HALF YEAR REPORT 2013

1 January to 30 June 2013

SHW

Key figures SHW Group (IFRS)

K EUR	Q2 2013*	Q2 2012[1]	Change in %	H1 2013	H1 2012[1]	Change in %
Sales	91,792	85,554	7.3%	176,364	170,969	3.2%
EBITDA	10,310	9,423	9.4%	16,149	18,993	-15.0%
as % of sales	11.2%	11.0%	-	9.2%	11.1%	-
EBIT	6,913	6,387	8.2%	9,713	13,108	-25.9%
as % of sales	7.5%	7.5%	-	5.5%	7.7%	-
Income after tax - continued operations	4,729	4,350	8.7%	6,600	8,812	-25.1%
Income after tax - discontinued operations	-	1,532	-	-	2,258	-
Net income for the period	4,729	5,882	-19.6%	6,600	11,070	-40.4%
Earnings per share - continued operations (€)[2]	0.81	0.74	8.7%	1.13	1.51	-25.1%
Earnings per share - discontinued operations (€)[2]	-	0.26	-	-	0.39	-
Earnings per share - continued and discontinued operations (€)[2]	0.81	1.01	-19.6%	1.13	1.89	-40.4%
Adjusted EBITDA[3]	11,033	9,423	17.1%	17,546	18,993	-7.6%
as % of sales	12.0%	11.0%	-	9.9%	11.1%	-
Adjusted EBIT[3]	7,674	6,427	19.4%	11,186	13,188	-15.2%
as % of sales	8.4%	7.5%	-	6.3%	7.7%	-
Equity	-	-	-	75,230	60,642	24.1%
Equity ratio	-	-	-	40.3%	34.1%	
Net cash	-	-	-	-20,145	-17,574	14.6%
Number of employees (average)[4]	-	-	-	1.045	1.005	4.0%

[1] Prior year values were adjusted due to presentation of previously consolidated STT as "discontinued operations".

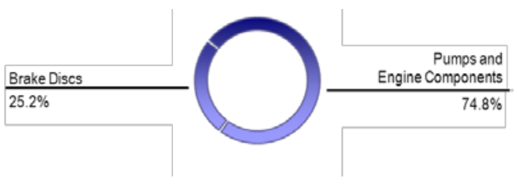
[2] Based on average of 5,851,100 shares.

[3] Adjusted for non-recurring items; cf. Reconciliation statement SHW Group page 10.

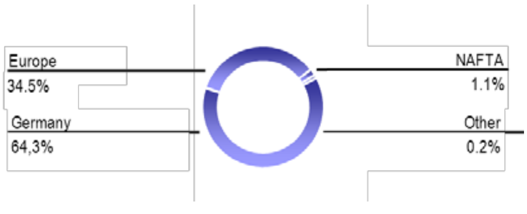
[4] Excluding trainees and temporary workers.

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

Sales by segment
in %



Sales by region
in %



Company profile

With its product portfolio, the SHW Group benefits from the global megatrend towards CO_2 reduction. The growing global demand for mobility is counteracted by regulatory requirements for a significant reduction of CO_2 emissions by motor vehicles.

SHW started developing relevant products early on, and today has a broad product portfolio of highly-efficient components for motor and engine applications as well as brake discs, which increase the efficiency of the combustion engine and its auxiliary units or to bring down the vehicle weight considerably.

We support our customers to fulfil the requirements of today and tomorrow – as a pioneer for attainment of the strict CO_2 targets.

Contents

SHW shares

DAX and US stock markets on new all-time highs in May – The Fed's signals for reduced bond acquisitions result in a subsequent consolidation

Robust US economic data, the end of the governmental crisis in Italy, European Central Bank's interest rate cut as well as the easing of the monetary policy of the Japanese central bank were the drivers for the new all-time highs of the DAX and the US stock markets in May. The signals by the US central bank regarding a tapering off of the quantitative easing, and disappointing economic data from China in conjunction with clearly higher interbank interest rates, then heralded a consolidation phase on the stock markets.

The leading US index Dow Jones ended the second quarter up 2.3 percent at 14,907 points. The Japanese Nikkei index benefited from the still weaker yen and rose 10.3 percent to 13,677 points.

In Europe, the Euro Stoxx 50 fell by 0.8 percent, closing at 2,603 points on 28 June 2013. The German leading share index DAX improved by 2.1 percent in the period from April to June 2013, closing the second quarter at 7,959 points. The selection index SDAX went up by approx. 97 points or 1.7 percent to 5,795 points.

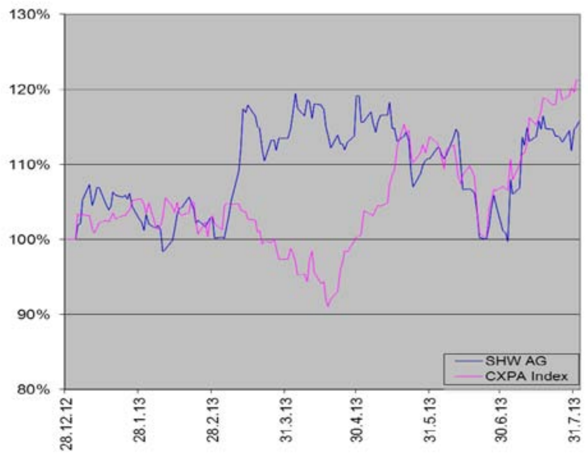
Against the background of stabilizing production and new registration figures in the European Union, as well as successful export markets (USA, China), the DAXsector Automobile Performance Index gained 9.4 percent compared to the end of the first quarter of 2013 reaching nearly 1,039 points.

SHW overcomes slump after encouraging company news

In the second quarter, the SHW share gave up the outperformance, which had been previously built up with the announcement of a special dividend. The reason for this was the fact that some investors sold off their shares after the special dividend had been distributed on 15 May. In addition, the changes to the Management Board at the end of April / beginning of May and related uncertainties regarding the Company's future strategic orientation affected the share price negatively. Overall, the SHW share closed the second quarter at € 26.74, a minus of 7.8 percent based on dividend-adjusted share prices. After encouraging company news at the beginning of July, the share was able to recover again from the year's lows at € 25.50 and is currently trading at € 30.48 (as at: 5 August 2013).

Price development of SHW share and DAXsector Automobile Performance Index (January 2013 – July 2013)

Closing price: 28 December 2012 = 100%

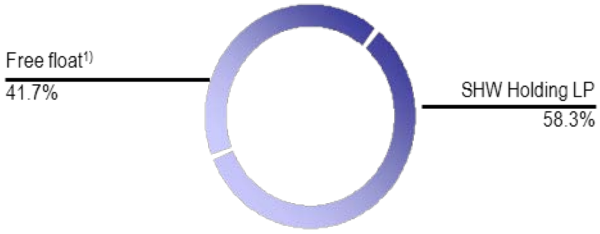


Norwegian Central Bank maintains 3.03 percent of share capital

Free float according to the definition of Deutsche Börse AG experienced no changes since the end of the first quarter 2013. With the voting rights notification of the Norwegian Central Bank (Norges Bank) as at 11 July 2013, an additional shareholder apart from Capital Group Companies Inc. (USA) and the Austrian Linz Textil Holding AG exceeded the reporting threshold of 3 percent within the free float of 41.7 percent.

Shareholder structure

in %



[1)] Free float, as defined by the German stock exchange, Deutsche Börse AG. Of which: Capital Group Companies Inc. (3.93 percent), Linz Textil Holding (3.03 percent), Norges Bank (3.03 percent).

Second Shareholder´s Meeting proceeded successfully

With an attendance rate of 73.82 percent of share capital, the second Ordinary Shareholder´s Meeting of SHW AG, which took place in Heidenheim on 14 May 2013, once again met with very high interest among SHW shareholders. As proposed by the Management Board and the Supervisory Board, a resolution was passed to distribute a dividend of € 4.00 per share. Of this amount, € 3.00 per share related to a one-time special dividend, representing the shareholders' participation in the profits from the sale of STT Technologies Inc. Of the balance sheet profits of the 2012 fiscal year, which amounted to € 59.2 million, an amount of € 23.4 million was distributed to the shareholders of SHW AG. This corresponds to a payout ratio of 39.4 percent. All proposed resolutions of the Management Board and the Supervisory Board were approved by a vast majority of the shareholders.

Further expansion of research coverage planned

In the second quarter of 2013, the Company continued to maintain close contact with its investors and analysts, and took part in several capital market conferences. We will also respond to the continually increasing interest in the SHW share during the further course of the year primarily by attending investor conferences and road shows in Germany and abroad. Highlights will include the attendance at the IAA Investor & Analyst Conference on 10 September in Frankfurt and at the German Equity Forum on 13 November. In addition, we offer interested investors the opportunity to gain a direct impression of the innovative strength and manufacturing expertise of the Company on site. In the second half of 2013, we are aiming to further expand our research coverage. In this context, we are currently in close contact with two research houses.

Share at a glance	
WKN	A1JBPV
ISIN	DE000A1JBPV9
Ticker symbol	SW1
Type of shares	Ordinary no-par-value bearer shares
Number of shares	5.85 million
Share capital	€ 5.85 million
Market capitalisation[1)]	€ 156.4 million
Free float	41.7%
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
First listing	7 July 2011
Designated sponsor	Commerzbank AG

1) Based on the closing rate of € 26.74 on 28 June 2013

Interim group management report

Business activities and framework conditions

Business activities and corporate structure

The SHW Group is a supplier for well-known automobile manufacturers, manufacturers of commercial, agricultural and construction vehicles and other automotive suppliers.

The Group's business is divided into the Pumps and Engine Components business segment and the Brake Discs business segment. The SHW Group's business activity primarily focuses on developing and manufacturing products that contribute to reducing fuel consumption, and therefore CO_2 emissions, in the automotive sector.

Leading European manufacturer of pumps and engine components

The Pumps and Engine Components business segment is the SHW Group's largest operational segment, with production facilities in Bad Schussenried and Aalen-Wasseralfingen. In Bad Schussenried, the Passenger Car division manufactures oil pumps for engines and gearboxes, vacuum pumps, water pumps, balancer shaft units and camshaft phasers for motor vehicles.

The SHW Group's Truck & Off-Highway division produces different types of pumps for trucks, agricultural and construction vehicles, stationary engines and wind power stations.

In addition, the Group manufactures engine components in the Powder Metallurgy division at its Aalen-Wasseralfingen production facility. Examples of these include gear sets and other pump components (e. g. rotors and adjustment rings) as well as other components for engines and transmissions.

Technological leader in the field of brake discs for high-performance vehicles

The SHW Group is technological leader in the production of brake discs for high-performance vehicles. In its Brake Discs business segment, the SHW Group develops and manufactures monobloc ventilated brake discs made from cast iron as well as composite brake discs made from a combination of an iron friction ring and aluminium pot. The SHW Group has sites in Tuttlingen-Ludwigstal and Neuhausen ob Eck.

Pumps and Engine Components			Brake Discs
Bad Schussenried / Sao Paulo		Aalen-Wasseralfingen	Tuttlingen-Ludwigstal Neuhausen ob Eck
Passenger Car	Truck and Off-Highway	Powder Metallurgy	
Oil pumps for engines and gearboxes	Gearbox oil pumps	Sintered steel or aluminium components for camshaft phasers	Unprocessed monobloc ventilated brake discs
Variable oil pumps/ map-controlled pumps	Engine oil pumps	Gear sets	Ready-to-install monobloc ventilated brake discs
Oil/vacuum pumps	Fuel pumps	Sintered components for engines and transmissions	Composite brake discs
Water pumps	Electric pumps		
Balancer shafts			
Camshaft phasers			

Framework conditions

Sovereign debt crisis prevents sustainable recovery in the Eurozone – clear slowdown of growth in China

In the second quarter of 2013, the economy in the euro zone is likely to have dwindled further compared to the previous year's quarter. In the peripheral countries, the signs of recovery are increasing; nevertheless, the government crisis in Portugal, Cyprus' request for a modification of the EU aid programme, as well as the sluggish progress in Greece to consolidate the public sector have shown that the crisis countries have not yet been conclusively rescued. In addition, economic risks have increased in some core countries – particularly in France and the Netherlands. The reasons for economic weakness there are: industry's investment reluctance despite favourable financing conditions, dropping real estate prices, a consolidation of state budgets as well as the loss of export market shares to the peripheral countries.

Overall, present early indicators for the euro zone indicate that, at a minus of 0.8 percent, economic performance in the second quarter has also shrunk compared to the previous year. Available data for Germany show that the German economy has revived again in the second quarter – partially due to weather-related catch-up effects – and should have grown by around 0.6 percent compared to the previous year's period.

Emerging economies in Asia continued to achieve above-average growth rates, with the growth of the Chinese economy weakening further in the second quarter. According to government data, the gross domestic product increased by only 7.5 percent compared to the previous year's period. The economic recovery of the Japanese economy is likely to have continued in the second quarter of 2013. Impulses particularly stem from the weaker Yen, which quickened the export economy. With the Japanese central bank's decision in April to take a markedly more expansionary course, the Yen's weakness is likely to continue. In addition, government economic programmes and the ongoing reconstruction works after the tsunami are likely to have raised domestic demand. In the United States, at a growth rate of around 2.0 percent compared to the previous year, the economy is likely to have remained on its recovery course, with growth impulses largely emanating from private consumption and housing construction as well as corporate investments.

US and Chinese passenger car market remain on growth course

The downward trend of new registration figures in the European Union (EU-27) visibly slowed down in the period from April to June at a minus of 3.5 percent compared to the previous quarter (- 9.8 percent). Overall, the reduction in new registrations in the European Union totals 6.6 percent in the first half of 2013. Moreover, the British market showed a very positive development in the second quarter of 2013 (+ 13.0 percent) against the backdrop of a favourable development of employment figures. In Spain, a stable situation seems to have been reached with the slight increase of 1.3 percent. Minus figures still dominated in the other European volume markets. The values ranged from – 3.7 percent in Germany, via – 7.6 percent in Italy to – 8.0 percent in France.

As a result of SHW's broad product portfolio of highly efficient components for engine and gearbox applications, the company was able to continue to uncouple from the negative market trend in the European Union in the second quarter of 2013, increasing sales in the second quarter of 2013 by 7.3 percent.

In light of the strong increase in consumer spending, the sales of passenger cars and light trucks in the USA went up by 8.7 percent to 4.12 million units between April and June 2013 compared to the previous year.

In Brazil, new registrations for light vehicles (passenger cars and light trucks) were on the rise in the second quarter of 2013 reaching 0.92 million units or 7.2 percent above the previous year.

The Chinese Passenger car market enjoyed a consistently encouraging development in the second quarter of 2013. During the period from April to June, the number of passenger cars sold reached 4.24 million units (+ 10.5 percent).

In Japan, new registrations of passenger cars fell by 7.5 percent to 1.00 million units in the period from April to June 2013, as compared to the prior year level, which had been influenced by state premium incentives.

Earnings, net assets and financial position of the SHW Group

Unless stated otherwise, earnings, net assets and financial position are each reported excluding STT and taking into account the adjustments pursuant IAS 8.41.

K EUR	Q2 2013*	Q2 2012[1]	Change in %	H1 2013	H1 2012[1]	Change in %
Sales	91,792	85,554	7.3%	176,364	170,969	3.2%
EBITDA	10,310	9,423	9.4%	16,149	18,993	-15.0%
as % of sales	11.2%	11.0%	-	9.2%	11.1%	-
EBIT	6,913	6,387	8.2%	9,713	13,108	-25.9%
as % of sales	7.5%	7.5%	-	5.5%	7.7%	-
Income after tax - continued operations	4,729	4,350	8.7%	6,600	8,812	-25.1%
Income after tax - discontinued operations	-	1,532	-	-	2,258	-
Net income for the period	4,729	5,882	-19.6%	6,600	11,070	-40.4%
Adjusted EBITDA[2]	11,033	9,423	17.1%	17,546	18,993	-7.6%
as % of sales	12.0%	11.0%	-	9.9%	11.1%	-
Adjusted EBIT[2]	7,674	6,427	19.4%	11,186	13,188	-15.2%
as % of sales	8.4%	7.5%	-	6.3%	7.7%	-
Equity	-	-	-	75,230	60,642	24.1%
Equity ratio	-	-	-	40.3%	34.1%	-
Net cash	-	-	-	-20,145	-17,574	14.6%

[1] Prior year values were adjusted due to presentation of previously consolidated STT as "discontinued operations".

[2] Adjusted for non-recurring items; cf. Reconciliation statement SHW Group.

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

Earnings position

Highly encouraging sales development in the second quarter of 2013

Thanks to new product launches and a shift towards more complex pumps, SHW AG was again able to dissociate itself from the negative market development in Europe in the second quarter (new registrations EU-27: - 3.5 percent) and to realise a sales growth of 7.3 percent with group sales of € 91.8 million. In the first half of 2013, group sales thus rose by 3.2 percent on the previous year's period overall, from € 171.0 million to € 176.4 million.

Cost of sales ratio in the second quarter of 2013 reaches prior year level

In the second quarter of 2013, the cost of sales increased by 7.3 percent from € 74.0 million to € 79.4 million in line with the increase in sales. The cost of sales ratio remained at the previous year' level, at 86.5 percent. In relation to the first half of 2013, the cost of sales went up from €148.8 million to € 155.6 million compared to the previous year, with the cost of sales ratio reaching 88.2 %, 1.2 percentage points above the previous year's comparable. This increase is attributable to the first quarter, and is largely due to the temporary increase in start-up and production costs in connection with a new product launch of an oil/vacuum pump of € 0.5 million as well as an inventory-related effect on profit of € 0.6 million. Adjusted for these two special effects, the cost of sales ratio would have been at 87.6 percent, i.e. only 0.6 percent over the prior year's value of 87.0 percent.

An SAP system-related reallocation of costs of computer licenses / maintenance to administrative costs led to a reduction in the cost of sales of € 0.2 million.

During the first half of 2013, administrative costs increased by 35.4 percent from € 3.9 million to € 5.3 million as compared to the preceding year. The drivers of this development were depreciation and maintenance costs for the implemented SAP system, which were incurred for the first time in the first half of 2013, and other IT costs of € 0.6 million, as well as costs in the context of the two changes to the Management Board of € 0.7 million. Furthermore, the computer license and maintenance costs of € 0.2 million were reclassified from cost of sales to administrative costs.

Other operating expenses and income (net) decreased by € 0.5 million in the first half of 2013 compared to the previous year.

Higher research and development expenditure

In the first half of 2013, research and development costs increased by 26.2 percent to € 3.5 million (previous year: € 2.8 million). In addition, € 1.4 million (previous year: € 1.0 million) of development costs were capitalised. Including these capitalised costs, the R&D ratio accounts for 2.8 percent of sales (previous year: 2.2 percent). Within this, the focus in the Pumps and Engine Components business segment was on developing variable oil pumps, start-stop pumps, oil/vacuum pumps, balancer shafts and camshaft phasers. In the Brake Discs business segment, focus was on the further development of lightweight brake discs.

Reconciliation statement: SHW Group

K EUR	Q2 2013*	Q2 2012	H1 2013	H1 2012
Sales	91,792	85,554	176,364	170,969
Operating result (EBIT)	6,913	6,387	9,713	13,108
Total PPA[1]	38	40	76	80
PPA[1] customer base	-	-	-	-
PPA[1] patents / licenses	-	-	-	-
PPA[1] fixed assets	38	40	76	80
Costs from production start-up	-	-	494	-
Consulting costs for SAP GoLive	-	-	180	-
Costs of changes to Management Board	723	-	723	-
Total adjustments	761	40	1,473	80
Adjusted EBIT	7,674	6,427	11,186	13,188
as % of sales	8.4%	7.5%	6.3%	7.7%
Other depreciation	3,359	2,996	6,360	5,805
Adjusted EBITDA	11,033	9,423	17,546	18,993
as % of sales	12.0%	11.0%	9.9%	11.1%

[1] Depreciation arising from purchase price allocation

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

Adjusted EBITDA improved by 17.1 percent in the second quarter

After a weaker first quarter, the Company increased the adjusted Group earnings before interest, tax, depreciation of tangible assets and amortisation of intangible assets (adjusted EBITDA) by 17.1 percent from € 9.4 million to € 11.0 million in the second quarter of 2013. The business segment Pumps and Engine Components and Brake Discs contributed to this improved result. The EBITDA margin thus improved from 11.0 percent to 12.0 percent.

Overall, the Company generated adjusted Group earnings before interest, tax, depreciation of tangible assets and amortisation of intangible assets (adjusted EBITDA) of 17.5 million in the first half of 2013 (previous year: € 19.0 million). This drop in earnings is attributable to the weaker first quarter 2013, which was adversely affected by temporary performance losses (SAP launch related operating costs for consultants, special shipments, and third-party processing orders), product mix shifts, higher start-up costs and IT expenditures as well as inventory differences.

Since depreciation in the second quarter of 2013 only showed a disproportionately small increase compared to the adjusted EBITDA, Group earnings before interest and tax (adjusted EBIT) even increased by 19.4 percent to 7.7 million. The corresponding EBIT margin developed from 7.5 percent to 8.4 percent. Given the negative effect on profit in the first quarter of 2013, the adjusted EBIT in the first half of 2013 remained below the prior year value of € 13.2 million at € 11.2 million.

Special effects in the second quarter and the first half of 2013

The second quarter saw non-recurring items of € 0.8 million on the Group level. Of these, € 0.7 million related to the costs of the two changes to the Management Board. Together with the temporary increase in start-up and production costs of a new product launch incurred in the first quarter (€ 0.5 million) and the one-off consultancy costs in connection with the conversion to SAP (After-Go-Live-Support) of € 0.2 million adjustment amount totalled € 1.5 million.

Financial result improved

The financial result (net) improved due to the lower average financial debt from € -0.9 million to € -0.6 million.

Tax ratio down

Taxes on income and earnings were down by € 0.9 million to € 2.5 million in the first half of 2013. The tax ratio fell from 27.9 percent to 27.4 percent. The lower tax ratio is primarily the result of a deferred tax income due to the revaluation of pension obligations.

Income after tax from continued operations in the second quarter 8.7 percent higher than previous year’s level

Income after tax from continued operations in the second quarter of 2013 was around € 4.7 million (+ 8.7 percent compared to the previous year). After the weaker first quarter, the corresponding result after the first six months of 2013 of € 6.6 million was 25.1 percent lower than last year’s comparable of € 8.8 million.

Earnings per share from continued operations came up to € 0.81 in the second quarter of 2013, compared to € 0.74 the previous year. The resulting amount adds up to € 1.13 for the first half of 2013 compared to € 1.51 the previous year. The weighted average number of shares used to calculate earnings per share was 5,581,100 in both years.

Business Segments

Development of the Pumps and Engine Components business segment (excluding STT)

Significant sales increase in the second quarter of 2013
In the second quarter of 2013, the Pumps and Engine Components business segment saw a significant increase in demand, which was reflected in an increase in sales of 9.2 percent to € 68.6 million (previous year: € 62.8 million). Overall, sales in the Pumps and Engine Components business segment in the period from January to June 2013 went up 5.4 percent compared to the prior year period to € 131.9 million (previous year: € 125.1 million).

Demand for variable oil pumps/start-stop pumps drives sales in the Passenger Car division
Within the Pumps and Engine Components business segment, the Passenger Car division benefitted from the increased demand for variable oil pumps, start-stop pumps as well as the new product launch of an oil/vacuum pump for diesel vehicles. Sales in the Passenger Car division rose by 13.7 percent from € 48.1 million to € 54.8 million in the second quarter of 2013 and by 9.6 percent from € 94.7 to € 103.8 million in the first half of 2013.

In the Truck and Off-Highway division, the cyclical fall in demand in the second quarter continued, resulting in a sales minus of € 0.6 million to € 6.7 million. Accumulated over the period from January to June 2013, this led to a reduction in sales of 7.7 percent from € 15.5 million to € 14.3 million compared to the prior year period. The Powder Metallurgy division closed the second quarter of 2013 with a slight reduction in sales of 3.4 percent at € 7.1 million. After the weaker first quarter, sales in the reporting period from January to June 2013 were 7.6 percent lower than last year's value, at € 15.0 million. The cause is to be seen in lower demand from Truck & Off- Highway customers as well as from customers with minor exports to North-America and China.

Key figures - Pumps and Engine Components

K EUR	Q2 2013*	Q2 2012[1]	Change in %	H1 2013	H1 2012[1]	Change in %
Sales	68,576	62,825	9.2%	131,907	125,129	5.4%
EBITDA	8,789	8,270	6.3%	13,436	16,460	-18.4%
as % of sales	12.8%	13.2%	-	10.2%	13.2%	-
EBIT	6,353	6,048	5.0%	8,898	12,201	-27.1%
as % of sales	9.3%	9.6%	-	6.7%	9.8%	-
Adjusted EBITDA[2]	8,789	8,270	6.3%	14,093	16,460	-14.4%
as % of sales	12.8%	13.2%	-	10.7%	13.2%	-
Adjusted EBIT[2]	6,363	6,058	5.0%	9,575	12,221	-21.7%
as % of sales	9.3%	9.6%	-	7.3%	9.8%	-

[1] Prior year values were adjusted due to presentation of previously consolidated STT as "discontinued operations".

[2] Adjusted for non-recurring items; cf. Reconciliation statement Pumps and Engines Components.

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

EBITDA in the second quarter of 2013 exceeds prior year level
The Pumps and Engine Components business segment returned to success in the second quarter of 2013, generating an adjusted segment result before interest, tax and depreciation of tangible assets and amortisation of intangible assets (adjusted EBITDA) of € 8.8 million, compared to € 8.3 million in the previous year. Taking into account the weaker first quarter, the first half of 2013 suffers a reduction of adjusted EBITDA by € 2.4 million or 14.4 percent to € 14.1 million. The reasons for this are the additional operating costs relating to the implementation of SAP incurred as early as the first quarter, such as overtime, external processing costs and special shipments, as well as inventory differences identified during two full stock-takings carried out at the sites of Bad Schussenried and Aalen-Wasseralfingen. Other reasons include the product mix shifts, the lower earnings contributions from the higher-margin Truck & Off-Highway division as well as the start-up cost for our Brazilian company.

At € 6.4 million, the adjusted segment result before interest and tax (adjusted EBIT) in the second quarter of 2013 exceeded the prior year value by 5.0 percent or € 0.3 million. Due to the weaker first quarter, the adjusted EBIT dropped by € 2.6 million or 21.7 percent in the first half of 2013 to € 9.6 million.

Reconciliation statement: Pumps and Engine Components

K EUR	Q2 2013*	Q2 2012	H1 2013	H1 2012
Sales	68,576	62,825	131,907	125,129
Operating result (EBIT)	6,353	6,048	8,898	12,201
Total PPA[1]	10	10	20	20
PPA[1] customer base	-	-	-	-
PPA[1] patents / licenses	-	-	-	-
PPA[1] fixed assets	10	10	20	20
Costs from production start-up	-	-	494	-
Consulting costs for SAP GoLive	-	-	163	-
Total adjustments	10	10	677	20
Adjusted EBIT	6,363	6,058	9,575	12,221
as % of sales	9.3%	9.6%	7.3%	9.8%
Other depreciation	2,426	2,212	4,518	4,239
Adjusted EBITDA	8,789	8,270	14,093	16,460
as % of sales	12.8%	13.2%	10.7%	13.2%

[1] Depreciation arising from purchase price allocation

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

Development of the Brake Discs business segment

Key figures - Brake Discs

K EUR	Q2 2013	Q2 2012[1]	Change in %	H1 2013	H1 2012[1]	Change in %
Sales	23,216	22,729	2.1%	44,457	45,840	-3.0%
EBITDA	2,587	1,743	48.4%	4,061	3,142	29.2%
as % of sales	11.1%	7.7%	-	9.1%	6.9%	-
EBIT	1,689	0,967	74.7%	2,279	1,592	43.2%
as % of sales	7.3%	4.3%	-	5.1%	3.5%	-
Adjusted EBITDA[1]	2,587	1,743	48.4%	4,078	3,142	29.8%
as % of sales	11.1%	7.7%	-	9.2%	6.9%	-
Adjusted EBIT[1]	1,717	997	72.2%	2,352	1,652	42.4%
as % of sales	7.4%	4.4%	-	5.3%	3.6%	-

[1] Adjusted for non-recurring items; cf. Reconciliation statement Brake Discs.

Slight sales growth in the second quarter of 2013

In the second quarter of 2013, the Brake Discs business segment generated a slight sales plus of 2.1 percent from € 22.7 million to € 23.2 million as a result of higher sales figures – particularly composite brake discs. Added up, this results in only a slight reduction in sales after the first six months of 2013 of 3.0 percent from € 45.8 to € 44.5 million.

The number of composite brake discs sold in the second quarter of 2013 rose by 34.8 percent from about 40,500 units to approx. 54,600 units. At 968,200 units, sales figures remained almost on the prior year level of 977,000 units. The total number of brake discs sold went up by 0.5 percent to 1.02 million units.

The number of composite brake discs sold went up by 37.1 percent in the first six months of 2013 from approx. 76,400 units to approx. 104,700 units. By contrast, sales of monobloc brake discs fell by 8.5 percent overall to 1.88 million units (previous year: 2.05 million units). Sales of brake discs overall dropped by 6.8 percent from 2.13 million units to 1.98 million units.

EBITDA margin improved from 7.7 percent to 11.1 percent in the second quarter of 2013

Thanks to the improved product mix towards high-quality brake discs, as well as productivity increases and lower quality costs among others, segment earnings before interest, taxes and depreciation of tangible assets and amortisation of intangible assets (EBITDA adjusted) increased by 48.4 percent from € 1.7 million to € 2.6 million in the second quarter 2013. The EBITDA margin showed a corresponding improvement from 7.7 percent to 11.1 percent. For the period from January to June 2013, this led to an improvement of the adjusted EBITDA of 29.8 percent from € 3.1 million to € 4.1 million and an EBITDA margin of 9.2 percent (previous year: 6.9 percent).

Since depreciation only showed a disproportionately small increase compared to the adjusted EBITDA, the adjusted segment result before interest and taxes (adjusted EBIT) improved by 72.2 percent in the second quarter of 2013 to € 1.7 million or 42.4 percent to € 2.4 million in the first half of 2013.

Reconciliation statement: Brake Discs

K EUR	Q2 2013	Q2 2012	H1 2013	H1 2012
Sales	23,216	22,729	44,457	45,840
Operating result (EBIT)	1,689	967	2,279	1,592
Total PPA[1]	28	30	56	60
PPA[1] customer base	-	-	-	-
PPA[1] patents / licenses	-	-	-	-
PPA[1] fixed assets	28	30	56	60
Consulting costs for SAP GoLive	-	-	17	-
Total adjustments	28	30	73	60
Adjusted EBIT	1,717	997	2,352	1,652
as % of sales	7.4%	4.4%	5.3%	3.6%
Other depreciation	870	746	1,726	1,490
Adjusted EBITDA	2,587	1,743	4,078	3,142
as % of sales	11.1%	7.7%	9.2%	6.9%

[1] Depreciation arising from purchase price allocation

Financial position

Equity ratio still above average

Due to the first time adoption of revised IAS 19 “Employee benefits”, equity as at 31 December 2012 and as at 30 June 2012 was retroactively adjusted (increase in pension obligations due to valuation changes by € 2.3 million and corresponding reduction of other reserves, also see Statement of Changes in Group equity on page 19). Compared to 30 June 2012, equity went up by € 14.6 million, primarily due to the special income from the sale of the 50-percent stake in STT. As a result, the equity ratio went up from 34.1 percent to 40.3 percent.

Compared to 31 December 2012, equity fell by € 16.8 million to € 75.2 million, primarily due to the distribution of a dividend of € 4.00 per share or a total dividend of € 23.4 million. The equity ratio declined from 50.9 percent in December 2012 to 40.3 percent.

Positive free cash flow in the second quarter of 2013

In the second quarter of 2013, the Company achieved a significant improvement of the cash flow from operating activities from continued and discontinued operations by 57.4 percent to € 11.2 million. Despite the fact that investments had more than doubled, it was possible to again achieve a positive free cash flow of € 2.2 million. This results in a free cash flow from continued and discontinued operations of € -16.9 million for the first half 2013 as compared to € -3.2 million in the corresponding period of 2012.

Net bank liabilities influenced by additions to working capital and investments

As at 30 June 2013, the net bank liabilities of the SHW Group amounted to € 20.1 million. Compared to the first half of 2012, net bank liabilities thus increased by € 2.6 million. The sale of the joint venture shares enabled the redemption of the bank loans at the end of 2012 and to report a net liquidity of € 19.6 million. Due to the increase in working capital, the significant increase in investments and the dividend payment of € 23.4 million, liquidity fell again. For financing, a KfW loan of € 3.9 million was taken up and an operating credit facility including sureties in the amount of € 17.7 million was utilized.

Reconciliation statement: Change in net cash

K EUR	Q2 2013*	Q2 2012	H1 2013	H1 2012
Cash flow from operating activities from continued and discontinued operations	11,168	7,097	259	5,705
Cash flow from investment activities from continued and discontinued operations	-8,993	-3,991	-17,173	-8,871
Cash flow before financing activities (free cash flow)	2,175	3,106	-16,914	-3,166
Other	-23,415	-5,736	-22,860	-5,787
Change in net cash	-21,240	-2,630	-39,774	-8,953

* Adjustment pursuant IAS 8.41; cf. Notes page 23.

Significant increase in investments

In the first six months of 2013, investments from continued operations increased by 119.8 percent to € 17.2 million as compared to € 7.8 million in the previous year. Thereof € 14.6 million were attributable to the Pumps and Engine Components business segment, and € 2.3 million to the Brake Discs business segment.

Net assets

New product launches reflected in property, plant and equipment, inventories and receivables

Compared to 30 June 2012, total assets increased by € 8.7 million to € 186.6 million. The item "Other intangible assets" increased further as a result of the capitalisation of development costs and services for the SAP project. Tangible assets went up by € 9.1 million to € 68.1 million year-on-year. On a comparable basis (excluding STT), new production equipment was put in service and resulted in an increase of € 51.6 million to € 68.1 million. Inventories from continued operations rose by € 12.1 million to € 46.0 million as compared to 30 June 2012. Trade receivables increased on a comparable basis by € 1.7 million to € 45.3 million. At the same time, trade payables increased by € 5.1 million to € 39.7 million.

Compared to 31 December 2012, total assets rose by € 5.7 million to € 186.6 million. In addition to the increase of tangible assets, inventories and receivables rose by € 14.3 million in comparison to the balance sheet date, due to the new product launches. In addition to the dividend payment of € 23.4 million, this was the main reason for the reduction of liquid funds in relation to the balance sheet date by € 18.4 million to € 1.3 million and the taking up of a new bank loan amounting to € 21.4 million.

New product launches result in higher employee figures in the Pumps and Engine Components business segment

In the first six months of 2013, the number of employees on the Group level increased compared to the same period last year, from 1,005 on average to 1,045. The majority of new employees was accounted for by the two sites of the Pumps and Engine Components business segment. There, the average number of employees went up from 614 to 647. At the two sites of the Brake Discs business segment, the number of employees went up from 355 on average to 364.

Opportunities and risks

The opportunities and risks analysis for the SHW Group revealed no material changes compared to the opportunities and risks statements in the Annual Report 2012 (pages 50 to 57 / 61 to 62).

Outlook

Overall economic outlook

According to the economists at Commerzbank, the still unresolved sovereign debt crisis (Economy and Financial Markets, July / August 2013) continued to have a dampening effect on the global economy.

Economic experts are now expecting a reduction in economic performance in the euro zone (as at: 15 July 2013) of 0.6 percent. Whereas, in the Southern peripheral countries – Greece, Spain, Portugal and Italy – signs increasingly point towards an end of the recession in the second half of 2013, the core countries continue to face economic risks. Commerzbank analysts again adjusted their forecast for

Germany's GDP growth for the whole of 2013, and are now only expecting a low growth of economic performance of 0.2 percent (previously: 0.5 percent).

For the USA, Commerzbank is expecting unchanged GDP growth of 2.0 percent. Compared to this, the growth forecast for China was revised from 7.5 to 7.2 percent, after at best a stabilising of the economy is expected for the further course of the year.

Despite existing risks, the economic prospects and increasing disposable income in many emerging markets should offer a solid basis for a continued upward trend of the global vehicle production in 2013.

Outlook for the industry

In their current update (July 2013), industry experts at PwC Autofacts revised downwards their forecast for the global light vehicle production (vehicles < 6 t). Overall, PwC Autofacts predict growth of only 2.4 percent for 2013 (previously. 4.1 percent) to 81.1 vehicles.

By contrast, PwC Autofacts revised slightly upwards its expectations for the European Union compared to April 2013, and now forecasts a production decline of only 3.2 percent from 15.9 million to 15.4 million vehicles. The reasons for this are particularly the strong exports to the USA and Turkey, which are able to overcompensate for the regressive exports to markets such as China and Russia – as a consequence of the launch of local manufacturing capacities. According to PwC Automotive experts, most of the regressive production volume in the European Union will relate to the production site Germany, where a reduction of 4.1 percent to 5.4 million vehicles is expected.

In North America, the persistent robust demand is expected to increase production by 5.1 percent to 16.2 million. The medium-term growth trend in the Chinese automobile market will remain intact during the current year. Further increases in income and the still relatively low passenger car market penetration form the basis for the expected growth in volume in 2013 of approx. 10 percent to 18.2 million vehicles.

Outlook for the Group

In the second quarter of 2013, the Company also benefited from a number of new product launches and the shift towards more complex pumps and higher-quality composite brake discs. As a result, it was possible to dissociate from the ongoing difficult market environment in Europe.

It is still difficult to estimate the effects of the high unemployment figures in the European Union on vehicle demand and production in Europe, as well as the development of vehicle exports to North and South America and China.

Based on the first-half 2013sales figure and assuming a continued stable order intake, SHW AG now expects Group sales for the fiscal year 2013 in the range of € 330 million to € 345 million (previously: € 325 million to € 340 million). Due to further planned new product launches and a shift in the product mix towards more complex pumps, sales in the Pumps and Engine Components business segment are estimated in the range of between € 240 million) and € 255 million (previously: € 235 million to € 250 million). In the Brake Discs business segment, we aim to increase the proportion of processed brake discs and higher-quality composite brake discs to achieve sales in the region of € 90 million.

In spite of the weaker first quarter, we are still expecting the Group earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) to improve in fiscal year 2013 as compared to the previous year, if the planned sales growth is achieved.

Aalen, 6 August 2013

Management Board of SHW AG

Dr. Thomas Buchholz Andreas Rydzewski Sascha Rosengart

Consolidated Interim Financial Statements (IFRS) as of 30 June 2013

Consolidated income statement (unaudited)

K EUR	Q2 2013 [2]	Q2 2012	H1 2013	H1 2012
Sales	91,792	85,554	176,364	170,969
Cost of sales	-79,416	-74,209	-155,613	-148,819
Gross profit	12,376	11,345	20,751	22,150
Selling expenses	-1,142	-844	-2,179	-1,812
General administration expenses	-2,640	-2,059	-5,326	-3,934
Research and development costs	-1,794	-1,484	-3,511	-2,781
Other operating income	784	912	1,101	2,153
Other operating expenses	-671	-1,483 *	-1,123	-2,668 *
Operating result	6,913	6,387	9,713	13,108
Financial income	4	1	4	1
Financial expenses	-357	-423	-620	-889
Earnings before taxes	6,560	5,965	9,097	12,220
Deferred taxes	156	-144 *	209	-149 *
Current income taxes	-1,987	-1,471	-2,706	-3,259
Income after tax from continued operations	4,729	4,350	6,600	8,812
Income after tax from discontinued operations	-	1,532	-	2,258
Net income for the period	4,729	5,882	6,600	11,070
Earnings per share from continued and discontinued operations (in €) [1]	0.81	1.01	1.13	1.89
Earnings per share from continued operations (in €) [1]	0.81	0.74	1.13	1.51

* Adjusted, for explanations, see Notes page 23.
[1] Based on an average of 5,851,100 shares.
[2] Adjustment pursuant IAS 8.41; cf. explanations Notes page 23.

Consolidated statement of comprehensive income (unaudited)

K EUR	Q2 2013*	Q2 2012	H1 2013	H1 2012
Net income for the period	4,729	5,882	6,600	11,070
Actuarial gains / losses from pensions and similar obligations before taxes	-	-1,486	-	-3,006
Tax effect	-	419	-	848
Other earnings after tax for components not recognised in the income statement affecting profit or loss	-	-1,067	-	-2,158
Currency translation differences	24	430	22	335
Change in the market values of hedging instruments	-	-	-	-
Variation (gross)	24	430	22	335
Deferred taxes on changes in value recognised in equity	-	-	-	-
Other earnings after tax for components recognised in the income statement in subsequent periods affecting profit or loss	24	430	22	335
Changes in value recognised in equity	24	-637	22	-1,823
Capital increase	-	-	-	-
Consolidated statement of comprehensive income	4,753	5,245	6,622	9,247
Minority interests in comprehensive income	-	-	-	-
SHW AG shareholders' share in the comprehensive income	4,753	5,245	6,622	9,247

* Adjustment pursuant IAS 8.41; cf. explanations Notes page 23.

Consolidated balance sheet (unaudited)

K EUR	30.06.2013	31.12.2012	30.06.2012 1)
Assets			
Goodwill	7,055	7,055	7,055
Other intangible assets	13,252	12,314	9,968
Tangible assets (property, plant and equipment)	68,115	58,269	59,026
Deferred tax assets	3,410	3,377 *	3,226 *
Other financial assets	590	1,395	765
Non-current assets	92,422	82,410	80,040
Inventories	46,037	44,073	38,709
Trade receivables	45,316	32,960	52,885
Loans to affiliated companies	—	—	—
Other financial assets	430	—	1,773
Other assets	1,143	1,807	698
Cash and cash equivalents	1,253	19,629	3,811
Current assets	94,179	98,469	97,876
Balance sheet total	186,601	180,879	177,916

* Adjusted, for explanations, see Notes page 23
1) Including discontinued operations

K EUR	30.06.2013	31.12.2012	30.06.2012 1)
Equity and liabilities			
Subscribed capital	5,851	5,851	5,851
Capital reserves	14,780	14,780	14,780
Revenue reserves	56,835	73,662 *	38,636 *
Other reserves	-2,236	-2,258 *	1,375 *
Total equity	75,230	92,035	60,642
Pension accruals and similar obligations	25,765	25,830 *	22,914 *
Deferred tax liabilities	2,943	3,119	3,308
Other accruals	2,872	2,948	2,992
Other financial liabilities	90	100	119
Liabilities to banks	3,413	—	5,625
Non-current liabilities and accruals	35,083	31,997	34,958
Liabilities to banks	17,985	—	15,760
Trade payables	39,742	40,695	39,998
Other financial liabilities	5,165	4,221	9,573
Income tax liabilities	1,414	1,016	1,830
Other accruals	4,951	5,170	7,069
Other liabilities	7,031	5,745	8,086
Current liabilities and accruals	76,288	56,847	82,316
Balance sheet total	186,601	180,879	177,916

* Adjusted, for explanations, see Notes page 23
1) Including discontinued operations

Statement of changes in Group equity (unaudited)

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
As at 1 January 2012 (as shown originally)	5,851	14,780	33,417	1,079	55,127
of which from discontinued operations	—	—	—	1,079	—
Adjustments of valuation methods	—	—	—	2,119	2,119
As at 1 January 2012 (adjusted)	5,851	14,780	33,417	3,198	57,246
of which from discontinued operations	—	—	—	1,079	—
Changes of the amount of actuarial gains and losses	—	—	—	-2,158	-2,158
Capital increase	—	—	—	—	—
Foreign currency translation	—	—	—	335	335
Total result recognised directly in equity	—	—	—	-1,823	-1,823
Net profit for the period until 30 June 2012	—	—	11,070	—	11,070
Total net result for the period	—	—	11,070	-1,823	9,247
Dividends paid	—	—	-5,851	—	-5,851
As at 30 June 2012 (adjusted)	5,851	14,780	38,636	1,375	60,642
of which from discontinued operations	—	—	—	1,414	—
As at 31 December 2012 / 1 January 2013 (as shown originally)	5,851	14,780	73,709	—	94,340
Adjustments of valuation methods	—	—	-47	-2,258	-2,305
As at 1 January 2013 (adjusted)	5,851	14,780	73,662	-2,258	92,035
Foreign currency translation	—	—	—	22	22
Total result recognised directly in equity	—	—	—	22	22
Net profit for the period until 30 June 2013	—	—	6,600	—	6,600
Total net result for the period	—	—	6,600	22	6,622
First-time consolidation of subsidiaries not previously included for reasons of materiality	—	—	-23	—	-23
Dividends paid	—	—	-23,404	—	-23,404
Position as of 30 June 2013	5,851	14,780	56,835	-2,236	75,230

Consolidated cash flow statement (unaudited)

K EUR	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
Cash flow from operating activities		
Earnings from continued operations / Net income for the period	6,600	8,812
Depreciation/amortisation of fixed asset items (+)	6,436	5,885
Income tax expenses through profit or loss (+)	2,706	3,259
Income tax paid (-)	-2,273	-2,521
Financing costs through profit or loss (+)	620	889
Interest paid (-)	-123	-296
Financial investments income through profit or loss (-)	-4	-1
Interest and dividend payments received (+)	4	1,428
Increase (+)/decrease (-) in accruals	2,850	-2,107
Changes in deferred taxes	-1,114	149
Other non cash-effective expenses (+)/income (-)	-2,578	-516
Gain (-)/loss (+) on the disposal of assets	-46	-2
Increase (-)/decrease (+) in inventories, trade receivables and other current assets	-14,086	-6,549
Increase (+)/decrease (-) in trade payables and other current liabilities	1,267	-3,481
Cash flow from operating activities from continued operations	259	4,949
Cash flow from operating activities from discontinued operations	—	756
Cash flow from operating activities from continued and discontinued operations	259	5,705
Cash flow from investment activities		
Cash received (+) from disposals of tangible assets	46	2
Payments-out (-) for investments in tangible assets	-15,154	-6,126
Payments-out (-) for investments in intangible assets	-2,065	-1,689
Cash flow from investing activities from continued operations	-17,173	-7,813
Cash flow from investing activities from discontinued operations	—	-1,058
Cash flow from investing activities from continued and discontinued operations	-17,173	-8,871
Cash flow from financing activities		
Payments (+) from new borrowings	21,398	4,668
Payments (-) for the redemption of financial liabilities	—	-2,625
Dividends paid	-23,404	-5,851
Payments (+) from the disposal of financial assets	—	—
Payments (-) for investments in financial assets	-4	—
Cash flow from financing activities from continued operations	-2,010	-3,808
Cash flow from financing activities from discontinued operations	—	—
Cash flow from financing activities from continued and discontinued operations	-2,010	-3,808
Cash and cash equivalents at the end of the period		
Changes in cash and cash equivalents with effect on payment (subtotal of lines 1–3)	-18,924	-6,974
Currency-related changes in cash and cash equivalents	-7	103
Cash and cash equivalents at the beginning of the period	19,629	10,682
Adjustments to cash and cash equivalents due to change in the scope of consolidation	555	—
Cash and cash equivalents at the end of the period	1,253	3,811

Notes to the consolidated interim financial statements

Basis and methods used in consolidated interim financial statements

The present abridged, unaudited consolidated interim financial statements of SHW AG, Wilhelmstrasse. 67, 73433 Aalen, and its subsidiaries (hereinafter referred to as SHW Group) as at 30 June 2013 were compiled according to the provisions of the International Accounting Standards for Interim Reports (IAS 34) and pursuant to § 315a HGB in conjunction with the International Financial Reporting Standards (IFRS) and the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU) at the interim reporting date.

According to IAS 34, the consolidated interim financial statements do not include all details to be provided in consolidated financial statements at the end of the financial year; thus, these financial statements should be read in conjunction with the consolidated financial statements for the 2012 financial year.

SHW AG is an Aktiengesellschaft (public limited company) under German law and is entered in the commercial register under HRB 726621. The Group's principal activity is the manufacture and sale of pumps, engine components and brake discs. Its customers are mainly automotive manufacturers and suppliers.

The present consolidated interim financial statements, submitted by the Management Board to the Supervisory Board's Audit Committee on 25 July 2013, cover the period from 1 January to 30 June 2013 as a comparison to the same period last year. The asset position (Consolidated balance sheet) is presented in comparison with the figures as of 31 December 2012 and 30 June 2012. The consolidated interim financial statements are denominated in euro (€). Unless specified otherwise, the figures shown are stated in thousand euros (K EUR).

In the opinion of the Management Board, the consolidated interim financial statements include all of the usual, regular adjustments required for an appropriate presentation of the Group's earnings, net assets and financial position. The accounting and valuation methods applied in the consolidated interim financial statements for the first six months of 2013 correspond to the methods used in the consolidated financial statements as at 31 December 2012. A detailed description of these methods is included in the Notes to the consolidated financial statements as at 31 December 2012.

For each interim period, income tax expenses are stated on the basis of the best estimate of the weighted average annual income tax rate anticipated for the full year.

The standard IAS 19, which is to be applied for the first time starting from the 2013 financial year, will lead to changes of this quarterly report, due to the fact that the Group previously applied the corridor method to calculate actuarial gains and losses; this method is no longer permissible. The effects of this, also on the comparative period last year, are shown separately on page 23.

In preparing consolidated interim financial statements according to IFRS, estimates and assessment must to some extent be made in relation to the total assets and liabilities and stated contingent liabilities as of the reporting date and to the stated income and expenses for the reporting period. The actual figures may differ from the estimates.

Discontinued operations

On 28 September 2012, SHW announced that, in agreement with its joint-venture partner, it will sell its 50-percent stake in STT Technologies Inc. This transaction was agreed taking effect on 26 October 2012 and STT was deconsolidated.

STT is shown in this quarterly report as a discontinued business segment in the meaning of IFRS 5. As a result, the following comprehensive disclosure and measurement changes have been made: The income statement shows the sales, expenses and income for the first and second quarter of 2012 excluding STT. Income after tax at STT is shown in a separate line called "Income after tax from discontinued operations". The consolidated statement of cash flows provides information regarding this change for the discontinued business segment.

Scope of consolidation

In addition to SHW AG, the consolidated interim financial statements as at 30 June 2013 include the financial statements of SHW Automotive GmbH and SHW Zweite Beteiligungs GmbH. With effect from 1 January 2013, SHW do Brasil is first included in the scope of consolidation due to the start-up of its operations. The joint venture company STT Technologies Inc., Concord/Ontario, Canada, in which the SHW Group held a 50-percent stake, was deconsolidated as at 30 October 2012.

Statement of comprehensive income and statement of financial position

Group sales (excluding STT) increased by € 5.4 million on the previous year to € 176.4 million in the first half of 2013. Whereas the Pumps and Engine Components business segment increased its sales compared to the previous year by € 6.8 million to € 131.9 by shifting its product mix towards more complex pumps and launching new products, the sales of the business segment Brake Discs decreased by € 1.3 million to € 44.5 million Lower sales in the Brake Discs business segment are mainly due to the lower demand-related sales figures for unprocessed and processed Brake Discs as well as the lower material price increases.

Earnings before taxes from continued operations dropped in the reporting period due to the lower earnings contribution of the Pumps and Engine Components business segment and several other exceptional charges (see Management Report) by 25.6 percent from € 12.2 million to € 9.1 million. The tax ratio was 27.4 percent in the first half of 2013 as against 27.9 percent in the previous year. The lower tax ratio in the first half of 2013 is principally due to the deferred tax income resulting from the revaluation of pension obligations.

In comparison to the 30 June 2012 and 31 December 2012, other intangible assets increased by € 3.3 million or € 0.9 million, respectively, on account of the capitalisation of development costs.

Non-current financial assets were € 0.8 million lower compared to the 2012 year-end. This reduction resulted from the first-time consolidation of SHW do Brasil and the corresponding elimination of the inter-company loan to SHW do Brasil.

Trade receivables went down by € 7.6 million compared to the previous year. If the trade receivables of STT as at 30 June 2012 were excluded, at € 9.3 million, this would lead to an increase of € 1.7 million.

As at 30 June 2013, the net bank liabilities of the SHW Group amounted to € 20.1 million. Compared to the first half of 2012, net bank liabilities thus increased by € 2.6 million. The sale of the joint venture shares enabled the redemption of the bank loans at the end of 2012 and to report a net liquidity of € 19.6 million. Due to the increase in working capital, the significant increase of investments and the dividend payment of € 23.4 million, liquidity fell again. For financing, a KfW loan of € 3.9 million was taken up and an operating credit facility including sureties in the amount of € 17.7 million was utilized.

Other current assets decreased by € 0.7 million compared to the year-end. This was essentially accounted for by the reduction of the sales tax claim.

Changes to the statement of financial position due to the first-time application of IAS 19 "Employee Benefits"

With effect from 1 January 2013, the SHW Group must apply the revised standard IAS 19 "Employee Benefits" for the first time. According to this standard, the corridor method is no longer permissible and all actuarial gains and losses must be directly recognised in equity (so-called Other Comprehensive Income). The standard must be applied retroactively so that comparable prior year values are recognised at the same time.

K EUR	30.06.2013	31.12.2012 adjusted	31.12.2012 previously	30.06.2012 adjusted	30.06.2012 previously
Equity	75,230	92,035	94,340	60,642	60,704
Provisions for pensions	25,765	25,830	22,620	22,914	22,827

K EUR	30.06.2012 adjusted	30.06.2012 previously
values from the revaluation included in the operating result	-32	—
deferred taxes from the revaluation	9	—
Values from the revaluation included in comprehensive income	-2,158	—

Adjustments pursuant IAS 8.41

The introduction of SAP in the first quarter 2013 and the training level of the staff at the time of its introduction were insufficient and led to errors in material postings, among others. Focus in the second quarter was thus placed on stabilising the SAP processes (such as the redesign of the logistics concept in the Powder Metallurgy division) and the continuous training of the staff. Furthermore, full inventories were carried out at the two sites of the Pumps and Engine Components segment - Bad Schussenried and Aalen-Wasseralfingen – for the first time after a lapse of several years, in the second quarter 2013. For this reason, Management did not have a true and fair view of the net assets, financial position and earnings position of the SHW Group as at March 31, 2013 until the end of the second quarter 2013. The special effects detected were adjusted during the preparation of the half-year report as at 30 June 2013 in the first quarter of 2013, according to IAS 8.41

The following table shows the relevant adjustments to the income statement totalling € 1.5 million. All effects are to be attributed to the Pumps and Engine Components business segment. The adjustment to sales of € 0.3 million relates to a customer credit attributable to previous periods. The correction of cost of sales of € 0.9 million is largely due to inventory differences attributable to previous periods. Further adjustments concern the allocation of R&D expenses and selling expenses on an accrual basis. A correction of the Consolidated Financial Statements as at 31 December 2012 was waived on account of the fact that the materiality criteria were not met.

	Q1 2013	Q1 2013	Q1 2013 Adj.	Q2 2013	Q2 2013	Q2 2013 Adj.	H1 2013
K EUR		Adjustment			Adjustment		
Sales	84,875	-303	84,572	91,489	303	91,792	176,364
Cost of sales	-75,269	-928	-76,197	-80,344	928	-79,416	-155,613
Gross profit	9,606	-1,231	8,375	11,145	1,231	12,376	20,751
Selling expenses	-962	-75	-1,037	-1,217	75	-1,142	-2,179
General administration expenses	-2,686	-	-2,686	-2,640	-	-2,640	-5,326
Research and development costs	-1,521	-196	-1,717	-1,990	196	-1,794	-3,511
Other operating income	317	-	317	784	-	784	1,101
Other operating expenses	-452	-	-452	-671	-	-671	-1,123
Operating result	4,302	-1,502	2,800	5,411	1,502	6,913	9,713
Financial income	-	-	-	4	-	4	4
Financial expenses	-263	-	-263	-357		-357	-620
Earnings before taxes	4,039	-1,502	2,537	5,058	1,502	6,560	9,097
Deferred taxes	53	-	53	156	-	156	209
Current income taxes	-1,143	424	-719	-1,563	-424	-1,987	-2,706
Income after tax from continued operations	2,949	-1,078	1,871	3,651	1,078	4,729	6,600
Income after tax from discontinued operations	-	-	-	-	-	-	-
Net income for the period	2,949	-1,078	1,871	3,651	1,078	4,729	6,600
Earnings per share from continued and discontinued operations (in €) [1]	0.50		0.32	0.62		0.81	1.13
Earnings per share from continued operations (in €) [1]	0.50		0.32	0.62		0.81	1.13

Financial instruments – Recognition at fair value

A detailed overview of the financial instruments held by the Group is set out in the Consolidated Financial Statements 2012. According to IFRS 7, assets and liabilities stated at fair value in the statement of financial position are to be assigned to the three levels of the fair value hierarchy:

- (unadjusted) prices quoted in active markets for identical assets or liabilities (Level 1);
- inputs that are either directly (as price) or indirectly observable (derived from prices) for the asset or liability, whereby the inputs do not constitute quoted prices pursuant to Level 1 (Level 2);
- Inputs applied to the asset or liability, which are not based on observable market data (non-observable inputs) (Level 3).

The holdings set out in the Consolidated Financial Statements are allocated to Level 3, because they do not have an active market. The Group did not enter into any new financial instruments in the reporting period.

Equity

The change in equity compared with 31 December 2012 results from net income for the period less dividend payment in the first half of 2013 and a one-off revaluation due to IAS 19. Here, around € 2.3 million from other reserves were transferred to the pension accruals as a result of the necessary revaluation. The equity ratio decreased by 40.3 percent as compared to 50.9 percent at the end of 2012 (adjusted value). The adjusted equity ratio as at 31 December 2012 was 52.4 percent.

A KfW loan in the amount of € 3.9 million was taken up for the construction of the logistics hall. In order to finance the dividend payment to our shareholders, the operating credit facility was utilized. Current and non-current bank liabilities thus increased by € 21.4 million in comparison to the end of 2012.

Compared to the end of the year, other current liabilities went up by € 1.3 million, owing particularly to the increase in provisions for the Christmas and holiday bonuses.

Segment reporting

Since 2009, segment reporting has been based on the “management approach”. Operating segments are determined on the basis of internal reports pursuant to IFRS 8 regularly used by the so-called “Chief Operation Decision Maker” to decide on the distribution of resources and to estimate profitability. The profitability of individual business segments is established on the basis of the operating result (EBIT). EBIT of the business segments as well as the operating result of the Group is determined in accordance with IFRS. The assets and liabilities of each segment are also established on the basis of IFRS. Financial expenses, financial income and income tax are managed at Group level. The Pumps and Engine Components business segment manufactures pumps and sintered metallurgy products for the automobile industry. The Brake Discs business segment produces unprocessed and processed brake discs for the automobile industry. Transactions between the business segments are essentially based on market conditions identical to those that apply to transactions with third parties.

The data provided for the Pumps and Engine Components business segment for the comparative period 1 January to 30 June 2012 and 1 April to 30 June 2012 excludes the discontinued business segment (STT).

Segment reporting (unaudited) for the period 1 January to 30 June 2013

	Pumps and Engine Components		Brake Discs		Other eliminations/consolidations		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
K EUR								
External sales	131,907	125,129	44,457	45,840	—	—	176,364	170,969
Sales between the segments	—	—	—	—	—	—	—	—
Segment sales	131,907	125,129	44,457	45,840	—	—	176,364	170,969
Segment result	8,898	12,201	2,279	1,592	-1,464	-685	9,713	13,108
Financial result	—	—	—	—	-616	-888	-616	-888
Net income before taxes	8,898	12,201	2,279	1,592	-2,080	-1,573	9,097	12,220
Scheduled segment depreciation	4,538	4,259	1,782	1,550	116	76	6,436	5,885
Segment investments	14,572	6,300	2,258	830	389	685	17,219	7,815
Major segment expenses	657	—	17	—	723	—	1,397	—
Number of customers representing sales > 10% of total sales	3	3	1	1	—	—	3	3
VW Group	47,064	41,933	26,050	25,378	—	—	73,114	67,311
Daimler Group	27,839	22,327	142	373	—	—	27,981	22,700
BMW Group	15,513	17,340	2,814	4,288	—	—	18,327	21,628

Segment reporting (unaudited) for the period 1 April to 30 June 2013

K EUR	Pumps and Engine Components 2013*	Pumps and Engine Components 2012	Brake Discs 2013	Brake Discs 2012	Other eliminations/consolidations 2013	Other eliminations/consolidations 2012	Group 2013*	Group 2012
External sales	68,576	62,825	23,216	22,729	—	—	91,792	85,554
Sales between the segments	—	—	—	—	—	—	—	—
Segment sales	68,576	62,825	23,216	22,729	—	—	91,792	85,554
Segment result	6,353	6,048	1,689	967	-1,129	-628	6,913	6,387
Financial result	—	—	—	—	-353	-422	-353	-422
Net income before taxes	6,353	6,048	1,689	967	-1,482	-1,050	6,560	5,965
Scheduled segment depreciation	2,436	2,222	898	776	63	38	3,397	3,036
Segment investments	8,272	2,298	687	622	201	–336	9,160	3,256
Major segment expenses	—	—	—	—	723	—	723	—
Number of customers representing sales > 10% of total sales	2	3	1	1	—	—	2	3
VW Group	23,975	21,389	13,579	12,637	—	—	37,554	34,026
Daimler Group	15,129	11,869	87	272	—	—	15,216	12,141
BMW Group	7,487	8,160	1,276	1,849	—	—	8,763	10,009

* Adjustment pursuant IAS 8.41; cf. explanations Notes page 23.

Development of Group sales by regions

Regional sales distribution is stated on the basis of the customer's head office location. The following provides an overview of SHW Group's sales by region (excluding STT):

K EUR	Q2 2013	Q2 2012	H1 2013	H1 2012
Germany	58,865	51,139	113,325	101,589
Rest of Europe	31,782	32,626	60,783	66,512
USA	995	1,609	1,948	2,437
Other	150	180	308	431
Group	91,792	85,554	176,364	170,969

Events after the accounting date

No significant events occurred after the reporting date of the Interim report, which would require additional notes.

Governing bodies, related party transactions

The members of the Supervisory Board are:

Anton Schneider, Cologne, Chairman
Managing Director of Nordwind Capital

Dr. Martin Beck, Munich, Deputy Chairman
Managing Director of Nordwind Capital

Dr. Hans Albrecht, Munich
Managing Director of Nordwind Capital

Christian Brand, Karlsruhe
Chairman of the Management Board of L-Bank

Edgar Kühn, Aalen
Chairman of the Central Works Council at SHW Automotive GmbH;
Chairman of the Works Council at SHW Automotive GmbH,
Plant Aalen-Wasseralfingen.

Ernst Rieber, Bad Saulgau
Chairman of the Works Council at SHW Automotive GmbH,
Plant Bad Schussenried.

Securities provided and other financial obligations

The securities and other financial liabilities provided and shown in the consolidated financial statements for 2012 underwent no significant changes in the first half of 2013.

Aalen, 6 August 2013

Management Board of SHW AG

Dr. Thomas Buchholz   Andreas Rydzewski   Sascha Rosengart

Imprint

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The interim report is also available in English. In cases of doubt, the German version shall prevail.

Publication date

6 August 2013