



PRESS RELEASE

SHW AG: International growth secured into the next decade – awarded for first large global programme for Europe, North America and China

- Group sales in fiscal year 2014 increased by 17.6 percent to EUR 430.0 million
- EBITDA¹ advanced to EUR 40.6 million
- Management Board and Supervisory Board intend to propose a dividend of EUR 1.00 per share

Aalen, 17 February 2015. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps, engine components, and brake discs, today published the preliminary and unaudited key financial figures for fiscal year 2014. "Fiscal year 2014 was a year that set the direction for the future capital-efficient growth of the SHW Group", said CEO Dr Thomas Buchholz. "We made very encouraging progress, both in the optimisation of our business processes at the factory level, and in the internationalisation of our business activities".

New product launches and an ongoing high level of customer call orders enabled SHW to decouple from the general market development again in 2014. Vehicle production in the European Union increased by approx. 6.7 percent to 17.12 million units while Group sales improved by 17.6 percent to EUR 430.0 million (2013: EUR 365.6 million). Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) grew by 13.8 percent to EUR 40.6 million (2013: EUR 35.7 million) in the period from January to December 2014.

In fiscal year 2014, reported Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (EBITDA) were affected by significant non-recurring series start-up costs totalling EUR 5.8 million for a large series product. These additional non-recurring costs are directly linked to a short-term increase in volume requested by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations regarding appropriate compensation payments are still in progress with this customer.

In addition, it is important to note that the Powder Metallurgy division at our site in Aalen-Wasseralfingen suffered considerable logistical and operational pressure on the existing technical capacity due to the high number of customer call orders. The approved additive three-year investment programme together with the corresponding action plan is being implemented according to plan. "By the end of the second quarter of 2015, we will see the

¹ Adjusted for extraordinary items, 2014: Increased series start-up costs for large series product (EUR 5.8 million)



first substantial earnings improvements in Powder Metallurgy", explained Dr Thomas Buchholz.

The substantial investment programme carried out over the past three years has resulted in a rise in depreciation and amortisation of EUR 4.1 million to EUR 18.3 million. Therefore, adjusted net income, at EUR 15.0 million, was only 5.8 percent higher than the previous year's level of EUR 14.1 million. Adjusted earnings per share² reached EUR 2.56 after EUR 2.32 in the comparable period.

Thanks to the Company's business development and its solid balance sheet structure, the Management and Supervisory Boards intend to propose an unchanged dividend of EUR 1.00 per share to the Annual General Meeting to be held on 12 May 2015 in Heidenheim.

Working capital ratio declined to 7.2 percent

Working capital declined by 3.2 percent year-on-year to EUR 30.9 million (2013: EUR 31.9 million) accompanied by sales growth of 17.6 percent leading to an improvement of the working capital ratio of 154 basis points..

in K EUR	2014	2013	Change abs.	Change in %
Inventories	42,380	39,192	3,188	8.1%
Trade receivables	44,656	40,583	4,073	10.0%
Trade payables	-56,159	-47,881	-8,278	17.3%
Working Capital	30,877	31,894	-1,017	-3.2%
as % of sales	7.2%	8.7%	-	-

At 7.2 percent at the end of 2014, our working capital ratio – the ratio of working capital to trailing twelve-month consolidated Group sales – once again exceeded our target of 11 percent. "After implementing measures to optimise our business processes, we will again generate high positive free cash flows", said Sascha Rosengart, CFO of SHW AG.

Pumps and Engine Components business segment: sales at record level

The Pumps and Engine Components business segment reported its highest level of annual sales in the Company's history with sales in the reporting year amounting to EUR 333.6 million (2013: EUR 274.2 million). In the Passenger Car division, sales grew by 25.3 percent to EUR 272.0 million (2013: EUR 217.2 million) and were driven by higher customer call orders, particularly in the area of variable oil/vacuum pumps (tandem pumps), as well as by the rise in capacity for an electric auxiliary pump for the start/stop function. Resulting from ongoing robust demand from agricultural and construction vehicle manufacturers, the Industry division contributed sales of EUR 29.8 million (2013: EUR 30.2 million). Sales of the

² 2013/2014: each based on an average of 5,851,100 shares outstanding.



Powder Metallurgy division grew by 18.5 percent to EUR 31.7 million (2013: EUR 26.8 million).

The high number of customer call orders during the 2014 fiscal year led to considerable logistical and operational pressures on the existing technical capacity at both our suppliers and in the Powder Metallurgy division at the Aalen-Wasseralfingen production site. This had a corresponding adverse effect on the productivity of our pump production operations at our site in Bad Schussenried, the main customer of the Powder Metallurgy division.

In fiscal year 2014, reported Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (EBITDA) suffered from significant non-recurring series start-up costs totalling EUR 5.8 million for a large series product. These additional non-recurring charges are linked directly to a short-term increase in volume requested by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations are still in progress with this customer regarding the appropriate compensation payments.

The business segment's earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets adjusted for the event mentioned above (EBITDA adjusted), experienced a year-on-year improvement in fiscal year 2014 from EUR 29.3 million to EUR 33.1 million. Internationalisation had the expected impact on the segment results. Our Brazilian subsidiary SHW do Brasil Ltda. delivered its first oil pumps to a U.S. automotive manufacturer in mid-July 2014 and was able to report a positive overall result.

Brake Discs business segment: positive development of earnings trend and successful closure of joint venture agreement

The Brake Discs business segment was able to put on 5.5 percent in sales, resulting in EUR 96.5 million (2013: EUR 91.5 million) in fiscal year 2014. All product areas contributed to this growth.

Earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) rose 14.3 percent from EUR 7.9 million in the prior year to EUR 9.1 million. The EBITDA margin improved from 8.7 percent to 9.4 percent, accordingly. In addition to higher sales and an improved product mix, this business segment also profited from cost reductions and the ongoing optimisation of its production processes.

At the end of January 2015, a joint venture for the Asian market was concluded between SHW Automotive GmbH, an indirect subsidiary of SHW AG, and the Chinese company Shandong Longji Machinery Co., Ltd. The Sino-Foreign Equity Joint Venture, which is currently being established, will operate under the name SHW Longji Brake Discs (LongKou) Co., Ltd. SHW Automotive GmbH will be the majority shareholder holding a 51 percent interest in the company's share capital of RMB 215.5 million (renminbi) – equivalent to EUR 31.9 million at the current RMB/EUR exchange rate – and Shandong Longji will hold an interest of 49 percent.



The company will focus on the development and production of ready-to-install brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Until the production ramp-up of the joint venture's first customer orders for processed brake discs, this company will produce all of the unprocessed brake discs that are presently being manufactured by the Chinese joint venture partner for the aftermarket. This will take place at the foundry being brought into the joint venture by Shandong Longji. This guarantees that the foundry will operate at a steady level of high utilisation and generate positive earnings from the very start. The successful conclusion of the contract is the first step in further strengthening SHW's position as a technologically leading global brake disc manufacturer. The NAFTA region will be the next attractive target market for the Brake Discs business segment.

SHW nominated as series supplier for global engine platform

Talks with a leading US automotive manufacturer have been successful. SHW was able to prevail against strong international competition and was nominated as a series supplier for variable engine oil pumps for a global engine platform. These pumps are to be produced in Europe, North America and China. According to the current plans, the start of production (SOP) in Europe and North America is scheduled for the year 2018 and for the year 2019 in China.

The Chinese subsidiary is in final discussions with a Chinese automotive manufacturer to be nominated for the delivery of an electric auxiliary pump for the start-stop function and a transmission oil pump for a dual-clutch transmission.

SHW continues path to growth

SHW is continuing to grow and started successfully into the new financial year. In January 2015, Group sales amounted to EUR 36.2 million - 12.6 percent higher than the previous year's level of EUR 32.1 million.

SHW expects to continue to exceed the growth of the underlying vehicle market in the years to come. Assuming a continued stable economy, the Management Board expects Group sales in fiscal year 2015 to be approximately EUR 460 million and adjusted EBITDA between EUR 46-50 million. These expectations do not include the brake discs joint venture SHW Longji Brake Discs (LongKou). Investments are expected to be in the range of EUR 30-33 million.

Full 2014 financial statements will be published with the Annual Report on 16 March 2015.



Preliminary key financial figures for fiscal year 2014

Key figures - SHW Group	2014	2013	Change in %
Sales	430,041	365,639	17.6%
EBITDA	34,827	34,780	0.1%
as % of sales	8.1%	9.5%	-
EBIT	16,575	20,607	-19.6%
as % of sales	3.9%	5.6%	-
Net income for the period	10,679	13,395	-20.3%
Adjusted EBITDA	40,597	35,683	13.8%
as % of sales	9.4%	9.8%	-
Adjusted EBIT	22,495	21,661	3.9%
as % of sales	5.2%	5.9%	-
Adjusted net income for the period	14,959	14,141	5.8%
Equity	84,507	82,529	2.4%
Equity ratio	40.3%	44.4%	-
Working Capital	30,877	31,894	-3.2%
as % of sales	7.2%	8.7%	-
Key figures - Pumps and Engines Components	2014	2013	Change in %
Sales	333,560	274,160	21.7%
EBITDA	27,286	29,114	-6.3%
as % of sales	8.2%	10.6%	-
EBIT	13,371	18,675	-28.4%
as % of sales	4.0%	6.8%	-
Adjusted EBITDA	33,056	29,277	12.9%
as % of sales	9.9%	10.7%	-
Adjusted EBIT	19,181	18,878	1.6%
as % of sales	5.8%	6.9%	-
Key figures - Brake Discs	2014	2013	Change in %
Sales	96,481	91,479	5.5%
EBITDA	9,070	7,915	14.6%
as % of sales	9.4%	8.7%	-
EBIT	5,013	4,466	12.2%
as % of sales	5.2%	4.9%	-
Adjusted EBITDA	9,070	7,932	14.3%
as % of sales	9.4%	8.7%	-
Adjusted EBIT	5,123	4,594	11.5%
as % of sales	5.3%	5.0%	-



About SHW

The Company was established in 1365 making it one of the oldest industrial companies in Germany. Today, SHW AG is a leading automotive supplier providing products that make a substantial contribution to reducing fuel consumption and, consequently, to lowering CO₂ emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and so-called truck and off-highway applications (e.g., trucks, agricultural and construction vehicles, stationary engines and wind farms) as well as engine components. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automotive manufacturers, manufacturers of commercial, agricultural, and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has four production sites in Germany. These are located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck. With just over 1,150 employees, the Company generated Group sales in fiscal year 2014 of € 430 million. 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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