



PRESS RELEASE

SHW AG: Outlook for the full year 2017 confirmed

- Group sales and EBITDA margin in line with budget after nine months
- Acquisition of Lust Hybrid-Technik reinforces position in electromobility
- Internationalisation running on schedule

Aalen, 26 October 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 nine months of 2017 today.

“The start of production for a primary transmission oil pump and a secondary transmission oil pump at the Chinese location in Kunshan are running according to schedule,” states Dr. Frank Boshoff, CEO of SHW AG. “With the acquisition of Lust Hybrid-Technik we have strengthened our competitive position in electromobility significantly. Our other measures for significant sales and earnings growth in coming years are also running right on schedule. Based on the nine-month figures we are optimistic that we will reach our annual forecast for the current fiscal year in terms of Group sales and EBITDA margin.”

EBITDA margin of 10.1 per cent

Group sales in the first nine months of 2017 amounted to € 300.3 million, approximately 4 per cent below the previous year’s figure of € 312.2 million as expected. This was attributable to the Pumps and Engine Components business segment.

Consolidated EBITDA decreased by 6.8 per cent from € 32.5 million to € 30.3 million. At 10.1 per cent, the corresponding EBITDA margin was slightly below the previous year’s figure of 10.4 per cent. While the EBITDA margin in the Pumps and Engine Components business segment improved from 11.1 per cent to 12.2 per cent, the margin in the Brake Discs business segment decreased from 9.9 per cent to 6.8 per cent. Furthermore, in the administrative sector non-recurring costs associated with the public listing of SHW AG, customer projects and also acquisition costs burdened the operating result, particularly in the second and third quarters.

As depreciation and amortisation have decreased at the same time, the net profit for the period only fell by € 1.6 million to € 8.3 million (previous year € 9.9 million). Earnings per share come to € 1.29 (previous year € 1.54).

High level of investments in new markets and process know-how

The cash flow from operating activities in the first nine months came to € 19.1 million (previous year € 2.9 million). The significant improvement is particularly due to the significantly lower increase in working capital in comparison to the same period of the previous year.

The cash flow from investing activities in intangible assets and property, plant and equipment of € -23.3 million in the period from January to September outstrips the figure for the comparable period of the previous year of € -16.4 million by almost 42 per cent. Of this amount, € 17.5 million (previous year € 11.6 million) was invested in the

Pumps and Engine Components business segment. In the Brake Discs business segment, investment came to approximately € 3.0 million (previous year € 3.3 million).

K EUR	Q3		Q1-Q3	
	2017	2016	2017	2016
Cash flow from operating activities	625	3,193	19,088	2,913
Cash flow from investing activities (intangible assets and property, plant and equipment)	-8,738	-6,741	-23,253	-16,424
Operating free cash flow	-8,113	-3,548	-4,165	-13,511
Cash flow from investing activities (financial assets)	-2,299	0	-9,118	0
Total free cash flow	-10,412	-3,548	-13,283	-13,511
Other (primarily dividend payments and net financial liabilities acquired in the course of business combinations)	-3,016	-9	-9,703	-6,594
Change in net liquidity	-13,428	-3,557	-22,986	-20,105

The significant expansion in investing activity is most evident in the expansion of production capacities in the new markets of China and North America, where the company outlaid approximately € 5.8 million (previous year € 0.7 million) from January to September 2017. Over the full year 2017 a total of just over € 9 million should be invested in foreign locations (previous year € 3.2 million). In sum, although the company generated negative operating free cash flow, the outflow was much smaller than in the previous year.

The cash flow from investing activities in financial assets relates to the second capital tranche for the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., and the first purchase price instalment for Lust Hybrid-Technik GmbH, Hermsdorf. With the acquisition of Lust Hybrid-Technik, SHW has optimised the degree of vertical integration in the field of electric pumps. As a provider of Electronics Manufacturing Services (EMS), the company covers the entire range of contract manufacturing for electronic assemblies – from the process development and circuit board assemblies through to sophisticated test concepts and global shipments. Dr. Boshoff underscores this: “The process know-how at Lust in electronic circuit boards represents a great step forward for us in the development and assembly of integrated e-pumps.”

Higher margin at Pumps and Engine Components

The Pumps and Engine Components business segment achieved sales of € 230.6 million in the first nine months 2017 (previous year € 245.4 million). Sales in the Passenger Car division declined from € 203.7 million to € 180.6 million. This expected sales decline mainly reflects the lower share supplied by SHW for the second generation of an electrically driven transmission oil pump. In addition, lower product sales for diesel engines also had an impact.

The high-margin Truck & Off-Highway and Powder Metallurgy divisions both increased their sales significantly. The Truck & Off-Highway division recorded an increase in sales of 18.4 per cent to € 24.5 million (previous year € 20.7 million). The Powder Metallurgy division improved by 11.0 per cent to € 23.3 million (previous year € 21.0 million). In the first two months of its affiliation to the Group, Lust Hybrid-Technik (LHT) contributed € 2.2 million to the sales of the business segment.

Despite the decline in sales, the Pumps and Engine Components business segment achieved a segment EBITDA of € 28.1 million in the reporting period, € 0.9 million above the level of the previous year. The EBITDA margin improved accordingly from 11.1 per cent to 12.2 per cent. The most decisive factors behind the higher margin were positive product mix effects, productivity gains and non-recurring effects.



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

Margin in the Brake Discs business segment below previous year

In the Brake Discs business segment, shipments of brake discs were 7.3 per cent higher in the first nine months 2017 than in the comparable period of the previous year. All three product areas contributed to this increase. Sales rose by 4.4 per cent to € 69.7 million (previous year € 66.8 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 other materials and the contractual delay in adjusting material surcharges. Overall, the EBITDA figure in the Brake Discs business segment declined by € 1.8 million to € 4.7 million in the reporting period.

In the course of a strategy review, the Management Board addressed the development and perspectives of the Brake Discs division in detail. Thereafter, management decided to focus more strongly on high-quality composite brake discs in future. The company perceives above-average growth potential here, also with regard to electromobility. For example, SHW recently received additional orders from a renowned European automobile manufacturer for various electric vehicle models.

With regard to the Brake Discs joint venture, the management board consequently entered into negotiations with the joint venture partner, Shandong Longji Machinery Co., Ltd. for the sale of SHW's share of 51 per cent. On 26 September 2017 SHW Automotive GmbH signed a contract for the sale of its shares in the joint venture to the Chinese joint venture partner. The completion of the transaction is expected for the fourth quarter of 2017.

Contracts with Dr. Frank Boshoff (CEO) and Martin Simon (CFO) prolonged until 2021

The Supervisory Board of SHW AG has prolonged the contracts with Dr. Frank Boshoff (CEO) and Martin Simon (CFO) until 2021. "This is an important signal – not only for continuity and stability in governance, but also for the growth strategy of the Group. Under the leadership of Dr. Boshoff the existing management board team will further develop SHW into a global supplier to the automobile industry over the coming years," says Georg Wolf, Chairman of the Supervisory Board of SHW AG.

Sales and earnings forecast for the full year 2017 remains unchanged

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 between € 310 million and € 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.



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

Key performance indicators – SHW Group	Q3			Q1-Q3		
	2017	2016	Change	2017	2016	Change
Sales	97,639	96,956	0.7%	300,333	312,219	-3.8%
EBITDA	10,477	10,714	-2.2%	30,251	32,469	-6.8%
as % of sales	10.7%	11.1%	-	10.1%	10.4%	-
Depreciation/Amortisation	5,968	6,147	-2.9%	17,464	18,343	-4.8%
as % of sales	6.1%	6.3%	-	5.8%	5.9%	-
EBIT	4,509	4,567	-1.3%	12,787	14,126	-9.5%
as % of sales	4.6%	4.7%	-	4.3%	4.5%	-
ROCE	-	-	-	10.6%	12.2%	-
Net profit for the period	2,924	3,371	-13.3%	8,304	9,907	-16.2%

Key performance indicators – Pumps and Engine Components	Q3			Q1-Q3		
	2017	2016	Change	2017	2016	Change
Sales	75,232	74,833	0.5%	230,584	245,438	-6.1%
EBITDA	10,208	8,392	21.6%	28,075	27,145	3.4%
as % of sales	13.6%	11.2%	-	12.2%	11.1%	-
Depreciation/Amortisation	4,813	4,970	-3.2%	14,147	14,781	-4.3%
as % of sales	6.4%	6.6%	-	6.1%	6.0%	-
EBIT	5,395	3,422	57.7%	13,928	12,364	12.6%
as % of sales	7.2%	4.6%	-	6.0%	5.0%	-
ROCE	-	-	-	17.8%	17.1%	-

Key performance indicators – Brake Discs	Q3			Q1-Q3		
	2017	2016	Change	2017	2016	Change
Sales	22,407	22,123	1.3%	69,749	66,781	4.4%
EBITDA	1,608	2,817	-42.9%	4,736	6,579	-28.0%
as % of sales	7.2%	12.7%	-	6.8%	9.9%	-
Depreciation/Amortisation	1,033	1,102	-6.3%	3,003	3,336	-10.0%
as % of sales	4.6%	5.0%	-	4.3%	5.0%	-
EBIT	575	1,715	-66.5%	1,733	3,243	-46.6%
as % of sales	2.6%	7.8%	-	2.5%	4.9%	-
ROCE	-	-	-	4.1%	6.9%	-



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 cars (including circuit boards) 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-Wasseraffingen, Hermsdorf, Tuttlingen-Ludwigstal and Neuhausen ob Eck, sites in Brazil (São Paulo) and China (Kunshan) and a sales and development centre in Toronto (Canada). With just over 1,250 employees, the Company achieved Group sales of € 406 million in the fiscal year 2016. Further information is available at www.shw.de

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