



## PRESS RELEASE

### SHW AG: EBITDA margin improved to 10.7 per cent in the fiscal year 2016

- Group sales down by 12 per cent to € 406 million
- Stable dividend of € 1.00 per share envisaged
- Significant investment programme launched for internationalisation
- Almost a quarter of Group sales outside Europe by 2020

Aalen, 27 February 2017. 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 its preliminary, unaudited key performance indicators for the fiscal year 2016 today.

“Despite a significant decline in sales, we slightly increased our operating result in the fiscal year 2016 compared to the previous year,” said Dr Frank Boshoff, Chief Executive Officer of SHW. “The measures to improve our production and business processes are having an impact. In this year and the next, we will continue to pursue the internationalisation of our business, a cornerstone of our ‘SHW 2020’ strategy. Within two years, we will ramp up production in China, North America and Eastern Europe with a significant investment programme in excess of €30 million. In 2020, we will realise almost a quarter of our Group sales outside Europe.”

### EBITDA margin improved to 10.7 per cent

In the fiscal year 2016, in overall terms one customer’s technology switchover and declining customer call-offs for specific individual products in the Pumps and Engine Components business segment as well as declining sales figures and lower material surcharges in the Brake Discs business segment resulted in a significant fall in Group sales that had already been announced in July 2016. Group sales came to €405.8 million and were thereby down by 12 per cent (previous year €463.5 million).

At €43.6 million, adjusted consolidated earnings before interest, tax and depreciation and amortisation (EBITDA adjusted) were slightly higher than the previous year’s result of €43.5 million and were thereby at the lower end of the €43 million to €47 million range which was notified last July. However, at 10.7 per cent the EBITDA margin is significantly higher than the previous year’s figure of 9.4 per cent.

The investments made in capacity- and productivity-enhancing production facilities over the last few years and the establishment and expansion of international production sites resulted in a 9 per cent increase in depreciation to €24.6 million. Consolidated net income for the year declined by almost 11 per cent to €12.8 million (previous year €14.4 million) due to higher depreciation. The previous year’s result also included a one-off income<sup>1</sup> in the amount of €1.1 million. Earnings per share came to €1.99 (previous year €2.26).

---

<sup>1</sup> The one-off income resulted from the initial measurement of the Chinese brake discs joint venture, in the amount of €1.1 million, in the second quarter of 2015.



Due to the significant efficiency gains and the solid balance-sheet structure, an unchanged dividend of €1.00 per share is to be proposed at the Annual General Meeting which will be held in Heidenheim on 9 May 2017.

### Pumps and Engine Components business segment: significant margin improvement

The Pumps and Engine Components business segment achieved sales of €317.5 million in the fiscal year 2016 (previous year €365.2 million). Sales in the Passenger Car division declined from €306.6 million to €262.9 million. In particular, this trend is attributable to the discontinuation of a major order for camshaft phasers for diesel vehicles because of a customer's technology switchover, as well as declining customer call-offs for specific individual products. The Industry division achieved an unchanged sales contribution of €27.7 million. In the fiscal year 2016, sales in the Powder Metallurgy division amounted to €26.9 million (previous year €30.9 million).

The business segment's earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) improved from €35.2 million to €37.5 million in 2016. The corresponding EBITDA margin increased from 9.6 per cent to 11.8 per cent. Following the timely conclusion of measures to boost powder metallurgy productivity at the plant in Aalen-Wasseralfingen at the end of the first quarter of 2016, the operational and logistical bottlenecks in pump production in Bad Schussenried were likewise eliminated. Lower costs for external processing and expedited freight as well as increased productivity have made a significant contribution to the improved EBITDA margin.

Overall, the earnings trend for the Group's foreign subsidiaries was according to plan. Expenses for the forward-looking establishment and expansion of foreign plants are included in the operating segment earnings.

### Brake Discs business segment: margin of 9 per cent below target level

The Brake Discs business segment recorded sales of €88.3 million in the fiscal year 2016 (previous year €98.3 million). With 3.39 million units, the total number of brake discs sold was 20 per cent lower than in the previous year. The volume decline is mainly attributable to unprocessed brake discs and, to a lesser degree, to processed brake discs. By contrast, volume growth of 43.6 per cent was achieved for higher-value composite brake discs. Sales were also depressed by lower cost prices for scrap and correspondingly reduced material surcharges which were passed on to the customers.

In the fiscal year 2016, adjusted segment earnings before interest, tax and depreciation and amortisation (EBITDA adjusted) declined by €1.9 million to €7.9 million. The EBITDA margin amounts to 9.0 per cent (previous year 10.0 per cent) and thereby falls short of the target level of 10 per cent. The margin decline is mainly attributable to the fixed cost remanence. This effect was partially compensated for through improvements in the product mix, i.e. a higher share of composite brake discs.

### Significant improvement in sales and margins from 2018

Based on the expected economic and industry environment and while considering the potential risks and opportunities, the Management Board of SHW expects Group sales of between €400 million and €420 million in the fiscal year 2017.



It is therefore forecasting sales of between €310 million and €330 million in its Pumps and Engine Components business segment and sales similar to the previous year's level of €90 million in its Brake Discs business segment, with a further increase anticipated in the percentage of higher-value composite brake discs in 2017.

Based on these assumptions, SHW expects an EBITDA margin of between 10.0 per cent and 11.0 per cent (previous year 10.7 per cent) for 2017 as a whole. In particular, this reflects the continuing effects of the successful implementation of the Group's operational excellence programmes.

From 2018 onwards, the Company once again expects a significant increase in sales and earnings. Within the scope of its 'SHW 2020' strategy, sales are to be increased to between €620 million and €650 million in the period up until 2020. Business outside Europe will account for almost one quarter of this. In the same period, the EBITDA margin should increase to at least 12 per cent. The expansion of the global production network, innovation leadership and CIP (continuous improvement processes) are key areas of focus. Following temporarily increased investments in new markets and further production sites in 2017, from 2018 the Company plans to reduce capital expenditure to a level of between approx. 5 and 6 per cent of Group sales.

SHW will publish its full Consolidated Financial Statements and Consolidated Group Management Report for 2016 together with its Annual Report on 24 March 2017.



Preliminary key performance indicators for the fourth quarter and fiscal year 2016 (in K EUR)

Key performance indicators – SHW Group	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	93.551	105.024	-10,9%	405.770	463.478	-12,5%
EBITDA adjusted	11.084	10.462	5,9%	43.553	43.458	0,2%
as % of sales	11,8%	10,0%	-	10,7%	9,4%	-
Depreciation (excl. PPA)	6.272	5.974	5,0%	24.615	22.430	9,7%
as % of sales	6,7%	5,7%	-	6,1%	4,8%	-
EBIT adjusted	4.812	4.488	7,2%	18.938	21.028	-9,9%
as % of sales	5,1%	4,3%	-	4,7%	4,5%	-
ROCE	-	-	-	13,0%	17,2%	-
Net income for the period	2.898	2.000	44,9%	12.805	14.351	-10,8%

Key performance indicators – Pumps and Engine Components	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	72.083	81.124	-11,1%	317.521	365.158	-13,0%
EBITDA adjusted	10.309	9.219	11,8%	37.454	35.201	6,4%
as % of sales	14,3%	11,4%	-	11,8%	9,6%	-
Depreciation (excl. PPA)	5.145	4.790	7,4%	19.926	17.859	11,6%
as % of sales	7,1%	5,9%	-	6,3%	4,9%	-
EBIT adjusted	5.164	4.429	16,6%	17.528	17.342	1,1%
as % of sales	7,2%	5,5%	-	5,5%	4,7%	-
ROCE	-	-	-	18,4%	21,9%	-

Key performance indicators – Brake Discs	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	21.468	23.900	-10,2%	88.249	98.320	-10,2%
EBITDA adjusted	1.320	1.992	-33,7%	7.899	9.797	-19,4%
as % of sales	6,1%	8,3%	-	9,0%	10,0%	-
Depreciation (excl. PPA)	1.052	1.107	-5,0%	4.388	4.287	2,4%
as % of sales	4,9%	4,6%	-	5,0%	4,4%	-
EBIT adjusted	268	885	-69,7%	3.511	5.510	-36,3%
as % of sales	1,2%	3,7%	-	4,0%	5,6%	-
ROCE	-	-	-	7,3%	13,9%	-



## 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-Wasseraffingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, one site in Brazil (Sao Paulo) and China (Kunshan) and has 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 1,250 employees, the Company generated Group sales in fiscal year 2016 of €406 million. Further information is available at: [www.shw.de](http://www.shw.de)

## Contact person

Michael Schickling

Head of Investor Relations & Corporate Communications

SHW AG

Telephone: +49 (0) 7361 502 462

Email: [michael.schickling@shw.de](mailto:michael.schickling@shw.de)

## 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

This announcement is for information purposes only and does neither constitute an offer to sell, purchase, exchange or transfer any securities nor a solicitation of any offer to sell, purchase, exchange or transfer any securities.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. SHW AG does not intend to register any securities referred to herein under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States in connection with this announcement.