

PRESS RELEASE

SHW AG: Prevailing against a challenging market environment

- With a holding of now over 75 per cent, the Pierer Group of companies is the industrial anchor shareholder
- EBIT in the first six months significantly improved compared to the same period of the previous year.

Aalen, 27 August 2019 SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components as well as composite brake discs, published its issuer's report for the first six months of 2019 today.

"In a challenging market environment, we have managed to slightly increase group revenue and the operating result", says Wolfgang Plasser, CEO of SHW AG. "After the delisting purchase offer was brought to a conclusion at the end of June 2019, the Pierer group of companies is now a strategic anchor shareholder with a holding of more than 75 per cent in SHW AG. We focus on capital-efficient growth both domestically and abroad as well as the targeted expansion of the software and electronic competencies of SHW. Winning significant new customer projects and the first synergy gains confirm that we are on the right course."

Improved EBITDA margin lies within guidance

Group sales in the first half of 2019 are up 0.7 per cent on the previous year. Much weaker revenue for diesel applications was the main factor in a fall of 1.4 per cent in the revenue of the Pumps and Engine Components business segment. The Brake Discs business segment recorded an increase in sales of higher priced composite brake discs of over 38 per cent and managed to increase its sales by a total of 7.2 per cent.

While non-recurring expenses of € 7.2 million reduced EBITDA in the first half of fiscal year 2018¹, there were no such non-recurring expenses in the first six months of fiscal year 2019. Moreover, depreciation and amortisation increased by roughly € 0.8 million on account of the sharp rise in capital expenditure in the years 2017 and 2018. EBITDA increased by roughly € 8.1 million in comparison to the comparative period of the previous year. The EBITDA margin rose from 5.7 per cent (9.1 per cent after eliminating non-recurring effects) in the first half of 2018 to 9.2 per cent in first half of 2019.

Record level of investment due to the start-up of new customer projects

The rise of capital expenditure, which is up by more than 50 per cent on the comparative period of the previous year, led to a rise in non-current assets of approximately € 26.9 million. The increase of roughly € 9.1 million in net working capital can be primarily attributed to work to prepare for the production of new series – particularly at the foreign locations – the performance or settlement of which led to higher inventories and trade receivables as at the reporting date. In addition to the significant improvement in the cash flow from operating activities (H1 2019: € 9.8 million; H1 2018: € -7.9 million), investing activities in 2019 (cash outflow of approximately € -22.0 million) were financed by taking out additional financial liabilities of roughly € 12.9 million. Before the backdrop of the record level of investment over the full fiscal year 2018 and another sharp increase in investments in the first six months of 2019, the net financial debt of the SHW Group increased to € 52.8 million as at 30 June 2019.

No change in the outlook

The Management Board of SHW AG continues to forecast group sales for the fiscal year 2019 within a range of between € 440 million and € 480 million. The EBITDA margin is expected to range between 8.5 per cent and 10 per cent.

¹We refer to the explanations on page 8 of the half-year financial report for 2018.

KEY PERFORMANCE INDICATORS FOR THE FIRST SIX MONTHS 2019

K EUR	H1		Change %
	2019	2018	
Sales	221,937	220,301	0.7 %
EBITDA	20,525	12,463	64.7 %
as % of sales	9.2 %	5.7 %	-
Depreciation and amortisation	12,794	11,974	6.8 %
as % of sales	5.8 %	5.4 %	-
EBIT	7,731	489	1481.0 %
as % of sales	3.5 %	0.2 %	-
Net profit or loss for the period	4,613	- 661	-
Earnings per share (€)*	0.72	- 0.10	-
Equity	127,499	120,599	5.7 %
Equity ratio	40.9 %	43.4 %	-
Cash flow from operating activities	9,777	- 7,920	-
Cash flow from investing activities (intangible assets and property, plant and equipment)	- 22,018	- 16,938	30.0 %
Operating free cash flow	- 12,241	- 24,858	50.8 %
Total free cash flow	- 12,241	- 8,639	- 41.7 %
Net financial debt	- 52,808	- 30,456	- 73.4 %
Investments	26,535	16,947	56.6 %
as % of sales	12.0 %	7.7 %	-
Net working capital	70,346	58,754	19.7 %
Net working capital as % of sales (past twelve months)	16.6 %	14.0 %	-
ROE (past twelve months)	6.8 %	3.4 %	-
ROCE (past twelve months)	6.5 %	4.3 %	-

* Earnings per share calculated in relation to an average of 6,436,209 shares (Previous year 6,436,209 shares).

Development of the business segments

K EUR	H1		Change %
	2019	2018	
KEY PERFORMANCE INDICATORS FOR PUMPS AND ENGINE COMPONENTS			
Sales	162,990	165,336	- 1.4%
EBITDA	14,588	11,476	27.1%
as % of sales	9.0%	6.9%	-
Depreciation and amortisation	8,937	9,297	- 3.9%
as % of sales	5.5%	5.6%	-
EBIT	5,651	2,179	159.3%
as % of sales	3.5%	1.3%	-
Segment investments	18,100	9,220	96.3%
ROCE (past twelve months)	7.6%	9.4%	-
KEY PERFORMANCE INDICATORS FOR BRAKE DISCS			
Sales	58,947	54,965	7.2%
EBITDA	6,525	5,028	29.8%
as % of sales	11.1%	9.1%	-
Depreciation and amortisation	3,226	2,351	37.2%
as % of sales	5.5%	4.3%	-
EBIT	3,299	2,677	23.2%
as % of sales	5.6%	4.9%	-
Segment investments	6,585	7,083	- 7.0%
ROCE (past twelve months)	10.6%	5.9%	-
CENTRAL FUNCTIONS / RECONCILIATION			
Sales	-	-	-
EBITDA	- 588	- 4,041	- 85.4%
Depreciation and amortisation	631	326	93.6%
EBIT	- 1,219	- 4,367	- 72.1%
Segment investments	1,850	644	187.3%

COMPANY PROFILE

The origins of the company reach back to the year 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 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 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-Wasseralfingen, Hermsdorf, Tuttlingen-Ludwigstal and Neuhausen ob Eck, plus sites in Brazil (São Paulo), China (Kunshan), Toronto (Canada) and Timișoara (Romania). With more than 1,500 employees, the company achieved Group sales of above € 420 million in the fiscal year 2018. 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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