



PRESS RELEASE

Fiscal year 2014: milestones achieved for future capital-efficient growth

- Proposed dividend: € 1.00 per share
- Year-on-year increase expected in Group sales and adjusted Group EBITDA in the first quarter of 2015

Aalen, 16 March 2015. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components and brake discs, today published the annual report with the final financial figures for fiscal year 2014. The fiscal year was marked by new product launches, a continued high level of customer call orders, the development of our international business activities and the establishment of personnel and organisational prerequisites for "SHW 2020", turning SHW into a globally operating automotive supplier.

Group sales improved amid the positive economic environment and rose 17.6 percent to € 430.0 million (2013: € 365.6 million). Adjusted Group earnings before interest, taxes and depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) grew by 13.8 percent to € 40.6 million (2013: € 35.7 million) in the period from January to December 2014. This amount includes significantly higher one-time series production start-up costs with a total volume of € 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 with this customer to determine the appropriate compensation payments are still in progress

"Due to the sound balance sheet structure and the positive business outlook, the Management Board and the Supervisory Board have decided to propose a stable dividend of € 1.00 per share to the Annual General Meeting to be held on 12 May 2015 in Heidenheim", said Chief Executive Officer Dr Thomas Buchholz.

Presence in strategically relevant overseas markets established

In fiscal year 2014, SHW established new locations in North America and China. In addition, the Brazilian subsidiary SHW do Brasil Ltda. delivered its first oil pumps to a US automotive manufacturer in mid-July 2014 and was able to achieve a positive overall result in its first year of operation. In North America, the investments in the new sales and development centre for engine and transmission oil pumps and the recruitment of new employees have started to bear fruit. The nomination as a series supplier of variable engine oil pumps for a global engine platform has marked our re-entry into this strategically important market. The 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 2018 and production in China should begin in 2019.



In October 2014, the Chinese subsidiary commenced operations at the new location in Kunshan after hiring its first employees in the areas of procurement, supplier development and sales. The current focus at that location is on the preparations for series production. After relocating production from Bad Schussenried to Kunshan, the production of variable engine oil pumps for a European automobile manufacturer is set to begin in the second half of 2015. The Company expects to break even after just a short period of time, similar to what was achieved in Brazil. Additionally, SHW is in final discussions with a Chinese automobile 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. Over the medium term, the Company intends to enter further markets in the Asia-Pacific region for the pumps and engine components business.

The Brake Discs business segment will also be strategically developed. With the conclusion of the joint venture contract in China with Shandong Longji Machinery Co., Ltd., the first milestone was achieved in the internationalisation of the Brake Discs business. As the majority shareholder (51 percent), SHW will profit from the existing customer orders brought by Shandong Longji until the start of production of the joint venture's first customer orders for processed brake discs. This guarantees that the foundry will be profitable and generate positive results from the very start. The NAFTA region is the next interesting target market for the Brake Discs business segment.

Internal structures adapted for future growth

In 2014, last year's identified improvement potentials in the operating and structural areas were systematically addressed. In this respect, the roll-out of the SHW production system across all locations was a focal point. Moreover, investments were made in the expansion and build-up of personnel and the organisational structure was adapted to the upcoming requirements. SHW will continue to work rigorously on leveraging its internal potential to be able to sustainably increase the competitiveness and free up resources for international growth.

Financial flexibility for organic and inorganic growth improves further following capital increase

With an equity ratio of 40.3 percent and net bank liabilities of € 14.4 million as at the balance sheet date, SHW AG continues to be very solidly financed and better than the industry average. One of the key strategic financial objectives is to ensure the financial flexibility necessary for the further internationalisation of the business activities in both business segments and to establish a best-cost-country location in Eastern or Southeastern Europe. The capital increase carried out on 18 February 2015 and bringing a volume of € 24.6 million made a significant contribution to achieving this goal. SHW AG also has access to a syndicated credit line of € 60 million as well as additional debt and equity instruments so that it can realise the organic and inorganic growth planned.



Year-on-year increase expected in Group sales and adjusted Group EBITDA in the first quarter of 2015

SHW got off to a good start in the new fiscal year. Group sales in the first two months of 2015 amounted to € 74.1 million, or 10.8 percent higher than the previous year's level of € 66.9 million. Overall, the Management Board expects Group sales in the first quarter of 2015 to be above the previous year's level of € 104.8 million. First quarter 2015 adjusted Group earnings before interest, taxes and depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) are expected to exceed the previous year's level of € 8.8 million.

Under the assumption that the order situation will remain stable, SHW expects Group sales in fiscal year 2015 to be in the order of € 460 million. These expectations do not include the effects of the brake disc joint venture SHW Longji Brake Discs (LoungKou). Sales in the Pumps and Engine Components business segment are expected to be approximately € 360 million based on further product launches and a shift in the product mix towards more complex pumps. The aim of the Brake Discs business segment is to significantly raise the segment's proportion of higher value composite brake discs and achieve sales of approximately € 100 million based on the start of a major contract for composite brake discs from a European automotive manufacturer.

In achieving the planned sales growth, the Company expects to reach Group earnings before interest, taxes and depreciation and amortisation (adjusted EBITDA) in the order of € 46 million to € 50 million in 2015. The earnings improvement should be driven mainly by:

- a) a sales increase of composite brakes by almost two thirds
- b) additional sales contributions from pumps and engine components
- c) a turnaround in the Powder Metallurgy division
- d) the realisation of economies of scale after completing the adaption of the internal structures

Another topic of focus in fiscal year 2015 for the Management Board will be the optimisation of working capital. The aim is to achieve a sustainable working capital ratio – the ratio of net working capital to sales – of 11 percent on a monthly basis.

SHW will publish its report for the 1st quarter of 2015 on 30 April 2015. The Annual General Meeting will take place on 12 May 2015 in Heidenheim.



Key financial figures for fiscal year 2014 (in K EUR)

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%	-
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 industry 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 located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, and one site in Brazil (Sao Paulo). 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

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