PRESS RELEASE

SHW AG: Groundwork laid for significant revenue and margin growth

- Group sales and EBITDA margin for fiscal year 2017 within guidance range
- Significant investment programme rigorously implemented to drive internationalisation of pump activities
- Large-scale serial production started at the foreign locations in 2017 as scheduled

Aalen, 30 January 2018. SHW AG, one of the leading automotive suppliers of CO_2-relevant pumps and engine components as well as composite brake discs, published today its preliminary and unaudited key financials for fiscal year 2017.

"We have reached our goals regarding Group sales and EBITDA margin in fiscal year 2017," says Dr. Frank Boshoff, Chief Executive Officer of SHW AG. "We have made further improvements to our production and business processes at our locations. The investment programme to drive internationalisation of the pump activities is being rigorously implemented. The start of the first two large-scale serial productions at our Chinese location in Kunshan commenced without any problems. The process know-how in electronic circuit boards of Lust Hybrid-Technik GmbH, which was taken over in August 2017, represents a great step forward for us in the development and production of integrated e-pumps."

"In addition, we have decided to focus more strongly on the growing field of high-quality composite brake discs in future and therefore divested our 51 per cent holding in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. to our Chinese joint venture partner. Last but not least, we have taken out a new syndicated bank loan of € 80 million which allows us to finance the expected organic growth in the coming years and look towards additional acquisitions. In sum, it can be stated that we have laid all the groundwork to take off again", says Dr. Boshoff.

EBITDA margin of 10.3 per cent for the Group

As expected, Group sales of € 400.6 million in the fiscal year 2017 were slightly lower than the previous year's figure of € 405.8 million. This was attributable to the Pumps and Engine Components business segment.

While the EBITDA margin in the Pumps and Engine Components business segment continued to improve in the fiscal year 2017, rising from 11.8 per cent to 12.2 per cent, the Brake Discs business segment did not manage to reach the targeted margin of 10 per cent on account of higher prices for scrap metal and other raw materials and the associated contractual delay in adjusting the material surcharges. 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. Consolidated EBITDA decreased by a total of 5.2 per cent from € 43.6 million in the previous year to € 41.3 million. At 10.3 per cent, the corresponding EBITDA margin was slightly below the previous year's figure of 10.7 per cent.

Despite lower charges for depreciation and amortisation, the Group's net profit for the year decreased by just over 12 per cent to € 10.5 million (previous year € 12.8 million). This was mainly due to a loss on deconsolidation of € 1.6 million – caused by currency translation effects –in connection with the sale of the participation in the Chinese brake discs joint venture. Earnings per share come to € 1.63 (previous year € 1.99).

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

The Group managed to increase its cash flow from operating activities by 50.6 per cent from € 20.8 million to € 31.3 million. The significant improvement is primarily due to effective working capital management.

The cash flow from investing activities in intangible assets and property, plant and equipment of € -32.2 million in the period from January to December 2017 outstrips the figure for the comparable period of the previous year of € -24.8 million by almost 30 per cent. An amount of € 23.3 million was invested in the Pumps and Engine Components business segment (previous year € 17.6 million). In the Brake Discs business segment, investment came to € 10.1 million (previous year € 6.5 million).

K EUR	2017	2016
Cash flow from operating activities	31,261	20,759
Cash flow from investing activities (intangible assets and property, plant and equipment)	-32,190	-24,789
Operating free cash flow	**-0,929**	**-4,030**
Cash flow from investing activities (financial assets)	-9,118	0,000
Total free cash flow	**-10,047**	**-4,030**
Other (especially dividend distributions)	-9,756	-6,665
Change in net liquidity	**-19,803**	**-10,695**

Among other factors, the significant expansion in investing activity is a reflection of the establishment and expansion of foreign locations. In the fiscal year 2017 a total of € 7.3 million was invested in China, Brazil, Canada and Romania (previous year € 4.2 million). Free cash flow from operations was slightly negative, but improved considerably in comparison to the previous year.

The cash flow from investing activities, relating to investments in financial assets, concerns two capital tranches paid for the joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., and the first purchase price instalment for Lust Hybrid-Technik GmbH, Hermsdorf.

Pumps and Engine Components business segment: margin continues to improve

The Pumps and Engine Components business segment achieved sales of € 305.9 million in the fiscal year 2017 (previous year € 317.5 million). Sales in the Passenger Car division declined from € 262.9 million to € 237.7 million. This expected decline in sales mainly reflects the lower scope of supply of SHW for the second generation of an electrically driven transmission oil pump and lower product sales for diesel engines.

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 17.8 per cent to € 32.6 million (previous year € 27.7 million). The Powder Metallurgy division improved by 13.4 per cent to € 30.6 million (previous year € 26.9

million). Lust Hybrid-Technik GmbH (LHT), which has been consolidated since August 2017, contributed € 5.1 million to the sales of the business segment in the five months it has belonged to the Group.

Despite the decline in sales, the Pumps and Engine Components business segment achieved segment EBITDA of € 37.4 million in 2017 (previous year € 37.5 million), almost at the previous year's level. The EBITDA margin improved accordingly from 11.8 per cent to 12.2 per cent. The most important 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 Timișoara location in Romania is currently being prepared to commence serial production. Expenses for the forward-looking establishment and expansion of foreign locations are included in the operating result of the segment.

Brake Discs business segment: unit volume and sales of composite brake discs at a record level

The Brake Discs business segment recorded an increase of 7.9 per cent in unit sales of brake discs in the fiscal year 2017. Unit sales of composite brake discs of almost 600,000 units (+ 9.6 per cent on the previous year) set a new record. Sales rose by 7.3 per cent to € 94.7 million (previous year € 88.2 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 scrap metal and other raw materials and the associated contractual delay in adjusting material surcharges. In sum, the Brake Discs business segment generated a segment result of € 7.3 million (previous year € 7.9 million).

Outlook: significant improvement in sales and margins by 2020

Based on the economic and industry environment and considering the potential risks and opportunities for the full year 2018, the Management Board of SHW AG anticipates Group sales in the fiscal year 2018 to lie in a range between € 450 million to € 470 million.

Of this total, the Pumps and Engine Components business segment is forecast to generate sales of between roughly € 345 million and € 360 million and the Brake Discs business segment sales of between € 105 million and € 110 million, with the share of high-quality composite brake discs continuing to increase in 2018.

SHW continues to forecast an EBITDA margin in a range of between 11 and 12 per cent (previous year 10.3 per cent) for the fiscal year 2018. This forecast is based on the sales and earnings contributed by the facilities outside of Europe and a higher share of sales and earnings contributed by the Brake Discs business segment.

Within the framework of the "SHW 2020" strategy, sales should be raised to a volume of over € 600 million by 2020. Of this amount, roughly 30 per cent will be due to business outside of Europe. The EBITDA margin should rise to at least 12 per cent in the same period. Capital expenditure should lie in a range of between € 33 million and € 38 million per annum until 2020 but gradually decline relative to Group sales to a level of 5 to 6 per cent.

The full set of consolidated financial statements and group management report will be published by SHW AG with the annual report on 27 March 2018.

Preliminary key financials for fiscal year 2017 (K EUR)

Key performance indicators – SHW Group	Fiscal year 2017	Fiscal year 2016	Change
Sales	400,584	405,770	-1.3%
EBITDA adjusted	41,286	43,553	-5.2%
as % of sales	10.3%	10.7%	-
Depreciation (excl. PPA)	23,770	24,615	-3.4%
as % of sales	5.9%	6.1%	-
EBIT adjusted	17,516	18,938	-7.5%
as % of sales	4.4%	4.7%	-
ROCE	9.5%	13.0%	-
Net income for the period	10,469	12,805	-18.2%

Key performance indicators – Pumps and Engine Components	Fiscal year 2017	Fiscal year 2016	Change
Sales	305,883	317,521	-3.7%
EBITDA adjusted	37,390	37,454	-0.2%
as % of sales	12.2%	11.8%	-
Depreciation (excl. PPA)	19,169	19,926	-3.8%
as % of sales	6.3%	6.3%	-
EBIT adjusted	18,221	17,528	4.0%
as % of sales	6.0%	5.5%	-
ROCE	17.2%	18.4%	-

Key performance indicators – Brake Discs	Fiscal year 2017	Fiscal year 2016	Change
Sales	94,701	88,249	7.3%
EBITDA adjusted	7,289	7,899	-7.7%
as % of sales	7.7%	9.0%	-
Depreciation (excl. PPA)	4,138	4,388	-5.7%
as % of sales	4.4%	5.0%	-
EBIT adjusted	3,151	3,511	-10.3%
as % of sales	3.3%	4.0%	-
ROCE	3.3%	7.3%	-

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_2 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-Wasseralfingen, 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 slightly above € 400 million in the fiscal year 2017. Further information is available at www.shw.de

Contact

Michael Schickling

Head of Investor Relations & Corporate Communications

SHW AG

Telephone: +49 0 7361 502 462

Email: 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.

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