



Lamborghini: supply chain challenges, future prospects and the exemplary case of the Ukrainian supplier Leoni

An interview with Silvano Michieli, Chief Procurement Officer at Lamborghini

Sant'Agata Bolognese, 20 June 2022 - Since 2020, global supply chains have been faced with exceptional political, social and economic circumstances due to the pandemic, the semiconductor shortage and the Russia-Ukraine war. Lamborghini's resilience ensured that the company remained extremely solid as it not only took on these challenges but also achieved record-breaking results on the sales and financial fronts. What strategy did Lamborghini adopt to ensure that production could continue uninterrupted? What approach is it taking as it prepares for the future? These were the topics discussed with Silvano Michieli, the Chief Procurement Officer at Automobili Lamborghini, along with the exemplary cooperation with the Ukrainian supplier Leoni.

How is Lamborghini reacting to the supply chain challenges presented by the current geopolitical situation?

"First Covid, then the issue with semiconductors, not to mention the conflict in Ukraine and protectionist policies: against this backdrop, Lamborghini has been taking risk limitation measures and securing its supply chain. One of the main initiatives that we've taken here has been to forge even closer ties with some of our strategic suppliers, going from a more traditional "Supplier - Client" relationship to one that's more of a partnership. At the same time, we revise our processes to a more proactive, analytical approach. This will enable us to anticipate any new problems in the industry. Now more than ever, we firmly believe that it's essential to take a problem-solving approach in an international environment that will present more and more challenges and difficulties."

Referring specifically to the war in Ukraine, Lamborghini is in close contact with its suppliers in the country thanks to an emergency task force established by the Volkswagen Group that is responsible for ensuring that a steady flow of supplies continues to arrive. One of the stories that has emerged concerns the cooperation with Leoni, which produces wiring for the Huracán in the West of the country.

"Leoni's staff are having to make huge sacrifices to keep their manufacturing processes moving and thus keep driving the production capacity of their country. The time they spend working is interspersed with curfew periods when they have to take shelter in the underground areas of the production plant. They show heroic amounts of courage, devotion to their work and love for their country, and Lamborghini is enormously grateful to them."

If Leoni's production activities are brought to a halt, how will you handle it?

"Our approach is based on the idea of duplicating rather than reallocating, with a "dual production" strategy. Thanks to our help, our Ukraine-based suppliers are working to ensure that some of their plants in Europe can count on the same production capabilities. It means that our relationship with our established suppliers will remain unchanged. They'll continue their production work in the



factory in Ukraine while we support the process of duplicating the plant outside the theater of war. Although we hope it doesn't happen, we'll be ready if the war brings production in Ukraine to a halt again. It's a way of showing our trust and gratitude to the staff on our supply chain in Ukraine, who strive to keep production going every day."

All of this goes to show the extent to which Lamborghini considers and treats its suppliers as partners in its projects. The roles are sometimes even reversed: the company from Sant'Agata Bolognese often acts as a "consultant" in the procurement of raw materials such as carbon and microchips. However, in order to be selected as approved suppliers in the first place, companies have to go through a rather strict rating process.

How are Lamborghini suppliers selected? What are the necessary indicators and other requirements?

"We place great importance on checking the financial reliability and sustainability of our suppliers and their supply chains. While the economic side of things must be considered, at the same time we're having to deal with significant financial strain caused by the series of global crises that we've seen in recent years. As well as the margins, we now also look very closely into the solidity of our suppliers. The increasingly partnership-like nature of the relationships that we tend to establish enables them to learn about our requirements from the very beginning and optimize future supplies in terms of times and costs. In addition to financial stability, we also pay close attention to development performance and innovations, quality and logistics in terms of delivery security."

One of the keys to the success and high standards of the Lamborghini procurement strategy is the balanced blend between extremely well-organized big suppliers with connections to the Volkswagen Group that can provide certain forms of technology or specific components, and a number of smaller but highly specialized suppliers that can provide specific products for the unique Lamborghini manufacturing systems.

Lamborghini is part of the Volkswagen Group. In terms of synergy, what are the greatest benefits that this brings to the supply chain?

"There are considerable advantages to being part of a group like Volkswagen and this is demonstrated by situations such as the semiconductor shortage. Lamborghini has one of the highest contribution margins in the group, so it is prioritized when it comes to supplies. In addition, the group gives us access to a number of forms of technology that play a crucial role in our evolution. We're talking about technology that would not normally be within reach of a small company like ours. It gives us exclusive access to innovative solutions and a clear competitive edge over our rivals."

From current challenges to future prospects: at present, Lamborghini is reorganizing stock management along its supply chain because it realizes that in the future the biggest risk of irregular supplies will be with the core materials and components, which play the most decisive role in the whole production cycle.



Globalization as we know it is set to change. Many economists and historians are talking about a decline in globalization and the start of a deglobalization trend. What's your point of view on the matter?

"I think that phenomena like globalization are irreversible. Numerous geographical areas contribute to the production cycles of items that are made today. In my opinion, an extreme form of deglobalization is a Utopian, short-sighted idea. I'm more of a believer in rethinking the current supply processes and outlooks, which are in any case undergoing a natural evolution in the industry due to the new circumstances."

Photos and videos: media.lamborghini.com

Information on Automobili Lamborghini: www.lamborghini.com



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