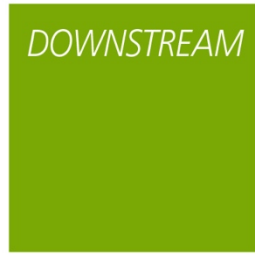




Annexes





The 6 steps of Downstream OPE (1/2)



PRINCIPLES FOR DEPLOYING DOWNSTREAM OPE

4

1 - THE TARGET SOLUTION IN 6 STEPS

Rollout of the Downstream OPE program will continue until 2020. It has been divided into six major steps that converge towards the target solution. Each step includes a "solution design and construction" phase, which is followed by a "deployment and implementation" phase in the geographic zones.

Step 1: Extended visibility of supply

This involves providing our customers with clearer visibility as to product availability. We commit to a delivery date ("promise date") for a given timeframe or we announce a "no later than" date for a longer time frame, regardless of whether the customer placed the order via a Sales Representative, through the Customer Service system or electronically. From Production to Sales, Supply Chain processes are evolving to enable us to reliably promise delivery dates. Concerning manufacturing facilities, the focus is on complying with the short-term production plan as measured by the Delivery Commitment Compliance Rate (TREL).

Original Equipment, Replacement and Export sales volumes are managed to ensure commitment compliance in the three segments and to take advantage of opportunities for additional sales through the Active Demand Management system.

This step is prerequisite to steps 2 through 5 since the optimization and the deployment of the Delivery Service Menu are not achievable or even credible if Michelin cannot provide its customers with availability forecasts.

Step 2: Optimizing intra-Group transport

The goal is to optimize transport between Michelin network warehouses in the same geographic zone as well as flows exported from one zone to another (excluding direct customer flows). This is true for finished as well as for semi-finished products and raw materials. Logistics teams are informed in advance about products to transport, which makes it possible to optimize the most cost-efficient solution (pre-booking of the means of transport, optimization of truck or container fill rates, etc.) while ensuring that the customer receives the delivery on the agreed-upon date.

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The 6 steps of Downstream OPE (2/2)

Step 3: Implementing the Commitment

The goal is to be able to develop Delivery Services by leveraging Make to Order and Deploy to Order Customer Delivery Models for all Product Lines and all customers. Michelin can commit to and guarantee the availability of products on an extended two-to-six-month timeframe.

Step 4: Target order routing

The goal is to optimize logistics operations for customer deliveries. This concerns direct deliveries from plants and from nearby warehouses as well as cross-docking operations. Cross-docking makes it possible to organize deliveries from central plants or warehouses of quantities that do not fill an entire truck.

Step 5: Customer demand management

The objective is to modernize tools that receive, process and track customer requests. It is also to ensure that all customer requests worldwide, regardless of the communication channel used, are received, processed and tracked in a consistent, aligned manner by sales representatives, customer service and logistics teams, and other organizations in contact with customers.

Sales representatives in particular have tools that enable them to routinely manage the delivery services available to customers (Delivery Service Menus).

Step 6: Order To Cash

The purpose is to finalize the standardization of processes, including filling the order, managing delivery logistics and collecting payment. This involves implementing the ERP Backbone system over its entire functional scope.

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4
PRINCIPLES FOR DEPLOYING
DOWNSTREAM OPE





Un SI construit sur eBusiness Suite

Stocks

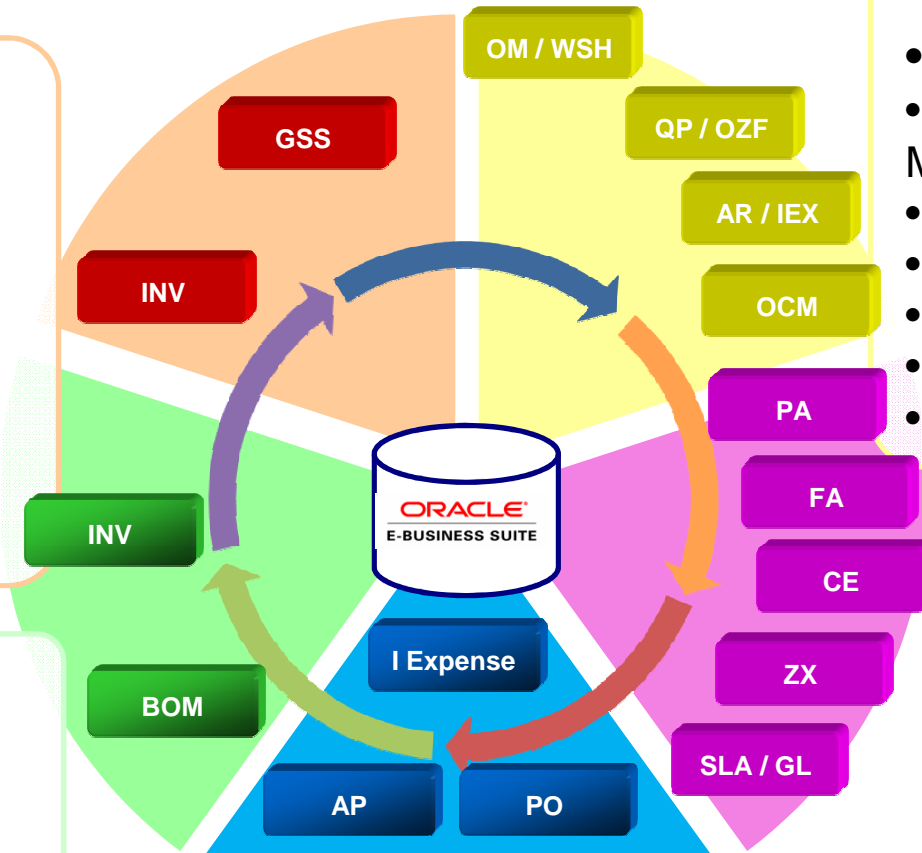
- Inventory, warehouse and locators
- Lots and serial control
- Stock valorization
- Physical inventory
- Replenishments

Item Referential

- Item Category
- Bill Of Material

Channel Revenue

Expense Management
 Billing, Shipping



Order To Cash

- Terms & conditions
- Quotations & Orders Management
- Offers calculation
- Options & Substitutions
- Logistic and shipping
- Invoicing and cash
- Claims management

Finance

- Projects Accounting
- Fixed Assets
- Cost of goods (industrial and sales)
- Bank Reconciliation
- Tax Definition
- Sub Ledger Accounting
- General Ledger
- Analytic accounting and budgetary
- Group accounting and Reporting

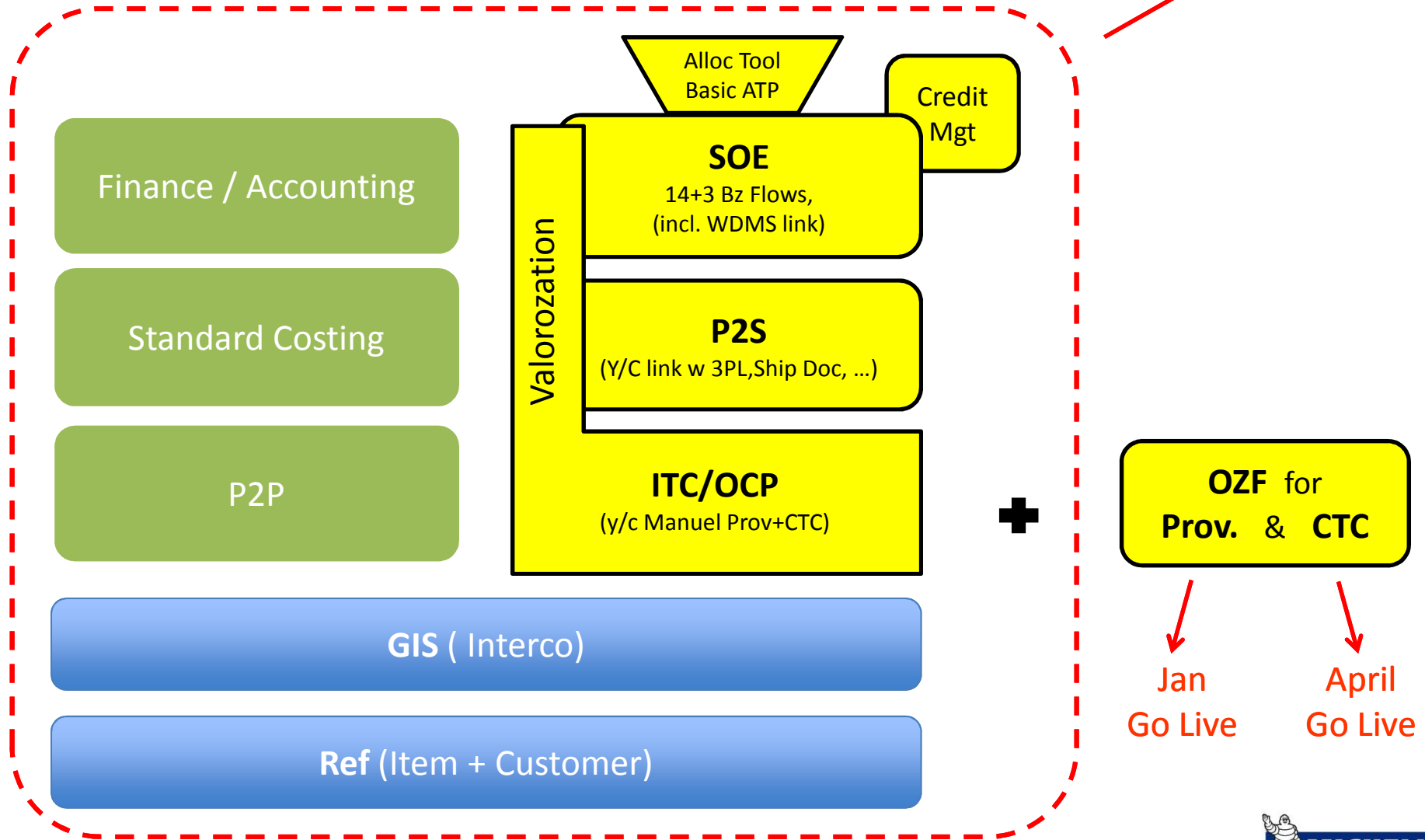
Purchasing

- Call for tenders
- Terms & conditions/Contracts
- Requisitions / PO / Receptions
- Invoices / Payments
- Employee Reimbursement



V1.1 Project

Oct
Go Live





Business Flows covered by ERP BB V1.1

14 + 3 core Business Flows

- | |
|--|
| 1 – Standard order and delivery (BF03) |
| 2 – VMOI : buffer warehouse (BF06) |
| 3 – VMOI : direct deliveries (BF35) |
| 4 – Retread : casing collection (BF11) |
| 5 – Retread : sales of nominative & commercial tyres (BF12) |
| 6 – Internal consumption : industrial company cost center (BF15.1) |
| 7 – Internal consumption : commercial company cost center (BF15.2) |
| 8 – Shipment of non-homologated tyres for RDI (BF15.4) |
| 9 – Physical return of goods (BF17) |
| 10 – Off-take (BF20) |
| 11 – Prepayment : orders requiring payment before shipping (BF25ter) |
| 12 – MFS Services & Fees (excluding Tyreplus franchises) (BF27) |
| 13 – Re-export of imported tyres (BF28) |
| 14 – Inventory transfer : same legal company (BF29) |
| 1 – SAS 1 Export to another Michelin company (BF07) |
| 2 – SAS 4 Direct Import & Export to a non-Group customer (BF08) |
| 3 – SAS 1 Import to Michelin China (BF09) |





Business Support Activities

Roles & Responsibilities

	Local - Operations	Instance / Zone	Group
 <p>1. End-users assistance</p>	<ul style="list-style-type: none"> ✓ Key-User (1st level of support, Ticket opening) 	<ul style="list-style-type: none"> ✓ IP Entity (recurrent issues fixing, IS acceptance by end-users) ✓ Zone experts (in operations or project team for issues fixing) 	<ul style="list-style-type: none"> ✓ IP Group (ultimate potential escalation for investigation and issue solving)
 <p>2. Business Req. Governance</p>	<ul style="list-style-type: none"> ✓ Key-User (documentation) 	<ul style="list-style-type: none"> ✓ IP Entity (BR collection & Governance process) 	<ul style="list-style-type: none"> ✓ IP Group (Arbitration, Solution design, Release Qualification)
 <p>3. Release deployment</p>	<ul style="list-style-type: none"> ✓ Key-User (local support) 	<ul style="list-style-type: none"> ✓ DEPLOY BZ project team (local leader of release deployment) ✓ IP Entity (Support release preparation & BZ organization) 	<ul style="list-style-type: none"> ✓ IP Group (Support release deployment)
 <p>4. Business practices & Business network</p>	<ul style="list-style-type: none"> ✓ Local Managers (Implement processes & Business practices in their scope) ✓ Key-User (Contribute to KU network) 	<ul style="list-style-type: none"> ✓ IP Entity (Localization & control of implementation in their instance, diagnosis, facilitate KU network) 	<ul style="list-style-type: none"> ✓ IP Group (Business Architecture definition, facilitate the IP Entity network, process diagnosis in zones)
 <p>5. Training and Change Management</p>	<ul style="list-style-type: none"> ✓ BZ project team (end-users training) ✓ Key-User (documentation maintenance, new-comers training, support to BZ project team if requested) 	<ul style="list-style-type: none"> ✓ BZ project team (Localize & update) ✓ IP Entity (guarant of training implementation in his/her zone) 	<ul style="list-style-type: none"> ✓ BZ project team (On behalf of BPO, BZ project teams produce & maintain Core training material) ✓ IP Group (Define, contribute, deploy through their network)
 <p>6. Data Quality & Governance</p>	<ul style="list-style-type: none"> ✓ Master Data Administrator (Set up & issues resolution) 	<ul style="list-style-type: none"> ✓ Master Data Quality Manager (guarant of data quality) ✓ IP Entity (Evaluate data quality through processes KPI) 	<ul style="list-style-type: none"> ✓ Master Data Owner (edit Business rules, define & inform on evolution) ✓ IP Group (Understand & evaluate)
 <p>7. Risk Management</p>	<ul style="list-style-type: none"> ✓ Local managers (contribute in Access management workflow) 	<ul style="list-style-type: none"> ✓ IP Entity (contribution to Internal control & BCM) 	<ul style="list-style-type: none"> ✓ IP Group (Implement Internal control rules reco.)

Process

