



PRESS RELEASE

SHW AG: Focus on profitable growth

- Delays in implementing efficiency programmes in the Pumps and Engine Components business lead to a lowering of EBITDA (adjusted) for fiscal year 2015 to a range of €42 million to €46 million
- Expected Group sales 2016: € 440 million to € 460 million; expected EBITDA (adjusted) 2016: €43 million to €47 million
- Primary transmission oil pump business to become a further strategic pillar in the area of passenger car pumps
- Internationalisation and product strategies are substantiated by first order for transmission oil pumps from a leading Chinese OEM

Aalen, 21 September 2015. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components as well as brake discs, today published an updated outlook for the fiscal year 2015 and a first outlook for fiscal year 2016.

Based on the business development in the current month of September, the Management Board of SHW AG has come to the result that the previous forecast for Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the amount of €46 million to €50 million for fiscal year 2015 can presumably no longer be achieved.

"We have seen some initial progress in implementing the efficiency programmes in the Pumps and Engine Components business segment since I took office", said Dr. Frank Boshoff, CEO of SHW AG. "Nevertheless, depending on the department, we are currently about 3 to 6 months behind schedule in our implementation plan. However, I am confident that we will have successfully implemented the efficiency measures at the Aalen-Wasseralfingen and Bad Schussenried sites by the end of the first quarter 2016 – including the pending capacity expansion in Powder Metallurgy – and that we will see the corresponding positive effects on our Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in 2016".

Based on the latest forecast for 2015, the Company continues to expect Group sales in the order of € 470 million (previous year: € 430.0 million). The Pumps and Engine Components business segment should reach sales of roughly € 370 million. The Brake Discs business segment is still expected to generate sales of € 100 million.

The Management Board now expects Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in Q3/2015 to be lower than the expected minimum level of € 11.5 million (Q3/2014: € 11.3 million). The Management Board now expects Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) for the fiscal year 2015 in the range of €42 million to €46 million (2014: €40.6 million).



The SHW Group will continue to follow a sustainable, results-oriented dividend policy. Taking into account the SHW Group's financing requirements, the Company further plans to distribute a dividend to the Company's shareholders equalling 30 per cent to 40 per cent of the Group's net income for the period.

Focus on margin improvements

After years of above-average sales growth (2010 – 2015: CAGR + 12.3 per cent), the Company expects Group sales in fiscal year 2016 to be in the range of € 440 million to € 460 million. This forecast is based on the expectation of a continuous stable order situation and a steady industry environment.

The expected year-on-year decline in sales compared to fiscal year 2015 concerns the Pumps and Engine Components business segment and is mainly the result of the following factors:

- a) lower sales contributions from project business as well as other volume/mix changes from the ramping-up of customer projects (national/international) that were determined as part of the current planning process.
- b) the expiry of a contract with a large customer for camshaft phasers for diesel engines by the end of 2016 in the context of a customer's switch to urea injection (SCR technology) to fulfil the Euro 6 standard;
- c) the decision of a large customer to reduce SHW's scope of supply concerning an electric auxiliary pump for start-stop function to hydraulic components. Therefore, the electric drive and the control unit can be spared both in sales and in the purchasing volume. The transition towards complete system integration by the customer will be concluded by the end of 2017.

The Pumps and Engine Components business segment should reach sales in the range of € 335 million to € 355 million. Sales in the Brake Discs business segment are expected to grow to roughly € 105 million driven by a steady rise in the share of higher-value composite brake discs.

Despite this expected sales decline, the Company expects Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in fiscal year 2016 to be in the range of € 43 million to € 47 million. Hereby, earning improvements in the Powder Metallurgy division and a higher earnings contribution from the Brake Discs business segment should compensate the slight decline in earnings resulting from the pumps division.

In addition, a new location will be built in 2016 in either Eastern or South-eastern Europe in order to optimise the European production network considering best-cost approaches. Production should begin in 2017. The decision on the precise location is still pending and primarily dependent on:



- a) the availability of qualified personnel;
- b) the level of personnel costs;
- c) and infrastructure.

Primary transmission oil pumps to become a further strategic pillar in the Passenger Car Pump division – order received from leading Chinese automotive manufacturer

With a market share of more than 25 per cent, SHW is today's market leader in Europe for engine oil pumps. SHW's management firmly believes it can repeat this success story based on a new generation of primary transmission oil pumps – present focus: secondary transmission oil pumps for start-stop function and outer gear pumps – in combination with a modular building block system. By developing prototypes and delivering primary transmission oil pumps as two stroke vane pumps to renowned manufacturers of automatic transmissions, the Company has made an important first step in entering this highly attractive market segment. This new development has been made available for testing to other globally operating vehicle manufacturers. New development capacities have also been added in this context. Overall, SHW expects sales of primary transmission oil pumps to be in the high double-digit million range by the year 2020.

With the recent nomination by a leading Chinese automotive manufacturer as a series supplier in the area of transmission oil pumps, SHW has made a first crucial step towards successfully implementing its product strategy while, at the same time, establishing itself in the Chinese supplier market. Production is currently scheduled to begin in the course of 2017. The pumps are to be produced at SHW's Chinese location in Kunshan. The order volume over the term of the contract will be roughly € 70 million to € 80 million.

In addition, SHW are currently delivering prototypes for a variable coolant pump to a leading European automotive manufacturer.

SHW also considers the increasing electrification of auxiliary units in combination with the hybridisation of the powertrain and the introduction of the 48V wiring system as another area of development with additional market potential. This has prompted SHW to expand its electric/electronic drive and controlling expertise. In addition to recruiting suitably qualified development experts, SHW is thoroughly evaluating potential acquisition targets and cooperation opportunities.

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-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

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