



PRESS RELEASE

SHW AG: Focus on capital-efficient and profitable growth

- Dividend proposal: € 1.00 per share
- Gradual improvement in profitability in 2016

Aalen, 24 March 2016. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components and brake discs, published its annual report today with the final key performance indicators for its fiscal year 2015. The fiscal year 2015 was characterised by new products and by a lasting high level of customer releases, the further establishment and expansion of foreign locations and the implementation of efficiency programmes in the Powder Metallurgy and pump assembly.

Due to the lasting high level of customer releases – particularly in the Pumps and Engine Components business segment – in the fiscal year 2015, SHW AG 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).

Adjusted consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA adjusted) increased 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 specified on 21 September 2015. The Pumps and Engine Components business segment provided a significant contribution to this performance and improved its earnings contribution by 6 per cent, from € 33.1 million to € 35.2 million. At 9.4 per cent, the EBITDA margin reached the previous year's level. At € 14.4 million, the reported net income for the year exceeded the previous year's figure of € 10.7 million by 34 per cent. Earnings per share came to € 2.26 (previous year: € 1.83).

Payout ratio: 44.8 per cent

With an equity ratio of 50.4 per cent and a net liquidity position of € 12.3 million as of 31 December 2015, SHW AG's financial position remains highly robust and above-average for its industry. "Due to the Company's stable business development and solid balance-sheet structure, the Management Board and the Supervisory Board have decided to propose an unchanged dividend of € 1.00 per share at the Annual General Meeting which will be held in Heidenheim on 10 May 2016," says the Company's Chief Executive Officer, Dr Frank Boshoff. Overall, 44.8 per cent of the Group's net income for the year will thus be distributed to its shareholders. "In 2016 we will remain hard at work in the areas of operational excellence and internationalisation, so as to really get going again from 2018, boosted by a tailwind of significant sales growth."



Efficiency programmes in Powder Metallurgy and pump assembly to be accomplished towards the end of the first quarter 2016

In the past fiscal year, elimination of the operational and logistical tailbacks in the Powder Metallurgy at its Aalen-Wasseraffingen plant and in the pump assembly at its Bad Schussenried plant were core priorities for the Company. The scheduled completion of capacity-enhancing measures at its Aalen-Wasseraffingen plant (volume of investment 2014–2016: around € 20 million) towards the end of the first quarter 2016 will ensure seamless production processes in the Powder Metallurgy and pump assembly. Moreover, machine output and automation of individual process steps will be optimised in the sintering field. Key general business areas such as purchasing, sales and research and development are to be more strongly integrated within the Company's Aalen-Wasseraffingen and Bad Schussenried production network. Reorganisation of its purchasing and supplier management system will also help to deliver efficiency improvements.

Strong progress has been made in relation to process safety in the Company's foundry at its Tuttlingen plant. Future priorities are the automatic inspection of brake discs in the raw casting area and improvements to the casting control system in the moulding shop. The Company's Neuhausen plant is focusing on expanding its capacities and automating processes for the mechanical processing of monobloc brake discs and composite brake discs. The linking-up of the paint shop, the automation of aluminium casting for brake disc pots for composite brake discs and the introduction of a visual inspection will provide a further improvement in profitability.

The third key component is the optimisation of the Company's production network, with the planned establishment of a new plant in Eastern Europe. This will be accompanied by the transfer of selected pump projects with reduced technological complexity and stages in the value chain. The Company will make a final decision on the location in the first half of 2016 – it currently has a shortlist of three possible locations – and will establish the necessary infrastructure. Production is due to begin in 2017.

Company's internationalisation strategy will be reflected in its sales and earnings figures from 2018 onwards

In the fiscal year 2015, SHW achieved further progress in the execution of its internationalisation strategy. A major North American automobile manufacturer tasked the Group's Canadian subsidiary SHW Pumps & Engine Components Inc. with the series production of variable engine oil pumps for a global engine platform. The current planning envisages the start of production for the North America tranche for 2018. In Kunshan, production location of the Chinese subsidiary SHW Automotive Pumps (Kunshan) Co., Ltd. preparations for the launch of series production of variable engine oil pumps for a European automobile manufacturer are well advanced. Production is set to begin shortly. On the basis of orders which have previously been placed, production of transmission oil pumps for a leading Chinese automobile manufacturer is to commence in 2017, while series production of variable engine oil pumps for a North American automobile manufacturer will begin in 2019.



For the Brake Discs business segment, 2015 marks an important milestone in its internationalisation. In early April, the joint venture established in January 2015 between SHW Automotive GmbH and China's Shandong Longji Machinery Co., Ltd. launched its operational activities. This joint venture will initially produce unprocessed brake discs for the spare parts business of the Chinese joint venture partner. In future, the joint venture is to focus on the development and production of processed monobloc ventilated brake discs for passenger cars and light commercial vehicles, mainly for multinational automobile manufacturers on the Asian market. Its management is currently focusing on the ISO/TS16949 certification and on gaining customer orders from original equipment manufacturers.

From 2018, the Company's internationalisation strategy will increasingly be reflected in its sales and earnings figures.

Gradual improvement in profitability

In the past fiscal year SHW established the foundations for gradual improvements in its profitability – even in the fiscal years 2016 and 2017, a phase of sales consolidation.

Assuming that its orders situation remains stable and that the industry environment is stable, for the fiscal year 2016 SHW expects Group sales of between € 440 million and € 460 million. It is therefore forecasting sales of between € 340 million and € 360 million in its Pumps and Engine Components business segment and sales similar to the previous year's level in its Brake Discs business segment, with a further increase anticipated in the percentage of higher-value composite brake discs in 2016.

For the fiscal year 2016 the Company assumes consolidated earnings before interest, tax and depreciation and amortisation (EBITDA adjusted) of between € 43 million and € 47 million. In particular, this reflects the effects of the implementation of the Group's operational excellence programmes in its two business segments.

SHW will publish its report for the first quarter of 2016 on 3 May 2016. Its Annual General Meeting will take place on 10 May 2016 in Heidenheim.



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 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, 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

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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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