



## PRESS RELEASE

### SHW AG achieves pleasing quarterly result

- Group sales<sup>1</sup> outperform the market: +7.3 percent to EUR 91.8 million
- Group EBITDA margin<sup>2</sup> up to a pleasing 12.0 percent

Aalen, 06 August 2013. Today, SHW AG, one of the leading suppliers of CO<sub>2</sub>-relevant pumps and engine components, as well as brake discs, published its half-year report, including figures for the second quarter and first half-year of 2013.

As a result of SHW's broad product portfolio of highly efficient components for engine and gearbox applications, the company was also able to uncouple from the continued negative market trend in the second quarter of 2013 – new car registrations in the EU were down by 3.5 percent – and remains on its growth track.

The increase in Group sales of 7.3 percent from EUR 85.6 million to 91.8 million is mainly the result of a newly-launched oil-/vacuum pump for a well-known European automotive manufacturer as well as the high demand for electrical gearbox oil pumps for start-stop and high-quality composite brake discs.

At EUR 11.0 million, Group earnings before interest, tax, depreciation of tangible assets and amortisation of intangible assets (adjusted EBITDA) for the period April to June 2013 were 17.1 percent higher than the comparable amount of EUR 9.4 million in the previous year. The EBITDA margin was up from 11.0 percent to 12.0 percent.

“We're pleased that the second quarter has been so successful”, stated Dr. Thomas Buchholz, new CEO of SHW AG since 01 August 2013 and responsible for the Pumps and Engine Components business segment. “Our innovative product and process solutions have been rewarded with new orders again in the first half, and provide a sound basis for further profitable growth over the next few years.”

### Pumps and Engine Components: EBITDA above previous year level

Based on new product launches and a significant rise in demand, sales in the Pumps and Engine Components business segment were up by 9.2 percent to EUR 68.8 million in the second quarter of 2013 (previous year: EUR 62.8 million). The Passenger Car division benefited from high demand for variable oil pumps and electrical gearbox oil pumps, and

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<sup>1</sup> STT Technologies Inc., which until the end of October 2012 had been included in the consolidation on a pro-rata basis, has now, further to its sale, been classified as a “discontinued operation” within the meaning of IFRS 5. Sales, expenses and earnings for the second quarter and first six month of 2012 were adjusted accordingly.

<sup>2</sup> Adjusted for special effects, Q2/2013: EUR 0.7 million costs in conjunction with changes in the Management Board; adjustments pursuant IAS 8.41; see comment in this press release on page 5 as well as the half year report on page 23.



achieved a 13.7 percent rise in sales to EUR 54.8 million (previous year: EUR 48.2 million). The Truck & Off-Highway division continued to suffer from the difficult market environment for commercial vehicles, recording sales of EUR 6.7 million (previous year: EUR 7.3 million). At EUR 7.1 million, the Powder Metallurgy division was not quite able to achieve the previous year's sales figures of EUR 7.3 million due to reduced demand from Truck & Off-Highway customers.

The Pumps and Engine Components business segment achieved segment earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) of EUR 8.8 million (previous year: EUR 8.3 million) in the second quarter of 2013, putting it back on track for success. The EBITDA margin of 12.8 percent is roughly on par with last year's figure of 13.2 percent.

### **Brake Discs: EBITDA margin up from 7.7 percent to 11.1 percent**

Sales in the Brake Discs business segment rose by 2.1 percent in the second quarter of 2013 to EUR 23.2 million (2012: EUR 22.7 million) as a result of a significant increase in sales of composite brake discs compared to the same period in the previous year.

In the second quarter of 2013, the number of composite brake discs sold rose by 34.8 percent to approximately 54,600 (previous year: 40,500 units). The sales figures for monobloc brake discs remained almost at the previous year level, down to 968,200 units from 977,000 units. The total number of brake discs sold rose by 0.5 percent to 1.02 million units.

A combination of factors including an improved product mix, high-end brake discs, increased productivity and lower quality control costs led to a rise in segment earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) in the second quarter of 2013 of 48.4 percent, from EUR 1.7 million to EUR 2.6 million. The EBITDA margin was up from 7.7 percent to 11.1 percent.

### **Weaker first quarter puts strain on half-year results**

Group sales were up by 3.2 percent to EUR 176.4 million in the first half-year of 2013, compared to EUR 171.0 million for the same period in the previous year. The adjusted EBITDA is EUR 17.5 million, equivalent to a 7.6 percent decline. 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.

### **Turnaround of free cash flow despite more than doubling capital expenditures**

At EUR 11.2 million, SHW considerably improved its cash flow from operating activities from continued and discontinued operations in the second quarter of 2013, both compared to the previous quarter (EUR -10.9 million) and compared to the same quarter of the previous year (EUR 7.1 million). Cash flow from investment activities increased – particularly in conjunction



with numerous new product launches in the Pumps and Engine Components business segment – up by 125.3 percent to EUR -9.0 million in the period from April to June 2013 (previous year: EUR -4.0 million). Despite these extensive investments in growth, free cash flow experienced a considerable turnaround when compared to the previous quarter – from EUR -19.1 million to EUR 2.2 million. “Measures introduced to improve the free cash flow are beginning to show results”, said Sascha Rosengart, CFO at SHW AG since 06 May 2013. “Based on the above, we will be putting a particular focus on reducing working capital over the coming months. “

### **Management team further strengthened**

Besides the appointment of Dr Thomas Buchholz as the new CEO, SHW has managed to further strengthen the management team of the Pumps and Engine Components business segment. The company was able to hire Mr. Erwin Gößwein, the new Head of Passenger Cars as of 01 July 2013 from ixetic GmbH, a subsidiary of Magna Powertrain, one of SHW’s major competitors in the market. Mr. Peter Klomann, another former ixetic manager joined the company as Head of Quality Management for the Pumps and Engine Components business segment as of 01 June 2013.

### **Good start into the third quarter: slight increase in expected sales**

SHW had a good start into the third quarter of 2013. At EUR 29.9 million, Group sales in July 2013 were only slightly down on last year’s high figure of EUR 30.2 million. The Pumps and Engine Components business segment was able to maintain the positive trend in the sale of fuel saving pumps, achieving sales of EUR 22.5 million (previous year: EUR 22.9 million). The Brake Discs business segment was even able to increase sales slightly compared to the previous year, up from EUR 7.3 million to 7.4 million.

Assuming that order intake continues to develop steadily, SHW AG now expects Group sales of between EUR 330 million and EUR 345 million (previously: EUR 325 to EUR 340 million). Due to further new product launches – in particular two more oil-/vacuum pump which are used in new 3-cylinder engines of two well-known European automotive manufacturers – and a shift in the product mix towards more complex pumps, sales in the Pumps and Engine Components business segment is now expected to reach between EUR 240 and EUR 255 million (previously: EUR 235 to EUR 250 million). In the Brake Discs business segment, SHW is aiming to further increase the proportion of ready-to-install brake discs and high-end composite brake discs in order to achieve sales of around EUR 90 million.

“Besides product innovations, we will be focussing mainly on optimising our operational performance and business processes during the second half of the year”, emphasised Dr. Thomas Buchholz. Despite the weaker first quarter, the company still anticipates that if it achieves the planned growth in sales, Group earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) will also be better in fiscal year 2013 than last year.



## Figures for the second quarter of 2013 and first half-year of 2013 (in K EUR)

Key figures - SHW Group	Q2 2013*	Q2 2012 <sup>1</sup>	Change in %	H1 2013	H1 2012 <sup>1</sup>	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 (€) <sup>2</sup>	0,81	0,74	8,7%	1,13	1,51	-25,1%
Earnings per share - continued and discontinued operations (€) <sup>2</sup>	0,81	1,01	-19,6%	1,13	1,89	-40,4%
Adjusted EBITDA	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	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%
Key figures - Pumps and Engine Components	Q2 2013*	Q2 2012 <sup>1</sup>	Change in %	H1 2013	H1 2012 <sup>1</sup>	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	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	6,363	6,058	5,0%	9,575	12,221	-21,7%
as % of sales	9,3%	9,6%	-	7,3%	9,8%	-
Key figures - Brake Discs	Q2 2013	Q2 2012	Change in %	H1 2013	H1 2012	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	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	1,717	0,997	72,2%	2,352	1,652	42,4%
as % of sales	7,4%	4,4%	-	5,3%	3,6%	-

<sup>1</sup> Prior year values were adjusted due to presentation of previously consolidated STT as "discontinued operations".

<sup>2</sup> Based on average of 5,851,100 shares.

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



**Adjustments pursuant IAS 8.41**

As part of the half year financial statements as at 30 June 2013, special effects ascertained were corrected in the first quarter of 2013 in accordance with IAS 8.41 (see half-year report on page 23). The reason for this includes the insufficient SAP launch in the first quarter of 2013 as well as the inadequate training level of the staff at the time that SAP was rolled out which led to errors in material posting . In addition, for the first time in several years full inventories were carried out at both plants in Bad Schussenried and Aalen-Wasseralfingen in the second quarter of 2013, which led to inventory corrections.

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 limits were not met.



### **About SHW**

The enterprise was established in 1365, making it one of the oldest industrial enterprises in Germany. Today, SHW AG is a leading automotive supplier with products that contribute substantially to a reduction of fuel consumption and consequently CO<sub>2</sub> emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger cars and truck and off-highway applications, e.g. trucks, agricultural and construction vehicles, stationary motors and wind power stations. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and lightweight brake discs made from a combination of an iron friction ring and an aluminium pot. Customers of the SHW Group include leading automobile manufacturers, manufacturers of commercial, construction and agricultural vehicles and other automotive suppliers. The SHW Group currently has four manufacturing sites in Germany. These are located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck. With slightly more than 1,000 employees, the SHW Group generated sales from continuing operations in 2012 of € 325 million. Further information is available at: [www.shw.de](http://www.shw.de)

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### **Future-oriented statements**

This press release contains certain future-oriented statements that are based upon 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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