



PRESS RELEASE

SHW AG: Back on the growth path

- Sales and operating earnings in line with budget after six months
- Guidance for the full year 2018 adjusted

Aalen, 27 July 2018. 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 six months of 2018 today.

“In the years 2016 and 2017 the foundation for SHW AG to take off again this year was laid,” says Wolfgang Plasser, CEO of SHW AG. “We managed to generate higher sales in the first half of 2018 for the first time since 2015. In sum, operating results developed according to plan. In the second half of the year, I will pay particular attention to the start-up and ramping up of new projects at our international locations.”

Group sales amounted to € 220.3 million in the first half of 2018, 8.7 per cent above the previous year’s figure of € 202.7 million in line with expectations. Both business segments contributed to this increase in sales.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 12.5 million (previous year € 19.8 million) in the first six months of the fiscal year 2018. At 5.7 per cent, the EBITDA margin was significantly below the previous year’s figure of 9.8 per cent. Non-recurring effects¹ totalling EUR € 7.6 million reduced the EBITDA margin in the first half of 2018 by 3.4 percentage points. Without considering these non-recurring effects, the EBITDA margin would have amounted to 9.1 per cent.

Earnings after tax decreased by € 6.0 million to € -0.7 million in the first six months of the fiscal year 2018, due to these non-recurring effects. Earnings per share reached a level of € -0.10 in this period (previous year € 0.84).

Operating cash flow significantly affected by working capital

The cash flow from operating activities in the first six months came to € -7.9 million (previous year € +18.5 million). In addition to the decrease in the net profit for the period and provisions, this significant decrease is largely due to the significant increase in working capital in comparison to the same period of the previous year.

With an increase of € 2.4 million in cash outflow due to investments in intangible assets and property, plant and equipment, the Company generated a negative operating free cash flow.

¹ See the explanations on page 8 of the half-year financial report – cost of sales, selling and administrative expenses and other operating income and expenses.

CHANGE IN NET LIQUIDITY

K EUR	H1	
	2018	2017
Cash flow from operating activities	- 7,920	18,463
Cash flow from investing activities (intangible assets and property, plant and equipment)	- 16,938	- 14,515
Operating free cash flow	- 24,858	3,948
Cash flow from investing activities (financial assets)	16,219	- 6,819
Total free cash flow	- 8,639	- 2,871
Other items (in particular, dividend payments)	- 3,647	- 6,687
Change in net liquidity	- 12,286	- 9,558

In February 2018 a cash inflow of € 16.2 million was received from the sale of the investment of SHW in the joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd. (the purchase price receivable was presented under current other financial assets as at 31 December 2017). In sum, total free cash flow amounts to € -8.6 million (previous year € -2.9 million).

Profit distributions to shareholders of € 3.2 million were paid out in the second quarter of 2018 in accordance with the resolution passed by the Annual General Meeting in May 2018 for the profit distribution for fiscal year 2017.

Pumps and Engine Components business segment: EBITDA margin burdened to a large extent by non-recurring expenses

The Pumps and Engine Components business segment achieved sales of € 165.3 million in the first six months (previous year € 155.4 million).

Sales in the passenger car segment decreased from € 123.2 million to € 120.1 million. The growing contribution of the foreign entities countered the decline in sales in Germany. This latter trend is mainly due to falling sales of diesel applications and the lower share supplied by SHW for the second generation of an electrically driven transmission oil pump for the start-stop function.

The high-margin Truck & Off-Highway and Powder Metallurgy divisions both increased their sales significantly. The Truck & Off-Highway division recorded an increase in sales of 15.4 per cent to € 19.1 million (previous year € 16.6 million). The Powder Metallurgy division improved by 18.9 per cent to € 18.5 million (previous year € 15.6 million).

Lust Hybrid-Technik GmbH (LHT), which is consolidated for the full year for the first time, posted sales of € 7.6 million in the first six months of fiscal year 2018.

The Pumps and Engine Components business segment achieved a segment EBITDA of € 11.5 million in the reporting period, € 6.4 million below the level of the previous year. The EBITDA margin decreased from 11.5 per cent to 6.9 per cent. The main factors causing the lower margin were the non-recurring effects², which burdened the Pumps and Engine Components segment by € 5.5 million. Without these non-recurring effects, the EBITDA margin would have amounted to 10.3 per cent.

² See the explanations on page 11 of the half-year financial report.



Mainly due to the flatter start-up curve of a project in China than expected – for which the customer is responsible – the sales and earnings contribution of the Chinese subsidiary were below expectations. The sales and earnings trends for the Group's foreign subsidiaries in Canada and Brazil were in line with expectations. The first customer certification of the location in Romania was concluded successfully. Expenses for the future-oriented establishment and expansion of foreign plants are included in the operating segment result.

Brake Discs business segment on track

The sales of the Brake Discs business segment rose by 16.1 per cent in the first six months of 2018 to € 55.0 million (previous year € 47.3 million). In sum, sales of brake discs were up 8.8 per cent on the previous year. Unit sales of composite brake discs of almost 400,000 units (+41.9 per cent on the previous year) set a new record.

The segment EBITDA figure was positively influenced by volume and product mix effects as well as productivity gains. Overall, the EBITDA of the Brake Discs business segment increased by € 1.9 million to € 5.0 million in the reporting period. There were no significant non-recurring effects in the Brake Discs business segment in the first half of fiscal year 2018. The EBIT margin amounts to 9.1 per cent (previous year 6.6 per cent).

Guidance for the full year 2018 adjusted

Due to the weakening demand for diesel vehicles, the shift to the new WLTP exhaust test cycle and the flatter start-up curves for various projects, the Management Board of SHW AG expects group sales for the full year 2018 to now range between € 420 million and € 440 million (previous forecast € 450 million to € 470 million; previous year € 400.6 million).

Sales of the Pumps and Engine Components business segment are anticipated to now lie in a range between € 315 million and € 330 million (previous forecast: € 345 million to € 360 million; previous year € 305.9 million). For the Brake Discs business segment sales of € 105 million to € 110 million are forecast without change (previous year € 94.7 million).

Prior to the non-recurring expenses described above, SHW expects an EBITDA margin of 9 per cent to 10 per cent (previous year 10.3 per cent) for the fiscal year 2018. This corresponds to an EBITDA prior to the non-recurring expenses mentioned in a range between € 37.8 million and € 44.0 million (previous: € 49.5 million to € 56.4 million – no non-recurring expenses³; previous year: € 41.3 million).

³ See ad hoc announcement dated 10 July 2018.



Key performance indicators for the first six months of 2018 (in K EUR)

Key performance indicators - SHW Group	H 1		Change %
	2018	2017	
Sales	220,301	202,694	8.7%
EBITDA	12,463	19,774	-37.0%
as % of sales	5.7%	9.8%	-
Depreciation and amortisation	11,974	11,496	4.2%
as % of sales	5.4%	5.7%	-
EBIT	489	8,278	-94.1%
as % of sales	0.2%	4.1%	-
ROCE (past twelve months)	4.5%	11.6%	-
Net profit or loss for the period	-661	5,380	-

Key performance indicators - Pumps and Engine Components	H 1		Change %
	2018	2017	
Sales	165,336	155,352	6.4%
EBITDA	11,476	17,867	-35.8%
as % of sales	6.9%	11.5%	-
Depreciation and amortisation	9,297	9,334	-0.4%
as % of sales	5.6%	6.0%	-
EBIT	2,179	8,533	-74.5%
as % of sales	1.3%	5.5%	-
ROCE (past twelve months)	9.4%	18.4%	-

Key performance indicators - Brake Discs	H 1		Change %
	2018	2017	
Sales	54,965	47,342	16.1%
EBITDA	5,028	3,128	60.7%
as % of sales	9.1%	6.6%	-
Depreciation and amortisation	2,351	1,970	19.3%
as % of sales	4.3%	4.2%	-
EBIT	2,677	1,158	131.2%
as % of sales	4.9%	2.4%	-
ROCE (past twelve months)	5.9%	6.2%	-



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 cars (including circuit boards) and Truck & Off-Highway applications (e.g., trucks, agricultural and construction machinery, 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 lightweight composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automobile manufacturers, manufacturers of commercial, agricultural and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has five production sites in Germany located in Bad Schussenried, Aalen-Wasserralfingen, Hermsdorf, Tuttlingen-Ludwigstal and Neuhausen ob Eck, sites in Brazil (São Paulo) and China (Kunshan) and a sales and development centre in Toronto (Canada). With about 1.350 employees on average, the Company achieved Group sales of slightly above € 400 million in the fiscal year 2017. 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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