

In This Issue:

- **GE Exits Locomotive Business; Sells Division to Wabtec in \$11.1 Billion Deal**
- **More Finished Lube Price Increases Announced**
- **BP Invests in Firm That Claims Its Batteries Can Fully Charge an EV in 5 Minutes**
- **EC Proposes First Ever EU-wide CO2 Emission Standards for New Heavy-Duty Vehicles; ACEA Reacts**
- **Please Complete the Form to Subscribe!**

GE Exits Locomotive Business; Sells Division to Wabtec in \$11.1 Billion Deal

Wabtec Corporation (also known as Westinghouse Air Brake Technologies) has entered into a definitive agreement to combine with GE Transportation, a unit of General Electric Company, and major producer of large railroad locomotives. The combination will make Wabtec a Fortune 500, global transportation leader in rail equipment, software and services, with operations in more than 50 countries. Under the agreement, which has been approved by the Boards of Directors of Wabtec and GE, GE will receive \$2.9 billion in cash at closing and GE and its shareholders will receive a 50.1% ownership interest in the combined company, with Wabtec shareholders retaining 49.9% of the combined company. The combination will bring together two global leaders in rail equipment, services and software, combining GE Transportation, a global digital industrial leader and supplier to the rail, mining, marine, stationary power and drilling industries, with Wabtec's broad range of freight, transit and electronics solutions. Wabtec and GE shareholders will have ownership in a combined company with significantly expanded margins, a highly attractive growth profile based on an improved business mix, expanded global reach, and faster innovation in key growth areas. Both companies are expected to benefit from the cyclical tailwinds they are experiencing as industry conditions improve. GE Transportation revenues and EBIT are expected to grow at double digit CAGRs from 2017A to 2019E as the cycle rebounds from trough levels. The GE Transportation business is positioned for a significant rebound, with estimated adjusted EBITDA growing from about \$750 million in 2018 to between \$900 million and \$1 billion in 2019. The backlog of approximately \$18 billion includes about 1,800 new locomotives and approximately 1,000 to be modernized. GE Transportation has received \$3.6 billion in orders in the last two quarters. Wabtec reported a strong Q1, also forecasting robust growth for the year with record backlog. Effective immediately, Wabtec Chairman Albert J. Neupaver has been re-appointed executive chairman of the company, while Raymond T. Betler remains Wabtec's president and CEO. Following the completion of the transaction, Stéphane Rambaud-Measson will become president and CEO of Wabtec's Transit Segment; and Rafael Santana, president and CEO of GE Transportation, will become president and CEO of Wabtec's Freight Segment. Betler said: "Wabtec and GE Transportation are global industry leaders and we believe that together we have a unique opportunity to drive tremendous growth in 2019 and beyond as the industry continues to improve. By bringing together our highly complementary strengths we are confident that this transformational combination will create value for both Wabtec and GE shareholders, innovative solutions for our customers, and new outlets for long-term career growth for our employees. Our two companies have more than 250 years of rail industry heritage, and our shared focus on safety, reliability, quality, and customer relationships will enable a smooth integration." Santana said: "The combination of our two strong brands and remarkable people is an excellent fit that will create an organization well-positioned to accelerate the future of transportation. Together, we can expand our global reach, strengthen our market capabilities and lead digital innovation across the transportation industry. We are seeing growth in rail traffic and recent promising orders for new and modernized locomotives from North American Class I, Shortlines and international railroads, and are confident in the compelling long-term opportunities and synergies before us." Following the completion of the transaction, Wabtec's corporate headquarters will remain in Wilmerding, Pa., near Pittsburgh. Wabtec's Freight Segment will be headquartered in Chicago, and Wabtec's Transit Segment headquarters will remain in Paris. The transaction is expected to close in early 2019, subject to customary closing conditions, approval by Wabtec shareholders, and regulatory approvals. Wabtec reported sales of \$3.9 billion in 2017. GE Transportation had been based in Erie, Pennsylvania, for over a century before moving its headquarters in 2012 to Chicago. GE Transportation reported 2017 revenue of \$4.2 billion in 2017, down from year-earlier revenue of \$4.7 billion. Wabtec Corporation (Westinghouse Air Brake Technologies Corporation) was formed by the merger of the Westinghouse Air Brake Company (WABCO) and MotivePower Industries Corporation in 1999. MotivePower Industries, can be traced back to 1972, with the formation of the MK Rail division by the Morrison Knudsen group and the purchase of a manufacturing facility in Boise. In 1994 Morrison Knudsen created a subsidiary MK Rail Corporation; during the first half of the same decade the MK Rail group expanded with the acquisition of various other locomotive component companies. In 1996, MK Rail

group separated from the parent Morrison Knudsen and adopted the name MotivePower Industries Corporation. GE Transportation is a \$5.8 billion segment of GE and manufactures for the railroad, marine, mining, drilling and power generation markets. Besides its own brands, the group also owns the Jenbacher range of natural gas engines.

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More Finished Lube Price Increases Announced

Several finished lubricant manufacturers/marketers, including Amalie, CAM2, Smitty's Supply, Fuchs, Royal Manufacturing (Axel Royal), Maverick Performance Products, Chemlube, Allegheny Petroleum Products, Warren Distribution and Old World Industries, announced price increases ranging between 4% to 10% during the past week or so. Amalie announced on May 18, 2018 a price increase of \$0.40 per gallon for all oil and automotive chemical products, including its Greased Lightning branded products, and by \$0.05 per pound for all greases effective June 17, 2018. CAM2 International announced on May 18, 2018 a price increase ranging between 4% to 9% on bulk and packaged lubricants, greases, and brake fluid effective June 16, 2018. Smitty's Supply announced on May 18, 2018 it will increase prices on all its oils, fluids, greases, and brake fluid products between 4% to 9% effective June 16, 2018. Fuchs announced it will increase prices for finished lubricants by 5 to 8 percent effective June 18, 2018. Royal Manufacturing (Axel Royal) announced on May 21, 2018 a 5% price increase on most of its products including greases effective June 24, 2018. Maverick Performance Products advised its customers on May 22, 2018 that it will adjust prices upwards on VP finished lubricants by approximately 4% to 8% effective June 18, 2018. Chemlube announced on May 22, 2018 a 5% to 9% price increase on its Savannah, Georgia lubricants effective June 11, 2018. Allegheny Petroleum Products announced on May 23, 2018 a price increase of 6% to 8% on bulk lubricants and an additional 2% on drum and tote packaging effective June 18, 2018. Warren Distribution on May 23, 2018 announced a price increase of 4% to 8% on all lubricants effective June 25, 2018. Old World Industries announced on May 24, 2018 that it will increase the price on all finished lubricants by 4% to 9% effective June 30, 2018. All the above, as expected, attributed the reason for the increase was due to the continued increases in raw material costs, i.e., base oil, additives, freight and/or packaging.

BP Invests in Firm That Claims Its Batteries Can Fully Charge an EV in 5 Minutes

BP announced last Tuesday its venture capital fund has invested \$20 million in Israeli start-up firm StoreDot, which is developing a battery system that could potentially charge an electric car in the amount of time it takes to fill a gas tank with charging time in five minutes and enables a range of up to 300 miles (480 km). With the number of electric vehicles (EVs) worldwide growing rapidly, BP said it is working across the supply chain to support the development of the technologies and infrastructure required to support that growth. BP believes that ultra-fast charging will be key in accelerating the adoption of EVs worldwide. Tufan Erginbilgic, chief executive, Downstream, said: "Ultra-fast charging is at the heart of BP's electrification strategy. StoreDot's technology shows real potential for car batteries that can charge in the same time it takes to fill a gas tank. With our growing portfolio of charging infrastructure and technologies, we're excited by our opportunities to develop truly innovative EV customer offers. We are committed to be the fuel provider of choice – no matter what car our customers drive." StoreDot has developed a lithium ion-based battery technology which enables ultra-fast charging for the mobile and industrial markets. Using this technology, StoreDot is also developing a new type of electric-car battery that will aim to achieve a charging experience that is comparable to the time spent to refuel a traditional car. StoreDot currently expects first sales of its flash batteries for mobile devices as early as 2019. BP said its work on advanced mobility and developing fast and convenient EV charging networks, including venturing investments in both StoreDot and Freewire Technologies, supports customers who aim to reduce their emissions through EVs. Dr Doron Myerdorf, co-founder and CEO of StoreDot, said: "Working closely together with a global energy leader is a significant milestone in StoreDot's direction of strengthening the EV ultra-fast charging eco-system. The combination of BP's impressive presence and StoreDot's eco-system of EV partnerships enables faster implementation of ultra-fast charging stations and could allow a better charging experience for drivers." David Gilmour, vice president, business development, BP Ventures, said: "The technology to support EVs is advancing rapidly and BP Ventures is committed to identifying and investing in companies that we believe are at the cutting edge of this industry. StoreDot has shown significant progress in the development of ultra-fast charging, both in mobile phone and vehicle applications. BP looks forward to working alongside them, as an investor and strategic partner, to bring their technology from the lab to the vehicle." BP currently has more than 70 charge points on its retail sites globally. In January 2018, BP invested \$5 million in FreeWire Technologies, a manufacturer of mobile EV rapid charging systems. On 10 May, BP signed an MOU with China's NIO Capital to explore opportunities in advanced mobility. StoreDot Ltd is a battery and materials innovation leader, developing ground breaking technologies based on a unique methodology for the design and synthesis of both organic and inorganic compounds. Designed to replace known technologies with enhanced electro-chemical properties, StoreDot's proprietary compounds, combined with nano-materials, are optimized for various ultra-fast charging battery applications including mobile devices and electric vehicles. BP's Advanced Mobility Unit has been set up to build material, sustainable businesses for BP's Downstream business in a low carbon, digitally-enabled future. Responding to new and disruptive trends in mobility, including electrification of transport, autonomous vehicles and changing ownership patterns, the team looks for options beyond the Downstream's core businesses and explores ways that BP can leverage its assets, capabilities and brands through new partnerships and business models. BP Ventures identifies and invests in private, high growth, potentially game-changing technology companies, accelerating cutting-edge innovations across the entire energy spectrum. Since 2006, BP Ventures has invested over \$400 million in corporate venturing and has 42 active investments in its current portfolio. BP Ventures' portfolio is primarily focused on emerging technologies in oil and gas exploration and production and downstream conversion processes. In addition, it has a renewed strategic focus on five key areas: advanced mobility, bio and low carbon products, carbon management, digital transformation and power and storage

EC Proposes First Ever EU-wide CO2 Emission Standards for New Heavy-Duty Vehicles; ACEA Reacts

The European Commission has formally proposed the EU's first ever CO2 emissions standards for heavy-duty vehicles. Vice-President responsible for Energy Union, Maroš Šefčovič said: "Mobility is crossing a new technological frontier. With this final set of proposals under the Energy Union, we help our industry stay ahead of the curve. By producing key technological solutions at scale, including sustainable batteries, and deploying key infrastructure, we will also get closer to a triple zero: emissions, congestion and accidents." Commissioner for Climate Action and Energy, Miguel Arias Cañete said: "All sectors must contribute to meet our climate commitments under the Paris Agreement. That's why, for the first time ever, we are proposing EU standards to increase fuel efficiency and reduce emissions from new heavy-duty vehicles. These standards represent an opportunity for European industry to consolidate its current leadership position on innovative technologies." Commissioner for Transport, Violeta Bulc said: "Over the past year, this Commission has put forward initiatives addressing the challenges of today and paving the way for the mobility of tomorrow. Today's measures constitute a final and important push so that Europeans can benefit from safe, clean and smart transport. I am inviting the Member States and the Parliament to live up to our level of ambition." Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Elżbieta Bieńkowska said: "90% of road accidents are due to human error. The new mandatory safety features we propose today will reduce the number of accidents and pave the way for a driverless future of connected and automated driving." In 2025, average CO2 emissions from new trucks will have to be 15% lower than in 2019. For 2030, an indicative reduction target of at least 30% compared to 2019 is proposed, subject to the early review to take place in 2022. These targets are consistent with the EU's commitments under the Paris Agreement and will allow transport companies – mostly SMEs – to make significant savings thanks to lower fuel consumption (€25,000 over five years) said the EC. In the first phase, targets are set for the largest lorries, which account for 65% to 70% of all CO2 emissions of the sector. In 2022, targets will also be set for smaller lorries, buses, coaches and trailers. Complementary to the CO2 targets, the legislative proposal includes an incentive system for zero- and low- emission vehicles. This system of super credits will accelerate the introduction into the market of such vehicles, including zero-emission buses, by rewarding those manufacturers investing more in innovative technologies. The proposal also includes provisions to ensure that the targets are effectively applied and enforced. These include mandatory fuel consumption meters to monitor real-world fuel consumption data, conformity checks to ensure that the vehicles produced are as clean as the ones tested and financial penalties in case of non-compliance. On May 17, 2018, The European Automobile Manufacturers' Association (ACEA), representing the seven major EU producers of heavy-duty vehicles (DAF Trucks, Daimler Trucks, Iveco, MAN Truck & Bus, Scania, Volkswagen Commercial Vehicles, and Volvo Group), taking note of the European Commission's proposal for CO2 emission standards for EU trucks, just published, said "This is one important part of a broader strategy to further decarbonise road transport – an objective to which the auto industry is fully committed". ACEA said it welcomes the Commission's two-step approach, with targets set for 2025 and 2030. The industry also supports the proposal to validate the indicative 2030 target at a later point, as this would allow the latest fuel efficiency technologies available at that point in time to be taken into account. Nevertheless, ACEA believes that the reduction levels proposed by the Commission for 2025 and 2030 – 15% and 30% respectively – are far too aggressive, and have not been selected with the specific nature of the truck market in mind. Given that the product development of heavy-duty vehicles to be sold in 2025 is already underway right now, the 2025 ambition level is too stringent given the short lead-time for this first-ever CO2 target. "It would seem as though the Commission has simply taken the exact CO2 reduction levels it already proposed for cars and vans, and applied them directly to heavy-duty vehicles, without fully recognising the fundamental differences between these vehicle segments," said ACEA Secretary General, Erik Jonnaert. Moreover, the fact that the 15% reduction by 2025 is followed by another 15% by 2030 goes against a realistic technology ramp-up, as the most advanced fuel-saving technologies will take time to be developed.

The European truck industry also welcomes the fact that 2019 has been set as the baseline year for these targets, as from that point on all EU truck makers will use the same calculation tool (VECTO) to declare and report the CO2 emissions from a wide range of trucks. This will allow for real data comparability across vehicles and manufacturers, providing a robust baseline for future standards. ACEA accepts the introduction of CO2 standards for trucks, but calls for them to be carefully and properly designed, bearing in mind the importance and complexity of the market. Depending on their mission, most trucks are custom-built on an individual basis to meet specific requirements. They can vary from the number of axles to the size of the engine, fuel tank or cab, to the height of the chassis. When taking the complete vehicle into account – a rigid body or a tractor plus a trailer – the truck market becomes even more complex. Trucks move more than 14 billion tonnes of goods per year. They deliver more than 70% of all land-based freight in Europe, or some 90% of the total value of goods.

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