

## INTERIM STATEMENT

### **JJ Auto AG: Interim management statement pursuant to § 37x of the German Securities Trading Act (WpHG) during the second half of 2014**

Berlin, Warsaw, November 21, 2014

#### **Business and operating environment**

The economic growth in China amounted to 7.3% in the third quarter of 2014 – a slight slowdown in comparison to the growth of 7.4 % in the first half of the year. In order to sustain the growth, China's government is expanding its domestic consumption policies successfully: In the third quarter of 2014, retail consumption grew by 11.9%. Domestic demand remains the most important growth driver.

Despite a slowing economy in China, the automotive industry sales were strong during the first nine months of the year. But the slowdown did have an impact on the commercial vehicle market. In the third quarter sales of trucks and buses continued to decrease while sales of passenger cars have increased.

The Chinese government will continue to invest in infrastructure and heavy industry. These investments will be the growth drivers for commercial vehicle and heavy-duty machinery. However, more challenging for the commercial vehicle industry are the stricter emission standards and the decelerating economic growth. Furthermore, the stricter environmental regulations are pushing up the price for commercial vehicles.

The management board of the JJ Auto AG (hereafter "JJ Auto") assumes that the slowdown in the commercial vehicle segment of the Chinese market will prove to be temporary.

#### **Consolidated group revenue development**

In the first nine months of 2014 revenue of JJ Auto AG increased by 14.1% to 85.6 million Euros (9M 2013: 75.0 million Euros). The increase is mainly related to a higher average selling price. The delay in sales in the second quarter contributed to the revenue growth in the third quarter 2014 as well. Quarterly revenues amounted to 33.3 million Euros and thus were 26.6 % higher compared to the previous year's third quarter (Q3 2013: 26.3 million Euros).

Measured in Renminbi, the functional currency of JJ Auto, the revenue increased by 15.7% from 612.9 million Renminbi to 709.2 million Renminbi in the first nine months of 2014. The average selling prices grew by 7.3% in the reporting period.

The group's segments revenue developed in the first nine months of 2014 as follows: The sales of commercial vehicle fasteners increased by 16.6 % to 42.1 million Euros (9M 2013: 36.1 million Euros). The sales of heavy-duty machine parts decreased by 0.9 % to 22.4 million Euros (9M 2013: 22.6 million Euros). The sales of automotive tools and other parts increased by 29.4 % to 21.1 million Euros (9M 2013: 16.3 million Euros).

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### Group results of operations

Gross profit of the first nine months of 2014 increased by 14.4% to 85.6 million Euros (9M 2013: 75.0%). The gross profit margin remained about the same at 23.3% during the period (9M 2013: 23.2%).

EBIT grew by 7.2% to 17.8 million Euros in the first nine months 2014 (9M 2013: 16.6 million Euros). This corresponds to an EBIT margin of 20.8 % – 1.3 percentage points below previous year's value. EBIT margin decreased mainly because of a higher distribution and administrative expenses, especially due to additional administrative costs incurred at AG level.

The net profit recorded an increase of 8.2% to 13.2 million Euros in the first nine months of 2014 (9M 2013: 12.4 million Euros). The net profit margin declined by 1.1 percentage points to 15.4% (9M 2013: 16.5%).

### Net assets and financial position

As of September 30, 2014 the balance sheet total of JJ Auto amounted to 89.3 million Euros (December 31, 2013: 69.5 million Euros).

The non-current assets amounted to 8.5 million Euros, the current assets amounted to 80.8 million Euros. Inventories accounted for 16.6%, trade receivables for 30.0% and cash and bank balances for 51.9% of the total current assets.

The group equity grew from 57,4 million Euros as of 31 December 2013 to 76.8 million Euros as of 30 September 2014. This represents an equity ratio of 85.9 % as of 30 September 2014 (December 31, 2013: 82.5%). The increase in equity is due to the profits generated from operations.

Current liabilities increased from 12,2 million Euros as of 31 December 2013 to 12.6 million Euros as of 30 September 2014. They are comprised of trade payables (60.9%), other financial liabilities (2.7%), other current liabilities (5.8%), borrowings (10.2%) and tax payables (20.4%).

### Risks and opportunities

Concerning the risks for the future development of JJ Auto AG as well as the implemented risk management, reference is made to the statements in the prospectus and the half-year report of 2014.

### Outlook 2014

With respect to the continuously growing automotive industry in China and the continuing trend that more and more international automotive manufacturers are investing in the Chinese automotive market, JJ Auto expects a rising demand for automotive parts. As the products of JJ Auto are well accepted in the market, the company is planning to expand its production capacity in the next months to be prepared for an upcoming rise in demand.

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Moreover JJ Auto expects the automotive industry to increase its profitability due to the lowering of the steel prices.

On the basis of these positive market perspectives the management of JJ Auto still expects to achieve a growth in revenue of more than 15% in RMB terms for the complete financial year 2014. The gross profit margin is expected to be maintained at least at 23% while the EBIT margin is expected to be around 21%.

### **Significant events after the reporting period**

On October 31, 2014 the Vice Chairman of the Supervisory Board, Mr. Mircle Ching Chai Yap, resigned from his offices as Supervisory Board Member of JJ Auto AG. The Company will take the necessary measures in order to find a successor shortly.

### **Reference to important publications**

A detailed interim management report including the earnings, financial and asset situation of JJ Auto during the first half of 2014 can be found in the half-year report of the company. The report is available on the company's website at the following page:

<http://www.jj-auto.de/en/investor-relations/publications/reports.html> (English version)

<http://www.jj-auto.de/pl/relacje-inwestorskie/publikacje.html> (Polish version)

The securities prospectus published on 14 May 2014 can be found under the following link:

<http://www.jj-auto.de/en/investor-relations/securities-prospectus.html> (English version)

<http://www.jj-auto.de/pl/relacje-inwestorskie/oferta/prospekt-emisyjny.html> (short version in Polish)

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### **About JJ Auto**

JJ Auto possesses a high profitability and is one of the leading Chinese manufacturers and suppliers of high-quality steel automotive parts, tools and heavy-duty machine parts such as nuts, bolts, wrenches, sleeves, track pins and bushings and track parts. As a supplementary business JJ Auto is also involved in the trading of automotive tools and parts.

The company was founded in 1998. Thanks to an excellent track record and profitability the group is well positioned to take advantage of the growth potential of the rapidly growing Chinese market. JJ Auto possesses extensive industry experience and technology know-how. Currently, JJ Auto exclusively sells its products in the Chinese market directly to distributors and direct sales customers, such as axle factories. The company's customer base consists of around 89 automotive parts distributors, which further sell the products to end users such as axle factories, repair shops and OEMs.

The production facilities of JJ Auto, occupying a site area of 26,089 square metres, are located in Quanzhou City in the South-Eastern Chinese province Fujian. In 2013 the production volume amounted to 83.51 thousand tons. At the end of 2013 JJ Auto employed more than 600 employees.

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### **Disclaimer concerning prognoses**

This communication contains forward-looking statements. Forward-looking statements are statements that are not historical facts instead they reflect JJ Auto's current views and expectations and the assumptions underlying them about future events. Forward-looking statements are subject to many risks and uncertainties. If any of such risks and uncertainties materialise or if the assumptions underlying any of JJ Auto's forward-looking statements are proving to be incorrect, JJ Auto's actual results may be materially different from those expressed or implied by such forward-looking statements. JJ Auto does not intend or assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.