“Technology Innovation for Sustainable Growth”

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(Please check against delivery)

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Distinguished guests, ladies and gentlemen:

Good morning!

Shandong Linglong Tires Co., Ltd is an enterprise specializing in tire production; its leading tire products cover more than 3000 specifications in ten series including bias tires, radial tires for passenger cars, light trucks and sedans, heavy duty radial tire, and special tires, with annual production capacity up to 30 million sets. We have up to 6 years long friendly cooperation history with LANXESS; we appreciate the superior raw materials supplied to us by LANXESS. We are also very glad to expand business cooperation fields with LANXESS, in order to strengthen cooperation in technology innovation, and seek common development. Here, I would like to discuss two aspects concerning green tire and ‘Tire Labeling Regulation’:

Firstly, developing energy-saving and eco-friendly technologies heralds the inevitable trend of social development; it is an inevitable path for enterprise survival, and also a social responsibility to be fulfilled by enterprises.

In recent years, the mankind has witnessed fast industrial growth accompanied by huge energy consumption and environmental pollution, we are now facing increasingly serious scarcity of resources and ecological damage in the global context, for which the mankind is paying an extremely high price. Therefore, people
are becoming increasingly concerned with energy saving and environmental protection, countries worldwide have also unveiled some policies and regulations to restrict and direct enterprise behaviors, and urge enterprise to take actions in promoting energy-saving, emission reduction and environmental protection, consumers’ awareness of environmental protection has also heightened. Accordingly, low-carbon development and green manufacture will become an inevitable path for future enterprises to transform economic growth pattern, and will bring a new round of industrial reform. According to one professor from a business school: The growth of an enterprise is a process of making continual breakthroughs in geographical boundary, the growth of an entrepreneur is a process of making continual breakthroughs in outlook. What development direction and growth model that an enterprise chooses depends on its outlook. On the other hand, entrepreneurs have the obligation and duty to make continual self transcendence, and undertake their historical missions of guiding the enterprises to follow correct path of growth, and actively fulfilling social responsibility. Therefore, developing energy-saving and eco-friendly technologies heralds the inevitable trend of social development; it is an inevitable path for enterprise survival, and also a social responsibility to be fulfilled by enterprises.

Secondly, rationally treat energy-saving & eco-friendly trend and the implementation of ‘Tire Labeling Regulation’, China’s tire industry can achieve sustainable development only through upgrading product grade and technology standard.
We must develop rational understanding of the ‘Tire Labeling Regulation’. The implementation of ‘Tire Labeling Regulation’ will help urge China’s tire enterprises to adopt a more positive attitude in making technical innovation, speed up the pace of enterprises to transform development model, in this sense it standardizes and enhances the growth of the entire industry. The existing independent innovation made by China’s tire enterprises today mostly stay at the level of adaptive innovation, the majority of enterprises only make necessary technical innovations to meet market needs and acquire market access, rather than transcendent innovation aiming at leading market consumption trend and enhancing competitiveness; therefore we very much need such an external force to urge us to study product upgrading and technical innovation. The implementation of ‘Tire Labeling Regulation’ means both a challenge and an opportunity for Chinese enterprises.

As a relatively young enterprise in China’s tire industry, Linglong has already taken measures to actively cope with resource scarcity and energy shortage in the global context, striving to make exploration in achieving circular economy, adopt practices to ensure energy-saving and eco-friendly enterprise, and transform toward new economic growth pattern characterized by “eco-friendliness, high efficiency, and low consumption”. Its research on eco-friendly, noise, rolling resistance and dry/wet grip technologies have already begun 5 years ago, which have since then made
certain progress. Centering on the creation of “environmental friendly, resource saving, and economic benefit oriented” enterprise, while ensuring day-to-day management, Linglong focused on advantage fission and resource integration in three aspects of industry structure, technology upgrading and technical innovation:

1. Based on industry structure, develop circular economy, build up upstream/downstream tire industrial chain, construct resource-saving and environment friendly enterprise.

Since 2001, by relying on the Tire Industrial Park, the company has invested a total of 6 billion yuan around its tire business for the construction of: Ten major projects in Combined Heat and Power (CHP), steel wire, cement, carbon black, and enhancer, and developed a circular economy industrial chain with guarantee of energy supply, assistance in raw materials, and focus on tire production. CHP project uses local inferior coal with low thermal value as fuel, and adopts advanced circulating fluidized-bed boiler and extraction condensing turbine power generation units for CHP, which effectively absorbs the local coal gangue pollution and emission of sulfides. The slag and powdered coal ash generated by the power plant is used in cement production; the aim is to combine cement and slag to make cement brick, and use new building materials to replace traditional local red earth brick. Through the integration of cement and brick making projects, the company can add an extra annual sales income of over 70 million yuan; in this way the slag and powdered coal ash from the power
plant are “totally absorbed”, on the other hand the replacement of traditional red brick by new powdered coal ash brick can save 200,000 cubic meters of land resources each year, which indirectly preserves land resources.

2. Based on technology upgrading, driven by eco-friendly and energy-saving big projects, enhance the standard of manufacture industry, in order to fulfill circular utilization, efficient utilization and repeated utilization.

In order to achieve organic integration of eco-friendly benefits and economic benefits, the company has implemented two major projects of “residual-heat residual-pressure CHP” and “radial tire integrated saving upgrading” projects, which have become excellent models in terms of eco-friendliness and energy-saving in the entire industry. The residual-heat residual-pressure CHP project absorbs and utilizes the production tail gas (major ingredient is methane) from the carbon black factory as fuel for steam production, which can supply heat for urban zone while generating power, each year it can save 83476 tonnes of standard coal, and reduce 150,000 Nm$^3$/h of carbon black exhaust gas emission, reduce 912 tones of sulfur dioxide emission, 61,200 tonnes of carbon dioxide emission, 672 tonnes of fume emission, and removes pollution of tail gas toward the surrounding environment. The integrated saving & upgrading of radial tire has set up a closed water circulation system to put water to multiple uses, which basically achieves “zero emission”; through adding capacitor device on the production line for making improvement, the power factor reached above 0.9; the non isothermal curing new technology being developed boldly upgraded curing
equipment, changed the steam intended for discharge totally into condensed water, which increases the efficiency of single set of vulcanizing machine by 8~10%, and effectively reduces steam consumption……each year the entire radial tire energy-saving integrated upgrading project can save 96,600 tonnes of water, 336 million tonnes of steam, 39,433,000 kwh of electricity, and 2100 tonnes of natural rubber and synthetic rubber.

3. Rely on technology innovation to further research on depth performance, develop high-end products, cater to energy-saving & eco-friendly market trend.

In the aspect of application of green eco-friendly technologies, it mainly covers the following several aspects:

Firstly, increase fuel efficiency, and reduce energy consumption through research on rolling resistance. In cooperation with American research organizations, we introduced and operated rolling resistance lab, and used unique contour design theory and computer finite element analysis auxiliary design to optimize tire structure and internal stress, in order to reduce rolling resistance; the application of new structure high-strength skeleton materials ensures tire strength and reduce tire weight, so as to effectively minimize self energy loss. In 2009, the new products in 4 specifications independently developed by us including whole steel heavy duty tire and semi steel radial tire were awarded “Annual Fuel-saving Tire Prize”; according to results of tests made by leading test labs, its rolling resistance is reduced by 30%, enabling it to reach the requirements of world top class automobile plants; fuel consumption is reduced by about 5%, CO2 emission
per km is cut by 500g. Wherein: 195/60R15 R618 adopted currently very popular asymmetric tread in sedan tire, such asymmetric tread design brought best design to tire’s safety performance, noise and rolling resistance.

Secondly, we pioneered noise research in the industry. In 2008 we constructed and operated the first indoor noise laboratory in the tire industry in China to conduct overall research on tire performance by different tire structures. The “ultra low profile anti-moisture anti-slipping low noise passenger radial tire” independently developed by us is based on research on environmental protection, and low carbon fields, and can shorten braking distance by 15%, improve wet grip performance by 9%, its noise indicator is 3-5 dB lower than the indoor near field sound pressure level of existing common tread tire; the 6 tread series including WL905 and HP202 all passed EU’s ECE noise certification, low pressure endurance is double that of world top brand tires. In June, in the latest report released by Test World Oy, Finland, a world authority in tire test, which compared seven indicators including driving performance, noise test, comfort, and rolling resistance of products in the same specification made by 12 world famous tire enterprises, Linglong Tyre ranked 4th together with Michelin and Dunlop with an overall score of 7.6 points, which far outstripped other tire brands, the testing report pointed out clearly that: “Linglong Tyre is the best performing Chinese tire brand among all our past tire tests. Linglong tires respond gently during driving process, it also offers good lateral grip, and is easy to control in operability and avoidance reaction tests. Linglong
outperformed a number of familiar and expensive tire brands in this test!"

Thirdly, adopt international concepts, develop and manufacture eco-friendly tires. In response to international environmental protection requirements, the company actively used new technologies and new materials to develop eco-friendly processes, and manufacture eco-friendly tires. According to tests made by international authoritative organizations, the content of over 40 kinds of Polycyclic Aromatic Hydrocarbons (PAHs) in Linglong’s eco-friendly tire series products does not exceed 5ppm, the contents of several dozen substances of very high concern (SVHC) all meet the requirements of EU REACH Directive.

‘Tire Labeling Regulation’ and green tire are obligations of the global tire industry. Linglong Tyre will seize this opportunity to speed up its pace of product upgrading, foster power for green growth with technology innovation, and strive to double sales income in five years. I believe that all Chinese tire enterprises will forge ahead with determination, work hard with enterprising spirit, make eco-friendly & energy-saving products, become eco-friendly & energy-saving enterprises, in order to make its due contribution to global energy-saving and environmental protection as a Chinese tire enterprise!

Thank you!
Forward-Looking Statements.

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