

## PRESS RELEASE

### SHW AG: significant margin improvement in the first quarter

- Sales after three months lower than previous year, as expected
- Operating margin increased to 10.1 per cent
- Sales and earnings forecast for the year as a whole confirmed

Aalen, 3 May 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 financial results for the first three months of 2016 today.

“Our measures to boost productivity are paying off,” says Dr Frank Boshoff, Chief Executive Officer of SHW AG, commenting on the figures. “By consistently implementing productivity-boosting measures, we have eliminated the operational and logistical bottlenecks at our Aalen-Wasseraffingen plant. We have thereby established the basis for a continuous improvement in profitability in our Pumps and Engine Components business segment. We can therefore confirm our sales and earnings forecast for the Group for the year as a whole.”

In the first quarter of 2016, SHW AG reported Group sales of €106.6 million (previous year: €117.0 million). As well as the expected decline in sales in the Pumps and Engine Components business segment, sales in the Brake Discs segment suffered due to factors including significantly lower scrap prices on account of reduced material surcharges.

Adjusted consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA adjusted) amounts to €10.8 million (previous year: €11.0 million). At 10.1 per cent, the corresponding operating margin is significantly higher than the previous year’s level of 9.4 per cent, and slightly exceeds the figure of 10.0 per cent for the fourth quarter of 2015. Over the last few years, to help safeguard the future, SHW AG has invested in capacity and productivity-boosting production facilities and the establishment and expansion of international plants in North America, South America and China. As a result, depreciation increased in comparison to the previous year. The quarterly profit declined accordingly by 19 per cent to €3.3 million (previous year: €4.1 million). Earnings per share came to €0.51 (previous year: €0.67).

### Robust financial profile underpins growth strategy

The net liquidity position amounted to €5.6 million at the end of the first quarter. This represents an improvement of €14.4 million on the previous year’s figure. In particular, this is due to an operating free cash flow in the amount of €21.3 million, which was generated over the past twelve months.

Equity increased by €6.6 million compared with the previous year and amounts to €119.1 million. With a virtually unchanged balance sheet total of €233.5 million, this caused the equity ratio to increase from 48 per cent to 51 per cent.

## Efficiency programmes implemented in Powder Metallurgy

The Pumps and Engine Components business segment reported sales of €85.9 million in the first three months of 2016 (previous year: €92.5 million). Revenue in the Passenger Car segment declined from €77.0 million to €71.2 million. The anticipated decline in sales results, inter alia, from the termination of a contract for camshaft phasers for diesel vehicles as part of a customer's changeover to the urea injection system (SCR technology). The Industry segment contributed €7.4 million to sales (previous year: €7.5 million). The Powder Metallurgy segment closed the first quarter of 2016 with consolidated sales of €7.3 million (previous year: €8.0 million).

Despite the decline in sales, the Pumps and Engine Components business segment recorded improved adjusted EBITDA of €9.5 million in the period under review (previous year: €9.3 million). The corresponding EBITDA margin increased from 10.0 per cent to 11.1 per cent.

The measures to boost productivity in Powder Metallurgy were implemented as scheduled at the Aalen-Wasseralfingen plant at the end of the first quarter 2016. The operational and logistical bottlenecks in pump assembly at the Bad Schussenried plant have thereby also been eliminated. Considerably lower costs for external processing, finishing and special shipments have made a significant contribution to an improved EBITDA margin.

The business of the foreign subsidiaries in Canada and China developed as planned. The operating result for the segment suffered due to the costs for the establishment and expansion of these two foreign plants, as well as to the weak Brazilian automobile market.

## Significantly improved product mix largely makes up for lower level of utilisation

In the Brake Discs business segment, sales declined by 16 per cent to €20.7 million in the first three months of the 2016 fiscal year. This was partly due to the clear decline in sales of one-piece brake discs, in contrast to an increase in composite brake discs.

Considerably fallen cost prices for scrap also contributed to the decline in sales. These prices are passed on to customers as a variable price component in the form of reduced material surcharges.

Thanks to positive product mix effects, the lower level of utilisation was largely made up for. Adjusted EBITDA in the Brake Discs business segment declined by €0.5 million in the period under review to €1.6 million. However, the corresponding EBITDA margin only decreased from 8.7 per cent to 7.7 per cent. Since they were passed on to customers, the lower cost prices for scrap did not have any significant impact on earnings.

“Under these circumstances, we can be satisfied with our earnings for the first quarter,” says Andreas Rydzewski, member of the Management Board with responsibility for the Brake Discs business segment. “I remain confident of our ability to achieve an EBITDA margin of 10 per cent over the year as a whole. This is underpinned by the strong growth in our composite brake discs business as well as our improved process workflows – i.e. the linking-up of the paint shop and the automation of aluminium casting for brake disc bells.”

## Forecast confirmed

The forecast for the year as a whole is unchanged. Assuming a stable orders situation, SHW AG expects Group sales of between €440 million and €460 million for 2016. It is forecasting sales of between €340



million and €360 million in its Pumps and Engine Components business segment and sales close to the previous year's level in its Brake Discs business segment, assuming similar scrap prices. The proportion of higher-quality composite brake discs will continue to increase.

For 2016, the Company continues to expect adjusted EBITDA of between €43 million and €47 million. In particular, this reflects the positive effects of the implementation of the Group's productivity-boosting measures in its two business segments.

SHW AG's Annual General Meeting will take place on 10 May 2016 in Heidenheim. The financial report for the first six months of 2016 will be published on 29 July 2016.

## Key performance indicators for the first quarter of 2016 (in K EUR)

Key performance indicators – SHW Group	Q1		Change
	2016	2015	
Sales	106.604	116.989	-8,9%
EBITDA adjusted	10.760	11.038	-2,5%
as % of sales	10,1%	9,4%	-
Depreciation (excl. PPA)	5.947	4.987	19,3%
as % of sales	5,6%	4,3%	-
EBIT adjusted	4.813	6.051	-20,5%
as % of sales	4,5%	5,2%	-
ROCE	14,4%	15,9%	-
Net income for the period	3.308	4.085	-19,0%

Key performance indicators – Pumps and Engine Components	Q1		Change
	2016	2015	
Sales	85.946	92.537	-7,1%
EBITDA adjusted	9.548	9.272	3,0%
as % of sales	11,1%	10,0%	-
Depreciation (excl. PPA)	4.769	3.906	22,1%
as % of sales	5,5%	4,2%	-
EBIT adjusted	4.779	5.366	-10,9%
as % of sales	5,6%	5,8%	-
ROCE	19,3%	21,0%	-

Key performance indicators – Brake Discs	Q1		Change
	2016	2015	
Sales	20.658	24.452	-15,5%
EBITDA adjusted	1.591	2.127	-25,2%
as % of sales	7,7%	8,7%	-
Depreciation (excl. PPA)	1.102	1.010	9,1%
as % of sales	5,3%	4,1%	-
EBIT adjusted	489	1.117	-56,2%
as % of sales	2,4%	4,6%	-
ROCE	9,4%	10,7%	-



## 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-Wasseraffingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, one site in Brazil (Sao Paulo) and China (Kunshan) and has 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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