



PRESS RELEASE

SHW AG: Outlook for the full year 2017 confirmed

- Group sales and EBITDA margin slightly below the previous year's level after three months
- Significant investment programme for internationalisation on target

Aalen, 3 May 2017. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components as well as composite brake discs, published its financial report for the first three months of 2017 today.

“The start to the new fiscal year turned out slightly subdued,” says Dr Frank Boshoff, Chief Executive Officer of SHW AG. “However, we are confident that we will achieve our annual forecasts for Group sales and EBITDA margin. The measures to improve our processes in the Pumps and Engine Components business segment have now taken full effect. In the Brake Discs business segment, earnings have been burdened by higher purchase costs. However, since this will likely only be a temporary effect, we continue to envisage a consolidated EBITDA margin of 10 to 11 per cent for the full year 2017.”

EBITDA margin just below 10 per cent

In the first quarter of 2017, at € 104.3 million Group sales were 2 per cent lower than the previous year's figure of € 106.6 million, in line with expectations. This was attributable to the Pumps and Engine Components business segment, while sales in the Brake Discs business segment rose by 15 per cent following a significant increase in volumes.

Consolidated earnings before interest, tax and depreciation and amortisation (EBITDA) decreased by 6 per cent, from € 10.8 million to € 10.1 million. At 9.7 per cent, the corresponding EBITDA margin was below the previous year's figure of 10.1 per cent. While the EBITDA margin for the Pumps and Engine Components business segment improved from 11.1 per cent to 11.7 per cent, the margin for the Brake Discs business segment decreased from 7.7 per cent to 5.5 per cent.

Due to lower depreciation, the quarterly profit declined by just € 0.3 million to € 3.0 million (previous year € 3.3 million). Earnings per share came to € 0.46 (previous year € 0.51).

Pumps and Engine Components business segment: margin improved to 11.7 per cent

The Pumps and Engine Components business segment achieved sales of € 80.6 million in the first three months of 2017 (previous year € 85.9 million). Sales in the Passenger Car division declined from € 71.2 million to € 64.1 million. This budgeted sales decline mainly reflects the lower supply share of SHW for the second generation of an electrically driven transmission oil pump for the start-stop function. The Industry division contributed € 8.4 million to sales (previous year € 7.4 million). The Powder Metallurgy division ended the first three months of the year with sales of € 8.1 million (previous year € 7.3 million).

Despite the budgeted sales decline, the Pumps and Engine Components business segment achieved segment EBITDA of € 9.4 million in the reporting period, almost at the previous year's level. The EBITDA margin



improved accordingly from 11.1 per cent to 11.7 per cent. Lower costs for external processing, rework and expedited freight by comparison with the previous year have significantly improved the margin.

Overall, the earnings trend for the Group's foreign subsidiaries in Brazil, China and Canada was in line with expectations. The Group is currently setting up a company in Romania. Expenses for the forward-looking establishment and expansion of foreign plants are included in the operating segment earnings.

Brake Discs business segment: margin temporarily burdened

In the Brake Discs business segment, unit sales in the first three months of the fiscal year 2017 were 26 per cent higher than the previous year's figure. All three product areas contributed to this increase. Sales rose by 15 per cent to € 23.7 million (previous year: € 20.7 million).

The segment EBITDA figure was positively influenced by volume and product mix effects as well as productivity improvements. However, this contrasted with higher purchase costs for coke and the contractual delay in adjusting material surcharges. Overall, the EBITDA figure in the Brake Discs business segment declined by € 0.3 million to € 1.3 million in the reporting period.

Significant investment programme for internationalisation on target

At € 9.0 million, investments in property, plant and equipment and intangible assets in the first quarter of 2017 exceeded the prior-year figure by 79.9 per cent. Of this amount, € 7.5 million was invested in the Pumps and Engine Components business segment (previous year: € 3.5 million). € 1.4 million was attributable to the Brake Discs business segment (previous year: € 1.4 million).

The Company is planning high capital expenditure with an estimated range of € 29 million to € 32 million for the fiscal year 2017 and € 27 million to € 30 million for the fiscal year 2018 in connection with the development of new markets in China and North America as well as the establishment of the new production site in Romania. This capital expenditure mainly relates to the development of the Group's production capacities at its international sites as well as its assembly lines and foundry and processing centres in Germany. SHW aims to generate almost a quarter of Group sales outside Europe in 2020.

Sales and earnings forecast for the full year 2017 confirmed

Based on the economic and industry environment and while considering the potential risks and opportunities for the full year 2017, the Management Board of SHW AG continues to expect Group sales in a range of € 400 million to € 420 million (previous year € 405.8 million).

Sales of approx. € 310 million to € 330 million are forecast for the Pumps and Engine Components business segment (previous year € 317.5 million). Stable sales of approx. € 90 million are expected for the Brake Discs business segment (previous year € 88.2 million); the proportion of higher-value composite brake discs is set to further increase compared with the previous year's figure.

Based on these assumptions, SHW continues to expect an EBITDA margin in a range of 10.0 per cent to 11.0 per cent (previous year 10.7 per cent) for the fiscal year 2017.

SHW AG's Annual General Meeting will take place on 9 May 2017 in Heidenheim. The financial report for the first six months of 2017 will be published on 28 July 2017.

Key performance indicators for the first quarter of 2017 (in K EUR)

Key performance indicators – SHW Group	Q1		Change
	2017	2016	
Sales	104.304	106.604	-2,2%
EBITDA	10.147	10.760	-5,7%
as % of sales	9,7%	10,1%	-
Depreciation	5.675	5.947	-4,6%
as % of sales	5,4%	5,6%	-
EBIT	4.472	4.813	-7,1%
as % of sales	4,3%	4,5%	-
ROCE	12,1%	15,2%	-
Net profit for the period	2.973	3.308	-10,1%

Key performance indicators – Pumps and Engine Components	Q1		Change
	2017	2016	
Sales	80.613	85.946	-6,2%
EBITDA	9.397	9.548	-1,6%
as % of sales	11,7%	11,1%	-
Depreciation	4.639	4.769	-2,7%
as % of sales	5,8%	5,5%	-
EBIT	4.758	4.779	-0,4%
as % of sales	5,9%	5,6%	-
ROCE	18,7%	19,2%	-

Key performance indicators – Brake Discs	Q1		Change
	2017	2016	
Sales	23.691	20.658	14,7%
EBITDA	1.314	1.591	-17,4%
as % of sales	5,5%	7,7%	-
Depreciation	948	1.102	-14,0%
as % of sales	4,0%	5,3%	-
EBIT	366	489	-25,2%
as % of sales	1,5%	2,4%	-
ROCE	6,2%	10,8%	-



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-Wasserralfingen, 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 2016 of € 406 million. Further information is available at: www.shw.de

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Future-oriented statements

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