

# STRONGLY POSITIONED THROUGH PRODUCT INNOVATIONS



## Key figures SHW Group (IFRS)

in K EUR	Q2 2014	Q2 2013	Change in %	H1 2014	H1 2013*	Change in %
Sales	107,293	91,792	16.9%	212,072	176,364	20.2%
EBITDA	10,170	10,310	-1.4%	19,010	16,149	17.7%
as % of sales	9.5%	11.2%	-	9.0%	9.2%	-
EBIT	5,699	6,913	-17.6%	10,517	9,713	8.3%
as % of sales	5.3%	7.5%	-	5.0%	5.5%	-
Net income for the period	3,955	4,729	-16.4%	7,197	6,600	9.0%
Earnings per share <sup>1</sup>	0.68	0.81	-16.4%	1.23	1.13	9.0%
Adjusted EBITDA	10,170	11,033	-7.8%	19,010	17,052	11.5%
as % of sales	9.5%	12.0%	-	9.0%	9.7%	-
Adjusted EBIT	5,737	7,674	-25.2%	10,592	10,692	-0.9%
as % of sales	5.3%	8.4%	-	5.0%	6.1%	-
Equity	-	-	-	84,005	75,230	11.7%
Equity ratio	-	-	-	40.7%	40.3%	-
Net debt / Net cash	-	-	-	-17,358	-20,145	-13.8%
Capital expenditure <sup>2</sup>	8,780	8,993	-2.4%	18,001	17,219	4.5%
as % of sales	8.2%	9.8%	-	8.5%	9.8%	-
Working Capital	-	-	-	40,427	51,611	-21.7%
as % of sales	-	-	-	10.1%	15.6%	-
Number of employees (average) <sup>3</sup>	-	-	-	1,119	1,045	7.0%

<sup>1</sup> Based on average of 5,851,100 shares.

<sup>2</sup> Additions to tangible and intangible assets.

<sup>3</sup> Excluding trainees and temporary workers.

\* Correction of adjusted special effects (see page 9)

### Sales by segment

in %



### Sales by region

in %



## Company profile

By virtue of its product portfolio, the SHW Group benefits from the global megatrend towards CO<sub>2</sub> reduction. The growing global demand for mobility is up against regulatory requirements calling for a significant reduction in CO<sub>2</sub> emissions from motor vehicles.

SHW began early on to develop the appropriate products and today has a broad product portfolio consisting of fuel-optimised components for engine and transmission applications which increase the efficiency of combustion engines and their ancillary components. The portfolio also contains brake discs which greatly contribute to the reduction in vehicle weight.

As a pioneer in the achievement of strict CO<sub>2</sub> targets, we help our customers meet the requirements of today and tomorrow.

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## SHW Share

### Expansive ECB policy and M&A transactions propel stock markets to new record highs

The expansive ECB policy, the recovery of economic indicators in the US, and the dynamic M&A business have propelled the stock markets to new record highs in the second quarter 2014. The ongoing crisis in the Ukraine, unrest in Iraq, and weaker economic data in the euro area had a temporary negative effect.

The U.S. benchmark index, the Dow Jones Industrial Average, ended the second quarter at 16,827 points for an overall rise of 2.2 percent. The Japanese Nikkei index recorded a 2.3 percent rise in the quarter to 15,162 points.

In Europe, the Euro Stoxx 50 index improved 2.1 percent in the period from April to June 2014 and ended the second quarter at 3,228 points. On 30 June 2014, the German DAX index closed at 9,833 points or 277 points higher than at the end of the first quarter of 2014. In comparison, the SDAX index improved by around 216 points or 3.0 percent to 7,385 points.

The DAXsector Automobile Performance Index rose by 3.2 percent to just under 1,504 points compared to the end of the first quarter of 2014. This performance occurred in an environment of continued stabilisation in production and new vehicle registrations in the European Union and in the context of continued positive performance of the export markets (USA, China).

### SHW share still in consolidation phase

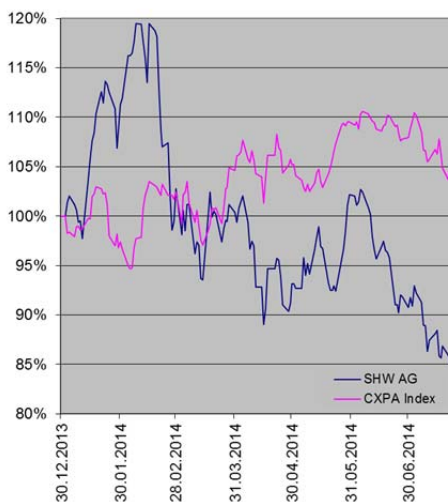
The onset of profit-taking in mid-February expanded in the second quarter and led to an overall decline in the share price of 11.7 percent to € 41.21. SHW shares are currently quoted at € 39.87 (status: 24 July 2014).

### Ranking in MDAX / SDAX selection list stabilises

According to the definition of Deutsche Börse AG, there have been no changes in the level of the free float from the level reported at the end of the first quarter of 2014. Therefore, the shares of SHW AG continue to maintain a free float of 100 percent. In comparison to 31 March 2014, SHW has been able to solidify its ranking in the MDAX / SDAX selection list of the Deutsche Börse AG. In terms of free-float market capitalisation, SHW's ranking has fallen slightly to number 84 as at the reporting date of 30 June 2014 (31 March 2014: ranked 79) due to its relative underperformance. In terms of the liquidity ranking, the Company reached position 77 (31 March 2014: ranked 76) by the end of the second quarter of 2014. The observation period used in the liquidity ranking is the amount of trading volume generated over the trailing twelve months, whereby the better trading volume of the past several months has an increasing influence.

### Performance of SHW share and DAXsector Automobile Performance Index (January 2014 – July 2014)

Closing price: 30 December 2013 = 100%



## Shareholder structure

in %

Free float<sup>1)</sup>

100,0%



<sup>1)</sup> Free float as defined by Deutsche Börse. Of which:  
 Henderson Global Investors (9.78%); Fidelity (5.46%); J.P. Morgan Asset Management (4.74%); UBS (4.48%); Capital Group Companies (3.93 %); Schroders Investment Management (3.12 %); F&C Asset Management (3.07%); Allianz Global Investors (3.04%); Linz Textil Holding AG (3.03 %) (as of 30<sup>th</sup> June 2014)

## Successful third Annual General Meeting

The third Annual General Meeting of SHW AG, held in Heidenheim on May 9 2014, was met with great interest by the SHW shareholders and 60.72 percent of the share capital was represented. As proposed by the Management Board and Supervisory Board of SHW AG, a dividend distribution of € 1.00 per share was resolved. A total of € 5.9 million of the € 13.4 million in Group net income for fiscal year 2013 was distributed to the shareholders of SHW AG. This represents a payout ratio of 43.7 percent. All of the resolutions proposed by the Management Board and the Supervisory Board were approved by a large majority.

## A further brokerage house initiates research coverage

Efforts to expand our research coverage have borne fruit. On 21 July 2014, Close Brothers Seydler Research AG initiated coverage of SHW shares with a Buy recommendation and a share price target of € 50. Thereby six banks and research houses cover the SHW share. Additional banks have indicated that they may initiate coverage in the foreseeable future.

In the second half of 2014, we will continue to meet the information needs of investors primarily through our participation in investor conferences and roadshows. Highlights will include our participation in the Commerzbank Sector Conference Week in Frankfurt on 10 September and the German Equity Forum in Frankfurt on 25 November.

Share at a glance	
WKN	A1JBPV
ISIN	DE000A1JBPV9
Ticker symbol	SW1 GY
Type of shares	Ordinary no-par-value bearer shares
Number of shares	5.85 million
Share capital	€ 5.85 million
Market capitalisation <sup>1)</sup>	€ 241.1 million
Free float	100.0%
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
First listing	7 July 2011
Designated sponsor	Commerzbank AG

<sup>1</sup> Based on the closing price of € 41.21 on 30 June 2014.

# Interim Group Management Report

## Business Activities and Economic Conditions

### Business Activities and Group Structure

The SHW Group is a supplier to renowned automotive manufacturers, manufacturers of commercial, agricultural, and construction vehicles, and also other automotive suppliers.

The Company is divided into two business segments: the Pumps and Engine Components business segment and the Brake Discs business segment. The focus of the SHW Group's business activities is primarily on the development and production of products which contribute to a reduction in fuel consumption and hence, CO<sub>2</sub> 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 operating segment and currently has production facilities in Bad Schussenried, Aalen-Wasseraffingen, and Sao Paulo (Brazil) as well as a sales and development centre for the NAFTA region located in Toronto (Canada). The Passenger Car division in Bad Schussenried manufactures variable engine oil pumps, transmission oil pumps, electric auxiliary pumps for the start-stop function, oil/vacuum pumps with balancer shaft units, as well as camshaft phasers. For the time being, the location in Sao Paulo will only produce engine oil pumps. The Canadian subsidiary, SHW Pumps and Engine Components Inc., has commenced operations and will serve as the sales and development centre for oil and transmission pumps. This site is focused on acquiring new orders and on application engineering, particularly for US auto manufacturers.

The site of SHW Group's Truck & Off-Highway division in Bad Schussenried produces engine oil pumps and transmission oil pumps as well as fuel pumps used in trucks, agricultural and construction vehicles, stationary engines, and wind power stations.

Additionally, the SHW Group's Powder Metallurgy division manufactures engine components at its facility in Aalen-Wasseraffingen. The product range includes pump cogwheels, camshaft phasers, chain wheels, and rotors made of sintered aluminium.

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

The SHW Group is the technological leader in the production of brake discs for high-performance vehicles. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron as well as lightweight brake discs, so-called composite brake discs, made of a combination of an iron friction ring with an aluminium pot. The production sites are located in Tuttlingen-Ludwigstal and Neuhausen ob Eck.

PUMPS & ENGINE COMPONENTS		BRAKE DISCS	
Bad Schussenried / São Paulo		Aalen-Wasseraffingen	Tuttlingen-Ludwigstal Neuhausen ob Eck
Passenger Cars	Truck & Off-Highway	Powder Metallurgy	
Engine oil pumps	Engine oil pumps	Sintered steel or aluminium components for camshaft phasers	Unprocessed monobloc ventilated brake discs
Transmission oil pumps	Transmission 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
Electric auxiliary pumps for start-stop	Electric pumps		
Balancer shafts			
Camshaft phaser			



## Economic Conditions

### Global economy continues to grow

In the second quarter of 2014, the global economy continued on its growth course. Growth was driven mainly by the so-called advanced economies. The pace of expansion in the emerging and developing countries was still high, but continued to slow in comparison to the previous year.

The correction of macroeconomic imbalances occurring in some euro countries continued to slow domestic demand in the euro area. Based on the information currently available, growth is chiefly being driven by the "solid" core countries of Germany and Austria. The data available for Germany suggests that economic growth amounted to about 0.3 percent compared to the previous quarter and was significantly lower than in the first quarter, which had benefited from mild temperatures.

Countries such as Ireland, Spain, and Portugal are now back on track for continued growth after a clear improvement in their price competitiveness through a strong decline in unit labour costs. Italy and France continue to be countries of concern since they have not yet implemented the essential reforms to the extent necessary.

The USA is expected to have returned to growth after experiencing a disappointing first quarter with a 2.9 percent decline in gross domestic product which was adversely affected by a series of special factors (severe winter conditions, a normalisation in inventories and an unexpected decline in health care spending). The economic experts at Commerzbank expect a growth rate of 3.7 percent for the second quarter of 2014 (status as of: July 2014).

With the increase in VAT rates that occurred in April, economic output in Japan is expected to shrink by 0.9 percent in the second quarter of 2014.

It's a mixed picture in the emerging markets: some emerging Asian economies are benefiting from the economic stimulus of the advanced economies. In China, the economy has somewhat consolidated again. According to government data, gross domestic product in the second quarter of 2014 grew 7.5 percent compared to the same period of the previous year. It should be noted that the Chinese government has taken a series of measures to stabilise economic growth since April. These measures include boosting investment in the rail sector and in housing projects, providing tax breaks for small businesses, and lowering the minimum reserve ratio for certain banks. A number of emerging countries continue to struggle with capital outflows and currency devaluations. The unresolved conflict between Russia and the Ukraine is also placing a burden on some of the emerging countries.

### All three large automotive markets still on track for growth

All three of the major automotive markets – Western Europe, the USA, and China – saw a considerable increase in new registrations in the second quarter of 2014. In June, the number of new registrations in the European Union (EU-27) exceeded the level of the comparable month of the prior year for the tenth consecutive time. In the period from April to June 2014, new registrations increased 4.6 percent compared to the previous year quarter to 3.38 million units. In the first quarter 2014, the growth rate was still 8.4 percent.

The Spanish market benefited from a government scrappage scheme and grew 22.9 percent, showing the highest level of growth among the European volume markets. France and Italy also exceeded their previous year's levels with 2.9 percent and 1.0 percent, respectively. Germany was one of the poorest performers with registrations down 0.3 percent compared to the previous year's figure.

With its broad product portfolio of fuel-optimised components for engine and transmission applications and brake discs, SHW has succeeded again in significantly outperforming the European passenger car market in the second quarter of 2014. SHW's sales increased 16.9 percent in the period from April to June 2014 compared to the same period in the prior year.

Following a very harsh winter, US sales of passenger cars and light trucks rose 6.9 percent to 4.42 million units in the period from April to June of 2014.

The economic slowdown and tremendous slump in consumer confidence in Brazil led to a significant 12.1 percent decline in new vehicle registrations for light vehicles (passenger cars and light trucks) to a total of 0.81 million units.

The Chinese passenger car market continued to develop positively during the second quarter of 2014. The number of passenger cars sold in the April to June period reached a level of 4.76 million units (+ 12.3 percent compared to the previous year).

In Japan, new passenger car registrations dropped 1.9 percent to 0.98 million units amid the previously announced rise in the VAT rate from 5 percent to 8 percent.

## Results of Operations, Net Assets, and Financial Position of the SHW Group

### Key figures - SHW Group

in K EUR	Q2 2014	Q2 2013	Change in %	H1 2014	H1 2013	Change in %
Sales	107,293	91,792	16.9%	212,072	176,364	20.2%
EBITDA	10,170	10,310	-1.4%	19,010	16,149	17.7%
as % of sales	9.5%	11.2%	-	9.0%	9.2%	-
EBIT	5,699	6,913	-17.6%	10,517	9,713	8.3%
as % of sales	5.3%	7.5%	-	5.0%	5.5%	-
Net income for the period	3,955	4,729	-16.4%	7,197	6,600	9.0%
Adjusted EBITDA	10,170	11,033	-7.8%	19,010	17,052	11.5%
as % of sales	9.5%	12.0%	-	9.0%	9.7%	-
Adjusted EBIT	5,737	7,674	-25.2%	10,592	10,692	-0.9%
as % of sales	5.3%	8.4%	-	5.0%	6.1%	-
Equity	-	-	-	84,005	75,230	11.7%
Equity ratio	-	-	-	40.7%	40.3%	-
Working Capital	-	-	-	40,427	51,611	-21.7%
as % of sales	-	-	-	10.1%	15.6%	-

## Results of Operations

### Sales in the first half of 2014 increase 20.2 percent to € 212.1 million

Group sales increased 20.2 percent from € 176.4 million in the first half of the previous year to € 212.1 million in the first half of 2014. In the first half of 2014, SHW Group succeeded again in decoupling from the general market developments in Europe (new passenger car registrations in the European Union 1HY/2014: +6.5 percent compared to the previous year period) as a result of higher customer call orders and successful new product launches.

### Cost of sales ratio slightly higher in the first half of 2014

Cost of sales increased 21.5 percent from € 155.6 million to € 189.1 million in the first half of 2014. Hence, the cost of sales ratio rose from 88.2 percent to 89.2 percent. The main cause for this was a change in the product mix which resulted from the disproportionate growth in our pumps for passenger cars. In addition, capacity restraints at suppliers led to a loss of performance.

Despite higher business volumes, we were still able to trim our general administration expenses by 11.9 percent from € 5.3 million to € 4.7 million in the first half of 2014. This decline in comparison to the previous year mainly resulted from a disproportionately low rise in personnel and the non-recurrence of expenses for the SAP Post Go-Live Support.

### Investments in research and development rise moderately

Research and development costs rose 25.2 percent in the first half of 2014 compared to the corresponding previous year period to € 4.4 million (previous year: € 3.5 million) as a result of numerous new customer projects with product innovations. In addition, a total of € 0.8 million in development costs were capitalised (previous year: € 1.4 million). As a result of the strong sales growth, the R&D ratio (including capitalised development costs) fell to 2.4 percent of sales (previous year: 2.8 percent). In the Pumps and Engine Components business segment, the focus was on the development of variable oil pumps, start-stop pumps, transmission pumps, oil/vacuum pumps with balance shaft units and camshaft adjusters. The activities of the Brake Discs business segment were focused on the further development of higher-value composite brake discs.



Reconciliation statement: SHW Group in K EUR				
	Q2 2014	Q2 2013	H1 2014	H1 2013
Sales	107,293	91,792	212,072	176,364
Operating result (EBIT)	5,699	6,913	10,517	9,713
PPA <sup>1</sup> fixed assets	38	38	75	76
Consulting costs for SAP GoLive	-	-	-	180
Costs of changes in the Management Board	-	723	-	723
<b>Adjusted EBIT</b>	<b>5,737</b>	<b>7,674</b>	<b>10,592</b>	<b>10,692</b>
as % of sales	5.3%	8.4%	5.0%	6.1%
Other depreciation	4,433	3,359	8,418	6,360
as % of sales	4.1%	3.7%	4.0%	3.6%
<b>Adjusted EBITDA</b>	<b>10,170</b>	<b>11,033</b>	<b>19,010</b>	<b>17,052</b>
as % of sales	9.5%	12.0%	9.0%	9.7%

<sup>1</sup> Depreciation arising from purchase price allocation

### EBITDA in the first half year advances to € 19.0 million

In the first half of 2014, adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) increased 11.5 percent compared to the previous year and totalled € 19.0 million. The corresponding EBITDA margin declined from 9.7 percent to 9.0 percent.

High customer call orders during the first half of 2014 led to logistical and operational pressures on the existing technical capacity at both our suppliers and in the Powder Metallurgy division at the Aalen-Wasseralfingen site. This also adversely affected the performance of our pump production activities at the Bad Schussenried site, which is the main customer of the Powder Metallurgy division. Additional costs were incurred for extra shifts, external processing, higher maintenance costs, as well as special freight services. A three-year investment programme for the Powder Metallurgy division was adopted in the second quarter of 2014 to remedy the existing capacity constraints and further expand our manufacturing automation. A delay in the start of a new production line in the Brake Discs business segment in the first half of 2014 also had a negative impact on the half year results. As planned, the costs generated from our internationalisation activities had a € 0.4 million impact on Group earnings in the first half of 2014.

### Correction of extraordinary effects made in the first half of 2013

In the first half of 2013, expenses of € 0.5 million related to a new product launch were adjusted at the Group level and at the level of the Pumps and Engine Components business segment. In preparing the consolidated financial statements as at 31 December 2013, the adjustment of these launch costs was waived since, over time, we were able to offset these costs by compensation payments. Accordingly, a retrospective adjustment of the circumstances was performed.

### Stable financial results

At € -0.6 million, the financial result (net) in the first half of 2014 remained at the previous year's level. Average financial debt had a slight increase over the previous year.

### Tax rate unchanged

Income taxes rose by € 0.2 million to € 2.7 million in the first half of 2014 as a result of the increase in earnings before taxes. At 27.3 percent, the tax rate remained at the previous year's level (27.4 percent).

### Net income in the first half was 9.0 percent above the previous year's level

Net income in the first half of 2014 improved by 9.0 percent from € 6.6 million to € 7.2 million. Earnings per share reached € 1.23 in the first half of 2014 compared to € 1.13 in the previous year. In both years, the weighted average number of shares used in the calculation of earnings per share amounted to 5,581,100 shares.

## Business Segments

### Development of the Pumps and Engine Components business segment

#### Sales at record level

The Pumps and Engine Components business segment achieved a 23.7 percent increase in sales in the first half of 2014 to € 163.1 million (previous year: € 131.9 million). This represents the highest level of half year sales in the Company's history.

#### Sales driven by increasing demand for start-stop pumps and new product launches of oil/vacuum pumps

Within the Pumps and Engine Components business segment, the Passenger Car division benefited from the expansion in capacity of an electric auxiliary pump for the start-stop function and from new product launches of variable oil/vacuum pumps (tandem pumps). In light of this, sales in the Passenger Car division grew 26.5 percent from € 103.8 million to € 131.3 million in the first half of 2014.

In the Truck and Off-Highway division, the growing demand from agricultural and construction machinery manufacturers led to a sales increase of € 1.3 million to a total of € 15.6 million in the period from January to June 2014.

The Powder Metallurgy division was able to end the first half of 2014 with sales growth of € 2.4 million to € 16.2 million following the ramp-up of components for a camshaft phaser and an increase in customer call orders.

#### Key figures - Pumps and Engine Components

in K EUR	Q2 2014	Q2 2013	Change in %	H1 2014	H1 2013	Change in %
Sales	82,562	68,576	20.4%	163,129	131,907	23.7%
EBITDA	8,075	8,789	-8.1%	15,550	13,436	15.7%
as % of sales	9.8%	12.8%	-	9.5%	10.2%	-
EBIT	4,730	6,353	-25.5%	9,203	8,898	3.4%
as % of sales	5.7%	9.3%	-	5.6%	6.7%	-
Adjusted EBITDA	8,075	8,789	-8.1%	15,550	13,599	14.3%
as % of sales	9.8%	12.8%	-	9.5%	10.3%	-
Adjusted EBIT	4,740	6,363	-25.5%	9,223	9,081	1.6%
as % of sales	5.7%	9.3%	-	5.7%	6.9%	-

#### EBITDA in the first half year above previous year's level

In the first half of 2014, the Pumps and Engine Components business segment generated adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of € 15.6 million (previous year: € 13.6 million). The corresponding EBITDA margin declined from 10.3 percent to 9.5 percent.

A high level of customer call orders during the first half of 2014 led to logistical and operational pressures on the existing technical capacity at our suppliers and in the Powder Metallurgy division at the Aalen-Wasseralfingen site. This also adversely affected the performance of our pump production activities at the Bad Schussenried site, which is the main customer of the Powder Metallurgy division. Additional costs were incurred for extra shifts, external processing, higher maintenance costs, as well as special freight services. A three-year investment programme for the Powder Metallurgy division was adopted in the second quarter of 2014 to remedy the existing capacity constraints and further expand our manufacturing automation. As planned, the costs generated from our internationalisation activities had a € 0.4 million impact on segment earnings in the first half of 2014.

At € 9.2 million, adjusted segment earnings before interest and taxes (adjusted EBIT) in the first half of 2014 was € 0.1 million, or 1.6 percent, higher than in the comparable period of the previous year.

Reconciliation statement: Pumps and Engine Components				
in K EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Sales	82,562	68,576	163,129	131,907
Operating result (EBIT)	4,730	6,353	9,203	8,898
PPA <sup>1</sup> fixed assets	10	10	20	20
Consulting costs for SAP GoLive	-	-	-	163
Adjusted EBIT	4,740	6,363	9,223	9,081
as % of sales	5.7%	9.3%	5.7%	6.9%
Other depreciation	3,335	2,426	6,327	4,518
as % of sales	4.0%	3.5%	3.9%	3.4%
Adjusted EBITDA	8,075	8,789	15,550	13,599
as % of sales	9.8%	12.8%	9.5%	10.3%

<sup>1</sup> Depreciation arising from purchase price allocation

## Development of the Brake Discs business segment

### Key figures - Brake Discs

in K EUR	Q2 2014	Q2 2013	Change in %	H1 2014	H1 2013	Change in %
Sales	24,731	23,216	6.5%	48,943	44,457	10.1%
EBITDA	2,507	2,587	-3.1%	4,252	4,061	4.7%
as % of sales	10.1%	11.1%	-	8.7%	9.1%	-
EBIT	1,445	1,689	-14.4%	2,246	2,279	-1.4%
as % of sales	5.8%	7.3%	-	4.6%	5.1%	-
Adjusted EBITDA	2,507	2,587	-3.1%	4,252	4,078	4.3%
as % of sales	10.1%	11.1%	-	8.7%	9.2%	-
Adjusted EBIT	1,473	1,717	-14.2%	2,301	2,352	-2.2%
as % of sales	6.0%	7.4%	-	4.7%	5.3%	-

### Double-digit sales growth in the first half of 2014

On the back of increasing unit sales, the Brake Discs business segment generated sales growth of 10.1 percent, rising from € 44.5 million to € 48.9 million.

The total number of brake discs sold rose 11.6 percent from 2.0 million units to 2.2 million units in the first six months of 2014 compared to the previous year period. With an increase of 22.2 percent, sales of higher-value composite brake discs grew more than average compared to the previous year.

### EBITDA increases in the first half of 2014

In the first half of 2014, the adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of the Brake Discs business segment increased 4.3 percent to € 4.3 million. The EBITDA margin declined from 9.2 percent to 8.7 percent. Earnings were particularly burdened by extra shifts and external processing as the result of a sustained high level of customer call orders and the delayed start of a new production line in the first quarter of 2014. The start of the production line was successfully completed in the second quarter of 2014.

An investment-related increase in depreciation and amortisation led to adjusted earnings before interest and taxes (adjusted EBIT) of € 2.3 million (previous year: € 2.4 million) in the first half of 2014. The adjusted EBIT margin, based on sales, declined to 4.7 percent after 5.3 percent in the previous year.

Reconciliation statement: Brake Discs				
in K EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Sales	24,731	23,216	48,943	44,457
Operating result (EBIT)	1,445	1,689	2,246	2,279
PPA <sup>1</sup> fixed assets	28	28	55	56
Consulting costs for SAP GoLive	-	-	-	17
<b>Adjusted EBIT</b>	<b>1,473</b>	<b>1,717</b>	<b>2,301</b>	<b>2,352</b>
as % of sales	6.0%	7.4%	4.7%	5.3%
Other depreciation	1,034	870	1,951	1,726
as % of sales	4.2%	3.7%	4.0%	3.9%
<b>Adjusted EBITDA</b>	<b>2,507</b>	<b>2,587</b>	<b>4,252</b>	<b>4,078</b>
as % of sales	10.1%	11.1%	8.7%	9.2%

<sup>1</sup> Depreciation arising from purchase price allocation

## Net Assets and Financial Position

### Equity ratio still above-average

In comparison to 30 June 2013, equity increased by € 8.8 million to € 84.0 million. This rise was largely the result of the net income for the period of the last twelve months, which totalled € 14.0 million less a dividend payment of € 5.9 million. The equity ratio increased from 40.3 percent as at 30 June 2013 to 40.7 percent.

### Operating cash flow rises by € 11.8 million in the first half year

In the first half of 2014, the SHW Group generated € 12.1 million in cash flow from operating activities (previous year: € 0.3 million). This considerable improvement resulted mainly from a significant reduction in working capital which followed stricter improvements within the entire logistics chain.

Cash flow from investing activities amounted to € -20.7 million in the first half of 2014 for an increase of 20.6 percent over the prior year level. This item includes the final payment of € 2.8 million for an assembly plant which was already included in the asset additions in fiscal year 2013. Of these asset additions, € 11.8 million is attributable to the Pumps and Engine Components business segment and € 6.1 million to the Brake Discs business segment.

### Net bank liabilities affected by a reduction in working capital and by investments

As at 30 June 2014, the SHW Group's net bank liabilities totalled € 17.4 million. This represents a € 2.8 million decline in net bank liabilities compared to the first half of 2013. The basis for this development was the positive operating cash flow, which largely resulted from a targeted reduction in working capital of € 11.2 million. This development was partially offset by the dividend payment of € 5.9 million and by continued high investment.

#### Reconciliation statement: Change in net cash

in K EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Cash flow from operating activities	12,050	11,163	12,066	259
Cash flow from investment activities	-8,718	-8,988	-20,716	-17,173
<b>Free cash flow</b>	<b>3,332</b>	<b>2,175</b>	<b>-8,650</b>	<b>-16,914</b>
Other (esp. dividends)	-5,851	-23,415	-5,827	-22,860
<b>Change in net cash</b>	<b>-2,519</b>	<b>-21,240</b>	<b>-14,477</b>	<b>-39,774</b>

### Growth is reflected in tangible assets and receivables

Compared to 30 June 2013, total assets grew € 19.6 million to € 206.2 million. Tangible assets rose by € 16.4 million to € 84.5 million compared to the previous year due to investments in production facilities resulting from a number of new product launches. Inventories were lowered through targeted improvements in the entire logistics chain, despite the significant increase in business volume. In comparison to 30 June 2013, inventories declined by € 7.5 million to € 38.5 million. The increase in trade receivables of 20.7 percent to € 54.7 million was in line with the sales growth of 20.2 percent generated in the first half of 2014. Trade payables grew by € 13.0 million to

€ 52.8 million.

### Substantial improvement in working capital ratio

As at 30 June 2014, working capital could be brought down by 21.7 percent, or € 11.2 million, to € 40.4 million compared with the previous year. This was mainly due to the positive impact of improvement measures throughout the entire logistics chain. Both trade receivables as well as trade payables have increased as a result of the rise in business volume. The working capital ratio based on trailing twelve months Group's sales improved to 10.1 percent from 15.6 percent compared to the first half of 2013.

in K EUR	H1 2014	H1 2013	Change abs.	Change in %
Inventories	38,520	46,037	-7,517	-16.3%
Trade receivables	54,694	45,316	9,378	20.7%
Trade payables	-52,787	-39,742	-13,045	32.8%
<b>Working Capital</b>	<b>40,427</b>	<b>51,611</b>	<b>-11,184</b>	<b>-21.7%</b>
as % of sales	10.1%	15.6%	-	-

### Strong growth leads to higher number of employees in the Pumps and Engine Components business segment

The average number of employees in the first six months of 2014 at the Group level increased to 1,119 employees compared to a level of 1,045 employees in the same period of the previous year. Most of these increases took place at both of the Pumps and Engine Components business segment locations. These locations saw the average number of employees increase from 647 to 717.

## Opportunities and Risks

In assessing the opportunities and risks for the SHW Group, there have been no significant changes in comparison to the statements related to opportunities and risks found in the Annual Report 2013 (pages 61– 68 and 72 – 73).

## Outlook

### Macroeconomic outlook

In comparison to the projections made by the economic experts at Commerzbank in mid-April 2014, the experts have since cut their growth forecasts for the global economy and for the USA in particular.

Despite this revision, Commerzbank economists continue to expect growth to be driven mainly by the economic recovery in the so-called "advanced economies", while the pace of expansion, although still high in the emerging and developing countries, will continue to slow down in comparison to the previous year. The slowing pace of growth in China is having the greatest impact.

According to Commerzbank economists, the euro area will experience a recovery in economic performance in the current year, but a strong upturn is still not in sight. As of July 2014, economic experts continue to expect average growth for the year of + 1.0 percent, whereby Italy (GDP: + 0.2 percent) and France (GDP: + 0.5 percent) together with the Netherlands (GDP: + 0.3 percent) will trail behind. The cause of this wide economic gap is the strong increase in unit labour costs in the latter named countries, which is causing these countries to successively lose their price competitiveness. However, since the outbreak of the global financial crisis, Ireland, Spain, and Portugal have been able to greatly improve their competitiveness due to a strong decline in unit labour costs and are now back on a growth path.

In terms of German GDP growth, analysts at Commerzbank have left their forecasts unchanged at 2.0 percent. The growth drivers are rising capital expenditures and exports.

Due to the extreme weakness of the first quarter, the recent forecast for the USA of 2.8 percent has since been reduced to just 1.6 percent. This will again undercut the outcome of the previous year, which already proved to be a disappointing 1.9 percent.

Economic experts at Commerzbank expect growth in China in 2014 to continue to slow somewhat and total 7.3 percent (previous year: 7.7 percent). Economic reforms agreed in November 2013, which provide for the convertibility and flexibility of the Renminbi and restrictions on land sales by local authorities to provide budget financing, have had a particularly stagnating effect. Moreover, the structural transformation from heavy industry to the services and consumer goods sectors which has been introduced and the imbalances in the Chinese financial sector have all dampened the growth of the Chinese economy.

Despite the current risks, the economic outlook and rising disposable incomes in many emerging markets still provide a solid basis for a continued upturn in the global automotive business in the second half of 2014.

### Industry outlook

In their latest update (July 2014), industry experts from PwC Autofacts have slightly lowered their forecast again for global light vehicle production (vehicles <6 t). PwC Autofacts now expects growth in 2014 to amount to only 3.8 percent (previously: 4.8 percent) for a total of 85.7 million vehicles.

These adjustments mainly concern selected emerging economies in the Asia-Pacific and South American regions. Thus, PwC Autofacts now expects a decline of 22.7 percent in the Thai automotive market (previously: -0.5 percent) to 1.84 million units. The forecast for China was lowered slightly, however, China is still expected to remain the key growth driver with a growth rate of 9.3 percent (previously: 10.7 percent) to 21.1 million vehicles. Expectations for the South American region were significantly adjusted as a result of the weak economic environment. Overall, automotive experts are forecasting a decline in light vehicle production of 4.0 percent (previously: + 0.5 percent) to 4.45 million units for the year overall.

The development in the North American region, however, will be better than previously expected with PwC Autofacts now estimating a growth rate of 4.5 percent (previously: 3.7 percent) to 16.93 million vehicles.

PwC Autofacts slightly raised its expectations for the European Union given in April 2014 once again and now expects an increase in production of 5.4 percent (previously: 4.1 percent) to 16.9 million vehicles. PwC Automotive experts have also raised their forecasts for production in Germany and now expect a 5.6 percent increase in vehicle production (previously: 4.0 percent) to 6.0 million vehicles.

### Group outlook

Based on the half year figures, the Management Board has revised its outlook for 2014 as follows:

Assuming a continued stable order situation, SHW AG now expects Group sales in fiscal year 2014 to be in the range of € 390 million to € 415 million (previously: € 380 million to € 400 million). Additionally planned product launches and a shift in the product mix towards more complex pumps should lead to sales in the Pumps and Engine Components business segment of between € 297 million and € 320 million (previously: € 287 million to € 305 million). In the Brake Discs business segment, the target is to further increase the share of processed brake discs and higher-value composite brake discs and thus achieve sales in the order of € 93 million to € 95 million.

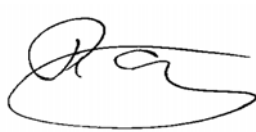
The Management Board's focus in the second half of 2014 will be primarily on acquiring new orders, further optimising logistical and operational business processes at all locations, and on establishing and expanding the business in Brazil, China, and North America. With the achievement of the sales growth planned, the Company now expects to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the order of € 39.0 million to € 41.5 million in 2014 (previously: € 38 million to € 40 million).

Aalen, 25 July 2014

The SHW AG Management Board



**Dr.-Ing. Thomas Buchholz**  
Chief Executive Officer



**Sascha Rosengart**  
Chief Financial Officer



**Andreas Rydzewski**  
Member of the Management Board



# Interim Consolidated Financial Statements (IFRS) as at 30 June 2014

## Consolidated Income Statement (unaudited)

	Q2 2014	Q2 2013	H1 2014	H1 2013
K EUR				
<b>Sales</b>	107,293	91,792	212,072	176,364
Cost of sales	-95,333	-79,416	-189,113	-155,613
<b>Gross profit</b>	11,960	12,376	22,959	20,751
Selling expenses	-1,323	-1,142	-2,532	-2,179
General administration expenses	-2,296	-2,640	-4,693	-5,326
Research and development costs	-2,390	-1,794	-4,397	-3,511
Other operating income	498	784	715	1,101
Other operating expenses	-750	-671	-1,535	-1,123
<b>Operating result</b>	5,699	6,913	10,517	9,713
Financial income	11	4	11	4
Financial expenses	-356	-357	-635	-620
<b>Earnings before tax</b>	5,354	6,560	9,893	9,097
Deferred taxes	147	156	298	209
Current incomes taxes	-1,546	-1,987	-2,994	-2,706
<b>Net income for the period</b>	3,955	4,729	7,197	6,600
Earnings per share (in €) <sup>1)</sup>	0.68	0.81	1.23	1.13

<sup>1)</sup> Based on an average of 5,851,100 shares.

## Consolidated Statement of Comprehensive Income (unaudited)

	Q2 2014	Q2 2013	H1 2014	H1 2014
K EUR				
<b>Net income for the period</b>	3,955	4,729	7,197	6,600
<b>Items that will not be reclassified to profit and loss in future periods</b>				
Currency translation reserve	-	-	-	-
Tax effect	-	-	-	-
<b>Items that may be reclassified to profit and loss in future periods</b>				
Currency translation reserve	70	24	164	22
Tax effect	-	-	-	-
Other comprehensive income after tax	70	24	164	22
<b>Total comprehensive income after tax</b>	4,025	4,753	7,361	6,622
Total comprehensive income attributable to shareholders of SHW AG	4,025	4,753	7,361	6,622

## Consolidated Balance Sheet (unaudited)

K EUR	30 June 2014	31 Dec 2013	30 June 2013
<b>Assets</b>			
Goodwill	7,055	7,055	7,055
Other intangible assets	13,919	14,205	13,252
Tangible assets (property, plant, and equipment)	84,527	74,781	68,115
Deferred tax assets	3,147	2,988	3,410
Other financial assets	578	659	590
<b>Non-current assets</b>	<b>109,226</b>	<b>99,688</b>	<b>92,422</b>
Inventories	38,520	39,192	46,037
Trade receivables	54,694	42,101	45,316
Other financial assets	106	-	430
Other assets	2,522	3,490	1,143
Cash and cash equivalents	1,128	2,837	1,253
<b>Current assets</b>	<b>96,970</b>	<b>87,620</b>	<b>94,179</b>
<b>Total assets</b>	<b>206,196</b>	<b>187,308</b>	<b>186,601</b>
<b>K EUR</b>	<b>30 June 2014</b>	<b>31 Dec 2013</b>	<b>30 June 2013</b>
<b>Equity and Liabilities</b>			
Subscribed capital	5,851	5,851	5,851
Capital reserves	14,780	14,780	14,780
Revenue reserves	64,942	63,630	56,835
Other reserves	-1,568	-1,732	-2,236
<b>Total equity</b>	<b>84,005</b>	<b>82,529</b>	<b>75,230</b>
Pension accruals and similar obligations	24,263	24,488	25,765
Deferred tax liabilities	3,480	3,619	2,943
Other accruals	3,367	3,388	2,872
Other financial liabilities	172	206	90
Liabilities to banks	3,081	3,676	3,413
<b>Non-current liabilities and accruals</b>	<b>34,363</b>	<b>35,377</b>	<b>35,083</b>
Liabilities to banks	15,405	2,042	17,985
Trade payables	52,787	47,881	39,742
Other financial liabilities	6,336	7,027	5,165
Income tax liabilities	938	1,176	1,414
Other accruals	3,868	3,010	4,951
Other liabilities	8,494	8,266	7,031
<b>Current liabilities and accruals</b>	<b>87,828</b>	<b>69,402</b>	<b>76,288</b>
<b>Total equity and liabilities</b>	<b>206,196</b>	<b>187,308</b>	<b>186,601</b>

## Consolidated Statement of Changes in Equity (unaudited)

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
<b>As at 1 January 2013 (as initially reported)</b>	<b>5,851</b>	<b>14,780</b>	<b>73,709</b>	<b>-</b>	<b>94,340</b>
Changes in measurement methods	-	-	-47	-2,258	-2,305
<b>As at 1 January 2013 (revised)</b>	<b>5,851</b>	<b>14,780</b>	<b>73,662</b>	<b>-2,258</b>	<b>92,035</b>
Changes from actuarial gains and losses	-	-	-	-	-
Foreign currency translation	-	-	-	22	22
Total income recognised directly in equity	-	-	-	22	22
Net income for the period as at 30 June 2013	-	-	6,600	-	6,600
Total comprehensive income for the period	-	-	6,600	22	6,622
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-23	-	-23
Dividends paid	-	-	-23,404	-	-23,404
<b>As at 30 June 2013</b>	<b>5,851</b>	<b>14,780</b>	<b>56,835</b>	<b>-2,236</b>	<b>75,230</b>
<b>As at 1 January 2014</b>	<b>5,851</b>	<b>14,780</b>	<b>63,630</b>	<b>-1,732</b>	<b>82,529</b>
Changes from actuarial gains and losses	-	-	-	-	-
Foreign currency translation	-	-	-	164	164
Total income recognised directly in equity	-	-	-	164	164
Net income for the period as at 30 June 2014	-	-	7,197	-	7,197
Total comprehensive income for the period	-	-	7,197	164	7,361
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-34	-	-34
Dividends paid	-	-	-5,851	-	-5,851
<b>As at 30 June 2014</b>	<b>5,851</b>	<b>14,780</b>	<b>64,942</b>	<b>-1,568</b>	<b>84,005</b>

## Consolidated Cash Flow Statement (unaudited)

K EUR	1 Jan 2014	1 Jan 2013
	30 June 2014	30 June 2013
<b>Cash flow from operating activities</b>		
Net income for the period	7,197	6,600
Depreciation / amortisation (+) of fixed asset assets	8,493	6,436
Income tax expenses through profit or loss (+)	2,994	2,706
Income tax paid (-)	-3,229	-2,273
Financing costs through profit or loss (+)	635	620
Interest paid (-)	-223	-123
Financial investment income through profit or loss (-)	-11	-4
Interest and dividends received (+)	11	4
Increase (+) / decrease (-) in accruals	612	2,850
Change in deferred taxes	-298	-1,114
Other non-cash effective expenses (+) / income (-)	-564	-2,578
Gain (-) / loss (+) from the disposal of assets	112	-46
Increase (-) / decrease (+) in inventories, trade receivables, and other current assets	-10,987	-14,086
Increase (+) / decrease (-) in trade payables, and other current liabilities	7,324	1,267
<b>Cash flow from operating activities</b>	<b>12,066</b>	<b>259</b>
<b>Cash flow from investing activities</b>		
Cash received (+) from the disposal of tangible assets	62	46
Cash paid (-) for investments in tangible assets	-19,294	-15,154
Cash paid (-) for investments in intangible assets	-1,484	-2,065
<b>Cash flow from investing activities</b>	<b>-20,716</b>	<b>-17,173</b>
<b>Cash flow from financing activities</b>		
Cash received (+) from the assumption of financial liabilities	13,255	21,398
Cash paid (-) for the redemption of financial liabilities	-487	-
Dividends paid to shareholders	-5,851	-23,404
Payments for investments in financial assets	-	-4
<b>Cash flow from financing activities</b>	<b>6,917</b>	<b>-2,010</b>
<b>Cash and cash equivalents at the end of the period</b>		
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)	-1,733	-18,924
Exchange rate-related changes in cash and cash equivalents	24	-7
Cash and cash equivalents at the beginning of the period	2,837	19,629
Changes in cash from scope of consolidation related changes	-	555
Cash and cash equivalents at the end of the period	1,128	1,253

# Notes to the Interim Consolidated Financial Statements

## Principles and methods used for the interim consolidated financial statements

These condensed unaudited interim consolidated financial statements of SHW AG, Wilhelmstrasse 67, 73433 Aalen, Germany, and its subsidiaries (hereinafter referred to as the SHW Group) as at 30 June 2014 were prepared in accordance with the provisions of the - International Accounting Standards for interim reporting (IAS 34) and in application of § 315a HGB in conjunction with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable for interim reporting in the European Union (EU).

According to IAS 34, the interim consolidated financial statements do not include all of the information necessary to be disclosed in the consolidated financial statements at the end of a fiscal year. Therefore, these statements should be read in conjunction with the consolidated financial statements for the 2013 fiscal year.

SHW AG is a stock corporation under German law and is registered in the commercial register under HRB 726621. The Group's main activities are the production and sale of pumps and engine components as well as brake discs. The customers are primarily manufacturers and suppliers from the automotive industry.

These interim consolidated financial statements were forwarded by the Management Board to the Supervisory Board's Audit Committee on 18 July 2014 and concern the period from 1 January to 30 June 2014 in comparison to the same period of the previous year. The presentation of the net assets (balance sheet) is based on a comparison to the amounts as at 31 December 2013 and 30 June 2013. The interim consolidated financial statements have been prepared in euro. Unless indicated otherwise, the amounts stated in the interim consolidated financial statements are in thousands of euros.

In the opinion of the Management Board, the interim consolidated financial statements contain all of the usual, regular adjustments and deferrals required for a fair presentation of the net assets, financial position, and results of operations of the Group. The accounting and valuation principles applied to the interim consolidated financial statements for the first six months of 2014 essentially correspond to those of the consolidated financial statements as at 31 December 2013. A detailed description of these methods is included in the notes to the consolidated financial statements as at 31 December 2013.

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full fiscal year.

The first-time application of the amendments – which were mandatory as at 1 January 2014 – to IAS 32 Financial Instruments: Presentation and Disclosure "Offsetting Financial Assets and Financial Liabilities", IAS 36 Impairment of Assets "Recoverable Amount Disclosures for Non-Financial Assets", and IAS 39 Financial Instruments: Recognition and Measurement "Novation of Derivatives and Continuation of the Hedging Relationship" had no material effects on the interim financial statements. The amendments to IFRS 10, IFRS 12, and IAS 27 with respect to investment entities have no impact on the consolidated financial statements because the Company is not an investment company.

As part of the preparation of the interim consolidated financial statements in conformity with IFRS, to a certain extent estimates and judgements must be made that concern the recognised assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses for the reporting period. The actual amounts may differ from the estimates.

### Scope of consolidation

The interim consolidated financial statements as at 30 June 2014 comprise the financial statements of SHW Automotive GmbH, SHW Zweite Beteiligungs GmbH, and SHW do Brasil Ltda., Sao Paulo / Brazil in addition to those of SHW AG. Since 1 January 2014, SHW Pumps & Engine Components Inc., Ontario / Canada has been included in the scope of consolidation since the company has now commenced its operating activities.

### Consolidated statement of comprehensive income and balance sheet

Group sales increased by € 35.7 million to € 212.1 million in the first half of 2014 compared to the same period of the previous year. Both the Pumps and Engine Components business segment as well as the Brake Discs business segment have benefited from successful new product launches and strong customer call orders. This provided for a year-on-year sales increase of € 31.2 million to € 163.1 million in the Pumps and Engine Components business segment and an increase in the Brake Discs business segment of € 4.5 million to € 48.9 million.

Earnings before taxes increased by 8.8 percent in the reporting period from € 9.1 million to € 9.9 million due to a higher earnings

contribution from the Pumps and Engine Components business segment. At 27.3 percent, the tax rate was virtually unchanged in the first half of 2014 compared to the previous year (27.4 percent).

As a result of the high number of new product launches, tangible assets increased by € 9.7 million to € 84.5 million compared to 31 December 2013 due to significant investments in manufacturing facilities.

Strong sales growth in the first half of 2014 led to a € 12.6 million increase in trade receivables as at 30 June 2014 compared to 31 December 2013.

Other current assets declined by € 1.0 million in comparison to 31 December 2013. This was caused mainly by the reduction in tax receivables.

The 1.8 percent rise in equity to € 84.0 million compared to 31 December 2013 resulted from the € 7.2 million in net income for the period for the first half of 2014. This development was partially offset by the dividend payment of € 5.9 million. Due to the disproportionate increase in total assets of 10.1 percent, the equity ratio fell to 40.7 percent compared with 44.1 percent at the end of fiscal year 2013.

As at 30 June 2014, net bank liabilities of the SHW Group amounted to € 17.4 million for an increase of € 14.5 million over the level as at 31 December 2013. The rise in net bank liabilities is largely due to investments of € 20.7 million and the dividend payment totalling € 5.9 million. Funding is provided through two KfW loans amounting to € 4.3 million and an operating line of credit, which had been utilised in an amount of € 15.1 million, including guarantees, as at 30 June 2014.

Trade payables increased by € 4.9 million compared with the end of last year. This increase corresponded to the rise in business volume and the high level of investment volume in the first half of 2014.

#### Financial instruments – Measurement at fair value (Fair Value Measurement)

A detailed overview of the financial instruments held by the Group was given in the 2013 consolidated financial statements. In accordance with IFRS 7, assets and liabilities measured at fair value in the balance sheet are to be categorised according to the 3 levels of the fair value hierarchy:

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

The interests listed in the consolidated financial statements have been allocated to Level 3 since there is no active market for these interests. The Group did not purchase any new financial instruments in the reporting period.

#### Segment reporting

Segment reporting is based on the "management approach". Operating segments are determined on the basis of internal reports as defined by IFRS 8, which are used regularly by the Chief Operation Decision Maker to decide on the distribution of resources and assess profitability. The profitability of individual segments is established on the basis of the operating result (EBIT) and EBITDA. The EBIT of the segments and the operating result of the Group are determined in accordance with IFRS. The EBITDA of the segments and of the Group is derived with the inclusion of the respective depreciation / amortisation. The assets and liabilities of each segment are also determined on the basis of IFRS. Financial expenses, financial income, and income taxes are administered at the Group level. The Pumps and Engine Components segment manufactures pumps and engine components as well as sintered metallurgy products for the automotive industry. The Brake Discs segment produces unprocessed and processed brake discs for the automotive industry. Transactions between the divisions are generally based on standard market conditions identical to those applying to transactions with third parties.



## Business segments (unaudited) for the period from 1 January to 30 June

	Pumps and Engine Components		Brake Discs		Other eliminations / consolidation effects		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
K EUR								
Segment sales	163,129	131,907	48,943	44,457	-	-	212,072	176,364
Segment EBIT	9,203	8,898	2,246	2,279	-932	-1,464	10,517	9,713
Segment EBITDA	15,550	13,436	4,252	4,061	-792	-1,348	19,010	16,149
Financial result	-	-	-	-	-624	-616	-624	-616
Earnings before taxes	9,203	8,898	2,246	2,279	-1,556	-2,080	9,893	9,097
Scheduled segment depreciation / amortisation	6,347	4,538	2,006	1,782	140	116	8,493	6,436
Segment capital investments	11,790	14,572	6,128	2,258	83	389	18,001	17,219
Material segment expenses	-	163*	-	17*	-	723*	-	903
Number of customers with sales								
> 10 % of total sales	2	3	1	1	-	-	2	3
VW Group	63,707	47,064	25,572	26,050	-	-	89,279	73,114
Daimler Group	37,994	27,839	47	142	-	-	38,041	27,981
BMW Group	14,149	15,513	3,266	2,814	-	-	17,415	18,327

\* The revision of segment investments concern consulting fees for SAP post GoLive support and change in management Board

## Business segments (unaudited) for the period from 1 April to 30 June

	Pumps and Engine Components		Brake Discs		Other eliminations / consolidation effects		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
K EUR								
Segment sales	82,562	68,576	24,731	23,216	-	-	107,293	91,792
Segment EBIT	4,730	6,353	1,445	1,689	-476	-1,129	5,699	6,913
Segment EBITDA	8,075	8,789	2,507	2,587	-412	-1,066	10,170	10,310
Financial result	-	-	-	-	-345	-353	-345	-353
Earnings before taxes	4,730	6,353	1,445	1,689	-821	-1,482	5,354	6,560
Scheduled segment depreciation / amortisation	3,345	2,436	1,062	898	64	63	4,471	3,397
Segment capital investments	5,933	8,105	2,775	687	72	201	8,780	8,993
Material segment expenses	-	-	-	-	-	723*	-	723
Number of customers with sales								
> 10 % of total sales	2	3	1	1	-	-	2	2
VW Group	31,663	23,975	12,926	13,579	-	-	44,589	37,554
Daimler Group	20,484	15,129	37	87	-	-	20,521	15,216
BMW Group	6,213	7,487	1,739	1,276	-	-	7,952	8,763

\* The revision of segment investments concern change in management Board

## Development of Group sales by region

Sales are regionally allocated according to the respective domicile of the consignees. The following overview presents the regional allocation of sales of the SHW Group.

	Q2 2014	Q2 2013	H1 2014	H1 2013
K EUR				
Germany	67,295	58,865	134,074	113,325
Rest of Europe	37,804	31,782	74,178	60,783
America	1,925	995	3,318	1,948
Other	269	150	502	308
Group	107,293	91,792	212,072	176,364

## Events after the balance sheet date

Following the interim balance sheet date, there were no events which require additional disclosure.

## Governing bodies, relationships with related parties

The following persons comprise the members of the Supervisory Board:

**Georg Wolf**, Dietzenbach, Chairman

Previously Chairman of the Management Board of ixetic GmbH, Bad Homburg v.d. Höhe (meanwhile: Magna Powertrain GmbH)

**Dr. Martin Beck**, Ingolstadt, Deputy Chairman (until 9 May 2014)

Managing Director of Nordwind Capital

**Christian Brand**, Karlsruhe, Deputy Chairman

Previously Chairman of the Management Board of L-Bank

**Dr. Hans Albrecht**, Munich (until 9 May 2014)

Managing Director of Nordwind Capital

**Kirstin Hegner-Cordes**, Munich (as of 9 May 2014)

Partner at Logical Golf Global Investments GmbH, Moosinning/Erding and independent consultant

**Prof. Dr.-Ing. Jörg Ernst Franke**, Marloffstein (as of 9 May 2014)

Holder of the Chair for Automated Manufacturing and Production Engineering at the University of Erlangen-Nuremberg

**Edgar Kühn**, Aalen

Chairman of the Central Works Committee at SHW Automotive GmbH

Chairman of the Works Committee at SHW Automotive GmbH, Aalen-Wasseralfingen facility

**Ernst Rieber**, Bad Saulgau (until 9 May 2014)

**Frank-Michael Meißner**, Tuttlingen (as of 9 May 2014)

## Issued collateral and other financial obligations


Issued collateral and other financial obligations reported in the 2013 Annual Report have not undergone any material changes during the first half of 2014.

Aalen, 25 July 2014

The SHW AG Management Board



**Dr.-Ing. Thomas Buchholz**  
Chief Executive Officer



**Sascha Rosengart**  
Chief Financial Officer



**Andreas Rydzewski**  
Member of the Management Board

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This interim report is also available in German. In case of doubt, the German version of this report is legally binding.

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