



PRESS RELEASE

SHW AG: Outlook for the full year 2017 reaffirmed

- Group sales and EBITDA margin in line with budget after six months
- Cash flow from operating activities significantly improved
- Capital expenditure increased by almost 50 per cent in the first half year

Aalen, 28 July 2017. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components as well as composite brake discs, published its financial report for the first six months of 2017 today.

“The first half of the year has run according to plan”, says Dr. Frank Boshoff, CEO of SHW AG. “We remain optimistic that we can reach our forecast for the year. The measures undertaken to improve our processes in the Pumps and Engine Components business segment are having an effect and the margin has risen accordingly. The temporary burdens on earnings in the Brake Discs business segment have eased noticeably in the second quarter. For the full year 2017 we continue to anticipate an EBITDA margin of between 10 and 11 per cent. We are making good progress at expanding our capacities in foreign markets. With this we lay the foundation for significant sales and earnings growth in the coming years.”

EBITDA margin of just under 10 per cent

Group sales amounted to € 202.7 million in the first half year, 6 per cent below the previous year’s figure of € 215.3 million as expected. This was attributable to the Pumps and Engine Components business segment.

Consolidated EBITDA decreased by 9 per cent from € 21.8 million to € 19.8 million. At 9.8 per cent, the corresponding EBITDA margin was slightly below the previous year’s figure of 10.1 per cent. While the EBITDA margin in the Pumps and Engine Components business segment improved from 11.0 per cent to 11.5 per cent, the margin in the Brake Discs business segment decreased from 8.4 per cent to 6.6 per cent. Furthermore, in the administrative sector non-recurring costs associated with the public listing of SHW AG, customer projects and also the costs of preparing acquisitions burdened the operating result.

As depreciation and amortisation has fallen, the net profit for the period only fell by € 1.2 million to € 5.4 million (previous year € 6.5 million). Earnings per share come to € 0.84 (previous year € 1.02).



High level of investments in new markets

The cash flow from operating activities in the first six months came to € 18.5 million (previous year € -0.3 million). This significant improvement is particularly due to the significantly lower increase in working capital.

The cash flow from investing activities in intangible assets and property, plant and equipment of € -14.5 million outstrips the figure for the comparable period of the previous year of € -9.7 million by almost 50 per cent. Of this amount, € 11.6 million (previous year € 7.1 million) was invested in the Pumps and Engine Components business segment. In the Brake Discs business segment, investments came to approximately € 2.7 million, the same as in the previous year.

K EUR	Q2		H1	
	2017	2016	2017	2016
Cash flow from operating activities	7,861	1,427	18,463	-280
Cash flow from investing activities (intangible assets and property, plant and equipment)	-5,720	-4,684	-14,515	-9,683
Operating free cash flow	2,141	-3,257	3,948	-9,963
Cash flow from investing activities (financial assets)	0	0	-6,819	0
Total free cash flow	2,141	-3,257	-2,871	-9,963
Other items (in particular, dividend payments)	-6,672	-6,539	-6,687	-6,585
Change in net liquidity	-4,531	-9,796	-9,558	-16,548

The sharp upturn in investing activity is most evident in the expansion of production capacities in the new markets of China and North America, where the company invested approximately € 4.5 million (previous year € 0.5 million) from January to June. The start of production for a primary transmission oil pump and an electric auxiliary transmission oil pump at the Chinese location in Kunshan ran according to schedule. Over the full year 2017 a total of about € 9 million should be invested in foreign locations (previous year € 3.2 million).

Higher margin at Pumps and Engine Components

The Pumps and Engine Components business segment achieved sales of € 155.4 million in the first six months of 2017 (previous year € 170.6 million). Sales in the Passenger Car division declined from € 141.8 million to € 123.2 million. This expected sales decline mainly reflects the lower share supplied by SHW for the second generation of an electrical driven transmission oil pump for the start-stop function. The high-margin Industry and Powder Metallurgy divisions both increased their sales significantly. The Industry division recorded an increase in sales of 13.6 per cent to € 16.6 million (previous year € 14.6 million). The Powder Metallurgy division improved by 9.9 per cent to € 15.6 million (previous year € 14.2 million).

Despite the decline in sales, the Pumps and Engine Components business segment achieved a segment EBITDA of € 17.9 million in the reporting period, just € 0.9 million below the level of the previous year. The EBITDA margin improved accordingly from 11.0 per cent to 11.5 per cent. The most decisive factors behind the higher margin were positive volume and product mix effects as well as productivity gains.

Overall, the earnings trend for the Group's foreign subsidiaries in Brazil, China and Canada was in line with expectations. The Group is currently setting up a company in Romania. Expenses for the forward-looking establishment and expansion of foreign plants are included in the operating segment earnings.



Temporary burdens on the earnings of Brake Discs ease noticeably

In the Brake Discs business segment, unit sales were 8.4 per cent higher in the first six months than in the comparable period of the previous year. All product areas contributed to this increase. Sales rose by 6 per cent to € 47.3 million (previous year € 44.7 million).

The segment EBITDA figure was positively influenced by volume and product mix effects as well as productivity gains. However, this contrasted with higher purchase costs for coke and the contractual delay in adjusting material surcharges. Overall, the EBITDA figure in the Brake Discs business segment declined by € 0.6 million to € 3.1 million in the reporting period. The temporary burdens on earnings eased noticeably in the second quarter.

Sales and earnings forecast remains unchanged for the fiscal year 2017

Based on the economic and industry environment and while considering the potential risks and opportunities for the full year 2017, the Management Board of SHW AG continues to expect Group sales in a range of € 400 million to € 420 million (previous year € 405.8 million).

Sales of € 310 million to € 330 million are forecast for the Pumps and Engine Components business segment (previous year € 317.5 million). For the Brake Discs business segment sales of approximately € 90 million are forecast (previous year € 88.2 million).

Based on these assumptions, SHW continues to expect an EBITDA margin in a range of 10.0 per cent to 11.0 per cent (previous year 10.7 per cent) for the full year.

The financial report for the period from January to September 2017 will be published on 26 October 2017.



Key performance indicators for the second quarter and the first six months of 2017 (in K EUR)

Key performance indicators – SHW Group	Q2			H1		
	2017	2016	Change	2017	2016	Change
Sales	98,390	108,659	-9.5%	202,694	215,263	-5.8%
EBITDA	9,627	10,995	-12.4%	19,774	21,755	-9.1%
as % of sales	9.8%	10.1%	-	9.8%	10.1%	-
Depreciation/Amortisation	5,821	6,249	-6.8%	11,496	12,196	-5.7%
as % of sales	5.9%	5.8%	-	5.7%	5.7%	-
EBIT	3,806	4,746	-19.8%	8,278	9,559	-13.4%
as % of sales	3.9%	4.4%	-	4.1%	4.4%	-
ROCE	-	-	-	11.7%	12.5%	-
Net profit for the period	2,407	3,228	-25.4%	5,380	6,536	-17.7%

Key performance indicators – Pumps and Engine Components	Q2			H1		
	2017	2016	Change	2017	2016	Change
Sales	74,739	84,659	-11.7%	155,352	170,605	-8.9%
EBITDA	8,470	9,205	-8.0%	17,867	18,753	-4.7%
as % of sales	11.3%	10.9%	-	11.5%	11.0%	-
Depreciation/Amortisation	4,695	5,042	-6.9%	9,334	9,811	-4.9%
as % of sales	6.3%	6.0%	-	6.0%	5.8%	-
EBIT	3,775	4,163	-9.3%	8,533	8,942	-4.6%
as % of sales	5.1%	4.9%	-	5.5%	5.2%	-
ROCE	-	-	-	18.4%	17.3%	-

Key performance indicators – Brake Discs	Q2			H1		
	2017	2016	Change	2017	2016	Change
Sales	23,651	24,000	-1.5%	47,342	44,658	6.0%
EBITDA	1,814	2,171	-16.4%	3,128	3,762	-16.9%
as % of sales	7.7%	9.0%	-	6.6%	8.4%	-
Depreciation/Amortisation	1,022	1,132	-9.7%	1,970	2,234	-11.8%
as % of sales	4.3%	4.7%	-	4.2%	5.0%	-
EBIT	792	1,039	-23.8%	1,158	1,528	-24.2%
as % of sales	3.3%	4.3%	-	2.4%	3.4%	-
ROCE	-	-	-	6.2%	7.2%	-



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-Wasserralfingen, 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

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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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