



## PRESS RELEASE

### SHW AG achieves its goals for the year

- Group sales of € 420.9 million (up 5.1 per cent)
- Close cooperation with Pankl Racing Systems AG initiated
- Investments at a record level
- Forecast for 2019: Group sales of between € 440 and 480 million; EBITDA margin of 8.5 to 10 per cent

Aalen, 29 January 2019. 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 today its preliminary and unaudited key financials for fiscal year 2018.

“We have achieved our adjusted goals for Group sales and EBITDA margin prior to non-recurring effects for fiscal year 2018,” says Wolfgang Plasser, CEO of SHW AG. “We initiated a close cooperation between SHW AG and Pankl Racing Systems AG in June 2018 already to foster the development of the company and leverage potential synergies. The cooperation mainly relates to purchasing, sales, production, development and financing. I am confident that we will see the first positive results this year already.”

### EBITDA margin prior to non-recurring effects within guidance

Group sales amounted to € 420.9 million in 2018, 5.1 per cent above the previous year’s figure of € 400.6 million. Both business segments contributed to this sales increase.

Consolidated EBITDA came to € 31.0 million compared to € 41.3 million in the previous year. At 7.4 per cent, the EBITDA margin was below the previous year’s figure of 10.3 per cent. Non-recurring effects<sup>1</sup> of € 8.0 million reduced the EBITDA margin by 1.9 percentage points. Excluding the non-recurring effects, the EBITDA margin would have amounted to 9.3 per cent and therefore within the corridor of the guidance of between 9 and 10 per cent.

With slightly higher depreciation and amortisation and a significant increase in the tax rate, the Group’s net profit for the year decreased by just over 70 per cent to € 3.0 million (previous year € 10.2 million). Earnings per share are € 0.47 (previous year € 1.58).

### Investments up 40.9 per cent on the previous year

Additions to property, plant and equipment and intangible assets amounted to € 48.7 million in fiscal year 2018 (previous year € 34.6 million).

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<sup>1</sup> The non-recurring expenses relate essentially to litigation, impairment losses and expenses associated with the change in two board positions. Non-recurring income from compensation payments and settlements were offset when calculating non-recurring effects.



The Pumps and Engine Components business segment accounted for € 34.4 million (previous year € 23.3 million), including investments for research and development amounting to € 4.8 million (previous year € 1.4 million). These investments focused on new assembly lines and test stations. The Brake Discs business segment invested a total of € 12.8 million (previous year € 10.1 million). The focus here was on composite brake discs and included a new aluminium casting foundry, a coating plant and a new production hall.

The investments were funded in part by the cash flow from operating activities, cash inflows from divestments and the use of available credit lines.

### Management Board proposes a dividend of € 0.04 per share for the fiscal year 2018

The Management Board of SHW AG has decided to propose to the Supervisory Board a dividend of € 0.04 for the fiscal year 2018 on the basis of the preliminary and unaudited Group's net profit for the year of € 3.0 million, or € 0.47 per share. This corresponds to a payout ratio of 8.6 per cent.

With this deviation from the dividend policy, which provides for a payout ratio of between 30 and 40 percent of the Group's net profit, the Management Board would like to strengthen the Company's internal financing capabilities. This takes account of the record level of investments in the fiscal year 2018 and the future growth trajectory.

### Pumps and Engine Components business segment: EBITDA margin burdened by non-recurring effects

The Pumps and Engine Components business segment achieved sales of € 311.7 million in the fiscal year 2018 (previous year € 305.9 million).

Sales in the Passenger Car division decreased from € 237.6 million to € 227.0 million. The growing contribution of foreign operations to sales was countered by a decline in sales in Germany. The latter trend is primarily attributable to weaker sales for diesel applications.

The Truck & Off-Highway division recorded an increase in sales of 13.2 per cent to € 36.9 million (previous year € 32.6 million). The Powder Metallurgy division increased its sales by 8.2 per cent to € 33.1 million (previous year € 30.6 million). Lust Hybrid-Technik GmbH (LHT), which was consolidated for the full fiscal year for the first time, posted sales of € 14.7 million (previous year: € 5.1 million).

The Pumps and Engine Components business segment achieved a segment EBITDA of € 26.9 million in the reporting period, € 10.5 million below the level of the previous year. The EBITDA margin decreased from 12.2 per cent to 8.6 per cent. Decisive for the lower margin were also non-recurring effects<sup>2</sup>, which burdened the Pumps and Engine Components segment by € 3.6 million. Without these non-recurring effects, the EBITDA margin would have amounted to 9.8 per cent.

Mainly due to the flatter than expected start-up curve of a project in China – for which the customer was responsible – the sales and earnings contribution of the Chinese subsidiary were significantly 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 and production started on the first jobs relocated to the plant. Expenses for the forward-looking establishment and expansion of foreign plants are included in the earnings of the operating segment.

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<sup>2</sup> The non-recurring expenses mainly consisted of litigation and impairment losses. Non-recurring income from compensation payments were offset against the non-recurring expenses when calculating non-recurring effects.



### Brake Discs business segment: EBITDA margin close to the target of 10 per cent

The sales of the Brake Discs business segment rose by 15.3 per cent in 2018 to € 109.2 million (previous year € 94.7 million). In sum, sales of brake discs were up 5.2 per cent on the previous year. The composite brake disc division reached a new sales record of almost 889,000 units (up 48.6 per cent on the previous year).

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 € 3.4 million to € 10.7 million in the reporting period. The EBITDA margin amounts to 9.8 per cent (previous year 7.7 per cent).

### Outlook: margin of 8.5 per cent to 10 per cent expected

Based on the economic and industry environment and considering the potential risks and opportunities, the Management Board of SHW AG anticipates Group sales for the full year 2019 to lie unchanged in a range between € 440 million and € 480 million.

Of this total, the Pumps and Engine Components business segment is forecast to generate sales of between roughly € 320 million and € 355 million and the Brake Discs business segment sales of between € 120 million and € 125 million, with the share of higher-priced composite brake discs continuing to increase in 2019.

SHW continues to forecast an EBITDA margin in a range between 8.5 per cent and 10 per cent for the fiscal year 2019. This forecast is based on the higher sales and earnings contributions generated by the foreign locations and a higher share of sales and earnings contributed by the Brake Discs business segment.

The full set of consolidated financial statements and Group management report will be published by SHW AG with the annual report on 26 March 2019.



Preliminary key financials for the fiscal year 2018 (all figures in € thousand)

Key performance indicators: SHW Group	Fiscal year		Change
	2018	2017	
Sales	420,936	400,584	5.1%
EBITDA	31,041	41,271	-24.8%
as % of sales	7.4%	10.3%	-
Depreciation and amortisation	24,028	23,770	1.1%
as % of sales	5.7%	5.9%	-
EBIT	7,013	17,501	-59.9%
as % of sales	1.7%	4.4%	-
ROCE	3.5%	9.1%	-
Net profit	2,997	10,159	-70.5%

Key performance indicators: Pumps and engine components	Fiscal year		Change
	2018	2017	
Sales	311,705	305,883	1.9%
EBITDA	26,868	37,375	-28.1%
as % of sales	8.6%	12.2%	-
Depreciation and amortisation	18,228	19,169	-4.9%
as % of sales	5.8%	6.3%	-
EBIT	8,640	18,206	-52.5%
as % of sales	2.8%	6.0%	-
ROCE	6.1%	17.2%	-

Key performance indicators: Brake discs	Fiscal year		Change
	2018	2017	
Sales	109,231	94,701	15.3%
EBITDA	10,690	7,289	46.7%
as % of sales	9.8%	7.7%	-
Depreciation and amortisation	5,041	4,138	21.8%
as % of sales	4.6%	4.4%	-
EBIT	5,649	3,151	79.3%
as % of sales	5.2%	3.3%	-
ROCE	9.8%	3.3%	-



## 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 CO<sub>2</sub> 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 1.600 employees on average, the Company achieved Group sales of above € 420 million in the fiscal year 2018. 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.

## Note

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