



## PRESS RELEASE

### SHW AG: Sales and earnings forecast for 2016 confirmed

- EBITDA margin increased to 10.4 per cent in first nine months of 2016
- Major order from world's leading manufacturer of fully electric vehicles

Aalen, 26 October 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, today published its key performance indicators for the first nine months of the fiscal year 2016.

“In the first three quarters of 2016 our operating result has almost matched the previous year’s level, despite a significant decline in sales,” says Dr Frank Boshoff, Chief Executive Officer of SHW. “This would not have been possible without the measures implemented to improve our production and business processes.” The new orders situation is pleasing. SHW AG’s system supplier contract for the delivery of electric axle drive pumps to the world’s leading manufacturer of fully electric vehicles represents a milestone in the Company’s history. “We are very proud of our client’s belief in our product solution and our team,” says Dr Frank Boshoff.

#### EBITDA margin increased to 10.4 per cent

In the period from January to September 2016, SHW AG reported Group sales of € 312.2 million (previous year € 358.5 million). Adjusted consolidated earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amount to € 32.5 million (previous year € 33.0 million). At 10.4 per cent, the EBITDA margin is up significantly on the prior-year figure of 9.2 per cent.

The investments made in capacity and productivity-boosting production facilities and the establishment and expansion of international plants in North America, South America and China over the last few years are reflected in an 11 per cent increase in depreciation to € 18.3 million. Net income for the period declined by approx. 20 per cent to € 9.9 million due to higher depreciation and the absence of one-off income<sup>1</sup> (previous year € 12.4 million). Earnings per share came to € 1.54 (previous year € 1.95).

#### Pumps and Engine Components business segment: further improvement in profitability

The Pumps and Engine Components business segment reported sales of € 245.4 million in the first nine months of 2016 (previous year € 284.0 million). Sales in the Passenger Car division declined from € 237.7 million to € 203.7 million. This decline in sales is due in particular to 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 division contributed € 20.7 million to sales (previous year € 22.0 million). The Powder Metallurgy division closed the first three quarters of 2016 with consolidated sales of € 21.0 million (previous year € 24.3 million).

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<sup>1</sup> The one-off income in the amount of € 1.2 million resulted from the initial measurement of the Chinese brake discs joint venture in the second quarter of 2015.



Despite the decline in sales, the Pumps and Engine Components business segment recorded improved adjusted EBITDA of € 27.1 million in the period under review (previous year € 26.0 million). The corresponding EBITDA margin improved by 2 percentage points to 11.1 per cent. Significantly lower costs for external processing, finishing and expedited freight due to the successful optimisation of production and business processes at the Group's German plants provided a substantial contribution to the improved EBITDA margin.

The development of the Group's foreign subsidiaries in Canada and China was in line with expectations in the reporting period. Expenses for the forward-looking establishment and expansion of these two foreign plants are incorporated in the operating segment earnings.

### Brake Discs business segment: target margin of 10 per cent still achievable

In the Brake Discs business segment, sales declined by 10 per cent to € 66.8 million in the first nine months of the 2016 fiscal year. This was mainly due to the decline in sales of single-piece brake discs, which could not be completely offset by higher sales of composite brake discs. Sales were also depressed – during much of the first nine months – by lower cost prices for scrap and correspondingly reduced material surcharges which were passed on to customers.

The lower capacity utilisation was partially compensated by the disciplined implementation of productivity-boosting measures and the ramp-up of composite brake discs. Adjusted EBITDA in the Brake Discs business segment therefore declined by just € 1.2 million to € 6.6 million in the period under review. The corresponding EBITDA margin decreased from 10.5 per cent to 9.9 per cent. The target margin of 10 per cent for 2016 as a whole remains achievable.

### Major order from world's leading manufacturer of fully electric vehicles

The SHW Group has picked up a new order from the world's leading manufacturer of fully electric vehicles as a system supplier of electric axle drive pumps, with a lifetime sales volume of approx. € 100 million. SHW has thus held its own against strong international competition. As a manufacturer of hydraulic oil pumps, SHW AG has thus won the most important large-scale contract currently put out to tender for pump applications for fully electric vehicles. Pump technology will also play an important role for the drivetrain, the brake system and the cooling system in purely electrically driven vehicles.

The start of production (SOP) is scheduled for the first half of 2017. A production period of at least 5 years is envisaged. This major order shows that SHW's product range strongly reflects the increasing variety of drivetrain concepts. This contract also represents the Company's entry into the market of purely electric vehicles and – alongside its current product portfolio – is a further milestone on its path to capital-efficient growth.

The Brake Discs business segment won two further orders for composite brake discs in the reporting period. The clients are two well-known European automobile manufacturers. Production is due to begin in 2017 and 2018 respectively. The lifetime sales volume for these two orders jointly amounts to approx. € 55 million.



## Sales and earnings forecast for 2016 confirmed

The outlook for 2016 as a whole remains unchanged on the financial report for the first six months of the year as at 29 July 2016. Assuming a stable order situation, SHW AG expects Group sales at the lower end of the € 410 million to € 430 million range for 2016. It is forecasting sales of between € 320 million and € 340 million in the Pumps and Engine Components business segment and sales of around € 90 million in the Brake Discs business segment (previous year € 98 million), taking into account the lower material surcharges.

The Company continues to expect a year-on-year improvement in the EBITDA margin and adjusted EBITDA at the lower end of the € 43 million to € 47 million range in 2016. In particular, this reflects the positive effects of the implementation of the efficiency-boosting measures to improve business process structures in both business segments.



Key performance indicators for the third quarter and first nine month of 2016 (in K EUR)

Key performance indicators – SHW Group	Q3			Q1-Q3		Change
	2016	2015	Change	2016	2015	
Sales	96,956	118,343	-18.1%	312,219	358,454	-12.9%
EBITDA adjusted	10,714	10,025	6.9%	32,469	32,996	-1.6%
as % of sales	11.1%	8.5%	-	10.4%	9.2%	-
Depreciation (excl. PPA)	6,147	5,961	3.1%	18,343	16,456	11.5%
as % of sales	6.3%	5.0%	-	5.9%	4.6%	-
EBIT adjusted	4,567	4,064	12.4%	14,126	16,540	-14.6%
as % of sales	4.7%	3.4%	-	4.5%	4.6%	-
ROCE	-	-	-	11.6%	14.3%	-
Net income for the period	3,371	2,735	23.3%	9,907	12,351	-19.8%

Key performance indicators – Pumps and Engine Components	Q3			Q1-Q3		Change
	2016	2015	Change	2016	2015	
Sales	74,833	93,275	-19.8%	245,438	284,034	-13.6%
EBITDA adjusted	8,392	7,759	8.2%	27,145	25,982	4.5%
as % of sales	11.2%	8.3%	-	11.1%	9.1%	-
Depreciation (excl. PPA)	4,970	4,757	4.5%	14,781	13,069	13.1%
as % of sales	6.6%	5.1%	-	6.0%	4.6%	-
EBIT adjusted	3,422	3,002	14.0%	12,364	12,913	-4.3%
as % of sales	4.6%	3.2%	-	5.0%	4.5%	-
ROCE	-	-	-	17.1%	17.0%	-

Key performance indicators – Brake Discs	Q3			Q1-Q3		Change
	2016	2015	Change	2016	2015	
Sales	22,123	25,068	-11.7%	66,781	74,420	-10.3%
EBITDA adjusted	2,817	2,710	3.9%	6,579	7,805	-15.7%
as % of sales	12.7%	10.8%	-	9.9%	10.5%	-
Depreciation (excl. PPA)	1,102	1,127	-2.2%	3,336	3,180	4.9%
as % of sales	5.0%	4.5%	-	5.0%	4.3%	-
EBIT adjusted	1,715	1,583	8.3%	3,243	4,625	-29.9%
as % of sales	7.8%	6.3%	-	4.9%	6.2%	-
ROCE	-	-	-	6.9%	13.0%	-



## 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)

## Contact person

Michael Schickling

Head of Investor Relations & Corporate Communications

SHW AG

Telephone: +49 (0) 7361 502 462

Email: [michael.schickling@shw.de](mailto:michael.schickling@shw.de)

## 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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