



## PRESS RELEASE

### **SHW AG: Sales and EBITDA remain in target range**

- Sales in the first half increased 13.2 per cent to € 240.1 million
- Adjusted EBITDA improved to € 23.0 million
- Accelerated implementation of efficiency programmes in the Pumps and Engine Components business segment key for the degree of target achievement

Aalen, 29 July 2015. SHW AG, one of the leading automotive suppliers of CO<sub>2</sub>-relevant pumps and engine components, as well as brake discs, published its key financial figures for the first half of 2015 today.

With the continued high level of customer call orders, SHW increased its sales in the first half of 2015 by 13.2 per cent to € 240.1 million (previous year € 212.1 million). Order intake in the first six months of 2015 rose year-on-year by 4.3 per cent from € 220.4 million to € 230.0 million. Adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) increased from € 19.9 million to € 23.0 million in the January to June 2015 period.

Net income for the period improved 33.6 per cent, or € 2.4 million, in the first half to € 9.6 million (previous year € 7.2 million). Of this amount, € 1.3 million is attributable to the first-time consolidation of the brake disc joint venture SHW Longji Brake Discs (LongKou) Ltd., which has been accounted for in the consolidated financial statement using the equity method.

"Overall, we can be pleased with the earnings development in the first half of 2015", emphasised Dr. Frank Boshoff, Chief Executive Officer of SHW AG. "At all of our sites, I found highly motivated and qualified management and staff who are strongly committed to implementing the optimisation measures for our internal procedures and production processes. We are working on the right issues; nevertheless, we must acknowledge that the degree of implementation in the Powder Metallurgy division at our Aalen-Wasseraffingen site and in the pump production operations in Bad Schussenried currently lag selectively behind our own expectations. It is time to roll up our sleeves and catch up the backlog in a decisive and timely manner."

### **Pumps and Engine Components business segment: sales at record level**

Sales in the Pumps and Engine Components business segment amounted to € 190.8 million in the first half-year (previous year € 163.1 million). This represents a year-on-year increase of 16.9 per cent. Sales in the Passenger Car division climbed 21.5 per cent to € 159.5 million (previous year € 131.3 million). The Industry division recorded sales of € 15.2 million, marginally below the previous year's level of € 15.6 million. The Powder Metallurgy division increased total sales (including inter-company sales) in the first half of 2015 by 11.6 per cent from € 26.6 million to € 29.7 million.



Segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) rose in the January to June period from € 16.5 million to € 18.2 million. The corresponding EBITDA margin declined from 10.1 per cent to 9.6 per cent. In this regard, it has to be taken into account that the implementation of the initiated efficiency measures to address the operational and logistical burdens in the Powder Metallurgy at the Aalen-Wasseralfingen site and pump production at the Bad Schussenried site is lagging behind SHW's own expectations. Additionally, the product mix had a slightly negative impact on the gross margin.

The development of the international operations of our Pumps and Engine Components business segment proceeded as planned. The equipment for the planned production of variable engine oil pumps at our Chinese location, Kunshan, is on site. Series production should begin in the fourth quarter of 2015. Due to the continued difficult market environment, the earnings contribution of our Brazilian subsidiary, SHW do Brasil Ltda., is slightly behind SHW's expectations but still positive.

#### **Brake Discs business segment: EBITDA margin surpasses the 10 per cent mark**

In the Brake Discs business segment sales grew 0.8 per cent to € 49.4 million (previous year € 48.9 million) in the January to June 2015 period. At 2.22 million units, the total number of brake discs sold during the reporting period remained at the previous year's level. The ramp-up in composite brake discs led to a 20.2 per cent increase in their sales figures and was able to offset the slight decline in the sales of monobloc ventilated brake discs.

As a result of an improved product mix and the successful realisation of productivity gains through higher automation and lower quality-related costs, the Brake Discs business segment achieved an EBITDA margin of 10.3 per cent, exceeding the 10.0 per cent target the division set itself for the current fiscal year. Segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) improved over the previous year by 19.8 per cent to € 5.1 million (previous year € 4.3 million). "We can be proud of what we have achieved and will continue to forge ahead with improving the profitability of our brake discs business", stated Andreas Ryzewski, Member of the Management Board and responsible for the Brake Discs business segment.

#### **Launch of the brake disc joint venture in China**

The brake disc joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., commenced operations in early April. Initially, the joint venture will produce unprocessed brake discs for the spare parts business of the Chinese joint venture partner. Going forward, this joint venture will focus on the development and production of processed monobloc ventilated brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Management's current focus is on meeting the certification requirements of ISO/TS16949 and acquiring orders from original equipment manufacturers.



In the second quarter of 2015, the joint venture generated sales of € 5.1 million and earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of € 0.6 million<sup>1</sup>.

**Accelerated implementation of efficiency programmes in the Pumps and Engine Components business segment key for the degree of target achievement**

Based on the half-year financial figures, the Management Board now expects Group sales in the order of € 470 million (previous forecast € 460 million). The Pumps and Engine Components business segment anticipates a sales volume of roughly € 370 million (previously € 360 million). SHW assumes that the Brake Discs business segment will achieve sales of € 100 million.

With the achievement of planned sales growth, the Company continues to expect to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the order of € 46 million to € 50 million in 2015. The degree of target achievement will depend on the accelerated implementation of the efficiency programmes in the Pumps and Engine Components business segment.

The brake disc joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd, will be accounted for using the equity method. Consequently, the contribution to earnings is reported under income from investments and, therefore, has no effect on Group sales and Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA).

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<sup>1</sup> Detailed information on the accounting and the key operating figures of the joint venture can be found in the half-year report on pages 22 to 25.



## Key financial figures for second quarter and first half of 2015 (K EUR)

Key figures - SHW Group	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	123,122	107,293	14.8%	240,111	212,072	13.2%
EBITDA	11,765	10,170	15.7%	22,803	19,010	20.0%
as % of sales	9.6%	9.5%	-	9.5%	9.0%	-
EBIT	6,219	5,699	9.1%	12,233	10,517	16.3%
as % of sales	5.1%	5.3%	-	5.1%	5.0%	-
Net income for the period	5,531	3,955	39.8%	9,616	7,197	33.6%
Adjusted EBITDA	11,933	11,070	7.8%	22,971	19,910	15.4%
as % of sales	9.7%	10.3%	-	9.6%	9.4%	-
Adjusted EBIT	6,425	6,637	-3.2%	12,476	11,492	8.6%
as % of sales	5.2%	6.2%	-	5.2%	5.4%	-
Equity	-	-	-	111,382	84,005	32.6%
Equity ratio	-	-	-	45.8%	41.0%	-
Working Capital	-	-	-	47,528	38,993	21.9%
as % of sales	-	-	-	10.4%	9.7%	-
Key figures - Pumps and Engines Components	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	98,222	82,562	19.0%	190,759	163,129	16.9%
EBITDA	8,951	8,075	10.8%	18,223	15,550	17.2%
as % of sales	9.1%	9.8%	-	9.6%	9.5%	-
EBIT	4,535	4,730	-4.1%	9,891	9,203	7.5%
as % of sales	4.6%	5.7%	-	5.2%	5.6%	-
Adjusted EBITDA	8,951	8,975	-0.3%	18,223	16,450	10.8%
as % of sales	9.1%	10.9%	-	9.6%	10.1%	-
Adjusted EBIT	4,545	5,640	-19.4%	9,911	10,123	-2.1%
as % of sales	4.6%	6.8%	-	5.2%	6.2%	-
Key figures - Brake Discs	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	24,900	24,731	0.7%	49,352	48,943	0.8%
EBITDA	2,968	2,507	18.4%	5,095	4,252	19.8%
as % of sales	11.9%	10.1%	-	10.3%	8.7%	-
EBIT	1,897	1,445	31.3%	2,987	2,246	33.0%
as % of sales	7.6%	5.8%	-	6.1%	4.6%	-
Adjusted EBITDA	2,968	2,507	18.4%	5,095	4,252	19.8%
as % of sales	11.9%	10.1%	-	10.3%	8.7%	-
Adjusted EBIT	1,925	1,473	30.7%	3,042	2,301	32.2%
as % of sales	7.7%	6.0%	-	6.2%	4.7%	-



## **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 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-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, one site in Brazil (Sao Paulo) and 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 1,150 employees, the Company generated Group sales in fiscal year 2014 of € 430 million. 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.

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