

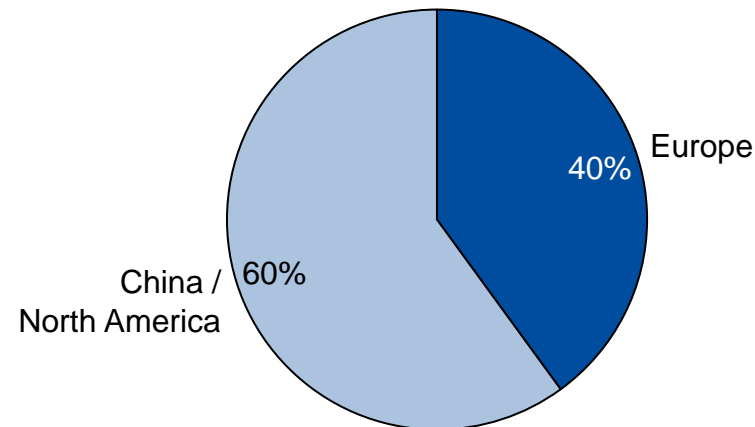


## Preliminary Full Year Results 2014

17 February 2015

- Awarded with a global bulk order for a leading U.S. OEM:  
growth secured beyond 2020 and re-entry into the North American market
- First internationalisation milestone of brake discs:  
Joint Venture agreement with Shandong Longji for the Asian market signed
- Implementation of 3 year investment and improvement programme in Powder Metallurgy on track; margin improvement in H2/2015 expected
- Brazilian subsidiary started operations successfully; profitable from scratch
- 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 154bp y-o-y)
- Management and Supervisory Board intend to propose a dividend of € 1.00 per share
- Good start into 2015: January group sales up by approx. 13 percent y-o-y to € 36.2m

- Nomination as sole pump supplier for global engine platform for a leading U.S. OEM in China, North-America and Europe
- 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

### 1. Management changes

- Integration of Powder Metallurgy with lead functions in Bad Schussenried
- Chief Operation 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 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	
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	

## Strong sales lead to “growth pains”

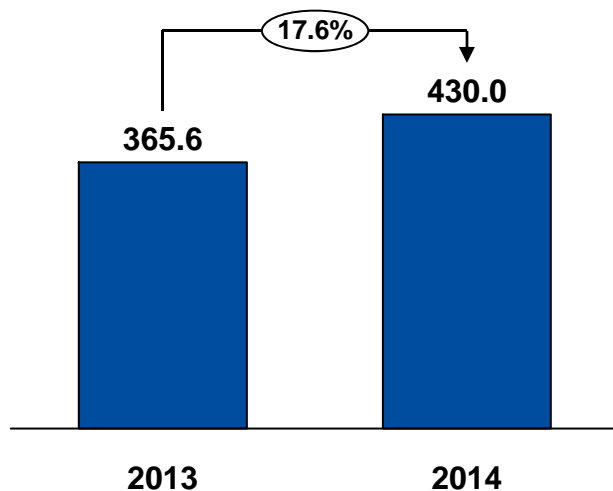


€m	2014	2013	Change in %
Group sales	430.0	365.6	+17.6%
Incoming orders	452.7	388.8	+16.4%
Adj. EBITDA	40.6	35.7	+13.8%
Depreciation (excl. PPA)	18.1	14.0	+29.1%
Adj. EBIT	22.5	21.7	+3.9%
Adj. Net income for the period*	15.0	14.1	+5.8%
Adj. EPS** (in €)	2.56	2.44	+5.8%
Working Capital Ratio (%)	7.2	8.7	
Capex	34.8	32.8	+6.0%
Free cash flow	-5.6	0.4	
Net Debt	-14.4	-2.9	
ROCE (%)	17.7%	19.7%	
No. of employees (average)	1,167	1,058	+10.2 %

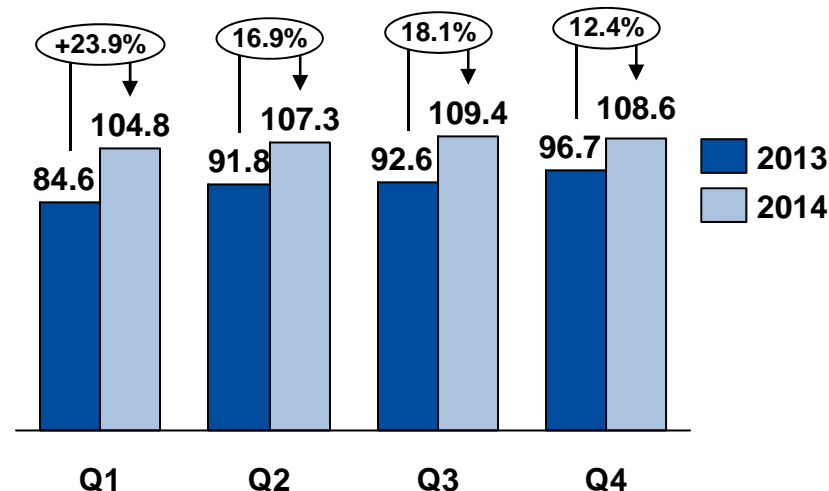
\* Reported Net income for the period: €10.7m / €13.4m

\*\* Reported EPS: 1.83 / 2.29

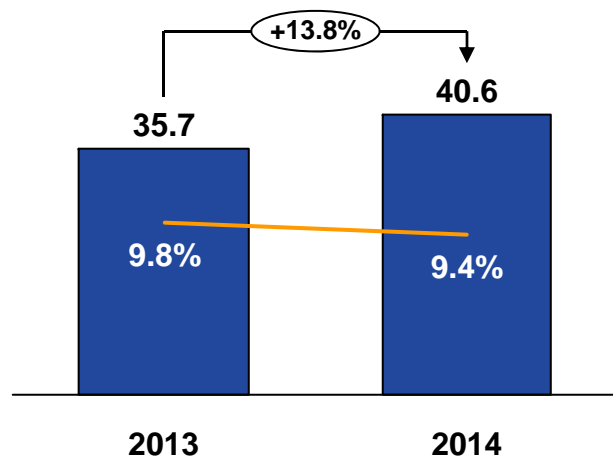
Sales (€m)



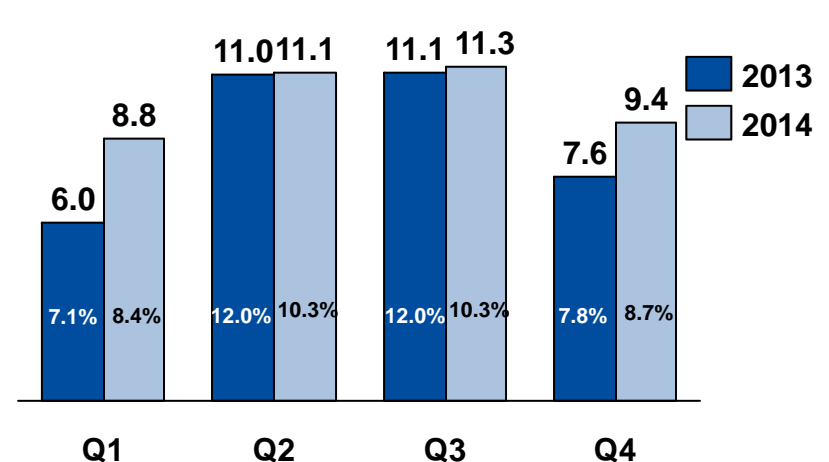
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)\*



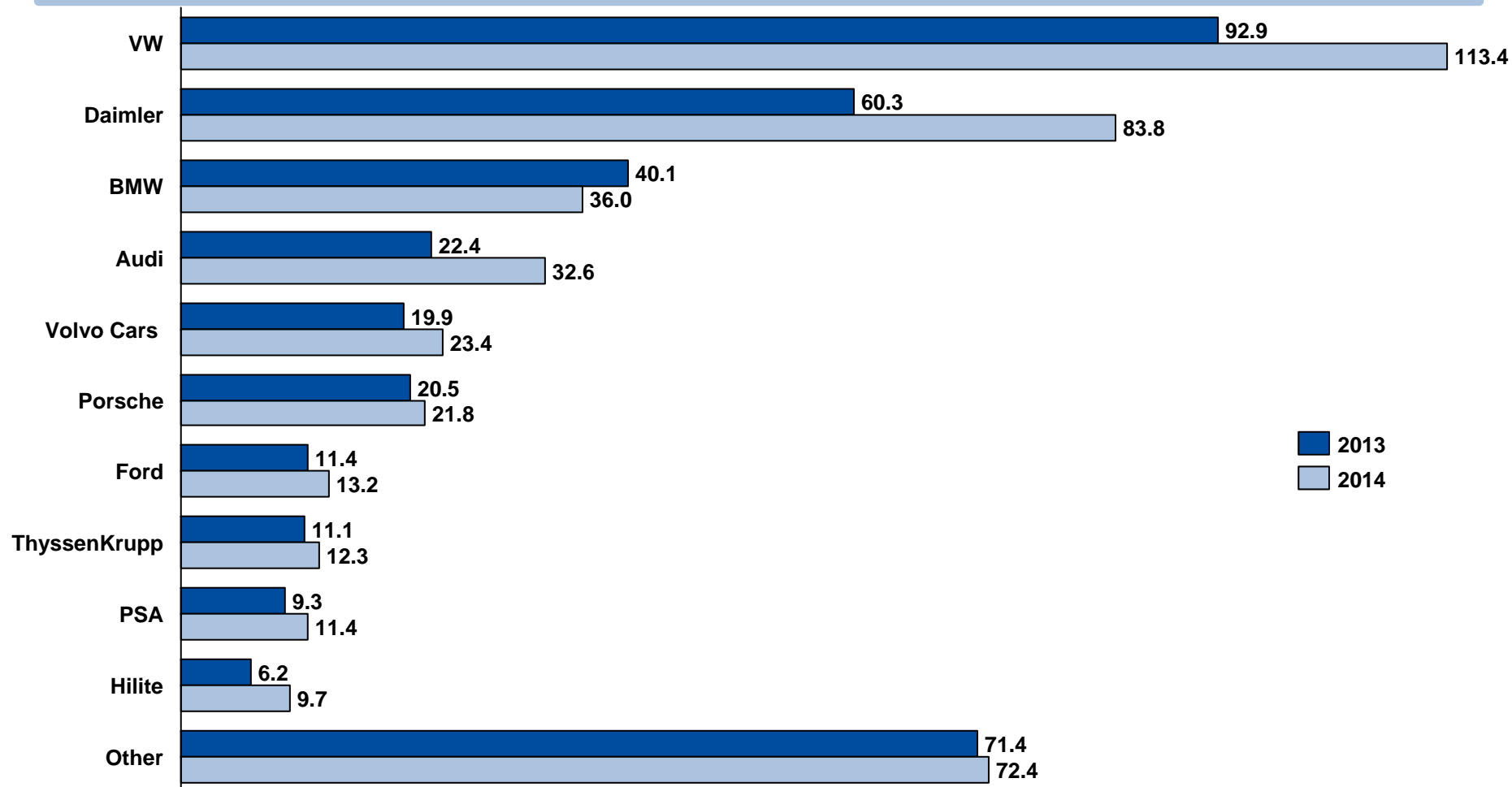
\* Readjustment of Q2 / Q3 figures due to non-recurring serial start-up costs



# Increased sales with leading key accounts



Sales by customer (€m)

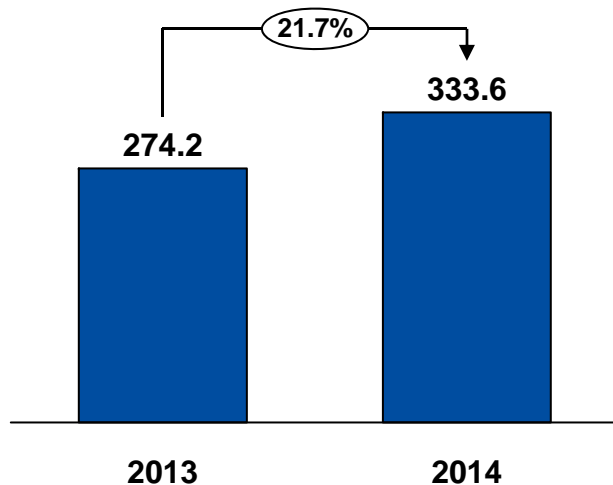


SHW well positioned with German OEMs

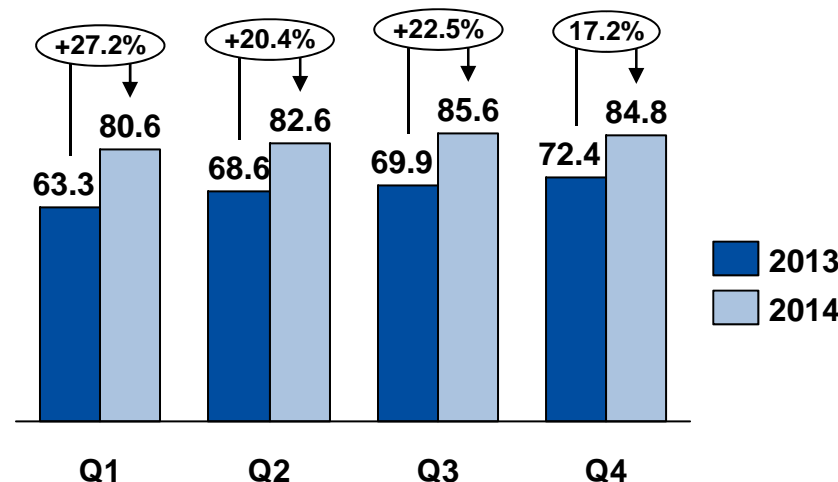
# Pumps and Engine Components



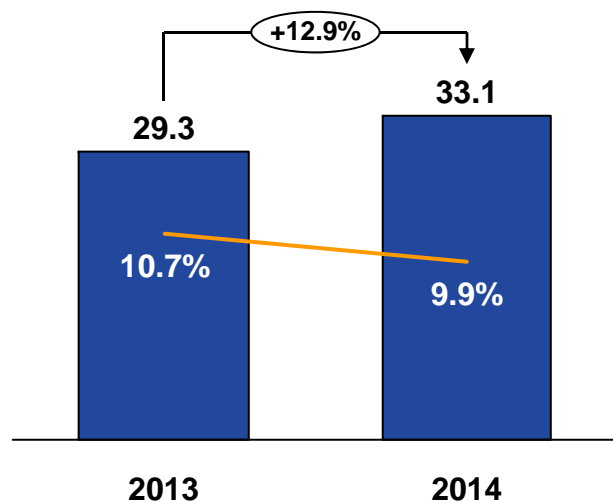
Sales (€m)



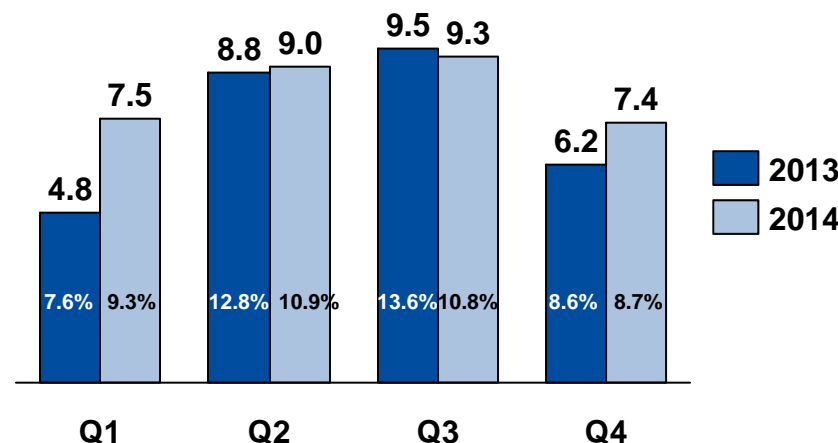
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)\*



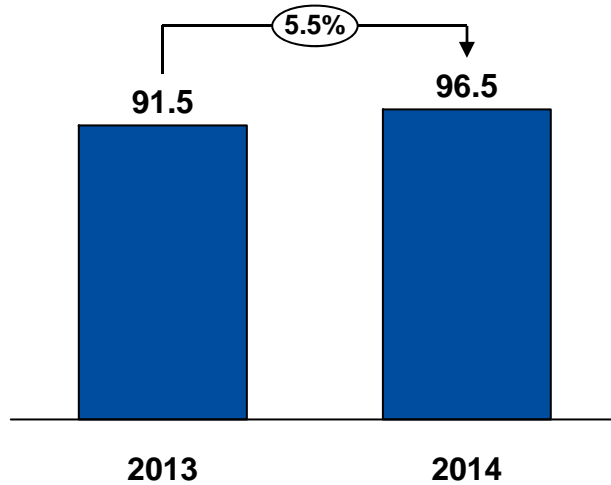
\* Readjustment of Q2 / Q3 figures due to non-recurring serial start-up costs

**Outstanding growth profile and improving profitability despite capex programme for Powder Metallurgy**

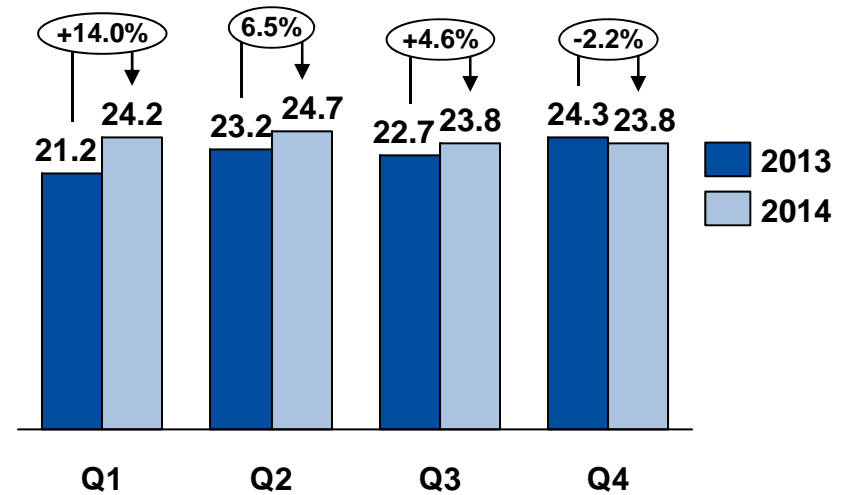
# Brake Discs



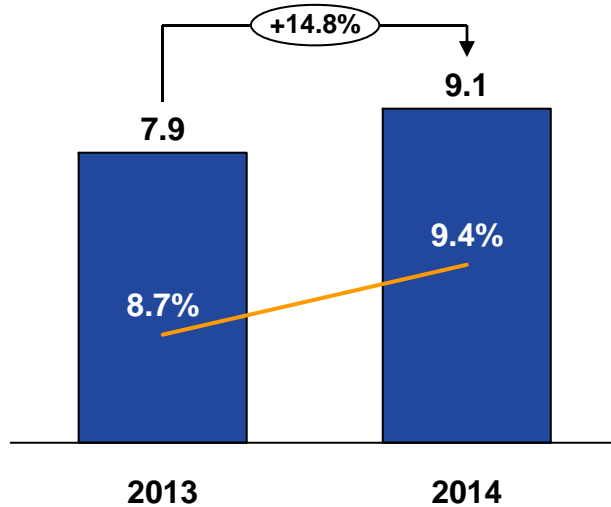
Sales (€m)



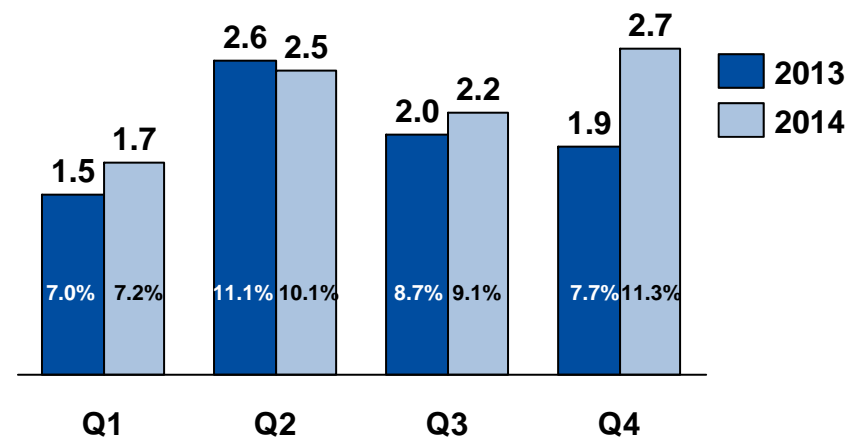
Sales by quarter (€m)



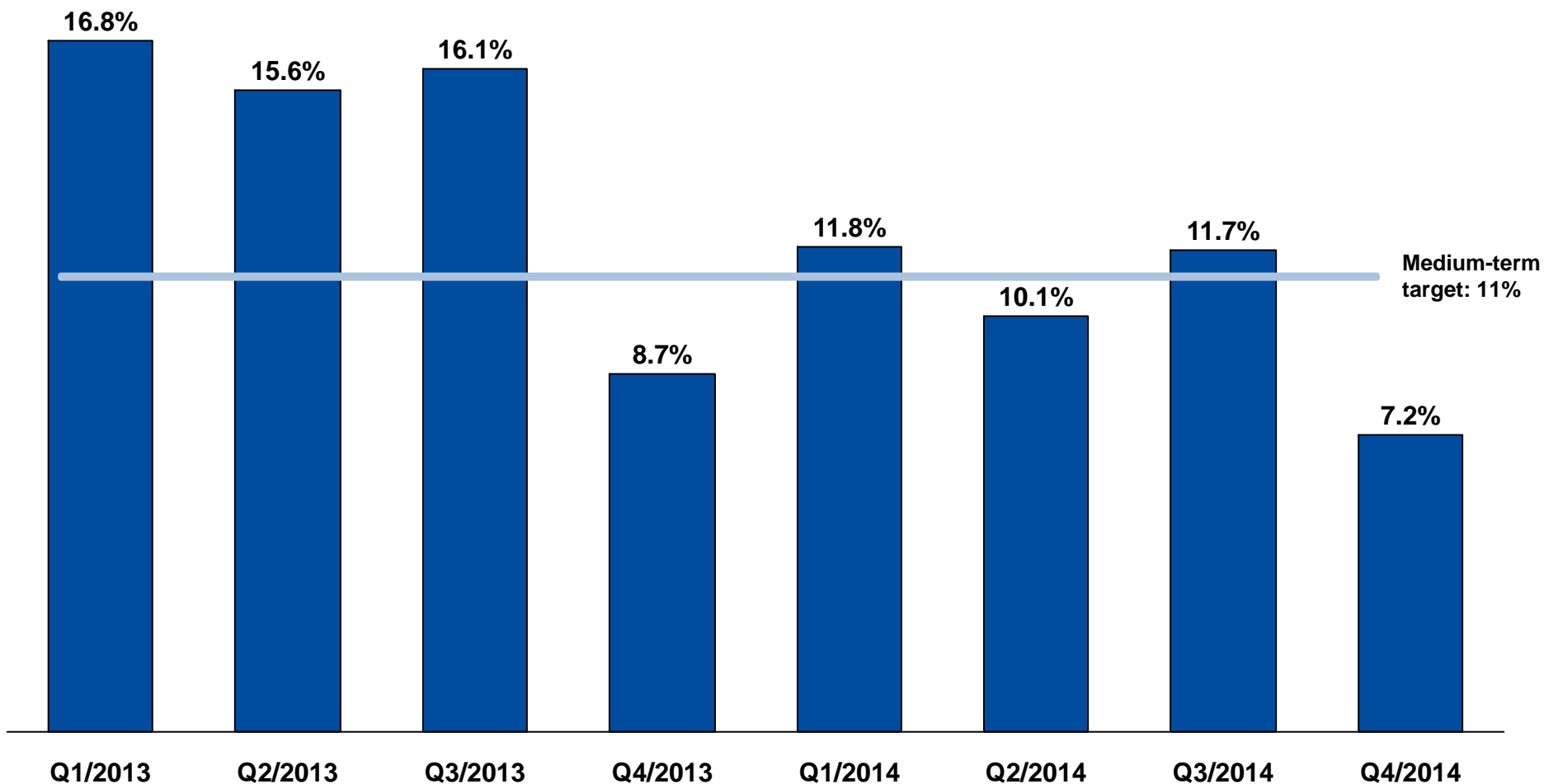
Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)



EBITDA-margin > 10 percent from 2015 onwards

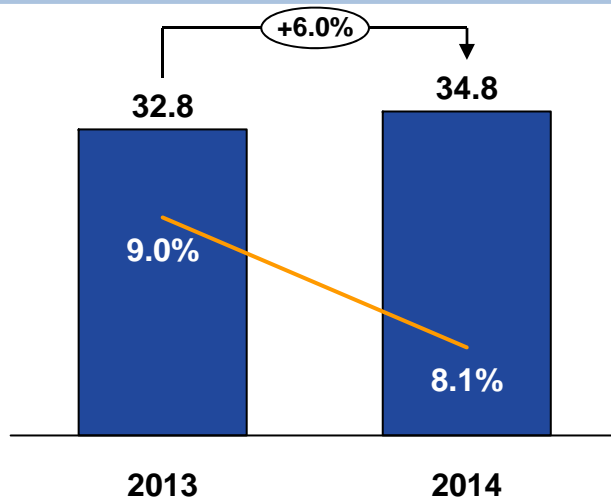


Sales increased by 17.6 percent in 2014;  
Working Capital Ratio reduced by 17.2 percent y-o-y to 7.2 percent

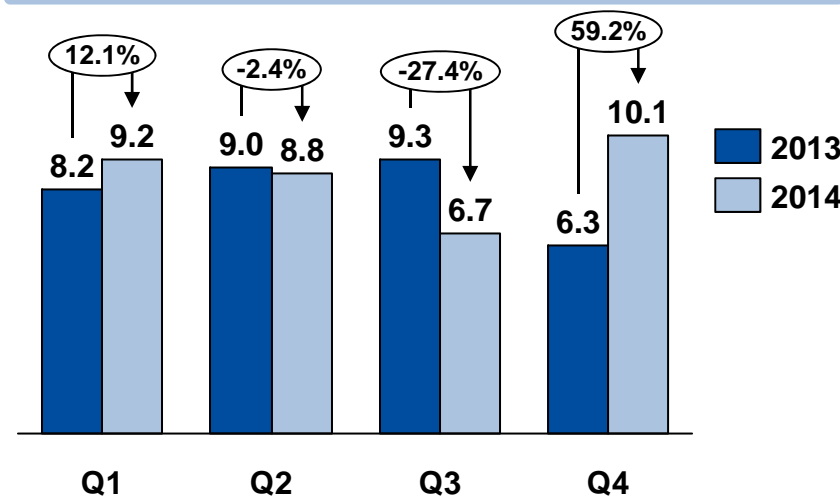
# Capex – Depreciation



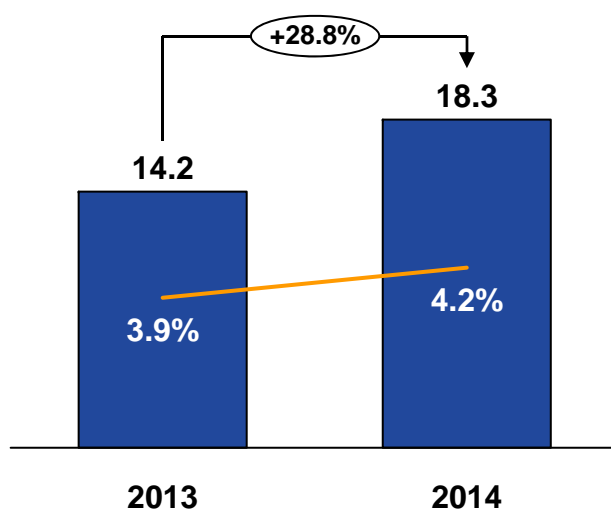
### Capex (€m)



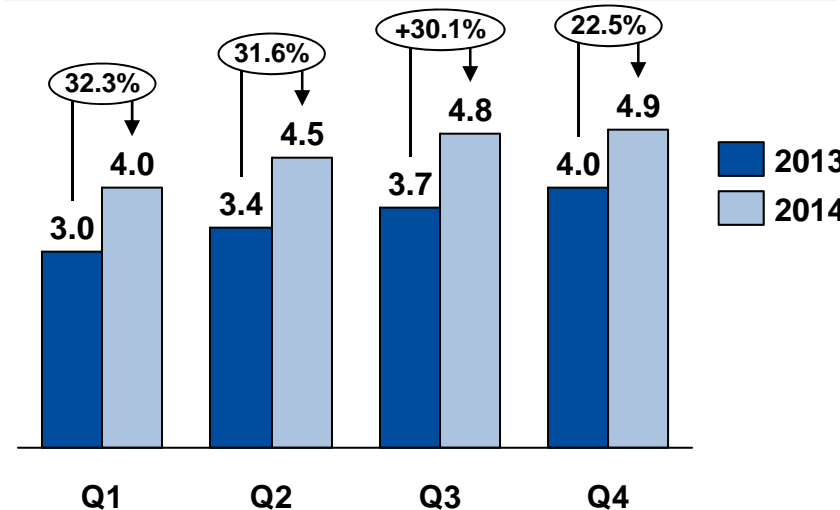
### Capex by quarter (€m)



### 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>

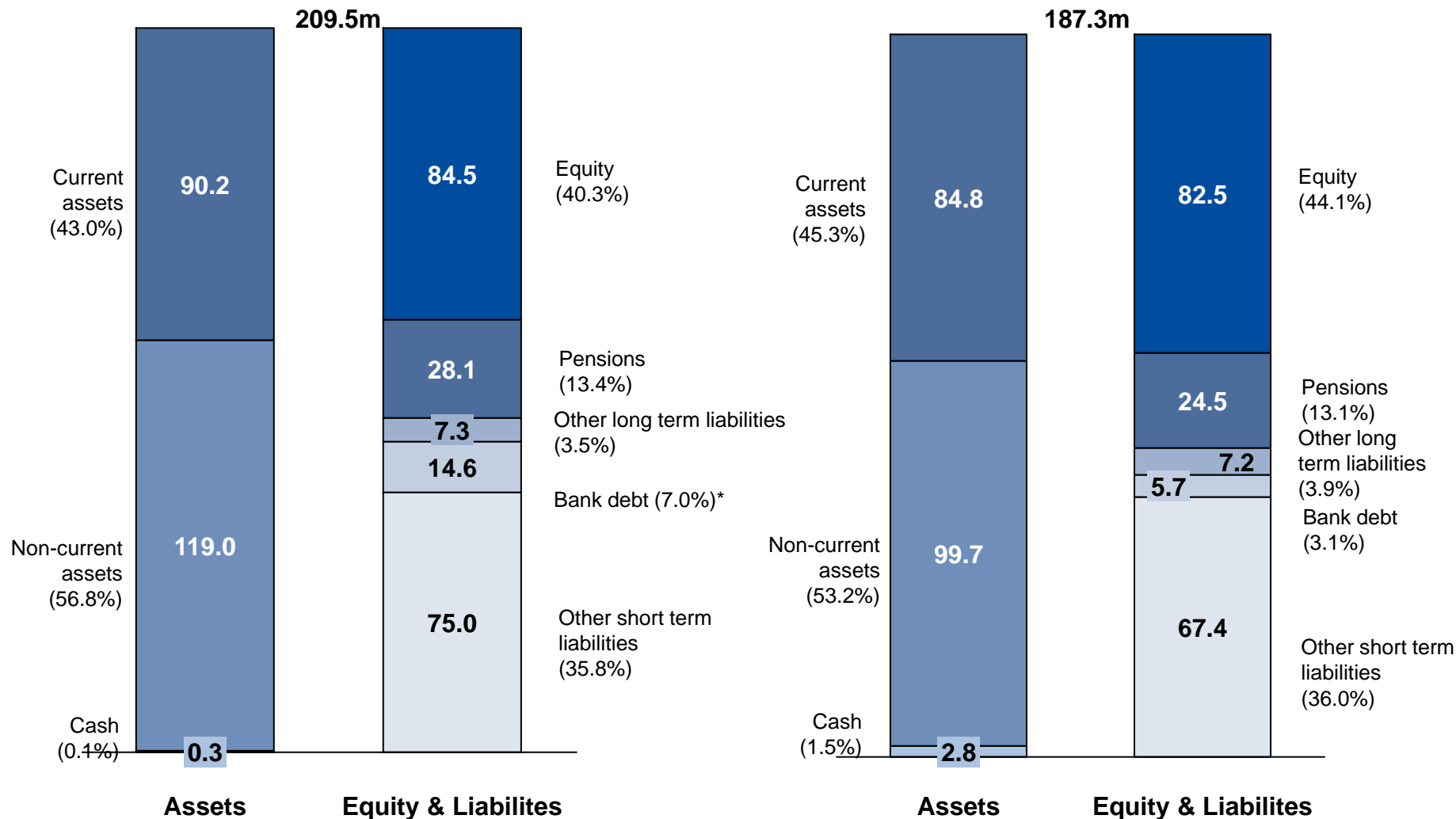
Improvement of operating cash flow due to positive development in working capital

# Sound financial profile



Balance sheet as of 31 December 2014 (€m)

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



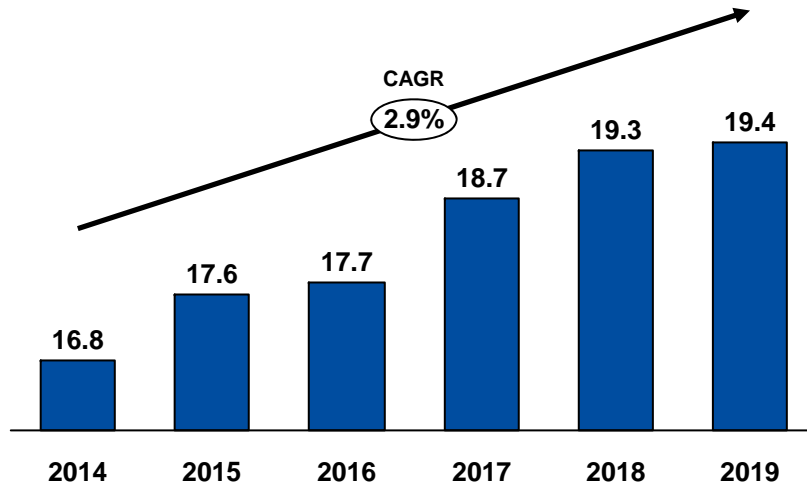
\* Net financial debt amounts to € 14.4m in 2014

Equity ratio above industry average

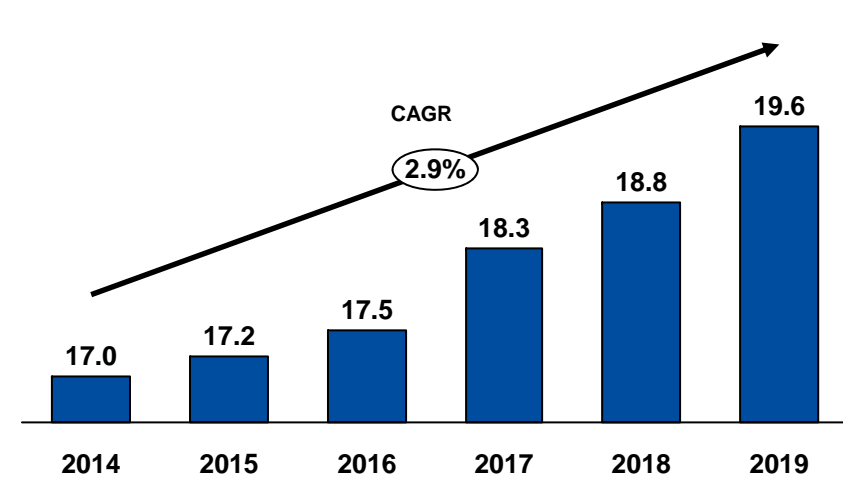
# Positive market environment in all major automotive markets



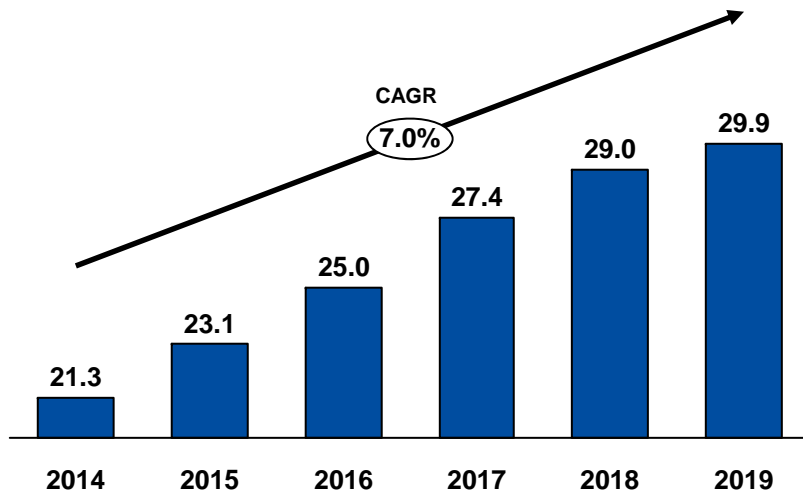
Light vehicle production (< 6 t) – Europe (m units)



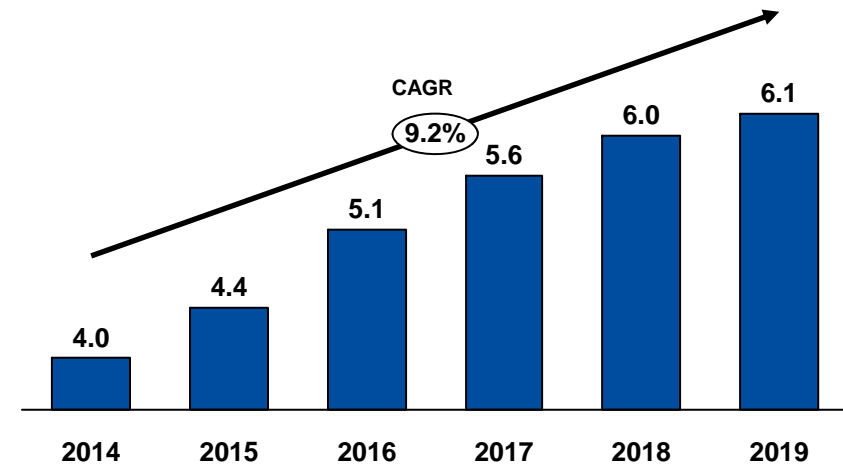
Light vehicle production (< 6 t) – North America (m units)



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



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



SHW benefits from challenging CO<sub>2</sub> regulations in all regions



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

## Profit enhancements to be achieved by



- Doubling of composite brake discs sales
- Additional sales volume of pumps and engine components
- Turnaround of Powder Metallurgy
- Reinforcement of the structural organization 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

\* Preliminary figures 2014



**New supplier contract with a leading U.S. OEM for its global engine platform further secures long-term future growth of SHW's pumps business and re-entry into the North American market**



**Development of Powder Metallurgy business is on track with positive impact on margin expected in H2 2015**



**Successful completion of Joint Venture negotiations with Shandong Longji**



**Significant improvement in Working Capital**



**CO<sub>2</sub> reduction continues to be a key topic in the sector**



**Continuous improvements of profitability**





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