



## PRESS RELEASE

### **SHW AG: Result within target range – operating margin stabilises at previous year’s level**

- Group sales in the fiscal year 2015 up by 8 per cent to €463.5 million
- EBITDA (adjusted) improves by 7 per cent to €43.5 million
- Stabilised dividend of €1.00 per share

Aalen, 24 February 2016. SHW AG, one of the leading automotive suppliers of CO<sub>2</sub>-relevant pumps and engine components as well as composite brake discs, published its preliminary, unaudited key performance indicators for the fiscal year 2015 today.

“We achieved major progress in the final stage of the fiscal year,” says Dr Frank Boshoff, Chief Executive Officer of SHW. “We reduced the tailbacks further in the Powder Metallurgy at our Aalen-Wasseraffingen plant and in the pump assembly at our Bad Schussenried plant. I am positive that the measures to enhance capacity at our Aalen-Wasseraffingen plant will be implemented by the end of the first quarter 2016 as scheduled, thereby sustainably enhancing our profitability in the Pumps and Engine Components business segment.”

Due to the lasting high level of customer call-offs – particularly in the Pumps and Engine Components business segment – in the fiscal year 2015, SHW was once again able to disconnect itself from the general market trend and boost its Group sales by 8 per cent to €463.5 million (previous year: €430.0 million). Incoming orders at the Group’s domestic companies totalled €445.0 million, almost reaching the previous year’s record amount of €453.5 million.

Adjusted consolidated earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) improved by 7 per cent from €40.6 million to €43.5 million and was therefore within the target range of €42 million to €46 million publicized last September. The corresponding margin of 9.4 per cent was at the previous year’s level. The reported net income for the year was €14.4 million, an increase of 34 per cent on the previous year’s figure of €10.7 million. Earnings per share came to €2.26 (previous year: €1.83).

Because of the stable business performance and the solid balance sheet structure, it is intended to propose an unchanged dividend of €1.00 per share to the Annual General Meeting in Heidenheim on 10 May 2016.

## Net liquidity position due to consequent cash management and capital increase

The Group had net liquidity of € 12.3 million as at 31 December 2015. This was an enhancement of € 26.7 million on the previous year.

### Calculation of change in net liquidity

K EUR	2015	2014
Cash flow from operating activities	41,969	29,891
Cash flow from investing activities (intangible assets and property, plant and equipment)	-23,872	-35,245
<b>Free cash flow from operating activities</b>	<b>18,097</b>	<b>-5,354</b>
Cash flow from investing activities (financial assets)	-9,041	-275
<b>Total free cash flow</b>	<b>9,056</b>	<b>-5,629</b>
Other (in particular, capital increase/dividend payment)	17,628	-5,846
<b>Change in net liquidity</b>	<b>26,684</b>	<b>-11,475</b>

In addition to the capital increase, the improvement in free cash flow from operating activities to € 18.1 million (previous year: € -5.4 million) helped to strengthen the cash base. Another progress was that working capital rose by just 5 per cent to € 32.5 million, which was less than the corresponding increase in sales. As a result, the working capital ratio – the ratio of working capital to Group sales in the last twelve months – fell once again from 7.2 per cent to 7.0 per cent.

K EUR	2015	2014	Change absolute	Change in %
Inventories	41,630	42,380	-750	-1.8%
Trade receivables	34,388	44,656	-10,268	-23.0%
Trade payables	-43,484	-56,159	12,675	-22.6%
<b>Working capital</b>	<b>32,534</b>	<b>30,877</b>	<b>1,657</b>	<b>5.4%</b>
as % of sales	7.0%	7.2%	-	-

“We employed our capital more productively and advanced our operating excellence at all of our plants. We now need to stabilise this performance, in particular with regard to generating free cash flow,” says Sascha Rosengart, Chief Financial Officer of SHW.

## Efficiency programmes in powder metallurgy and pump assembly deliver initial successes

The Pumps and Engine Components business segment recorded an increase in sales of 9 per cent to € 365.2 million in the fiscal year 2015 (previous year: € 333.6 million). Sales in its Passenger Car division grew by 13 per cent to € 306.6 million (previous year: € 272.0 million) due to strong customer demand for variable oil/vacuum pumps, electrical auxiliary pumps for the start-stop function and camshaft phasers. The Industry division contributed €



27.7 million to sales (previous year: € 29.8 million). The Powder Metallurgy division boosted its total sales (including internal sales) in the fiscal year 2015 by 8 per cent from € 53.1 million to € 57.5 million.

The business segment's earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) increased from € 33.1 million to € 35.2 million in the full year. The corresponding EBITDA margin lessened from 9.9 per cent to 9.6 per cent.

The still slight decrease in the margin was primarily due to the fact that efficiency measures to tackle operational and logistical tailbacks in the Powder Metallurgy at the Aalen-Wasseralfingen plant and in the pump assembly at the Bad Schussenried plant were not implemented on time.

The performance of the Pumps and Engine Components business segment at the Company's foreign locations varied in the fiscal year 2015. Due to a three-week plant closure of a major automobile manufacturer, the sales and earnings trend for the Group's Brazilian subsidiary SHW do Brasil Ltda. fell short of expectations. However, overall the Brazilian plant nonetheless generated a slight positive earnings contribution. The progress of the Group's new locations in Canada and China was in line with expectations.

#### **Brake Discs business segment: EBITDA target margin of 10 per cent realised**

The Brake Discs business segment recorded sales of € 98.3 million in the fiscal year 2015 (previous year: € 96.5 million). The number of brake discs sold in the full year was 4.24 million units, which was a slight drop on the previous year, while the number of higher-value composite brake discs rose by 48 per cent to 0.38 million units.

The business segment's earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) rose by 8 per cent year-on-year to € 9.8 million (previous year: € 9.1 million). The EBITDA margin of 10.0 per cent reached the expected target value.

#### **SHW Group aims for further enhancement in profitability**

This year and next, SHW will lay the foundations for sustainably profitable and capital efficient growth for the period after 2018. The focus here will be on further improving its operational excellence, expanding its international presence and strengthening its position as a technology and innovation leader.

Sales and incoming orders were higher than predicted in the Pumps and Engine Components business segment in January 2016, while they were lower than anticipated in the Brake Discs business segment. For the fiscal year 2016, the Group is expecting sales of between € 440 million and € 460 million, assuming that both the order situation and the operating environment remain stable. It is predicting sales of approximately € 340 million to € 360 million in its Pumps and Engine Components business segment and sales



around previous year's level in its Brake Discs business segment, with a further upturn anticipated in the percentage of higher-value composite brake discs in 2016.

Despite its prediction of a slight fall in sales, the Group is expecting its consolidated earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) to be between € 43 million and € 47 million. The impacts of the operative excellence program in both business segments should have a positive effect on the predicted earnings.

The full 2015 consolidated financial statement and management report will be published with the Annual Report on 24 March 2016.



## Preliminary key performance indicators for the fiscal year 2015 (in K EUR)

Key performance indicators – SHW Group	Q4 2015	Q4 2014	Change in %	2015	2014	Change in %
Sales	105,024	108,615	-3.3%	463,478	430,041	7.8%
EBITDA	9,847	5,430	81.3%	42,675	34,827	22.5%
as % of sales	9.4%	5.0%	-	9.2%	8.1%	-
EBIT	3,873	512	656.4%	20,132	16,575	21.5%
as % of sales	3.7%	0.5%	-	4.3%	3.9%	-
Net income for the period	2,000	-308	-	14,351	10,679	34.4%
Earnings per share (€)	0.31	-0.05	-	2.26	1.83	23.6%
Adjusted EBITDA	10,462	9,400	11.3%	43,458	40,597	7.0%
as % of sales	10.0%	8.7%	-	9.4%	9.4%	-
Adjusted EBIT	4,488	4,519	-0.7%	21,028	22,495	-6.5%
as % of sales	4.3%	4.2%	-	4.5%	5.2%	-
Equity	-	-	-	116,240	84,507	37.6%
Equity ratio	-	-	-	50.4%	40.3%	-
Working capital	-	-	-	32,534	30,877	5.4%
as % of sales	-	-	-	7.0%	7.2%	-
Key performance indicators – Pumps and Engine Components	Q4 2015	Q4 2014	Change in %	2015	2014	Change in %
Sales	81,124	84,840	-4.4%	365,158	333,560	9.5%
EBITDA	9,219	3,385	172.3%	35,201	27,286	29.0%
as % of sales	11.4%	4.0%	-	9.6%	8.2%	-
EBIT	4,429	-473	-	17,312	13,371	29.5%
as % of sales	5.5%	-0.6%	-	4.7%	4.0%	-
Adjusted EBITDA	9,219	7,355	25.3%	35,201	33,056	6.5%
as % of sales	11.4%	8.7%	-	9.6%	9.9%	-
Adjusted EBIT	4,429	3,507	26.3%	17,342	19,181	-9.6%
as % of sales	5.5%	4.1%	-	4.7%	5.8%	-
Key performance indicators – Brake Discs	Q4 2015	Q4 2014	Change in %	2015	2014	Change in %
Sales	23,900	23,775	0.5%	98,320	96,481	1.9%
EBITDA	1,992	2,660	-25.1%	9,797	9,070	8.0%
as % of sales	8.3%	11.2%	-	10.0%	9.4%	-
EBIT	885	1,673	-47.1%	5,427	5,013	8.3%
as % of sales	3.7%	7.0%	-	5.5%	5.2%	-
Adjusted EBITDA	1,992	2,660	-25.1%	9,797	9,070	8.0%
as % of sales	8.3%	11.2%	-	10.0%	9.4%	-
Adjusted EBIT	885	1,700	-47.9%	5,510	5,123	7.6%
as % of sales	3.7%	7.2%	-	5.6%	5.3%	-



## 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, one site in Brazil (Sao Paulo) and a sales and development centre in Toronto, Canada. Besides, SHW Automotive GmbH also holds a 51 per cent interest in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in LongKou, China. With just over 1,250 employees, the Company generated Group sales in fiscal year 2015 of € 463 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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