



PRESS RELEASE

SHW AG: Sales increase in the first quarter – sales and earnings guidance for the full year reconfirmed

- Sales in the first quarter 2014 increased to € 104.8 million
- EBITDA improved to € 8.8 million
- First Chinese contract signed

Aalen, 30 April 2014. SHW AG, one of the leading suppliers of CO₂-relevant pumps and engine components as well as brake discs, today published the key figures for the first three months of 2014.

Due to successful new product launches and high customer orders, SHW AG was able to clearly outperform the market again in the first quarter of 2014 – new car registrations in the European Union in Q1/2014: +8.4 percent on previous year – and increased its Group sales by 23.9 percent to € 104.8 million (previous year: € 84.6 million). At the same time, order intake for the period from January to March 2014 increased by 13.9 percent on the prior year period to € 112.2 million (previous year: € 98.5 million).

In the first quarter of 2014, high customer orders led to logistical and operational pressure on the existing technical capacity in the Powder Metallurgy division at the Aalen-Wasseralfingen site. This also had a negative impact on the performance of pump production at the Bad Schussenried site, which is the main customer of the Powder Metallurgy division. It also generated additional costs in the form of extra shifts, additional external processing, higher maintenance costs, and special transportation. The start of a new production line in the Brake Discs business segment in the first quarter 2014 also had a negative impact on the quarterly results. As planned, internationalisation activities had a € 0.2 million cost impact on Group earnings in the first quarter of 2014.

While last year's introduction of SAP had a considerable adverse effect on the Group's result of € 6.0 million, Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) improved to only € 8.8 million in the period from January to March 2014. This is equivalent to an EBITDA margin of 8.4 percent (previous year: 7.1 percent).

“The constant increase of customer orders was a real challenge for our organisation, which ate into our profits,” said CEO Dr. Thomas Buchholz, who is in charge of the Pumps and Engine Components business segment. “I am confident, however, that the investments initiated to expand our capacity and the measures aimed at optimising our business processes will allow us to respond more flexible to such fluctuations in demand, while at the same time leveraging our earnings potential more effectively.”



Optimisation of business processes underway

The implementation of the measures defined in the fiscal year 2013 with a view to optimising the business processes is being pushed ahead all locations. The initial successes are reflected in the reduction in working capital.

in K EUR	Q1 2014	Q1 2013	Change abs.	Change in %
Inventories	37,825	44,442	-6,617	-14,9%
Trade receivables	57,725	48,760	8,965	18,4%
Trade payables	-49,970	-40,139	-9,831	24,5%
Working Capital	45,580	53,063	-7,483	-14,1%
as % of sales	11,8%	16,4%		

Although sales increased by 23.9 percent or € 20.2 million, working capital was reduced by €7.5 million or 14.1 percent compared to the previous year to € 45.6 million. “A working capital ratio of 11.8 percent in the first quarter of 2014 means that we have come a great deal closer to our target of 11 percent,” said Sascha Rosengart, Chief Financial Officer of SHW AG.

A milestone in the first quarter was the comprehensive revision of the product creation process and the transfer to a phase-driven process chain including control and decision releases. The go-live of the logistic project with a continuous scanner solution at the Bad Schussenried plant was also successful. In the current fiscal year, the focus will be on the optimisation of the production processes and workflows (shop floor management).

Pumps and Engine Components business segment: quarterly sales at record level

At € 80.6 million (previous year: € 63.3 million), the Pumps and Engine Components segment generated the highest quarterly sales in the history of the company. Against the background of high customer orders, the product ramp up of a variable oil/vacuum pump (tandem pump) for a 3-cylinder engine and the capacity expansion for a start/stop pump, the Passenger Car division reported a 31.8 percent increase in sales to € 65.3 million (previous year: € 49.5 million). The Truck & Off-Highway division benefited from growing demand from manufacturers of agricultural and construction machinery and generated sales of € 7.8 million (previous year: € 7.4 million). The Powder Metallurgy division boosted its sales by 11.9 percent to € 7.5 million thanks to increased customer orders and the product ramp up of components for a variable oil/vacuum pump and camshaft phasers.

High customer orders in the first quarter of 2014 led to logistical and operational pressure on the existing technical capacity in the Powder Metallurgy division at the Aalen-Wasseralfingen site. This also adversely affected the performance of pump production at the Bad Schussenried site, the main customer of the Powder Metallurgy division.



The business segment's earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) improved from € 4.8 million in the first quarter of 2013, which was considerably adversely affected by the introduction of SAP, to € 7.5 million in the first quarter of 2014. The EBITDA margin climbed from 7.6 percent to 9.3 percent.

Brake Discs business segment: EBITDA margin moderately improved in spite of adverse impacts affecting the bottom line

Against the background of growing sales figures, the Brake Discs segment increased its sales by 14.0 percent to € 24.2 million in the first quarter of 2014.

Earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) increased by 17.0 percent from € 1.5 million to € 1.7 million. Accordingly, the EBITDA margin improved from 7.0 percent in the previous year to 7.2 percent. This improvement in earnings was achieved in spite of the adverse impacts resulting from the belated start-up of a new production line, which entailed special shifts and additional external processing costs

First Chinese contract signed

The implementation of the internationalisation strategy is proceeding according to plan. In Brazil, the first oil pumps will be delivered to a US car maker in the course of the second quarter. In early March, a small team of sales staff moved into the new development centre and administrative building near Toronto, Canada.

The contractual negotiations with a well-known European engine manufacturer for truck and off-highway applications were concluded successfully and SHW has won the multi-year contract for the production of engine oil pumps at the Chinese plant. Production will start at a small scale in 2015 and gradually be increased to reach target levels by 2018, after which it will continue at this level for several years. Demand for the Chinese market alone would result in sales of around € 3.4 million p.a. In addition, the company is also planning to produce the client's European demand in China. Overall this will lead to annual sales of around € 7 million as from 2017/2018.

Outlook for the full year 2014 reconfirmed

In view of the results of the first quarter, the Management Board confirms the outlook for the full year 2014. Assuming a continued stable order situation, SHW AG expects Group sales in fiscal year 2014 to be in the range of € 380 million to € 400 million. Further planned product ramp-ups and a shift in the product mix towards more complex pumps should lead to sales in the Pumps and Engine Components business segment of between € 287 million and € 305 million. In the Brake Discs business segment, the target is to further increase the share of processed discs and higher value composite brake discs and thus achieve sales in the order of € 93 million to € 95 million.



The Management Board's focus in fiscal year 2014 will be primarily on acquiring new orders, optimising logistical and operational business processes at all locations, and also establishing and expanding of business in Brazil, China, and North America. In achieving the planned sales growth, the Company expects to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the order of € 38 million to € 40 million in 2014.

The general shareholders' meeting of SHW AG will take place on 9 May 2014 at Congress Centrum in Heidenheim.



Key financials for the first quarter 2014 (in K EUR)

Key figures - SHW Group	Q1 2014	Q1 2013	Change in %
Sales	104,779	84,572	23.9%
EBITDA	8,840	5,839	51.4%
as % of sales	8.4%	6.9%	-
EBIT	4,818	2,800	72.1%
as % of sales	4.6%	3.3%	-
Net income for the period	3,242	1,871	73.3%
Adjusted EBITDA	8,840	6,019	46.9%
as % of sales	8.4%	7.1%	-
Adjusted EBIT	4,855	3,018	60.9%
as % of sales	4.6%	3.6%	-
Equity	85,831	93,881	-8.6%
Equity ratio	42.1%	50.3%	-
Working Capital	45,580	53,063	-14.1%
as % of sales	11.8%	16.4%	-
Key figures - Pumps and Engines Components	Q1 2014	Q1 2013	Change in %
Sales	80,567	63,331	27.2%
EBITDA	7,475	4,647	60.9%
as % of sales	9.3%	7.3%	-
EBIT	4,473	2,545	75.8%
as % of sales	5.6%	4.0%	-
Adjusted EBITDA	7,475	4,810	55.4%
as % of sales	9.3%	7.6%	-
Adjusted EBIT	4,483	2,718	64.9%
as % of sales	5.6%	4.3%	-
Key figures - Brake Discs	Q1 2014	Q1 2013	Change in %
Sales	24,212	21,241	14.0%
EBITDA	1,745	1,474	18.4%
as % of sales	7.2%	6.9%	-
EBIT	801	590	35.8%
as % of sales	3.3%	2.8%	-
Adjusted EBITDA	1,745	1,491	17.0%
as % of sales	7.2%	7.0%	-
Adjusted EBIT	828	635	30.4%
as % of sales	3.4%	3.0%	-



The business was established in 1365, making it one of the oldest industrial enterprises in Germany. Today, SHW AG is a leading automotive supplier with products that contribute substantially to a reduction of fuel consumption and consequently CO₂ emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and truck and off-highway applications, e.g. trucks, agricultural and construction vehicles, stationary motors and wind farms, as well as engine components. The Brake Discs business segment develops and produces monobloc vented brake discs made of cast iron and lightweight brake discs made from a combination of an iron friction ring and an aluminium pot. Customers of the SHW Group include leading European and North American car manufacturers, manufacturers of commercial, construction and agricultural machinery and other automotive suppliers. The SHW Group currently has four manufacturing sites in Germany. These are located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck. With just over 1,000 employees, the SHW Group generated sales from continuing operations in 2013 of 366 million euros. Further information is available at:

www.shw.de

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Future-oriented statements

This press release contains certain future-oriented statements that are based upon current assumptions and forecasts made by the management of SHW AG. Various known and unknown risks, uncertainties and other factors may lead to the actual results, financial position, development or performance of the company deviating considerably from the appraisals specified here. The company assumes no obligation to update future-oriented statements of this nature or adapt them to future events or developments.

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