



## **PRESS RELEASE**

### **SHW AG: Joint venture negotiations with Shandong Longji successfully completed**

#### Chinese OEM market for quality brake discs holds significant growth potential

Aalen, 27 January 2015. The discussions initiated last June between SHW Automotive GmbH and Shandong Longji Machinery Co., Ltd., with regard to the formation of a joint venture for brake discs for the Asian market, have now come to a successful conclusion. SHW Automotive GmbH is a subsidiary of SHW AG, which is listed in the Prime Standard market segment (SDAX) of the Frankfurt Stock Exchange. Shandong Longji Machinery Co., Ltd. is listed on the Shenzhen Stock Exchange.

The Sino-Foreign Equity Joint Venture will operate under the name SHW Longji Brake Discs (LoungKou) Co., Ltd. The company's share capital amounts to RMB 215.5 million (Renminbi), which is equivalent to approx. € 31.9 million at the current RMB/EUR exchange rate. SHW Automotive GmbH will be the majority shareholder with an interest of 51 percent, and Shandong Longji will hold an interest of 49 percent. The joint venture has its headquarters in the eastern Chinese city of LoungKou (Shandong province).

"The discussions with our Chinese partners were always conducted in a pleasant, constructive and trustful atmosphere," commented Andreas Rydzewski, Member of the Management Board of SHW AG and responsible for the Brake Discs business segment. "With Shandong Longji we have found the ideal partner in successfully implementing our capital-efficient internationalisation strategy in the Asian region and to participate together in the strong growth of the Asian automotive markets."

The automotive experts from PwC Autofacts expect production of light vehicles (vehicles < 6 t) in the emerging markets of the Asia-Pacific region (including China) to grow by around 46 percent from 29.0 million units in 2014 to 42.4 million vehicles by 2019.

#### **Joint venture will be profitable from the start**

In the future, the company will focus on the development and production of processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive manufacturers in the Asian market.

"The demand for quality brake discs – especially in the OEM business – is huge in China," remarked Andreas Rydzewski. "Together, together with our Chinese joint venture partner we will be able to meet the demands of international vehicle manufacturers for high quality processed brake discs at competitive prices."

Until the production ramp-up of the joint venture's first customer orders for processed brake discs, it will produce all of the unprocessed brake discs that are presently being manufactured by the Chinese joint venture partner for the aftermarket. This will take place at the foundry being brought into the joint venture by Shandong Longji and will result in a consistently high utilisation of the foundry from the very start, which assures positive contributions to earnings.



## **Joint venture is on solid financial footing**

Shandong Longji will contribute the foundry in LoungKou to the joint venture that has an annual capacity of about 4 million raw brake discs, as well as the associated machinery and equipment and land use rights. SHW will make a cash contribution in the amount of RMB 109.9 million.

"As agreed, we will transfer our cash contribution over a period of two years to preserve liquidity", explained Sascha Rosengart, Chief Financial Officer of SHW AG. "According to the joint venture's investment plan, the available cash resources will be primarily invested in the establishment and expansion of the infrastructure and in the purchase of processing equipment." SHW will provide its expertise in the processing of brake discs under a licence agreement.

The successful signing of the contract is an important step in further strengthening SHW's position as a technologically leading automotive supplier on a global scale.

## **About SHW – Brake Discs segment**

The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron as well as lightweight brake discs, so-called composite brake discs, made of a combination of an iron friction ring with an aluminium pot. The segment's customer base includes several renowned automotive manufacturers. The production sites are located in Tuttlingen-Ludwigstal and Neuhausen ob Eck. The Brake Discs business segment achieved sales of €91.5 million in the 2013 fiscal year with an average of 366 employees and. Further information is available at: [www.shw.de](http://www.shw.de)

## **About Shandong Longji Machinery Co., Ltd.**

Shandong Longji Machinery Co., Ltd., headquartered in LoungKou (China), was founded in 1994. The company develops and manufactures brake discs and drums as well as brake pads for passenger cars and heavy-duty trucks. These products are mainly sold in the free aftermarkets of Europe, North and South America, Africa, and Central and Southeast Asia. The Company also supplies Chinese automotive manufacturers. With around 1,900 employees, the company achieved sales of RMB 1,132 billion (approximately € 162 million) in the 2013 fiscal year. Further information is available at: <http://www.sdljix.com.cn/en/>

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## **Future-oriented statements**

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