments and non-tire business growth.
Segment operating income	> €3.3 billion at Jan. 2021 exch. rates	2023 Guidance: >€3.2 bn at 2022 exchange rates
Segment operating margin	Group 13.5% RS1 >12% RS2 >10% RS3 >17%	These targets expressed in % of Sales are no longer relevant due to the dilution effect from inflation experienced over the 2021-22 period (impact of -1.7 pts at Group level). 2023 guidance does not include segment operating as % of sales, neither at Group level nor at reporting segments level.
Free cash flow	€6.3 billion in structural free cash flow ² for 2020-2023	From 2020 to 2022, the Group delivered €4.2 bn structural FCF, including a €1 bn negative impact of inflation on working capital in 2022. Starting from 2023, the Group guides on <u>reported</u> FCF before M&A ³ instead of <u>structural</u> FCF. 2023 guidance: > €1.6 bn reported FCF before M&A
2023 ROCE	>10.5%	Unchanged Over 2019-2022, ROCE increased by 0.8 pts to 10.8%
Average growth in sales excl. tires and related distribution, 2019-2023	5%	Unchanged Non-tire sales grew at rapid pace, +8% in 2021 and +22% in 2022 (organic growth, at iso-FX)
Cost of negative externalities, 2023	-€ 30m vs 2019 (based on €58/ton CO2 cost)	Unchanged ⁴ Restated target became -45M€ vs 2019 (based on €120/ton CO2 cost), actual 2022 was -97M€ vs 2019
Payout ratio	50% of net result before non-recurring items as from 2021	Actual 2021 was 42% of net result before non-recurring items, or 44% of net result. Proposed to AGM for 2022: 44% of net result. Starting from 2023, the Group refers to Payout ratio in % of net result, with a target of gradual increase towards 50% by 2030.

¹ Some KPIs have been removed in the course of previous publications.

² Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material prices on trade payables, trade receivables and inventories

³ Reported FCF before M&A ("Free Cash Flow") corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash management financial assets and borrowing collaterals.

⁴ Restated based on updated CO2 cost valuation: currently €120/ton.



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Financial Agenda

2023

- April 26 **Q1 2023 Sales**
- May 12 **Annual Shareholders Meeting**
- May 17 **Ex-dividend**
- May 19 **Dividend Payment**
- July 26 **H1 2023 Results**
- Oct. 24 **9M 2023 Sales**

2024

- February **2023 FY results**
- During H1 **Capital Markets Day**

Supporting documents will be available as of March 13, at 4:15pm CET on [michelin.com](https://www.michelin.com)

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