



## PRESS RELEASE

### **SHW AG: Sales and EBITDA in target range despite operational pressure**

- Sales in the first quarter increased by 11.7 per cent to € 117.0 million
- Adjusted EBITDA improved from € 8.8 million to € 11.0 million
- Diligent execution of efficiency enhancing measures crucial for the attainment of the earnings guidance 2015

Aalen, 30 April 2015. Today, SHW AG, one of the leading automotive suppliers of CO<sub>2</sub>-relevant pumps and engine components, as well as brake discs, published its financial figures for the first three months of 2015.

Against the background of a continued high level of customer call orders, SHW realised sales growth of 11.7 per cent to € 117.0 million in the first quarter of 2015 (previous year € 104.8 million). Order intake increased in the January to March 2015 period from € 112.1 million to € 118.8 million, or 6.0 per cent compared to the same quarter in the previous year.

Earnings development continued to be primarily influenced by the high level of customer call orders, which still led to logistical and operational pressure despite an acceleration in capacity expansion and efficiency improvement measures. A shift in the product mix to lower margin products also pressured earnings.

Adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) improved in the January to March 2015 period compared to same period in the previous year from € 8.8 million to € 11.0 million.

"Regarding the optimisation of the production processes at our Aalen-Wasseralfingen location we have made solid progress in certain areas", commented Dr Thomas Buchholz, Chief Executive Officer of SHW AG. "Nevertheless, we have not yet completed our investments in the site to reduce production bottlenecks. There is still much to be done to achieve consistently stable processes".

### **Pumps and Engine Components business segment: tense capacity situation affects earnings**

Sales in the Pumps and Engine Components business segment reached € 92.5 million in the first quarter (previous year € 80.6 million). This is equivalent to a 14.9 per cent increase compared to the previous year's figure. The Passenger Car division raised sales by 18.0 per cent to € 77.0 million (previous year € 65.3 million) as a result of high customer call orders – particularly for variable oil/vacuum pumps (tandem pumps) and camshaft phasers – and due to the ramp-up of capacity expansion. The Industry division contributed sales of € 7.5 million (previous year € 7.8 million). The Powder Metallurgy division raised its total sales (including intersegment sales) to € 14.6 million in the first quarter of 2015 (previous year € 12.6 million) because of high customer call orders.



Segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) increased from € 7.5 million to € 9.3 million in the first quarter.

The persistent high level of customer call orders led to continued strains on capacity in our powder metallurgy business at the Aalen-Wasseraffingen location. This led to a high number of short-term changeovers, additional costs for extra work shifts, more external processing, the use of third-party suppliers, additional quality control measures and higher costs for special freight services and thus placed noticeable pressure on earnings. By commissioning a powder and a sizing press, some important measures to increase capacity and to optimise processing costs were implemented. In the upcoming quarters, we plan to commission additional machines and equipment to increase capacity, which will contribute to a turnaround in earnings in the Powder Metallurgy division.

The capacity situation in our Powder Metallurgy business had a negative impact on the performance of our pump production at the site in Bad Schussenried. Other negative effects that occurred contrary to our expectations for the first quarter of 2015 originated from a less favourable product mix for passenger car pumps.

The development of the international operations of our Pumps and Engine Components business segment in China and Canada is proceeding as planned. After relocating our production activities from Bad Schussenried to Kunshan/China, we will start with the production of variable engine lubricating oil pumps in the second half of 2015. We will step up our preliminary search for a production location in the NAFTA region following our nomination as a series supplier of variable engine lubricating oil pumps for a global engine platform. The revenues and earnings contribution of our Brazilian subsidiary was slightly below expectations due to the difficult economic environment.

### **Brake Discs business segment: new joint venture holds tremendous growth potential**

The Brake Discs business segment generated sales of € 24.5 million (previous year € 24.2 million) in the first quarter of 2015. The total number of brake discs sold in the reporting period increased slightly to 1.133 million units (previous year 1.111 million units).

Segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) improved over the previous year to € 2.1 million (previous year € 1.7 million). Rise in productivity and lower quality costs had a positive impact on earnings.

We reached our first milestone in the internationalisation of our brake discs business in the first quarter of 2015 by concluding a joint venture agreement with the Chinese company Shandong Longji Machinery Co., Ltd. After receiving the business licence, SHW made an agreed down payment of € 8.9 million on its cash contribution at the end of March 2015 and began operations at the beginning of the second quarter as scheduled. "The feedback of our



target customers demonstrate that concluding this joint venture was the right step at the right point in time and that the Asian original equipment market for quality brake discs holds tremendous potential", said Andreas Rydzewski, Member of the Management Board and responsible for the Brake Discs business segment.

### **Capital increase secures international growth strategy**

In mid-February 2015, SHW took advantage of the favourable capital market environment and executed a capital increase against contribution in cash issuing 585,109 new no-par value bearer shares for gross proceeds of € 24.6 million. These proceeds from the capital increase are expected to be used for the accelerated international growth in the Pumps and Engine Components business segment (e.g., the large order for a global engine platform), the joint venture SHW Longji Brake Discs (LongKou) Co. Ltd. as well as for other joint ventures envisaged in the Brake Discs business. In addition, financing may be required in connection with the search for additional location alternatives in Eastern and Southeastern Europe for the Pumps and Engine Components business segment.

### **Diligent execution of efficiency enhancing measures crucial for the attainment of the earnings guidance 2015**

"The diligent execution of the identified topics and the developed action plans to improve efficiency in the areas of purchasing, logistics and operations are crucial to achieve our goals for fiscal year 2015", underlines Dr Thomas Buchholz.

Based on the quarterly figures, the Management Board has left its outlook for the full year of 2015 unchanged. Assuming the order situation remains stable and excluding any effects from the brake disc joint venture SHW Longji Brake Discs (LongKou) Co. Ltd., SHW continues to expect Group sales of roughly € 460 million. 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 Brake Discs business segment still expects to achieve sales of approximately € 100 million.

With the achievement of planned sales growth, the Company expects to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the range of € 46 million to € 50 million in 2015.

SHW will provide an updated forecast with the release of its half-year figures on 29 July 2015 to include the effects of the brake disc joint venture SHW Shandong Longji.

## Key financial figures for first quarter 2015 (K EUR)

Key figures - SHW Group	Q1 2015	Q1 2014	Change in %
Sales	116,989	104,779	11.7%
EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
EBIT	6,014	4,818	24.8%
as % of sales	5.1%	4.6%	-
Net income for the period	4,085	3,242	26.0%
Adjusted EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
Adjusted EBIT	6,051	4,855	24.6%
as % of sales	5.2%	4.6%	-
Equity	112,583	85,831	31.2%
Equity ratio	48.0%	42.5%	-
Working Capital	46,407	43,714	6.2%
as % of sales	10.5%	11.3%	-
Key figures - Pumps and Engines Components	Q1 2015	Q1 2014	Change in %
Sales	92,537	80,567	14.9%
EBITDA	9,272	7,475	24.0%
as % of sales	10.0%	9.3%	-
EBIT	5,356	4,473	19.7%
as % of sales	5.8%	5.6%	-
Adjusted EBITDA	9,272	7,475	24.0%
as % of sales	10.0%	9.3%	-
Adjusted EBIT	5,366	4,483	19.7%
as % of sales	5.8%	5.6%	-
Key figures - Brake Discs	Q1 2015	Q1 2014	Change in %
Sales	24,452	24,212	1.0%
EBITDA	2,127	1,745	21.9%
as % of sales	8.7%	7.2%	-
EBIT	1,090	801	36.1%
as % of sales	4.5%	3.3%	-
Adjusted EBITDA	2,127	1,745	21.9%
as % of sales	8.7%	7.2%	-
Adjusted EBIT	1,117	828	34.9%
as % of sales	4.6%	3.4%	-



## **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 CO<sub>2</sub> 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](http://www.shw.de)

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## **Future-oriented statements**

This press release contains certain future-oriented statements that are based on 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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