

INVESTOR DAY @ SHENYANG

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MICHELIN CHINA

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1996-2014: 18 years in Shenyang



- ▶ Shenyang City: 8M inhabitants, industrial / economic hub for 3 China North-Eastern provinces
- ▶ SHY1 started in 1995 as a Joint-venture
 - 25 Ha // PC (2M) + TB (0.8M) + Semi-Finished
- ▶ SY2: New capacity, relocation
 - 72 Ha // PC (10M) + TB (1.8M) + SF // CAPEX = USD1.5 billion



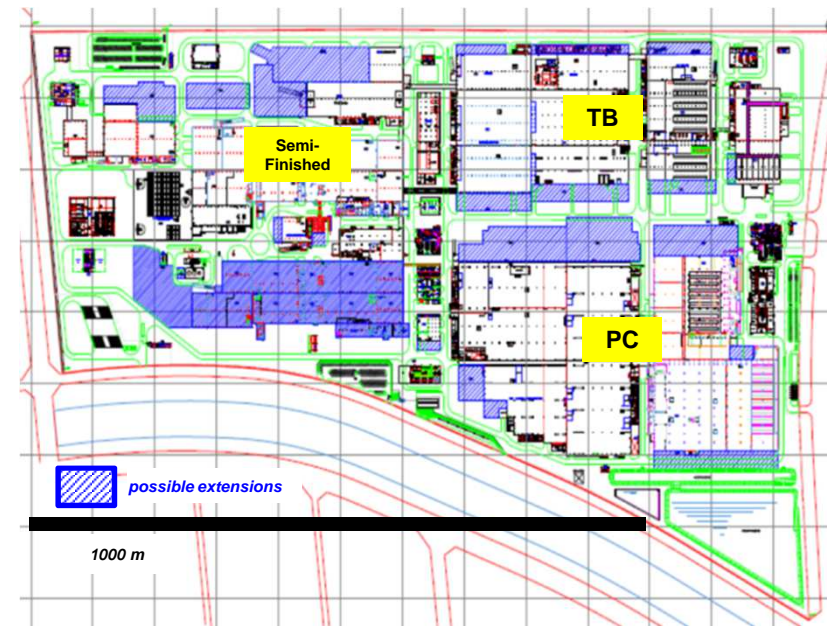
- 2010** China State level approval for the project
- 2011-2012** Factory construction in 2 main phases: TB then 1 year later PC
- 2013** 1st year Ramp-up Phase 1 (TB+SF) & Start-up Phase 2 (PC)
- 2014-2015** PC+TB Ramp-up continuing, added SF lines, transition SHY1 (stop Dec.2015)



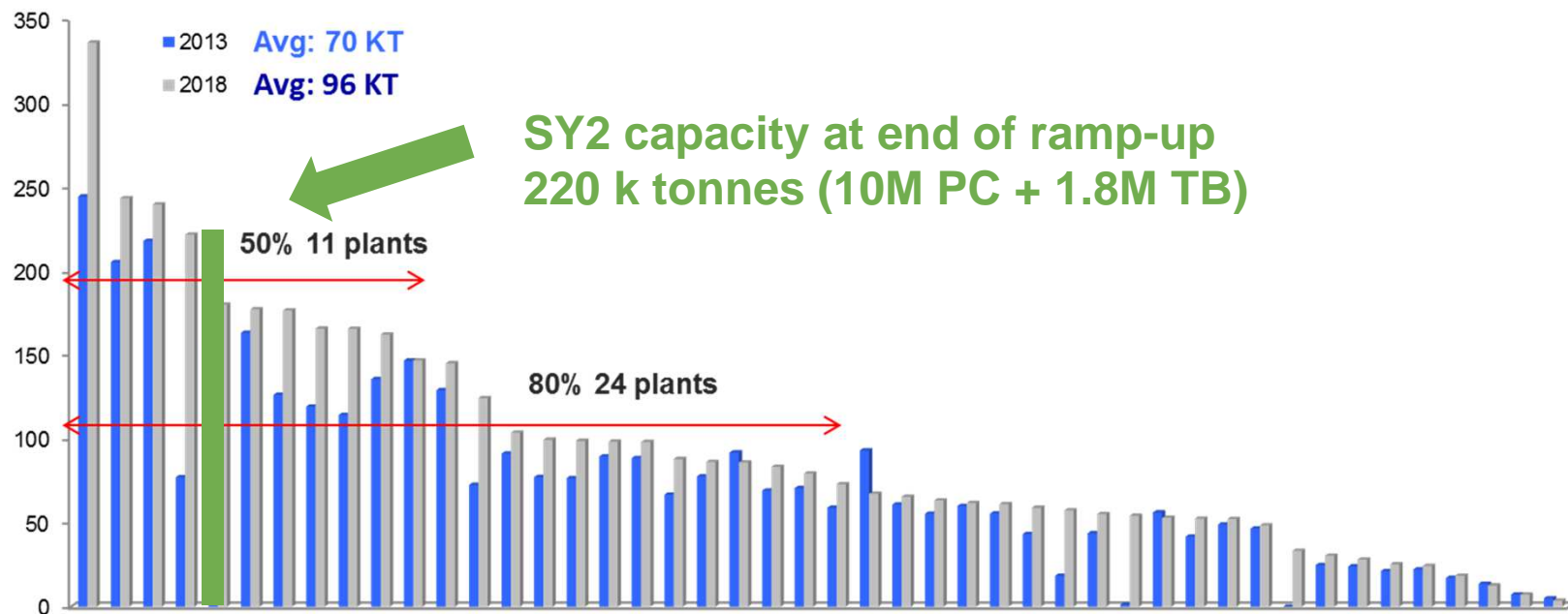
Shenyang2 industrial features

- ▶ The largest of Michelin group industrial projects in progress
- ▶ A world-class factory to answer to the growing needs of China market, among the largest Michelin sites at the end of project
- ▶ End of ramp-up: 220 k tonnes PC+TB (and associated SF), 3,300 employees
- ▶ Modern & productive manufacturing technologies, open to product innovation (low RR...) - facilities designed to optimize environmental footprint
- ▶ Targeted capacity ramp-up 30% faster than pre-existing internal benchmark, speed set as objective:

- PC: + 2 M tires/year
- TB: + 400 k tires/year



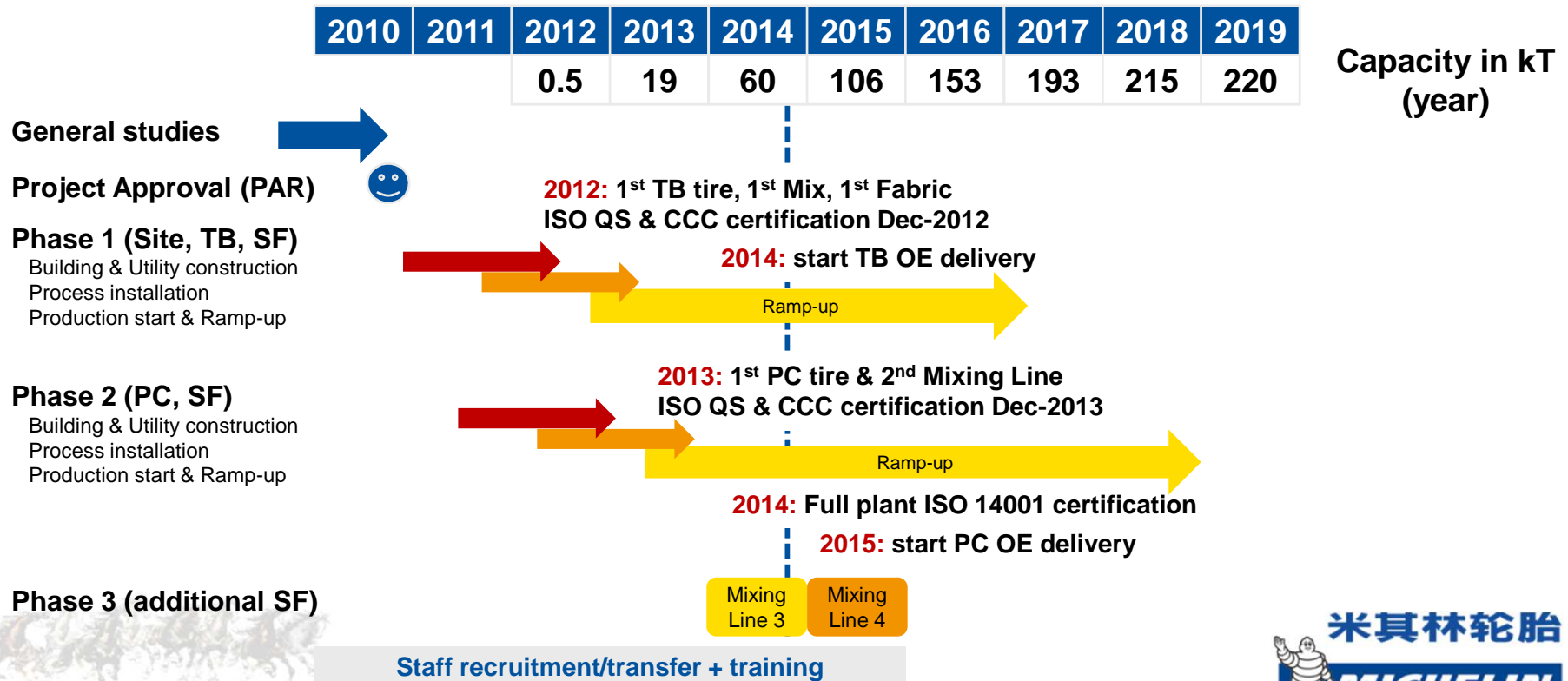
SY2 at end of ramp-up: one of the major industrial sites of the Group



Re : The Footprint Strategy - Plant Size (presentation, D.Foucard)
Investor Day 2013

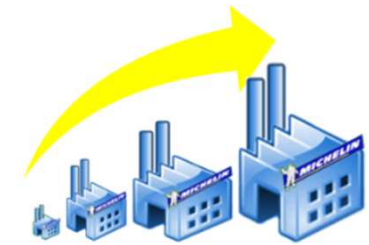
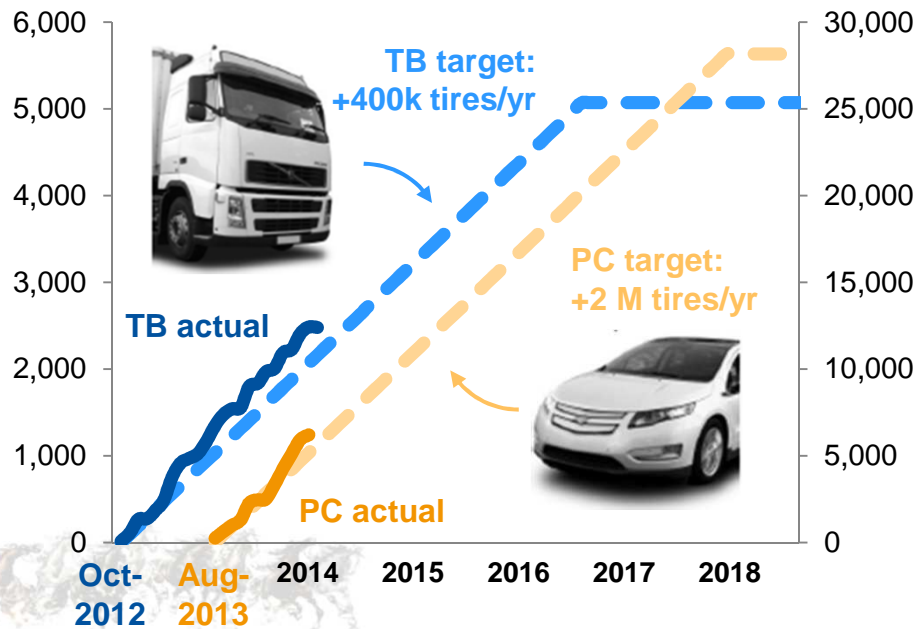


Project construction & start-up in line with targets



Capacity ramp-up is on target

Tires / day evolution Actual vs target



Ramp-up speed is proven

Key success factors:

- Anticipated competencies, training in pilot shops, support from experts
- Duplication of standard equipment, same place / same time with dedicated teams
- Use of Michelin Manufacturing Way tools – steering daily performance



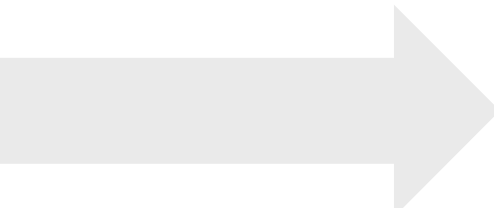
An outstanding human adventure



- ▶ Recruitment of 1,500 new employees
- ▶ Competencies preparation with 2 "pilot training/ industrialization workshops" in SHY1
- ▶ 400 employees trained in "sister factories" abroad in Group Europe & North America plants
- ▶ Specific change management & cross culture learning programs : "DRIVE THE CHANGE"
- ▶ Progressive transfer of employees from Site 1 to Site 2: from 2000 / 0 to 850 / 2550 now
- ▶ Increasing competencies localization, after peak of external support mid 2013 involved to strengthen the construction & start of ramp-up (up to 20 nationalities present on site!)

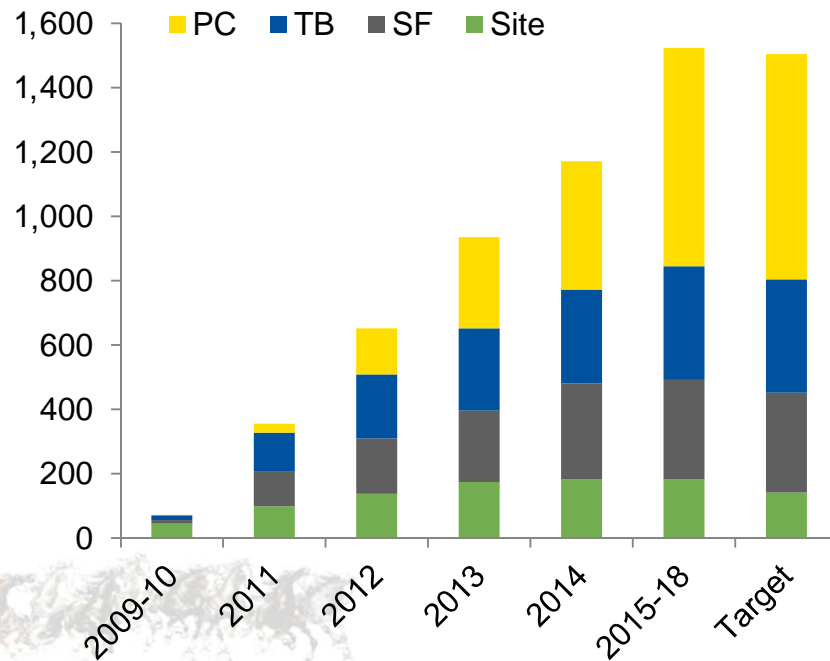


Industrial best practices & methods implemented from day 1



Project costs are on track

SY2 accumulative CAPEX by year M USD



CAPEX

- ▶ At end 2014: 77% of total CAPEX has been implemented
- ▶ Project-end current forecast: in the range of 0 / +3% of initial budget

Project Start-up costs

- ▶ At end 2014: 81% of total spent
- ▶ Project-end current forecast: in the range 0 / -5% of initial budget



Michelin involved in Shenyang local communities

Actions started since many years & enlarged progressively

- ▶ Some key elements: sponsoring of poor / excellent students in NEU, partnerships with Shenyang, Dalian & Changchun universities, support Shenyang orphanage, employee blood donation...



KEY TAKEAWAYS



SY2: key takeaways

- ▶ Shenyang is a right location for Michelin to set a solid industrial base for China business development
- ▶ A Michelin "state of the art" factory has been constructed on time in China in parallel of other "Backbone" projects in India, Brazil and North America
- ▶ The industrial performance is on-track, with CAPEX under control
- ▶ As elsewhere in Michelin: people & methods are the foundations
- ▶ There is room for additional marginal expansion to answer market needs when initial project is completed



THANK YOU

