



**Analyst and Investor Conference**

**Audited Financial Results 2014**

**16 March 2015**

### Market and regulatory environment

- Light vehicle production grew globally by 2.7 percent in 2014 and is forecasted to increase by 5.7 percent to 90.0 million units in 2015
- Global emission standards force automobile manufacturers to invest in “greener” vehicle fleets
- SHW benefits from both trends and continues to further invest into innovative products

### Operating performance

- Group sales 2014: +17.6 percent to € 430 million
- Adjusted EBITDA 2014: + 13.8 percent to € 40.6 million
- Continuous further improvement of working capital ratio (decreased by 154 bp y-o-y)

### Financial performance

- Successful issuance and placement of a capital increase of € 24.6 million
- Strong liquidity position: syndicated loan of € 60 million plus additional debt capacity up to € 35 million
- Management and Supervisory Board propose a dividend of € 1.00 per share to the AGM

### **Energetic and dynamic internationalisation in all strategically relevant markets**

- Re-entry into North-American market – nomination as a serial supplier of variable engine oil pumps for a global engine platform (North America, Europe and China)
- Brazilian subsidiary started operations successfully and delivered first oil pumps in July 2014
- Profitable from the start
- Chinese subsidiary successfully established infrastructure at the new location in Kunshan (recruitment of purchasing, supplier development and sales staff)
- Start of Operation (SoP) scheduled for the second half of 2015
- Break-even expected within a short time
- First internationalisation milestone of brake discs: joint venture agreement with Shandong Longji for the Asian market signed
- Ongoing evaluation of cooperation possibilities for brake discs in the NAFTA-Region
- Intensified search for best cost country locations in (South-) Eastern Europe for capacity expansion for the Pumps and Engine Components division

### **Profitability and efficiency roadmap**

- Internal structures aligned for future growth: operative and structural measures implemented to safeguard optimisation
- Scope of optimisation:
  - Companywide initiation of the SHW production system
  - Strengthening and expansion of Human Resources and adaptation of the organisational structure

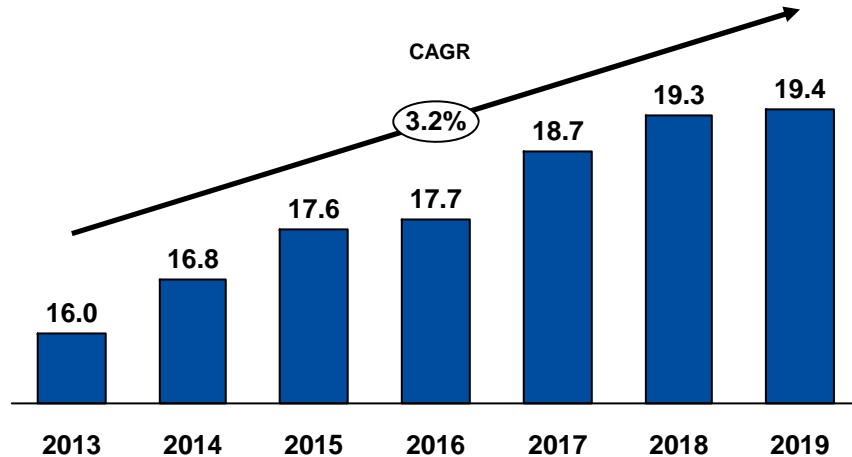
### **Bottleneck Powder Metallurgy**

- Implementation of 3 year investment and improvement programme in Powder Metallurgy on track – margin improvement in H2/2015 expected
- Change of plant management and installation of a Chief Operation Officer with extended responsibility

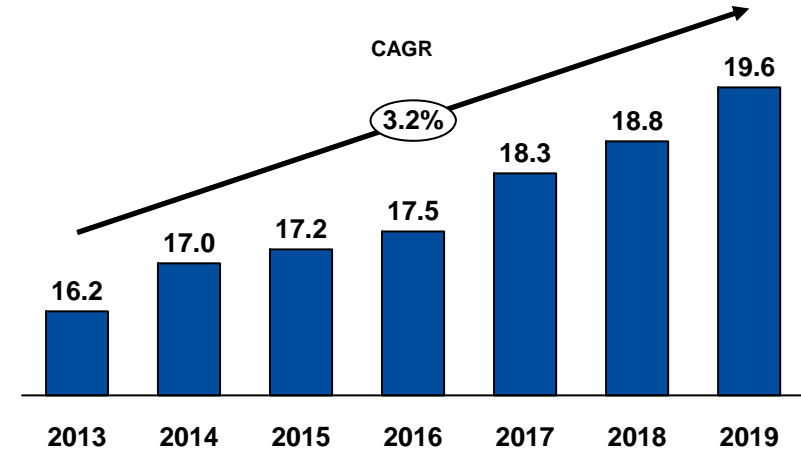
# Positive market environment in all major automotive markets



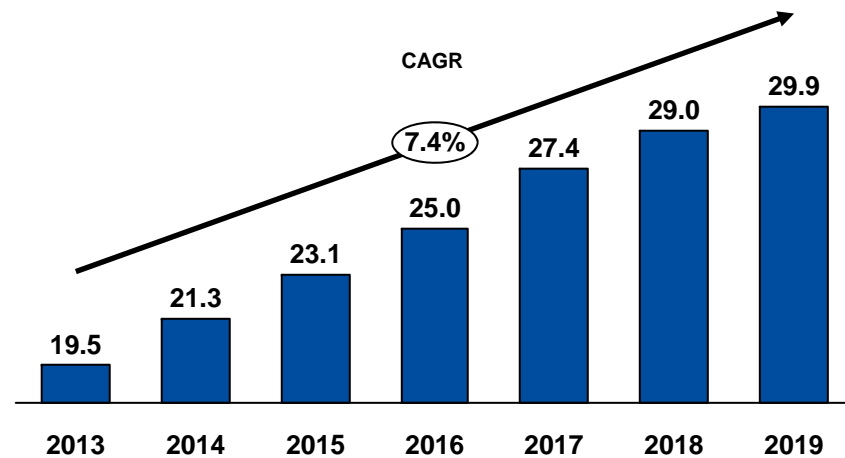
Light vehicle production (< 6 t) – Europe (m units)



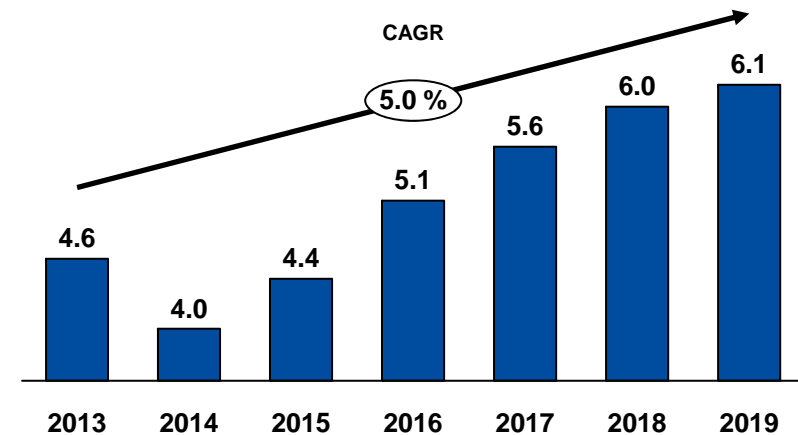
Light vehicle production (< 6 t) – North America (m units)



Light vehicle production (< 6 t) – China (m units)



Light vehicle production (< 6 t) – South America (m units)



SHW benefits from dynamic market development and challenging CO<sub>2</sub> regulations in all regions

## Strong sales lead to “growth pains”

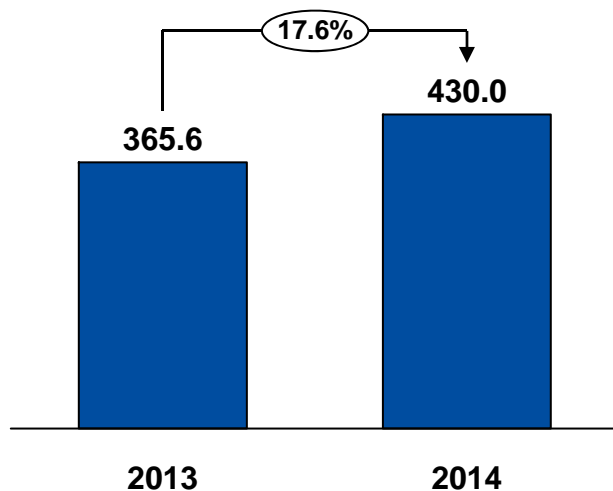


€m	2014	2013	Change in %
Group sales	430.0	365.6	+17.6%
Incoming orders	452.7	388.8	+16.4%
Adj. EBITDA	40.6	35.7	+13.8%
Depreciation (excl. PPA)	18.1	14.0	+29.1%
Adj. EBIT	22.5	21.7	+3.9%
Net income for the period	10.7	13.4	-20.3%
Adj. EPS (in €)	1.83	2.29	
DPS (in €)	1.00 <sup>1</sup>	1.00	
Working Capital Ratio (%)	7.2	8.7	
Capex <sup>2</sup>	34.8	32.8	+6.1%
Free cash flow	-5.6	0.4	
Net Debt	-14.4	-2.9	
ROCE (%)	17.7%	19.7%	
No. of employees (average)	1,173	1,059	+10.8 %

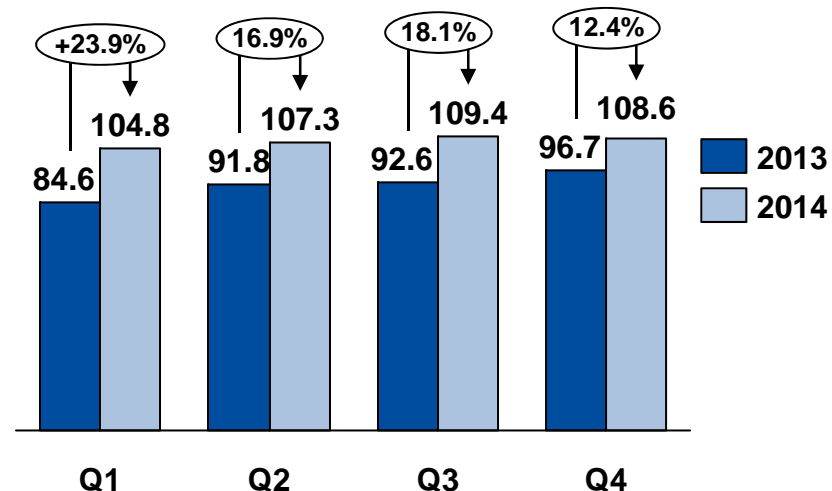
<sup>1</sup> Proposal to Shareholders Meeting on 12 May 2015

<sup>2</sup> Additions to tangible and intangible assets

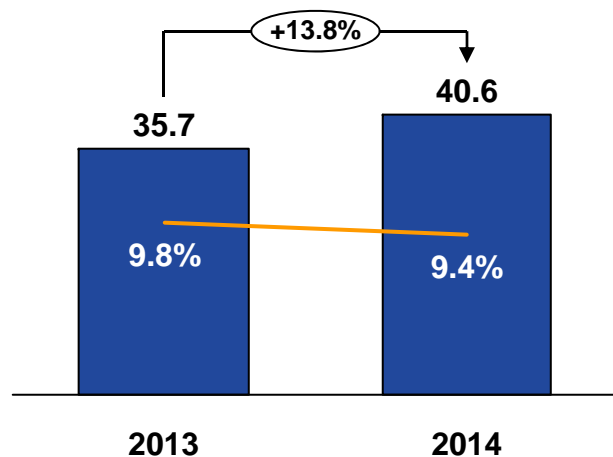
Sales (€m)



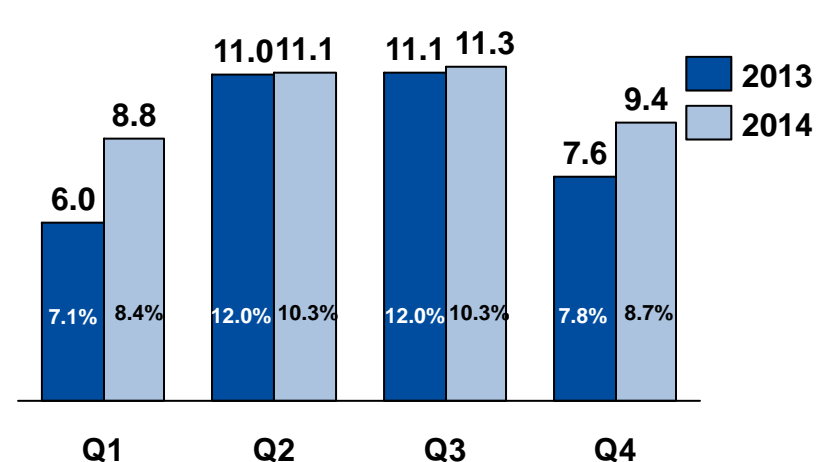
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)<sup>1</sup>



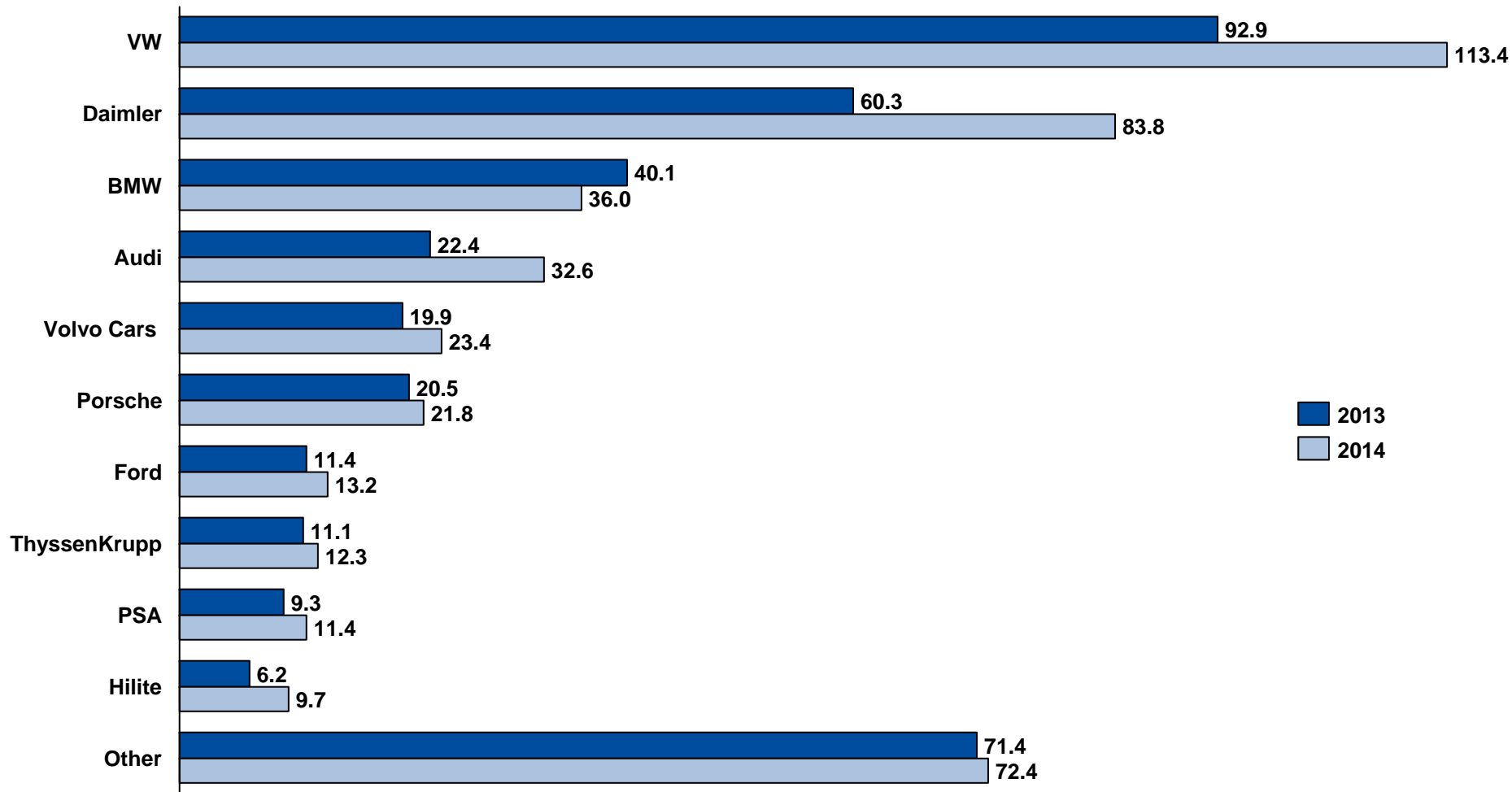
<sup>1</sup> Readjustment of Q2 / Q3 figures due to non-recurring serial start-up costs

Improved profitability and strong growth

# Increased sales with leading key accounts



Sales by customer (€m)



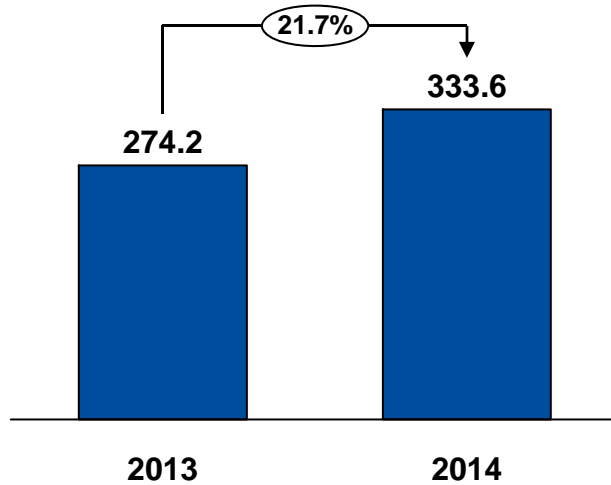
SHW well positioned with German OEMs



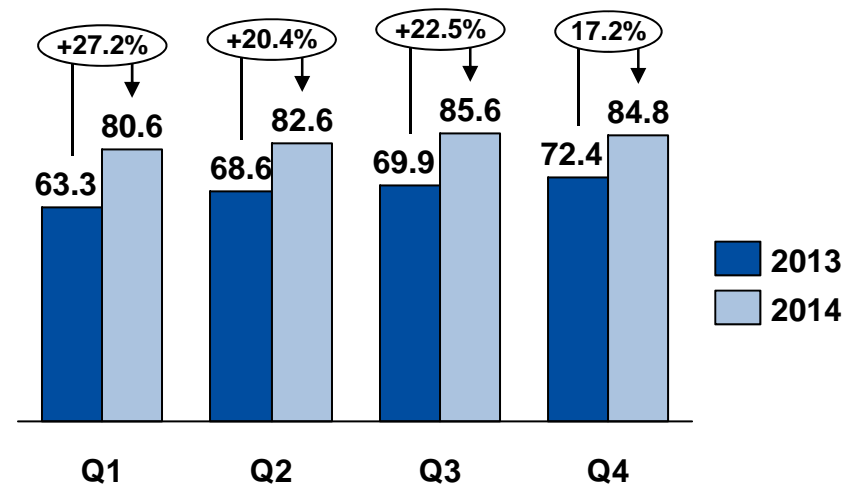
# Pumps and Engine Components



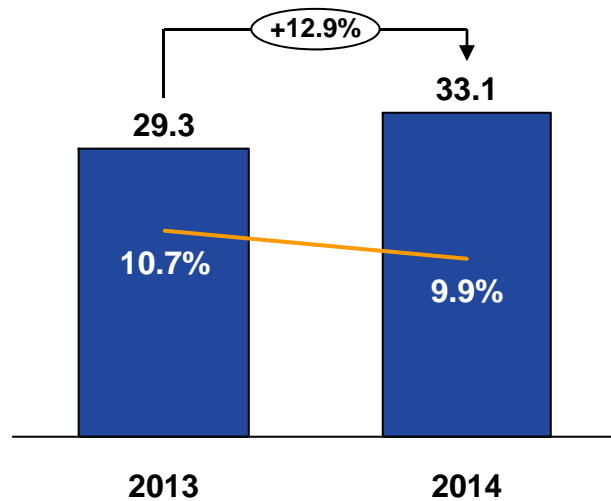
Sales (€m)



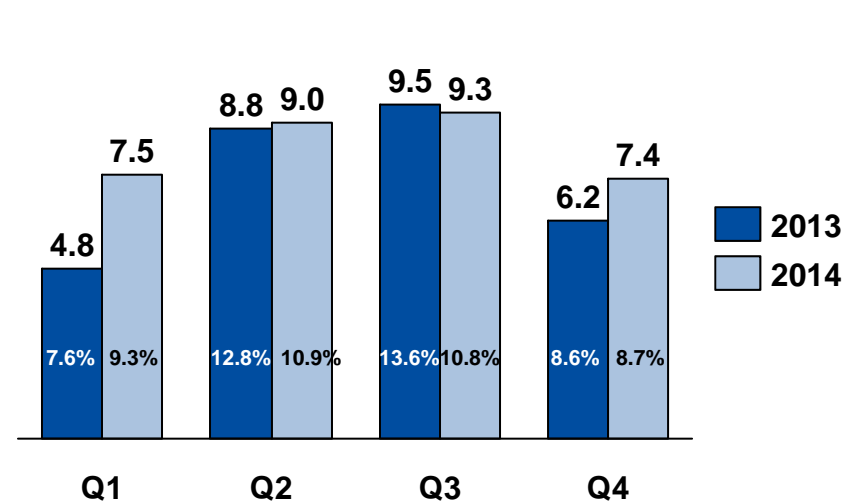
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)<sup>1</sup>



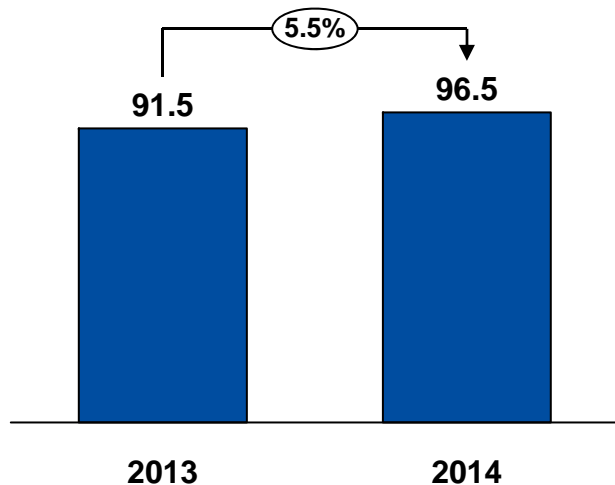
<sup>1</sup> Readjustment of Q2 / Q3 figures due to non-recurring serial start-up costs

Outstanding growth profile and improved profitability despite 'bottleneck' Powder Metallurgy

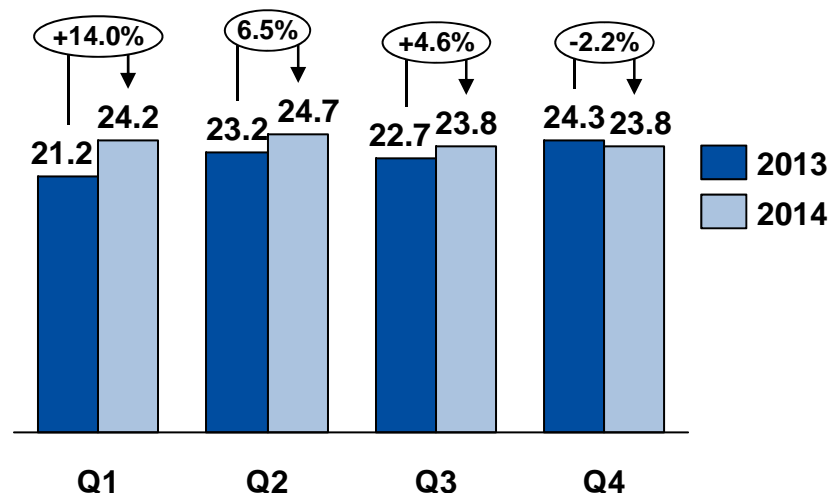
# Brake Discs



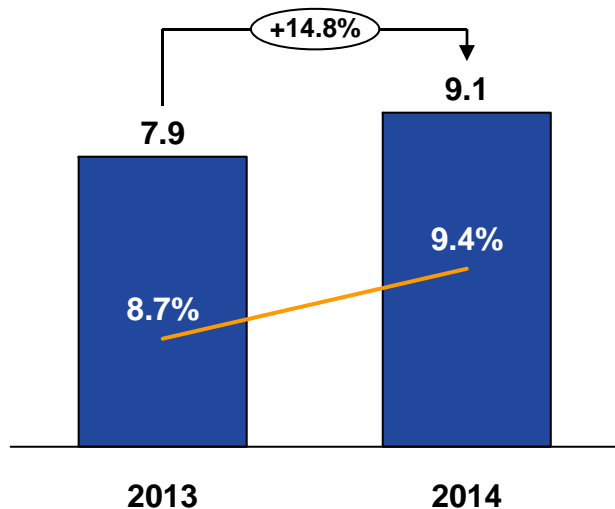
Sales (€m)



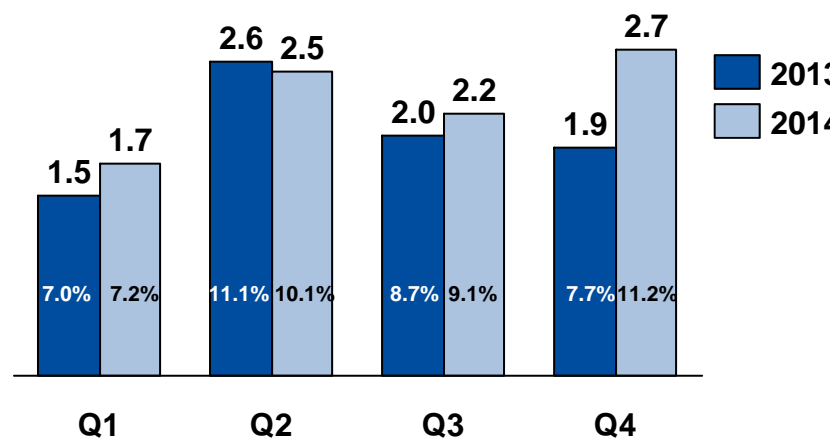
Sales by quarter (€m)



Adj. EBITDA (€m)

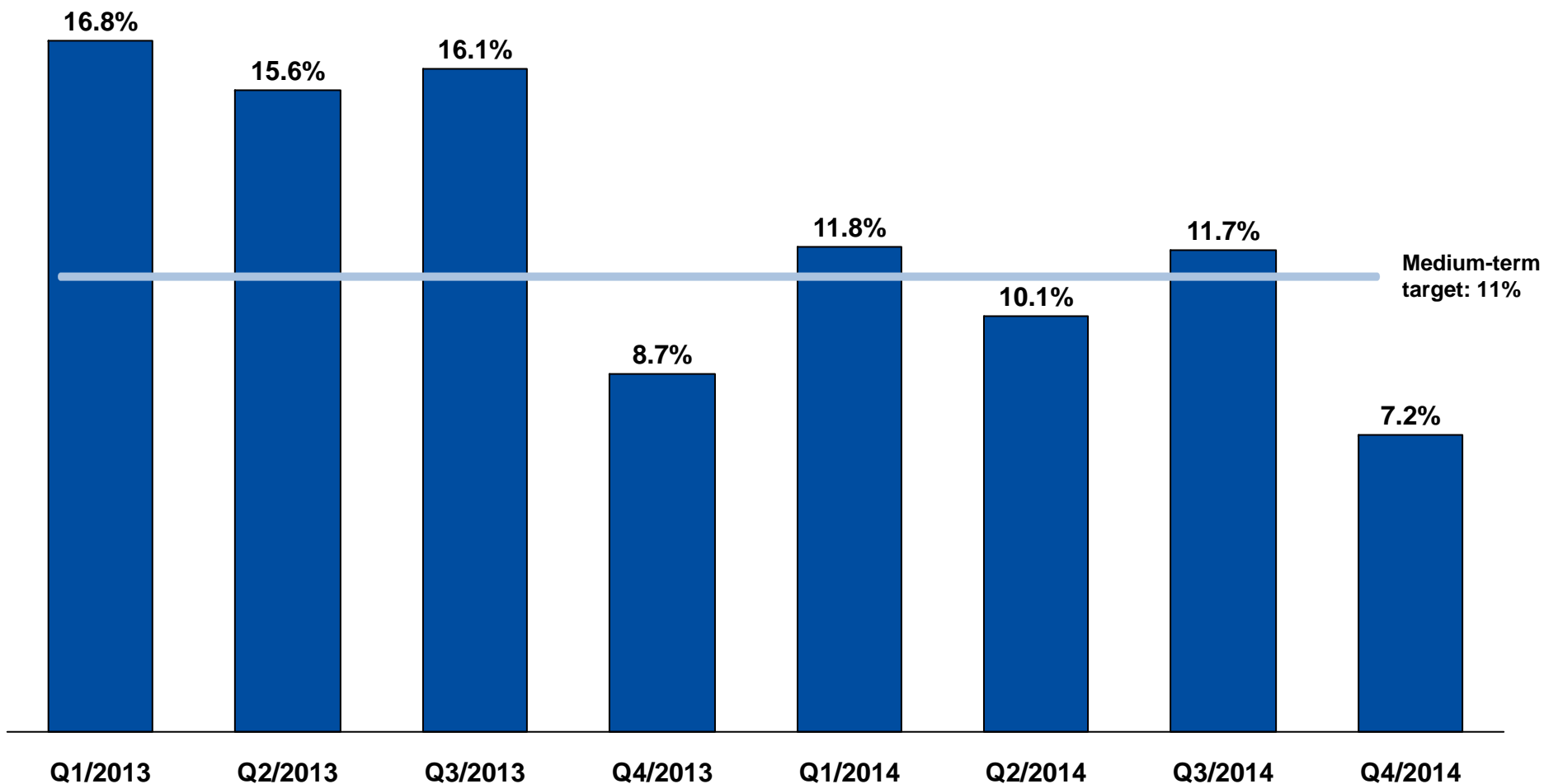


Adj. EBITDA by quarter (€m)



EBITDA-margin should exceed the 10 percent hurdle from 2015 onwards

# Net Working Capital Ratio

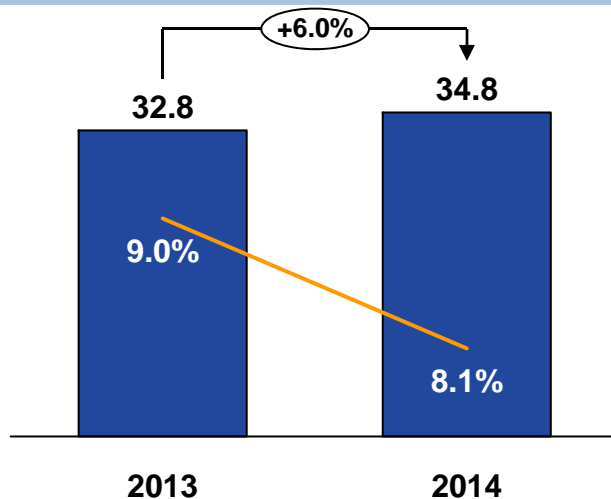


Sales increased by 17.6 percent - Working Capital Ratio reduced by 154 bp y-o-y to 7.2 percent

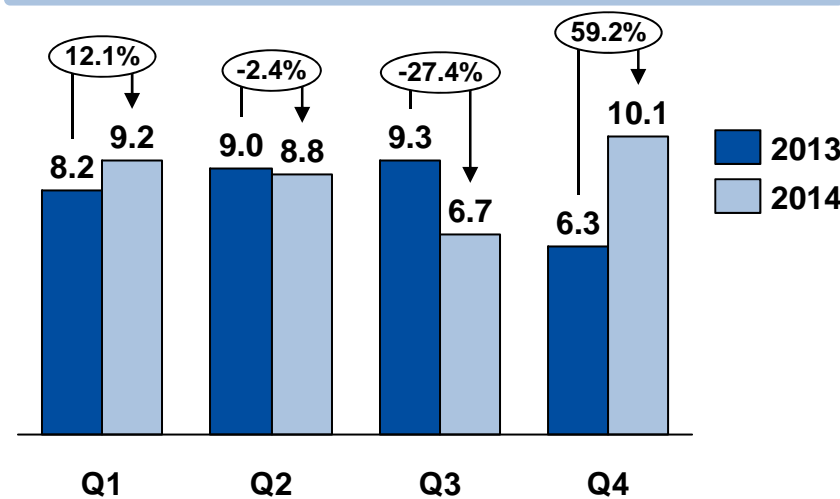
# Capex – Depreciation



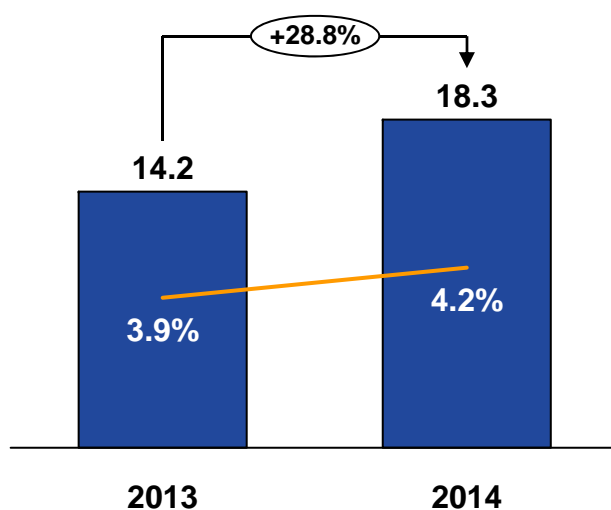
### Capex (€m)



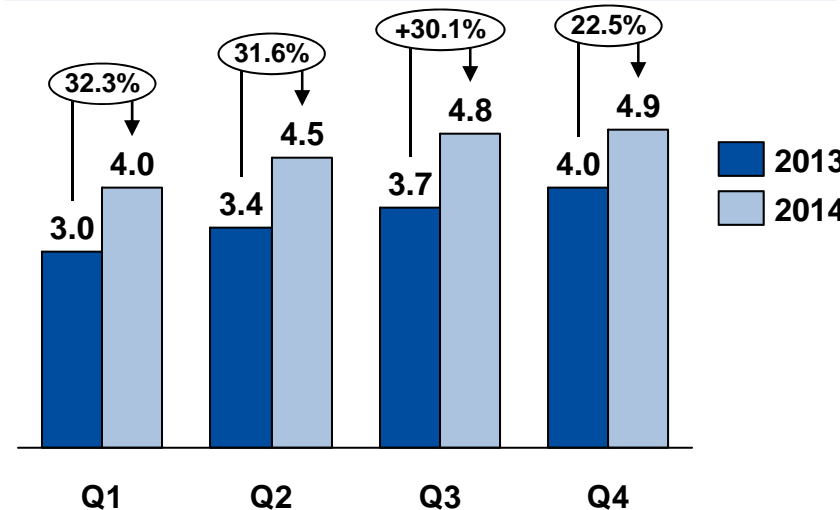
### Capex by quarter (€m)



### Depreciation (€m)



### Depreciation by quarter (€m)



Capex ratio will decrease to around 7 percent in 2015

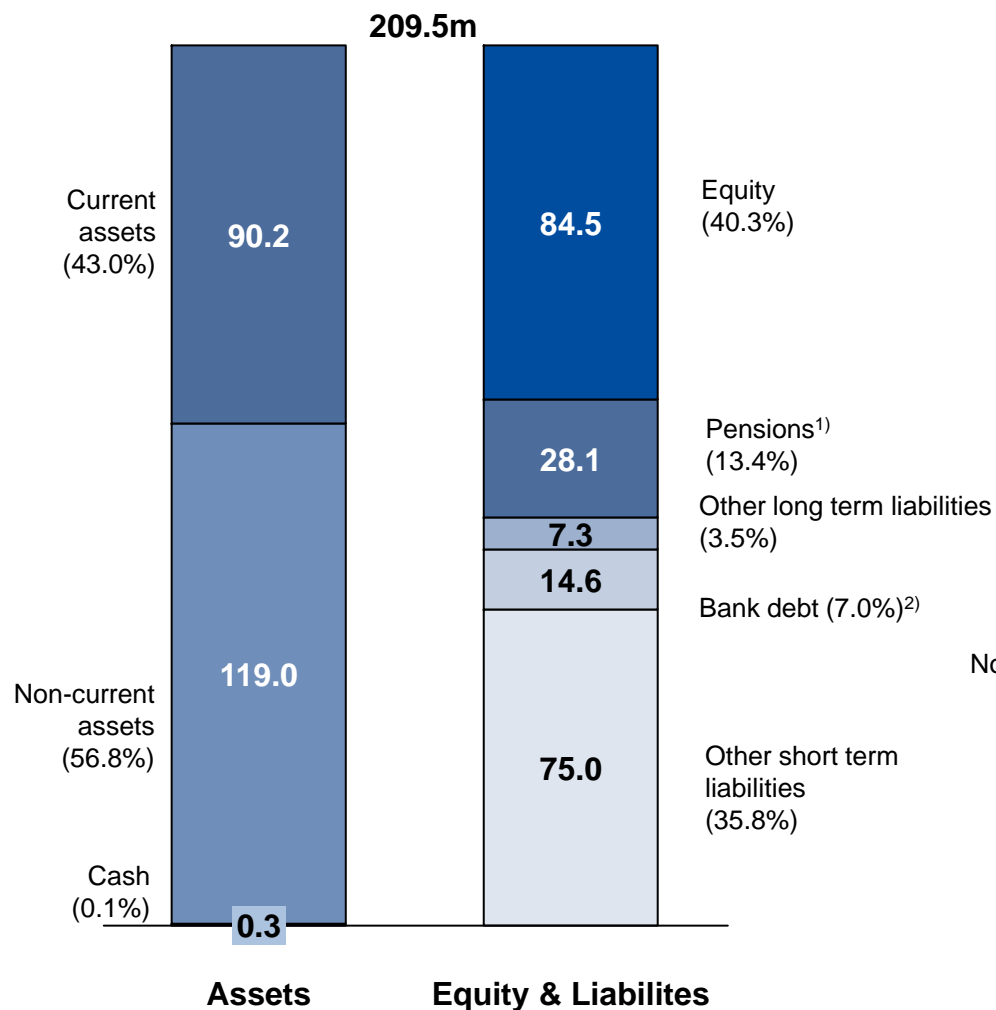
(€m)	Q4/2014	Q4/2013	12M/2014	12M/2013
Cash flow from operating activities	18.3	22.6	29.9	30.4
Cash flow from investing activities	-7.8	-6.4	-35.5	30.0
<b>Free cash flow</b>	<b>10.5</b>	<b>16.2</b>	<b>-5.6</b>	<b>0.4</b>
Other (esp. dividends)	0.0	-0.1	-5.8	-22.9
<b>Change in net cash</b>	<b>10.5</b>	<b>16.1</b>	<b>-11.5</b>	<b>-22.5</b>

Free cash flow driven by higher capital expenditure and lower net income

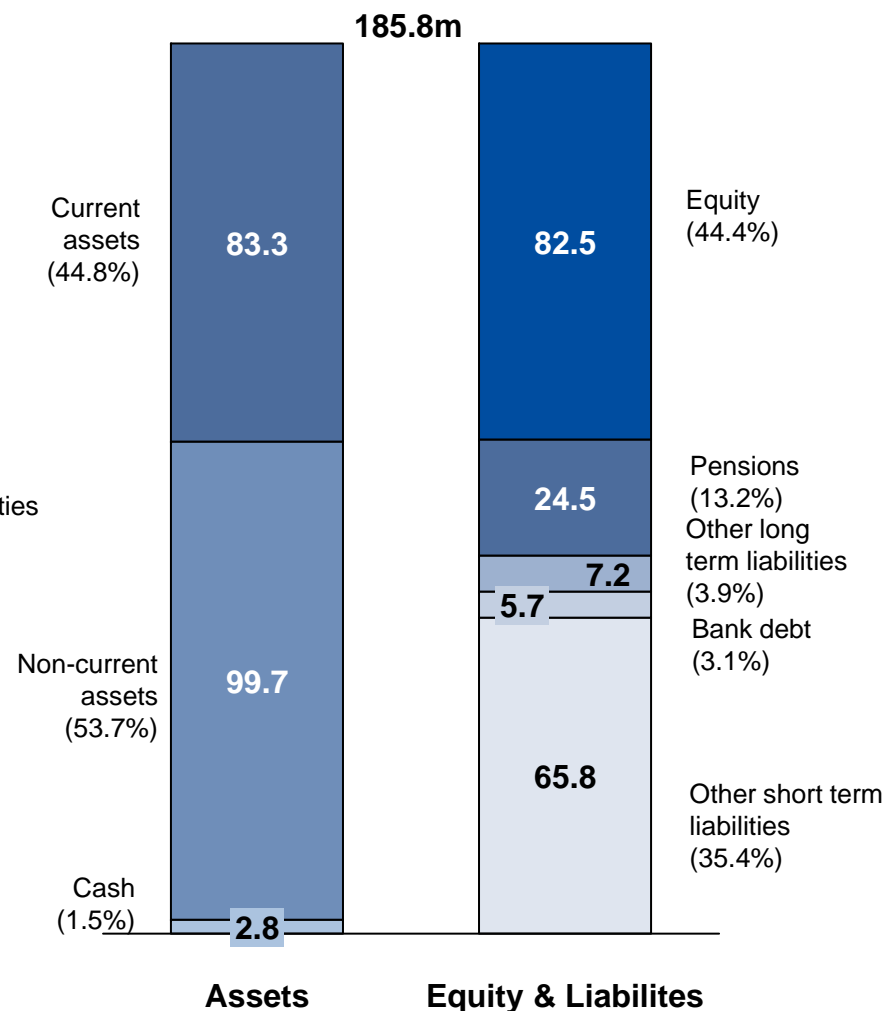
# Sound financial profile



Balance sheet as of 31 December 2014 (€m)



Balance sheet as of 31 December, 2013 (€m)



<sup>1)</sup> Increased pension provision due to interest rate decline (IAS 19)

<sup>2)</sup> Net financial debt amounts to € 14.4m in 2014

Equity ratio above industry average

## 1. Management changes

- Integration of Powder Metallurgy with lead functions in Bad Schussenried
- Chief Operations Officer installed with extended responsibility
- Change of plant management

## 2. Capacity expansion and capex installations

- Measures on track (see following slide)

## 3. Optimisation of SHW production system

- Continuous Total Productive Maintenance (TPM) installed
- Significant reduction of setup times by implementation of SMED (Single Minute Exchange of Die)



**Output and labour productivity is scheduled to increase by 30 to 40 percent by end of 2015**

**Margin improvement scheduled to start at the end of Q2/2015**

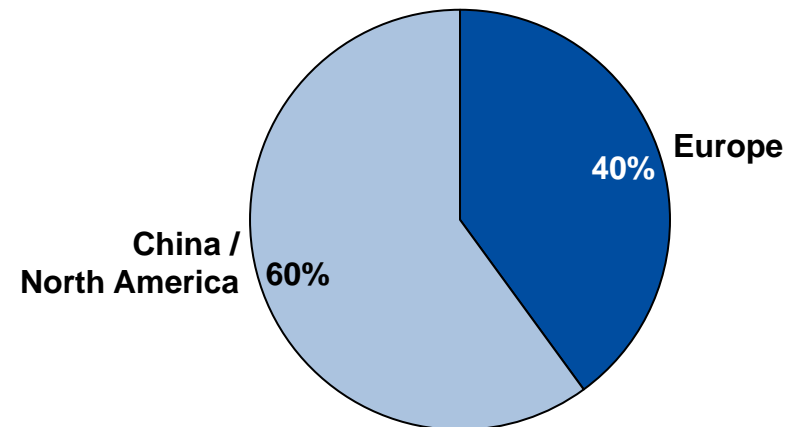
## Large investments in Powder Metallurgy (2014 – 2016)



Specification	Commissioning date	Effect	Status
Building expansion	Q4/2014	Capacity	<input checked="" type="checkbox"/>
Sizing press	Q1/2015	Capacity	<input checked="" type="checkbox"/>
Powder press	Q1/2015	Capacity	<input checked="" type="checkbox"/>
Machining cell	Q2/2015	Capacity / Ratio	
Double disc grinding machine	Q3/2015	Capacity / Ratio	
Palletizing systems	Q3/2015	Ratio	
High-speed sizing press	Q1/2016	Capacity	



- Nomination as sole supplier of variable engine oil pumps by a U.S. OEM for a global engine platform (North America, Europa and China)
- Lifetime volume: up to 5 million variable oil pumps
- Lifetime value: up to €160 million
- Start of production: North America and Europe (2018), China (2019)
- Back-up supplier for comparable programme (lifetime value: approx. € 240 million)



- Chinese OEM market for quality brake discs offers significant growth potential  
(Light vehicle production 2014 - 2019: increase by 40 percent from 21.3 million to 29.9 million units)
- Sino-Foreign Equity Joint Venture: SHW (51 percent) / Shandong Longji (49 percent)
- Business focus: Ready-to-install brake discs for passenger cars and light commercial vehicles (OEM/OES)
- Total equity: RMB 215.5 million (approx. €31.9 million\*)
  - SHW: cash contribution splitted over two years
  - Shandong Longji: foundry plus associated machinery, equipment and land use rights
- JV partner guarantees to fill the existing production capacity with fixed profit margin
- Production capacity from existing aftermarket business will be shifted to OE business as required

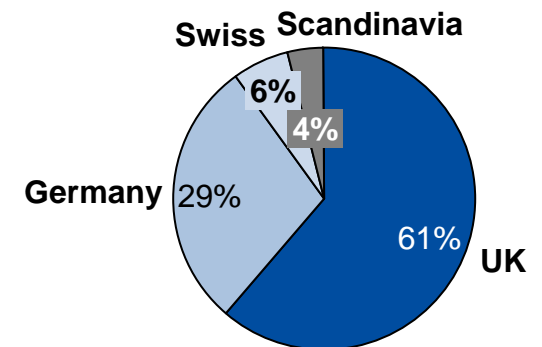


**JV profitable from day one**



\* Amount is based on the RMB/EUR exchange as of 27.01.2015

- 585,109 new ordinary bearer shares issued - new share capital of €6,436,209.00
- Capital increase with gross proceeds of €24.6 Mio
- Placement price of €42 per share
  - several times oversubscribed
  - share price discount only 2%
  - shares mainly subscribed by UK institutional investors
- Holders entitled to profit participation as of 1 January 2014
- SHW share still at 100 percent free float

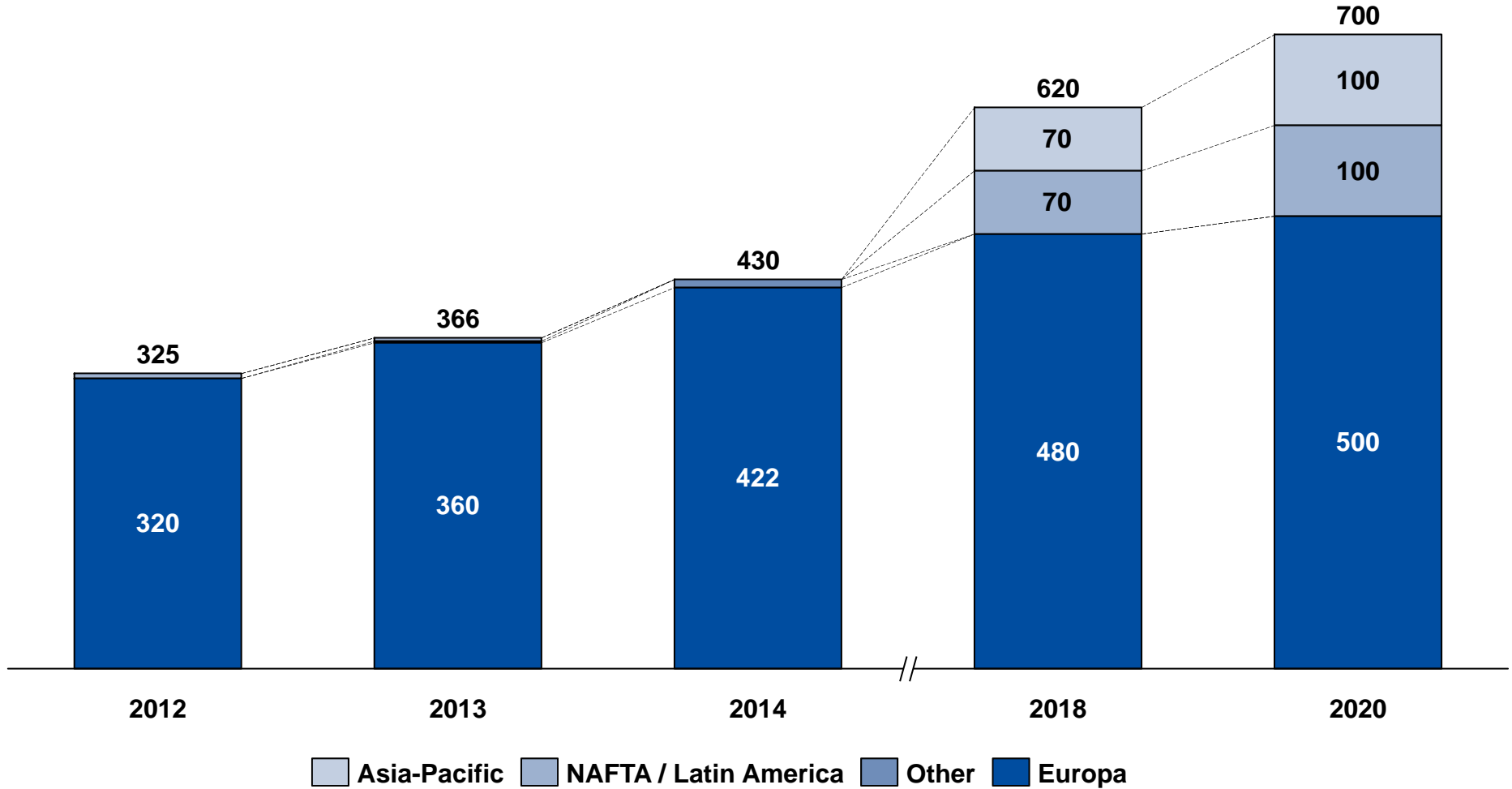


**Proceeds will be used above all for capacity expansions to accommodate a recently won series delivery contract for a global engine platform and to accelerate international growth**

# 'SHW 2020' pursues vigorous growth on a global scale



Sales by region (€m)



CAGR 2014 – 2020: around 8.5 percent

Strong focus on diligent execution of fully identified efficiency measures in all plants, especially Powder Metallurgy

### Pumps & Engine Components:

- Further market penetration with new technical solutions for transmission oil pumps (e.g. two stroke vane pump)
- Start of operation in China in the course of H2/2015
- Evaluation of Best Cost Country (BCC) locations in Eastern Europe for capacity expansion
- Actively monitoring and evaluating potential M&A opportunities

### Brake Discs:

- Further automation of aluminium casting assembly process and capacity expansion for composite brake discs
- Evaluation of further cooperation potentials in the NAFTA region

- Increasing composite brake discs sales by two thirds
- Additional sales volume of pumps and engine components
- Turnaround of Powder Metallurgy
- Reinforcement of the structural organisation in 2014 will yield first positive results in 2015



**Economies of scale and productivity improvements**

Guidance	2015	2014
<b>Sales</b>	approx. € 460 million	€ 430 million
<b>Adjusted EBITDA</b>	€ 46 to € 50 million	€ 40.6 million
<b>Capex</b>	€ 30 to € 33 million	€ 35.4 million
<b>Working Capital Ratio</b>	sustainable 11 % of sales	7.2 % of sales



Positive market environment for CO<sub>2</sub> reducing components



Track record of innovative products and internal R&D as core competency



Positive development of sales and Working Capital Ratio in 2014



Ongoing efficiency improvement measures - development of Powder Metallurgy is on track with positive impact on margin expected in H2 2015



Financial and operative flexibility ensured thanks to capital increase and access to further debt and equity instruments



Presence established in strategically relevant overseas markets



Dates	Events
30 April	Interim Report: January – March 2015 <i>Conference Call</i>
12 May	Annual General Meeting 2015 – Heidenheim
29 July	Interim Report: January – June 2015 <i>Conference Call</i>
28 October	Interim Report: January – September 2015 <i>Conference Call</i>





**Michael Schickling**

Head of Investor Relations & Corporate Communications

Telephone: +49 (0) 7361 502-462

E-Mail: [michael.schickling@shw.de](mailto:michael.schickling@shw.de)



**Anja K. Siehler**

Senior Manager Investor Relations & Corporate Communications

Telephone: +49 (0) 7361 502-469

E-Mail: [anja.siehler@shw.de](mailto:anja.siehler@shw.de)

## Disclaimer

### **No offer or investment recommendation**

This document, which has been issued by SHW AG (the “Company” or “SHW”), does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any shares in the Company, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto.

The contents of this presentation are may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the Company nor any other party is under any duty to update or inform you of any changes to such information. In particular, it should be noted that financial information relating to the Company contained in this document has not been audited and in some cases is based on management information and estimates.

This material is given in conjunction with an oral presentation and should not be taken out of context.

Certain market data and financial and other figures (including percentages) in this document were rounded in accordance with commercial principles. Figures rounded may not in all cases add up to the stated totals or the statements made in the underlying sources. For the calculation of percentages used in the text, the actual figures, rather than the commercially rounded figures, were used. Accordingly, in some cases, the percentages provided in the text may deviate from percentages based on rounded figures.

### **Future Oriented Statements**

Certain statements in this presentation are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial consequences of the plans and events described herein.

### **No obligation to update the information**

The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable laws and regulations. You should not place undue reliance on forward-looking statements, which speak as only of the date of this presentation. Statements contained in this presentation regarding past trends or events should not be taken as a representation that such trends or events will continue in the future.