

Agreement regarding the terms of payment between industrial customers and sub-contractors in the automotive branch concluded between the Committee of French Car Manufacturers (“Comité des Constructeurs Français d’Automobiles”), the Federation of Vehicle Equipment Industries (“Fédération des Industries des Equipements pour Véhicules”) and the Federation of Mechanical Industries (“Fédération des Industries Mécaniques”).

In view of the report by Martial Saddier, deputy for Haute-Savoie, regarding the “terms of payment for industrial sub-contracting: assessment and proposals”,

in view of the 2006 yearly report regarding terms of payment by the “Watchdog” chaired by Jean-Paul Betbèze,

the parties signing the present agreement consider that it is in the public interest of the French automotive branch to reinforce its partnership relationship, especially with a view to taking up the challenges of globalization, improving competitiveness in the sector and preserving the industrial fabric and employment.

The signing parties will make efforts to confer with each other on ways of ensuring sustainable development in the activity sector.

The “good practices” code concerning the customer-supplier relationship in industrial sub-contracting within the automotive sector dated June, 28th of 2006 is a major step in this direction. Signing professional organizations claim the importance of the code and their goodwill to apply it by completing it with the content of the present agreement.

In order to reinforce the financial stability of sub-contractors in the sector, the signing parties agree on the following measures, without prejudice to additional measures that the sub-contractors could benefit from within the commercial negotiation context.

The present measures will stand behind the measures of the “good practices” code from the 28th June 2006 to form a single document completing the one filed by the Competition Commission of the ministry for Finance (“Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes”) to the Commercial Practices Review Board (“Commission d’Examen des Pratiques Commerciales”).

Section 1 – Terms of payment

- Terms of payment between industrial customers and sub-contractors in the automotive branch are reduced from the 1st of September 2007 onwards: payment reduced to a maximum of 90 days net, which corresponds to an average reduction of 15 days.
- In addition, customer businesses in the sector making a turnover that exceeds 300 million Euros will grant an additional 30-day reduction in the terms of payment to suppliers in the sector that make a turnover that does not exceed 50 million Euros according to the following terms:
 - o As of the 1st of September 2007, payment at 75 days net at the latest
 - o As of the 1st of September 2008, payment at 60 days net.

The starting point of the agreed term of payment between both parties is either the date of invoice, or periodic statement date, or delivery date or execution date of the ordered services.

Section 2 – Moulds and tools

Customers will pay the moulds and tools according to the principles determined in the « good practices » code of the 28th June 2006:

- down payment of 25 % to 50 % when placing the order, on presentation of an invoice by the supplier ;
- additional down payments of 33 % to 50 % depending on job progress and at the latest at submission of the initial samples ;
- payment of the balance on reception of the initial samples or when production starts and, in any case, when one of these terms will be reached.

Down payments are always considered as a partial payment that is charged to the amount of the debt and it cannot be subject to a reimbursement unless the supplier does not honour a contractual commitment. In this context, the supplier will provide a security for down payment return on the customer's request. The principles that are stated above will be applied project per project.

The term for the payment of the additional down payments and balance is 30 days net from the invoice date onwards.

Section 3 – Studies regarding small volume productions

Payment at 30 days net from the invoice date onwards for studies regarding small volume productions according to the following conditions:

- for projects with vehicle volumes less than 30 000 units per year or with part volumes (derived/options) less than 10 000 units per year and engineering costs more than 300 k€ :
 - these projects are subject to a systematic double offer (cash payment of engineering costs at 30 days net from the invoice date on one hand, and engineering costs amortized in the part price on the other hand); the general principle selected is payment at 30 days net from the invoice date onwards but the final choice is made by the car manufacturer based on the comparison between the two offers and the positive net present value determined between both parties, per project.
- for projects that cannot be classified in this category, down payment of 10 % of the engineering costs at 30 days net from the invoice date onwards, with the balance amortized in the part price.

The payment term is therefore 30 days net from the invoice date onwards.

Section 4 – Cooperation

The signing parties agree to confer with each other within the sector

- on the means to give the suppliers medium-term visibility on the strategy of vehicle manufacturers on the international level;
- so that efficient cooperation between businesses in the French sector is reinforced in order to ease their presence on international markets, for the benefit of the sector;
- on the actions to stimulate technological improvements with assistance by the public authorities to improve the vehicle quality, etc.

Section 5 – Follow-up

The businesses in the sector will have to regularly publish performance indicators that deal with both terms of payment and delays. Regarding France, these indicators will firstly be certified by auditors that are external to the business and then transmitted to the “terms of payment watchdog” that will centralize all sector indicators and take care of the publication.

The “terms of payment watchdog” will have to carry out a complete assessment of agreement application. Within this frame, the “watchdog” will work with the representatives of car manufacturers, automotive component manufacturers and sub-contractors. He will submit a report to the minister by the 31st March 2009, which will include a status regarding application of the agreement and the possible problems encountered. On this basis, the watchdog will be able to make any proposal to modify the agreement if he considers this measure as necessary and on the condition that he gets agreement from the parties.

Section 6 – Enforcement of the agreement

These measures will apply to the consultations that will take place after the agreement regarding the terms of payment has been signed and at the earliest on the 1st September 2007 to enable implementation of the new processes and produce a homogeneous schedule.

Paris, (date)

President of the FIM

President of the CCFA

President of the FIEV

Yvon JACOB

Manuel GOMEZ

Armand BATTEUX

In presence of François LOOS, Minister for Industry.