



## PRESS RELEASE

### **SHW AG reaches sales and earnings targets<sup>1</sup> and projects continued growth for fiscal year 2014**

- Group sales grow by 12.4 percent to EUR 365.6 million in fiscal year 2013
- EBITDA<sup>2</sup> climb 5.3 percent to EUR 35.7 million
- Implementation of internationalisation strategy continues to proceed according to plan

Aalen, 13 February 2014. SHW AG, one of the leading automotive suppliers of CO<sub>2</sub>-relevant pumps and engine components, as well as brake discs, today published the preliminary and unaudited figures for fiscal year 2013. “Thanks to our innovative product portfolio, we have been able to reach our sales and earnings targets although vehicle output in Europe stagnated compared to the previous year,” said CEO Dr. Thomas Buchholz, who is responsible for the Pumps and Engine Components business segment.

Due to production start-ups, SHW was able to uncouple from the general market trend – at 15.94 million units, vehicle output in the European Union more or less stagnated at the prior year level – again in 2013 and improved its Group sales by 12.4 percent to EUR 365.6 million (previous year: EUR 325.4 million). Group earnings before interest, tax, depreciation of fixed assets and amortisation of intangible assets (adjusted EBITDA) increased by 5.3 percent to EUR 35.7 million between January and December 2013 (previous year: EUR 33.9 million).

It should be noted that the SAP Go-Live on 1 January 2013 led to additional expenses for consulting support, overtime, special shipments and external processing orders in the first quarter. In the fourth quarter, additional expenses resulted from reduced plant availability in the Powder Metallurgy division, increased maintenance costs in the Brake Discs business segment, additional costs caused by weekend work as well as inventory differences following full stocktaking at all locations.

Income after tax amounted to EUR 13.4 million in 2013, compared to EUR 14.2 million in the previous year. Earnings per share<sup>3</sup> stood at EUR 2.29, compared to EUR 2.43 in 2012.

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<sup>1</sup> The comparative figures for FY 2012 are shown net of STT Technologies Inc., which was sold in late October 2012.

<sup>2</sup> Adjusted for one-time effects, 2012: costs from a production start-up (EUR 1.5 million); 2013: consulting expenses for SAP go-live (EUR 0.2 million), costs in conjunction with changes in the Management Board (EUR 0.7 million).

<sup>3</sup> 2012/2013: each based on an average of 5,851,100 shares.



### **Positive free cash flow in spite of high growth investments**

At EUR 30.4 million, cash flow from operating activities clearly exceeded the previous year's EUR 19.8 million. The increase is primarily attributable to the reduction in working capital. Due to a large number of production start-ups, capital expenditures reached EUR 30.0 million - the highest level in the history of the company (previous year: EUR 21.1 million). At the bottom line, SHW nevertheless generated positive free cash flow of EUR 0.4 million.

This means that the EUR 22.5 million change in net bank debt against the previous year is exclusively attributable to the distribution of a total dividend of EUR 4.00 per share or EUR 23.4 million. This includes EUR 3.00 per share or EUR 17.6 million for a one-time special dividend which gave the shareholders a share in the profits from the sale of STT Technologies Inc.

As a result of the high dividend payout, Group equity declined by EUR 9.5 million compared to the end of the previous year to EUR 82.5 million. At 44.1 percent, the Group's equity ratio is still clearly above the industry average, though.

### **Positive sales trend in the Pumps and Engine Components business segment**

The Pumps and Engine Components business segment reported a 15.2 percent increase in sales to EUR 274.2 million (previous year: EUR 237.9 million), primarily as a result of production start-ups and growing sales contributions from electric transmission oil pumps for the start/stop function. The Passenger Car division boosted its sales by 19.2 percent to EUR 217.2 million (previous year: EUR 182.2 million). After a strong second half-year, the Truck & Off-Highway division posted sales of EUR 30.2 million (previous year: EUR 27.8 million), primarily benefiting from growing demand from truck manufacturers. The Powder Metallurgy division's total sales were more or less on a par with the previous year.

Earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) improved from EUR 27.8 million to EUR 29.3 million in fiscal year 2013. The EBITDA margin declined from 11.7 percent to 10.7 percent.

### **Positive earnings trend in the Brake Discs business segment**

For the first time, the Brake Discs business segment delivered more processed than unprocessed brake discs. This led to a 4.6 percent increase in sales to EUR 91.5 million in fiscal year 2013 (previous year: EUR 87.5 million).

Earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) rose by 14.5 percent from EUR 6.9 million to EUR 7.9 million. Accordingly, the EBITDA margin improved from 7.9 percent to 8.7 percent. Besides increased sales and an improved product mix, the business segment benefited from cost savings and the ongoing optimisation of the production processes.



## **Implementation of the internationalisation strategy continues to proceed according to plan**

The implementation of the internationalisation strategy continues to proceed according to plan. In Brazil, the first deliveries to customers are scheduled to commence at the end of the first quarter or the beginning of the second quarter. In Canada the currently four-man team of sales people and development specialists led by General Manager Peter Krug will move into the new development centre (which include the performance and endurance test rigs) and administrative building in Brampton, Greater Toronto Area, in April. In addition, the building offers sufficient space to process a first truck & and off-highway order. SHW is currently in the final phase of contractual negotiations with a North American truck and off-highway customer for a deal to supply fuel pumps. Production is due to commence in late 2016.

In China the company is in the final stages of negotiating a deal (multi-year contract) for the production of engine oil pumps at the Chinese plant for a well-known European engine manufacturer for truck and off-highway applications. If the deal is closed, the first pumps would be produced and delivered in China starting mid-2015. In addition, it is planned to produce the client's European demand in China. Overall this will lead to annual sales of around EUR 7 million as from 2017/2018.

## **Good start into the new fiscal year – sales growth in 2014 projected to exceed market average**

SHW had a good start into the new fiscal year. At EUR 32.0 million, Group sales in January were up by 20.3 percent on the previous year's EUR 26.6 million. The positive trend for fuel-efficient pumps continued in the Pumps and Engine Components business segment, which generated EUR 24.3 million in sales (previous year: EUR 19.7 million). Sales in the Brake Discs business segment rose by 11.8 percent to EUR 7.7 million.

Based on the assumption that the order situation remains stable, SHW projects Group sales of between EUR 380 million and EUR 400 million for fiscal year 2014. Due to planned production start-ups and a shift in the product mix towards more complex pumps, sales in the Pumps and Engine Components business segment should come in between EUR 287 million and EUR 305 million. In the Brake Discs business segment, the aim is to increase the percentage of processed brake discs and higher-value composite brake disks to generate sales of between EUR 93 million and EUR 95 million.

In 2014 the Management Board will focus especially on winning new orders, optimising the logistic and operational business processes at all locations and growing the business in Brazil, China and North America. If the planned sales growth is achieved, the company projects consolidated earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) of between EUR 38 million and EUR 40 million.

The full financial statements for 2013 will be published together with the Annual Report on March, 17, 2014.



## Preliminary figures for fiscal year 2013

Key figures - SHW Group	2013	2012 <sup>1</sup>	Change in %
Sales	365,639	325,373	12,4%
EBITDA	34,780	32,346	7,5%
as % of sales	9,5%	9,9%	-
EBIT	20,607	22,258	-7,4%
as % of sales	5,6%	6,8%	-
Income after tax - continued operations	13,395	14,238	-5,9%
Income after tax - discontinued operations	-	31,858	-
Net income for the period	13,395	46,096	-70,9%
Earnings per share - continued operations (€) <sup>2</sup>	2,29	2,43	-5,9%
Earnings per share - continued and discontinued operations (€) <sup>2</sup>	2,29	7,88	-70,9%
Adjusted EBITDA	35,683	33,871	5,3%
as % of sales	9,8%	10,4%	-
Adjusted EBIT	21,661	23,943	-9,5%
as % of sales	5,9%	7,4%	-
Equity	82,529	92,035	-10,3%
Equity ratio	44,1%	50,9%	-
Net debt / Net cash	-2,881	19,629	-
Key figures - Pumps and Engine Components	2013	2012 <sup>1</sup>	Change in %
Sales	274,160	237,908	15,2%
EBITDA	29,114	26,252	10,9%
as % of sales	10,6%	11,0%	-
EBIT	18,675	19,662	-5,0%
as % of sales	6,8%	8,3%	-
Adjusted EBITDA	29,277	27,777	5,4%
as % of sales	10,7%	11,7%	-
Adjusted EBIT	18,878	21,227	-11,1%
as % of sales	6,9%	8,9%	-
Key figures - Brake Discs	2013	2012 <sup>1</sup>	Change in %
Sales	91,479	87,465	4,6%
EBITDA	7,915	6,927	14,3%
as % of sales	8,7%	7,9%	-
EBIT	4,466	3,621	23,3%
as % of sales	4,9%	4,1%	-
Adjusted EBITDA	7,932	6,927	14,5%
as % of sales	8,7%	7,9%	-
Adjusted EBIT	4,594	3,741	22,8%
as % of sales	5,0%	4,3%	-

<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 business 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 vehicles and truck and off-highway applications, e.g. trucks, agricultural and construction vehicles, stationary motors and wind farms, as well as engine components. The Brake Discs business segment develops and produces monobloc vented 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 car manufacturers, manufacturers of commercial, construction and agricultural machinery and other automotive suppliers. The SHW Group currently has four manufacturing sites in Germany. These are located in Bad Schussenried, Aalen-Wasserralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck. With just over 1,000 employees, the SHW Group generated sales from continuing operations in 2013 of 365 million euros. 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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