



MEETING WITH REPRESENTATIVES OF BALKAN AUTOMOTIVE INDUSTRY.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

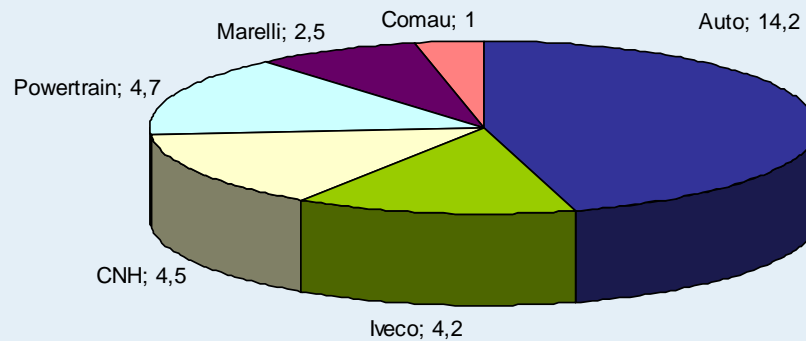
Fiat Group Purchasing

Belgarde, June 19th 2009

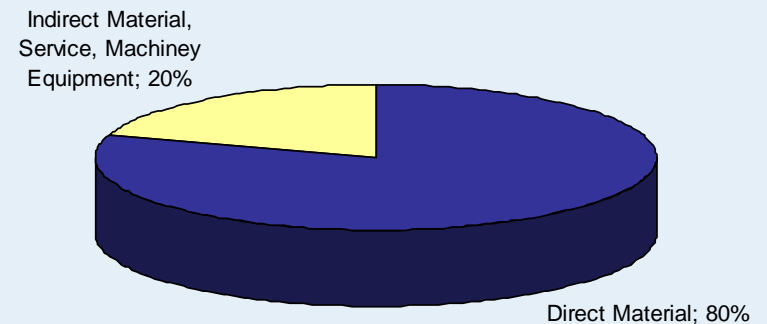
Annual Purchase Volume (APV)

€31bn

By Sector

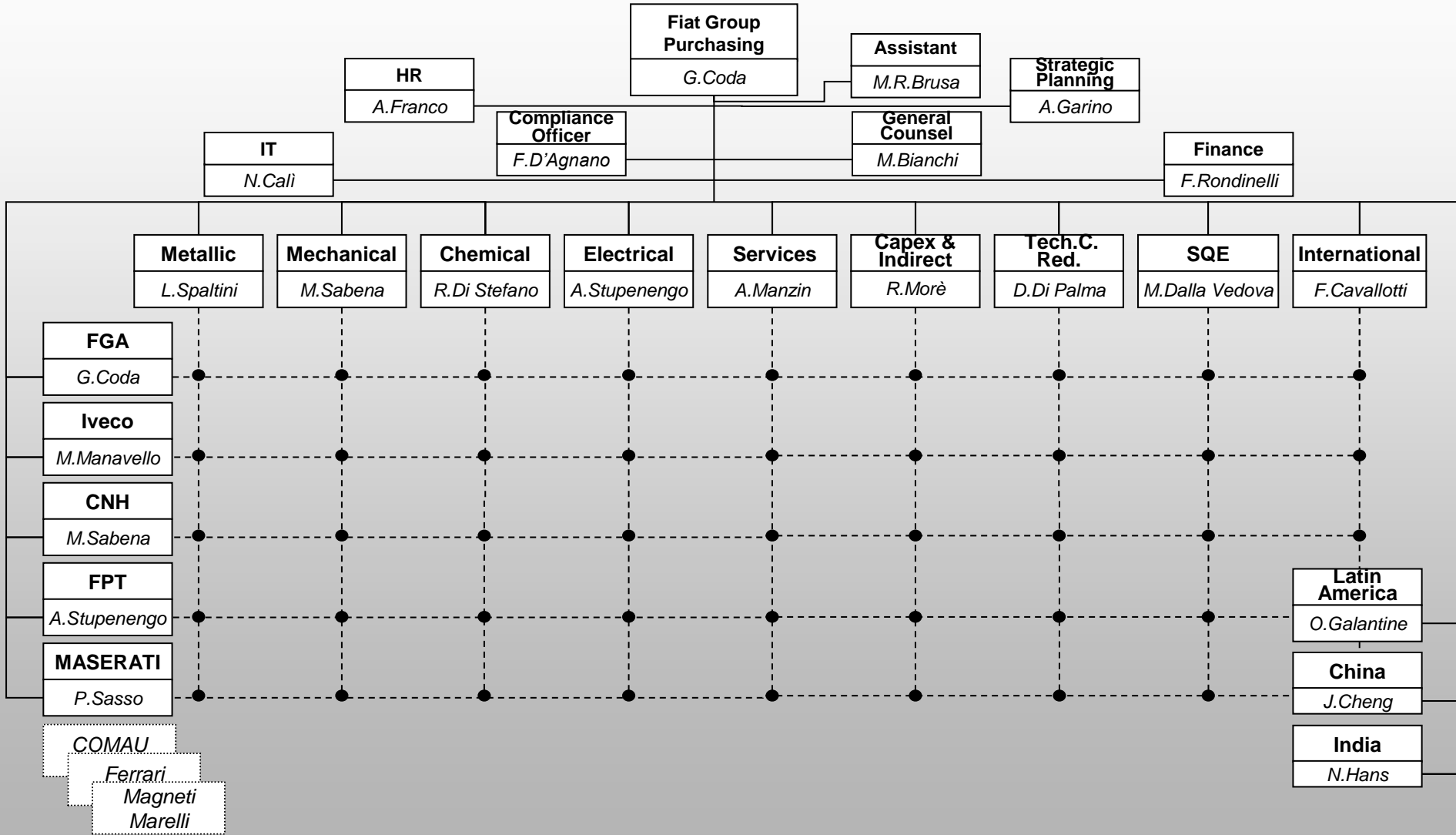


By Category



- Strong supplier concentration
- 10% of suppliers (400) account for 90% of spending

FGP Organization chart



Direct Materials – Guidelines & Actions



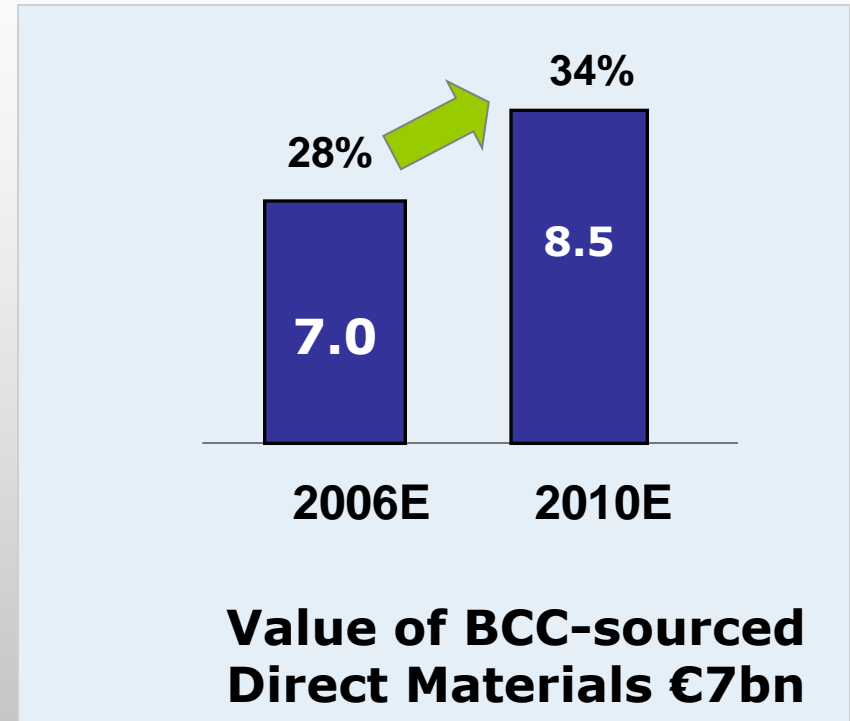
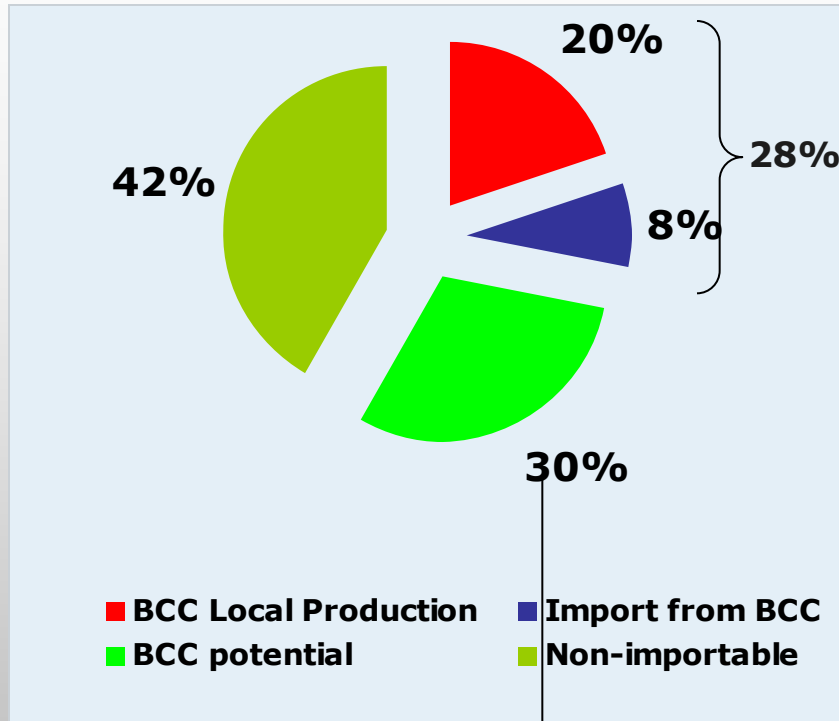
1. Group purchasing synergies through better managerial & organizational integration
2. Accelerate development in Best Cost Countries (BCC)
3. Strengthen strategic partnership with suppliers (long-term contracts)
4. Design to cost, through standardization of components & platforms

Direct Materials – Best-Cost Countries Guidelines & Actions



- Strategy
 - ▶ Generate cost-reduction leverage by transferring additional €1.5bn in purchasing from current supplier base to best-cost countries (Eastern Europe, China, India...) by 2010
- Management and Organization
 - ▶ Extend existing cost-reduction organization, processes and structures to global sourcing
 - ▶ Global scouting and sourcing activities carried out jointly
 - Eastern Europe: FGP dedicated team
 - China: Fiat Group China Office
 - India: Fiat Group India Office

Direct Materials – Best-Cost Countries Guidelines & Actions



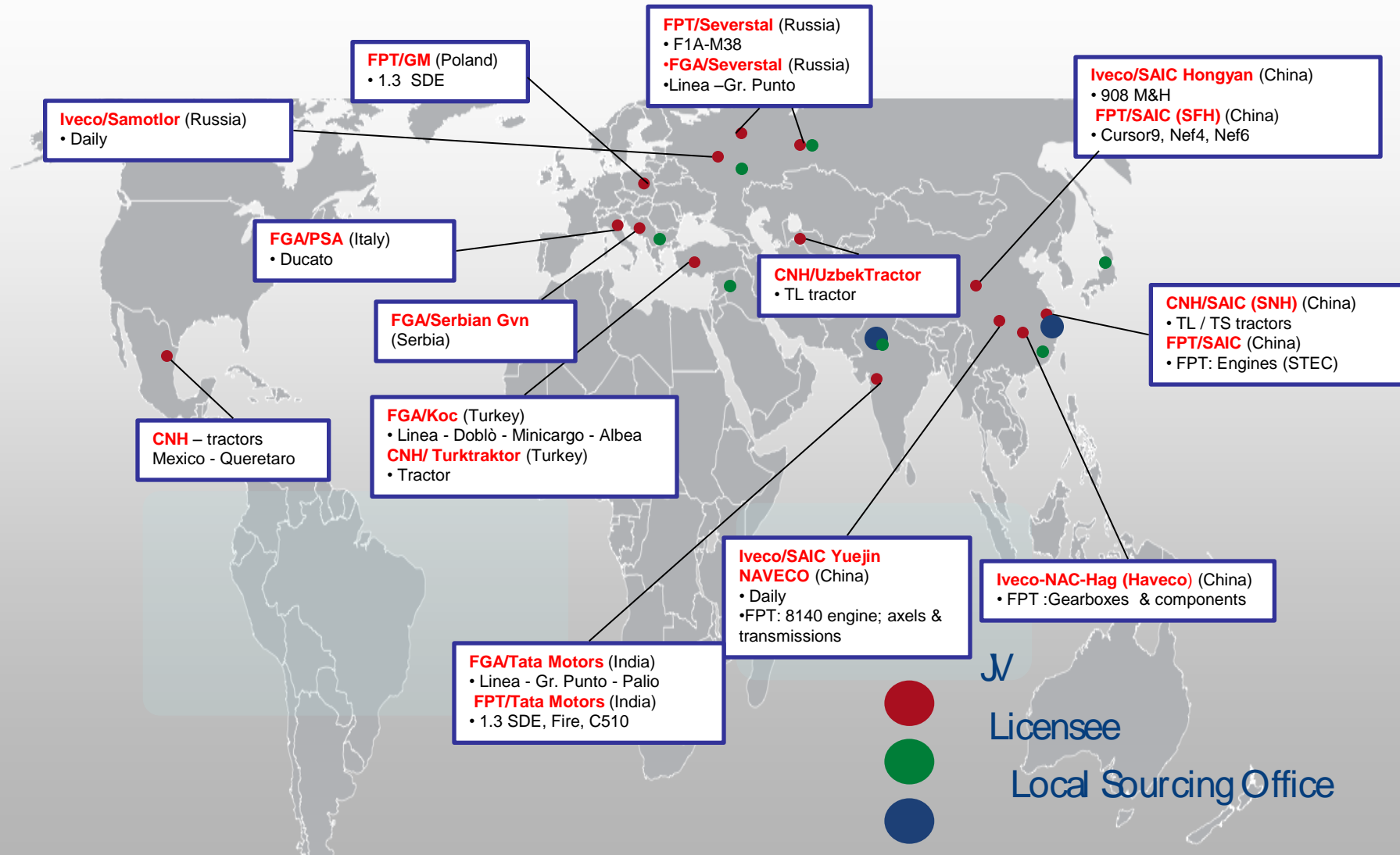
Small internal trims, mirrors, suspensions components, cables, casting, machinery, forging, safety, sealings, gaskets...

Direct Materials – Design to Cost Guidelines & Actions



- Raise volume per platform
- Increase standardization
 - ▶ Platform & components
- Benchmarking (Tear down)
- Suppliers' technical cost reduction programs

Fiat Group International Activities – Alliances & Local Sourcing Offices



Supplier selection process



- Scouting research, sources used
 - ▶ *Zastava*
 - ▶ *ACS*
 - ▶ *FGP*

- Preliminary Data Profile and Financial Assessment *suppliers inquired / response received:*
 - ▶ Serbia 42 / 27
 - ▶ Croatia 34 / 18
 - ▶ Slovenia 60 / 25
 - ▶ Bosnia and Herzegovina 33 / 7
 - ▶ Macedonia 10 / 3

- Potential Suppliers Assessment after PDP evaluation (*suppliers already audited: 14*)
- Suppliers added in a bid list
- Business award

Serbia - Fiat Group Purchasing localization strategy

- Localization opportunity for local production- Fiat new development
 - ▶ JIT components (dashboard, bumpers, seats, door panels...)
 - ▶ High logistic costs (fuel tank, suspensions, exhaust, stamping+welding, batteries, HVAC, Cooling...)
- Additional opportunities due to BCC
 - ▶ Tier 1 (wiring harnesses, safety, internal and external trims, rubber, paints, pipes, fastners...)
 - ▶ Tier 2 (foams, fabrics, brackets, small plastics...)
- Main Fiat requirements versus potential suppliers
 - ▶ Quality system ISO TS 16 949(ISO 9001:2001 as min. with established plan of introduction ISO TS)
 - ▶ Stable financial situation. Fiat to perform financial rating base on the current balance sheet and profit&loss statement of supplier. Such documents must be confirmed by independent auditors
 - ▶ Internal structure (R&D, laboratory,testing benches etc..) adapted to handle all Fiat technical requests regarding development of the component

Target: Through ongoing scouting procedure to identify in CEE region viable suppliers to produce major part of OE components.