

PRESS RELEASE

Schouw & Co.
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Hydra-Grene acquires Specma to become leading hydraulics company in the Nordics

Hydra-Grene, the Danish hydraulics company owned by Schouw & Co., has acquired its Swedish peer Specma at a price of about DKK 650 million. The transaction will make Hydra-Grene the largest specialist hydraulics player in the Nordic region, serving OEM customers as well as the wind power, marine and offshore sectors.

Schouw & Co., the industrial conglomerate based in Aarhus, Denmark, continues the strategic consolidation of its company portfolio. Less than a month ago, the group acquired Turkish company Ribatek through Fibertex Nonwovens, and earlier today the group announced the acquisition of Swedish hydraulics group Specma AB effective January 1, 2016. The seller is Swedish industrial conglomerate Latour, and the parties have agreed a transaction price of about DKK 650 million.

Headquartered in Gothenburg, Sweden, Specma expects to generate revenue of about DKK 1.1 billion in 2015. The company employs 750 people, most of whom are based in Sweden but it also has a significant presence in Finland, the UK, China and Poland. Specma operates two independent business areas: a Global division that serves major international OEM customers, such as MacGregor, Volvo and Rolls-Royce, and a Nordic division that serves a number of local OEM and aftermarket customers in Sweden and Finland.

“Both Specma and Hydra-Grene are fully dedicated to hydraulics and are very similar in quite a number of areas. As the larger of the two, Specma has targeted international OEM customers as well as its Swedish and Finnish domestic markets. We’ve had a similar approach at Hydra-Grene, only focusing on our domestic Danish market and global wind power customers. This means there is no market or customer base overlap, so the two companies will to a large extent continue their current parallel operations,” explained Hydra-Grene CEO Erik Lodberg.

However, while Hydra-Grene and Specma do not have a customer base overlap, the situation is very different on the supply side. The two companies use the same suppliers in quite a number of areas and will be able to reap substantial scale benefits both short-term and long-term.

Several teams will be set up across the two companies and charged with identifying synergies and best practices. The most important of these assignments will be to prepare a strategy plan for profitable growth for the period 2016-2020. Erik Lodberg, who will head up the new organisation, will be in charge of that assignment:

“We expect to achieve substantial synergies in terms of both technology and products. For example, Specma will bring us industry and production know-how mainly in hoses, pipes and fittings, while we have developed strong skills in component and system sales through many years of business acumen. For example, we

expect a significant cross-sales potential, as Hydra-Grene's product catalogue of 40,000 components will benefit Specma's customer base and Hydra-Grene's customers will benefit from Specma's production skills," Mr Lodberg continued.

Schouw & Co.'s objective is to play a leading role in the industrial segments which the Group operates in. Previously, Hydra-Grene has not had the size to be a market leader in the Nordic region, so for some time Schouw & Co. has been working with Hydra-Grene to chart the strategic opportunities available. In that context, Schouw & Co. CEO Jens Bjerg Sørensen strongly believes this is a unique opportunity to lift the company's potential in a single step:

"We're very pleased that we now have an agreement in place with Latour to acquire Specma Group. We believe Specma is a perfect match for Hydra-Grene and consider this transaction to be a unique opportunity to create what will be the largest supplier of hydraulics systems in the Nordic region with its 1000 highly-skilled employees and annual revenue of about DKK 1.6 billion. This will be big enough to match even the largest European hydraulics groups, and size matters in the hydraulics industry," he said, and continued: *"Combined, we will be second-to-none in a number of specialty areas, including in production, engineering, business acumen and delivery power. Hydra-Grene now has the potential to grow both in the Nordic region and globally, and we look forward to developing our exposure in the hydraulics field."*

Schouw & Co. will finance the acquisition using existing cash funds and credit facilities independently of external financing sources.

Facts about Specma

Specma was founded in 1920 under the name Specialmaskiner and was acquired by the Latour Group in 1985. The company is headquartered in Gothenburg, Sweden and has 750 employees, most of whom are based in Sweden. Specma specialises in the production and sales of hydraulics systems and components for local and international OEM customers. In 2015, the company is expected to generate revenue of more than SEK 1,350 million and EBIT of about SEK 80 million.

Facts about Hydra-Grene

Hydra-Grene was founded in 1974 and was acquired by Schouw & Co. in 1988. The company is headquartered in Skjern, Denmark and employs about 250 people. Hydra-Grene is the market leader in Denmark in terms of sales of hydraulic components, advisory services and the production of hydraulic systems. The company carries more than 40,000 hydraulic components, from fittings and hoses to valves, pumps and motors. Hydra-Grene expects to generate revenue of about DKK 575 million and EBIT of DKK 65-70 million in 2015.

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