



PRESS RELEASE

MARELLI and Highly announce the creation of new joint venture “Highly Marelli”

Through synergies and targeted investment in electrification for HVAC and EDC systems, the new JV will create a new leading player that is well placed to access the growing Chinese market

[September 7th, 2020]

Leading automotive supplier Marelli Corporation K.K. (“MARELLI”) and Highly International (Hong Kong) Limited. (“Highly”) have today announced the signing of their agreement to establish a new joint venture, Highly Marelli Holdings Co., Ltd. (hereinafter “Highly Marelli” or “JV”). This joint venture creates a leading cabin comfort business, focused on developing world-class solutions for customers and suppliers specifically in electrification of compressors and heating, ventilation & air conditioning (“HVAC”) and electric driven compressor (“EDC”) systems. The sales revenue of the business unit in 2019 was c. JPY90 billion (US\$857 million).

The creation of the JV follows MARELLI’s 2019 acquisition of equity interest in Shanghai Highly New Energy Technology Co., Ltd. (“HNET”) from Johnson Controls-Hitachi Air Conditioning (“JCH”). HNET is a growing manufacturer of EDC for passenger and commercial vehicles and was an established joint venture between Highly and JCH. At the time of the announcement of its acquisition of JCH’s interest in HNET, MARELLI outlined its intention to develop further joint venture partnerships with Highly, including for HVAC.

Both parties will now work towards a legal closing date at the beginning of January 2021, during which MARELLI’s relevant compressors and HVAC business will transfer to the Joint Venture to enable it to be operated and run under one business owned by the JV. Under this new structure, employees currently based within MARELLI’s compressors and HVAC business will transfer to entities under the JV on existing terms and conditions. The JV will be registered in Hong Kong, China and with operational headquarters in both Shanghai, China and in Saitama, Japan, alongside MARELLI’s global HQ.



Beda Bolzenius, CEO, MARELLI, said, “This is a strategically significant and exciting partnership for MARELLI. Through it, we have direct and immediate access to the growing Chinese market. It facilitates even greater investment in electrification technologies and achieves greater synergies, delivering even better value to our customers and career opportunities for our people. Highly’s strong reputation and brand presence in China, combined with our reputation for manufacturing excellence creates a business with enormous potential. This is another great step forward for us towards building a leading global tier 1 supplier.”

Mr. Zheng Jianhua, Chairman of Shanghai Electric, the controlling shareholder of Highly Group, said: “At present, the global automotive industry is facing a major transformation, and the development of new energy vehicles is just unfolding. The joint venture company between Highly and Marelli is dedicated to becoming the world's leading system supplier by leading the technological transformation of thermal management for new energy vehicles. And with Highly’s leading edge in new energy vehicle compressor technology and strong distribution network, and Marelli’s leading position in the global market for auto parts, Highly Marelli will create greater value for customers.”

About Highly Marelli

- Operational Headquarters: Shanghai, China and Saitama, Japan
- Legal entity registered: Hong Kong, China
- Ownership structure: 40% MARELLI / 60% Highly Group
- Annual revenues (FY19): c. ¥90 billion (\$857 million)
- No. of employees: 4,275 based globally (Japan, China and broader Asia, Europe, North America)
- Main products: Compressors and heating, ventilation & air conditioning
- Enterprise Value: is on a debt free/cash free basis, is US\$ 304.4 million (equivalent of 323.29 Oku yen), which is calculated as 7.1X of the 2019 pro forma adjusted consolidated EBITDA



About MARELLI

MARELLI is one of the world's leading global independent suppliers to the automotive sector. With a strong and established track record in innovation and manufacturing excellence, its mission is to transform the future of mobility working with its customers and partners to create a safer, greener and better-connected world. With around 60,000 employees worldwide, the MARELLI footprint includes 170 facilities and R&D centers across Asia, the Americas, Europe and Africa, generating revenues of 13.4 Billion Euro (JPY1,541billion) in 2019.

About Highly

Highly, as a subsidiary company of Shanghai Electric, and the world's leading R&D and manufacturer of white household appliances, new energy automotive core components, and cooling and heating products, has five core focus, which are "compressors, motors, auto parts, drive control, and cooling and heating", and its market share of air-conditioning compressors ranks third in the world and leading market position of electric compressors for new energy vehicle. Its distribution network covers hundreds of millions of families in 165 countries or regions worldwide. Highly Group has 13 factories and 14 R&D and technical service centers around the world with 11,000 employees. The sales revenue is around RMB 12.1 billion in 2019.