



## PRESS RELEASE

### SHW AG achieves record quarterly sales and earnings figures

- Group sales<sup>1</sup> up by 12.7 percent to EUR 92.6 million
- At 12.0 percent, Group EBITDA remains at a constant high level

Aalen, 21 October 2013. Today, SHW AG, one of the leading automotive suppliers of CO<sub>2</sub>-relevant pumps and engine components, as well as brake discs, published its preliminary financial figures for the third quarter and first nine months of 2013.

In the third quarter, as a result of its broad product portfolio of highly efficient components for engines and gearbox applications, the company was able to seamlessly tie in with the successful previous quarter, and achieved record sales and earnings figures.

Group sales were up by 12.7 percent from EUR 82.1 million to EUR 92.6 million. This increase was mainly the result of a recently launched oil/vacuum pump for a well-known European automotive manufacturer, the ramp up of electric transmission oil pumps for start-stop, as well as high end composite brake discs.

At EUR 11.1 million, group earnings before interest, tax and depreciation of fixed assets and amortisation of intangible assets (adjusted EBITDA) were 27.1 percent higher for the period July to September 2013 than the comparable amount of EUR 8.7 million in the previous year. The adjusted EBITDA margin of 12.0 percent was on par with the high level of the previous quarter.

"These very pleasing Q3 figures are the result of our strict focus on CO<sub>2</sub>-relevant vehicle components", stated Dr Thomas Buchholz, CEO of SHW AG and responsible for the Pumps and Engine Components business segment. "Our innovative product and process solutions, as well as the strict implementation of our internationalisation strategy provide a sound basis for further profitable growth over the next few years."

### Pumps and Engine Components: significant rise in the EBITDA margin to 13.6 percent

Sales in the Pumps and Engine Components business segment were up by 16.5 percent to EUR 69.9 million in the third quarter of 2013 (previous year: EUR 60.0 million). The Passenger Car division benefited from high demand for variable oil pumps and electrical gearbox oil pumps and achieved a 20.0 percent rise in sales to EUR 56.3 million (previous year: EUR 46.9 million). The increase in demand from manufacturers of construction and

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<sup>1</sup> STT Technologies Inc., which had been included in the consolidation on a pro-rata basis until the end of October 2012, has now, further to its sale, been classified as a "discontinued operation" in accordance with IFRS 5. Sales, expenditure and earnings for the third quarter and the first nine months of 2012 were adjusted accordingly.



agricultural vehicles led to a 7.3 percent increase in sales in the Truck & Off-Highway division, amounting to EUR 6.7 million (previous year: EUR 6.3 million).

The Pumps and Engine Components business segment achieved record segment earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) of EUR 9.5 million (previous year: EUR 7.7 million) in the third quarter of 2013. The EBITDA margin of 13.6 clearly exceeded last year's figure of 12.8 percent.

### **Brake Discs: EBITDA margin up from 5.6 percent to 8.7 percent**

Sales in the Brake Discs business segment rose by 2.6 percent in the third quarter of 2013 compared to the same period in the previous year to EUR 22.7 million (2012: EUR 22.1 million) as a result of a significant increase in sales of composite brake discs.

In the third quarter of 2013, the number of composite brake discs sold rose by 27.8 percent to approximately 60,700 (previous year: 47,500 units). Sales figures for monobloc brake discs were slightly up by 2.8 percent to 896,500 units (previous year: 871,300 units). The total number of brake discs sold rose by 4.1 percent to 957,200 units.

A combination of factors, ranging from an improved product mix towards high end composite brake discs, increased productivity and also lower quality control costs led to a rise in segment earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) in the third quarter of 2013 of 58.4 percent, from EUR 1.2 million to EUR 2.0 million. The EBITDA margin was up from 5.6 percent to 8.7 percent.

"The technical concept behind SHW's composite brake disc continues to penetrate the market successfully", stated Andreas Rydzewski, Member of the Management Board and responsible for the Brake Discs business segment. Indeed, SHW recently concluded an initial contract with a well-known North American automobile manufacturer.

### **Result for first nine months tops previous year**

Group sales were up by 6.3 percent to EUR 269.0 million for the first nine months of 2013, compared to EUR 253.1 million for the same period in the previous year thanks to the very pleasing results attained in the third quarter. The adjusted EBITDA is EUR 28.6 million, which corresponds to a rise of 3.3 percent. The main reason for this slightly disproportionate increase in earnings stems from the weaker first quarter and includes adverse effects caused by temporary performance losses (SAP launch related operating costs for consultants, special shipments and external processing orders), higher start-up costs and stock-related impairments.



### **Again positive free cash flow in spite of high investments**

SHW achieved a cash flow from operating activities in the third quarter of 2013 amounting to EUR 10.4 million, meaning that it was on track with the pleasing result of EUR 11.2 million attained in the previous quarter. Cash flow from investment activities increased – particularly in conjunction with numerous new product launches in the Pumps and Engine Components business segment – by 124.9 percent to EUR -9.2 million in the period from July to September 2013 (previous year: EUR -4.1 million). This means a positive free cash flow of EUR 1.2 million has been achieved in spite of extensive investments undertaken in growth. "We will continue working hard to reduce our working capital", stated Sascha Rosengart, CFO at SHW AG. "Our mid-term objective is to lower working capital to 11 percent of sales".

### **Further reinforcement of management team**

SHW continued to reinforce its management team in the Pumps and Engine Components business segment during the third quarter of 2013. Mr Peter Müller took over the position as Head of Logistics for the Passenger Car division on 16 September, coming from Roman Mayer Logistik Group. On the same day Dr Henrik Brehler joined SHW as Head of Development of the Passenger Car Division from Hilite Germany GmbH, a leading global automotive supplier for engine and gearbox applications.

### **Initial milestone of North American strategy realized**

Based on the approval of the Supervisory Board SHW recently started implementing the first milestone in its North American strategy by the formation of a sales and development company in Canada. The chosen site guarantees the closest possible proximity to the three major US automobile manufacturers and timely start of the market development. Mr Peter Krug will take up the position as General Manager from the beginning of November. He was most recently employed as Vice President in der Fluid, Pressure and Controls Group of Magna Powertrain (MPT). Between 2000 and 2008 Mr Krug was the General Manager for the Canadian pump manufacturers STT Technologies Inc., in which SHW held a 50 percent stake until the end of October 2012. "We're delighted to have such an experienced pump specialist as Peter Krug on board with proven success in the development and expansion of the North American market ", emphasised Dr Thomas Buchholz.

### **Continued pleasing development of incoming orders will ensure a buoyant final quarter**

Development in order intake remained very positive. At Group level, the company was able to record a rise in order intake of 20.9 percent to EUR 90.3 million for the third quarter of the year, with orders for the Pumps and Engine Components business segment rising by 19.8 percent to EUR 65.1 million and the Brake Discs business segment recording an increase of 23.7 percent to EUR 25.2 million. As a result of the above as well as assuming that customer orders remain stable, SHW expects a strong fourth quarter 2013. The company anticipates sales of between EUR 62 million to EUR 70 million for the Pumps and Engine Components



business segment. The Brake Discs business segment is likely to achieve sales of around EUR 21 million to 23 million.

### **Outlook specified**

Overall, SHW AG now expects Group sales in fiscal year 2013 to lie within the region of between EUR 352 million to EUR 362 million (previously: EUR 330 million to EUR 345 million), with sales in the Pump and Engine Components business segment accounting for between EUR 264 million to EUR 272 million (previously: EUR 240 million to EUR 255 million) and EUR 88 million to EUR 90 million for the Brake Discs business segment.

Based on figures for the first nine months of the year, SHW is now expecting that Group earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) for fiscal year 2013 to be around EUR 35 million to EUR 38 million and is thus likely to top last year's figure of EUR 33.9 million.



## Preliminary figures for the third quarter and the first nine months of 2013 (in K EUR)

| Key figures - SHW Group   | Q3 2013 | Q3 2012 <sup>1</sup> | Change in % | 9M 2013 | 9M 2012 <sup>1</sup> | Change in % |
|---|---------|----------------------|-------------|---------|----------------------|-------------|
| Sales   | 92,612  | 82,145               | 12,7%       | 268,976 | 253,114              | 6,3%        |
| EBITDA  | 11,073  | 8,714                | 27,1%       | 27,222  | 27,707               | -1,8%       |
| as % of sales   | 12,0%   | 10,6%                | -           | 10,1%   | 10,9%                | -           |
| EBIT  | 7,351   | 5,539                | 32,7%       | 17,064  | 18,647               | -8,5%       |
| as % of sales   | 7,9%    | 6,7%                 | -           | 6,3%    | 7,4%                 | -           |
| Income after tax - continued operations                                     | 4,888   | 3,542                | 38,0%       | 11,488  | 12,354               | -7,0%       |
| Income after tax - discontinued operations                                  | -       | 1,338                | -           | -       | 3,596                | -           |
| Net income for the period   | 4,888   | 4,880                | 0,2%        | 11,488  | 15,950               | -28,0%      |
| Earnings per share - continued operations (€) <sup>2</sup>                  | 0,84    | 0,61                 | 38,0%       | 1,96    | 2,11                 | -7,0%       |
| Earnings per share - continued and discontinued operations (€) <sup>2</sup> | 0,84    | 0,83                 | 0,2%        | 1,96    | 2,73                 | -28,0%      |
| Adjusted EBITDA   | 11,073  | 8,714                | 27,1%       | 28,619  | 27,707               | 3,3%        |
| as % of sales   | 12,0%   | 10,6%                | -           | 10,6%   | 10,9%                | -           |
| Adjusted EBIT   | 7,388   | 5,579                | 32,4%       | 18,574  | 18,767               | -1,0%       |
| as % of sales   | 8,0%    | 6,8%                 | -           | 6,9%    | 7,4%                 | -           |
| Equity  | -       | -                    | -           | 80,131  | 64,734               | 23,8%       |
| Equity ratio  | -       | -                    | -           | 39,7%   | 34,6%                | -           |
| Net cash  | -       | -                    | -           | -19,000 | -26,589              | -28,5%      |
| Key figures - Pumps and Engine Components                                   | Q3 2013 | Q3 2012 <sup>1</sup> | Change in % | 9M 2013 | 9M 2012 <sup>1</sup> | Change in % |
| Sales   | 69,893  | 60,004               | 16,5%       | 201,800 | 185,133              | 9,0%        |
| EBITDA  | 9,475   | 7,655                | 23,8%       | 22,911  | 24,115               | -5,0%       |
| as % of sales   | 13,6%   | 12,8%                | -           | 11,4%   | 13,0%                | -           |
| EBIT  | 6,681   | 5,300                | 26,1%       | 15,579  | 17,501               | -11,0%      |
| as % of sales   | 9,6%    | 8,8%                 | -           | 7,7%    | 9,5%                 | -           |
| Adjusted EBITDA   | 9,475   | 7,655                | 23,8%       | 23,568  | 24,115               | -2,3%       |
| as % of sales   | 13,6%   | 12,8%                | -           | 11,7%   | 13,0%                | -           |
| Adjusted EBIT   | 6,691   | 5,310                | 26,0%       | 16,266  | 17,531               | -7,2%       |
| as % of sales   | 9,6%    | 8,8%                 | -           | 8,1%    | 9,5%                 | -           |
| Key figures - Brake Discs   | Q3 2013 | Q3 2012              | Change in % | 9M 2013 | 9M 2012              | Change in % |
| Sales   | 22,719  | 22,141               | 2,6%        | 67,176  | 67,981               | -1,2%       |
| EBITDA  | 1,977   | 1,248                | 58,4%       | 6,038   | 4,390                | 37,5%       |
| as % of sales   | 8,7%    | 5,6%                 | -           | 9,0%    | 6,5%                 | -           |
| EBIT  | 1,138   | 0,474                | 140,1%      | 3,417   | 2,066                | 65,4%       |
| as % of sales   | 5,0%    | 2,1%                 | -           | 5,1%    | 3,0%                 | -           |
| Adjusted EBITDA   | 1,977   | 1,248                | 58,4%       | 6,055   | 4,390                | 37,9%       |
| as % of sales   | 8,7%    | 5,6%                 | -           | 9,0%    | 6,5%                 | -           |
| Adjusted EBIT   | 1,165   | 0,504                | 131,2%      | 3,517   | 2,156                | 63,1%       |
| as % of sales   | 5,1%    | 2,3%                 | -           | 5,2%    | 3,2%                 | -           |

<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.



### **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 European and North American 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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