



Fokus Zukunft

Stärker als Gruppe

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COMPANY PROFILE

The origins of the company reach back to the year 1365. As a result, SHW is one of the oldest industrial operations in Germany. Today, SHW AG is a leading automotive supplier, providing products that make a substantial contribution to reducing fuel consumption and, consequently, to lowering CO₂ emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and industry applications (e.g., trucks, agricultural and construction machinery, stationary engines and wind farms) as well as engine components. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automobile manufacturers, manufacturers of commercial, agricultural and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has five production sites in Germany located in Bad Schussenried, Aalen-Wasseralfingen, Hermsdorf, Tuttlingen-Ludwigstal and Neuhausen ob Eck, plus sites in Brazil (São Paulo) and China (Kunshan), Toronto (Canada) and Timișoara (Romania). With over 1,600 employees, the company achieved Group sales of more than €430 million in the fiscal year 2019. Further information is available at www.shw.de.

HIGHLIGHTS

- In spite of many plant closures by customers and the related reduction in calls on standing orders, revenue of approximately €168.4 million was generated in the first six months of the year (H1 2019: €221.9 million).
- The result for the first six months deteriorated in comparison to the comparable period of the previous year on account of the impacts of the COVID-19 pandemic.
- Rapid and successful implementation of cost-savings and measures to optimize liquidity

INDICATORS OF BUSINESS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS OF THE SHW GROUP

K EUR	H1		Change %
	2020	2019	
Sales	168,425	221,937	- 24.1%
EBITDA	4,721	20,525	- 77.0%
as % of sales	2.8%	9.2%	-
Depreciation and amortisation	14,143	12,794	10.5%
as % of sales	8.4%	5.8%	-
EBIT	- 9,422	7,731	- 221.9%
as % of sales	- 5.6%	3.5%	-
Net profit or loss for the period	- 7,336	4,613	-
Earnings per share (€)*	- 1.14	0.72	-
Equity	122,483	127,499	- 3.9%
Equity ratio	38.0%	40.9%	-
Cash flow from operating activities	- 13,892	9,777	-
Cash flow from investing activities (intangible assets and property, plant and equipment)	- 13,500	- 22,018	- 38.7%
Operating free cash flow	- 27,392	- 12,241	- 123.8%
Total free cash flow	- 28,014	- 12,241	- 128.9%
Net financial debt	- 71,795	- 52,808	- 36.0%
Investments	13,948	26,535	- 47.4%
as % of sales	8.3%	12.0%	-
Net working capital	65,980	70,346	- 6.2%
Net working capital as % of sales (past twelve months)	17.4%	16.7%	-
ROE (past twelve months)	- 1.6%	6.8%	-
ROCE (past twelve months)	- 1.1%	6.5%	-

* Earnings per share calculated in relation to an average of 6,436,209 shares (Previous year 6,436,209 shares).

Development of the business segments

	H1		
K EUR	2020	2019	Change %
Key performance indicators for Pumps and Engine Components			
Sales	125,009	162,990	– 23.3%
EBITDA	5,327	14,588	– 63.5%
as % of sales	4.3%	9.0%	–
Depreciation and amortisation	10,086	8,937	12.9%
as % of sales	8.1%	5.5%	–
EBIT	– 4,759	5,651	– 184.2%
as % of sales	– 3.8%	3.5%	–
Segment investments	11,619	18,100	– 35.8%
ROCE (past twelve months)	–1.8%	7,6%	–
Key performance indicators for Brake Discs			
Sales	43,416	58,947	– 26.3%
EBITDA	1,505	6,525	– 76.9%
as % of sales	3.5%	11.1%	–
Depreciation and amortisation	3,578	3,226	10.9%
as % of sales	8.2%	5.5%	–
EBIT	– 2,073	3,299	– 162.8%
as % of sales	– 4.8%	5.6%	–
Segment investments	2,178	6,585	– 66.9%
ROCE (past twelve months)	5,7%	10,6%	–
Central functions / reconciliation			
Sales	–	–	–
EBITDA	– 2,111	– 588	259.0%
Depreciation and amortisation	479	631	– 24.1%
EBIT	– 2,590	– 1,219	112.5%
Segment investments	151	1,850	– 91.8%

ISSUER'S REPORT FROM THE MANAGEMENT BOARD FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Macroeconomic environment and sector-specific trends

Since the beginning of the year, the COVID-19 pandemic was the prevailing topic in all sectors of the economy. The global spread of the coronavirus and the countermeasures taken to combat it placed a severe dampener on economic activity in the first quarter of the year already, at first in China and then Europe, the USA and other markets. This trend continued to worsen in the second quarter with the recession in the European Monetary Union expected to have bottomed out in April. Overall, the US economy contracted sharply.

These events had a heavy impact on the development of the global automobile market and, in some cases, this even led to a double-digit decline in sales in the first half of 2020. The second quarter, and April in particular, are likely to have marked the peak of the crisis in many regions. Sales figures were down by a large margin as compared to the previous year, not only in China, but also in the US and many countries of western Europe. In the EU, 2.1 million fewer vehicles were sold between January and April than in the comparable period of the previous year.

The ZDK, the Central Association of the German Automobile Industry, anticipates a strong rise in motor vehicle registrations in the second half of the year. However, in sum, a decrease of 17.6 per cent or roughly 180,000 units to approximately 836,000 cars is expected.

Course of business

Financial performance

The corona crisis led to contracting markets in all major sales regions around the globe. As a result, group sales in the first half of 2020 are 24.1 per cent down on the comparable figure for the previous year. Sales of the Pumps and Engine Components business segment declined by 23.3 per cent and in the Brake Discs business segment they declined by 26.3 per cent.

The decrease in the cost of sales can be mainly attributed to the cost-savings initiated in response to the COVID-19 pandemic. The measures undertaken to address the current economic situation, which included use of the state-sponsored short-hours scheme, "Kurzarbeit", in Germany led to cost-savings in all functions.

The SHW Group generated a gross margin of 8.2 per cent, which is approximately five percentage points below the comparable period of the previous year.

While there were no significant non-recurring events in the first half of 2019 (reference is made to page 5 of the issuer's report for the first half of 2019), the first six-months of the fiscal year

2020 were predominantly affected by the consequences of the corona crisis, which led to a deterioration in EBITDA. Moreover, depreciation and amortisation increased by roughly €1.3 million on account of the strategic investment activity in the past years. EBITDA decreased by roughly €15.8 million in comparison to the comparative period of the previous year. The EBITDA margin decreased from 9.2 per cent in the first half of 2019 to 2.8 per cent in the first half of 2020.

With the financial result remaining more or less unchanged, the net profit for the period after deducting income taxes decreased by approximately €11.9 million.

Financial position

The investments made at the beginning of the year led to an increase of roughly EUR 9.9 million in non-current assets in comparison to the same period of the previous year.

The global impacts of the COVID-19 pandemic had a disparate effect on the line items of the statement of financial position as at 30 June 2020. The decrease of roughly €4.4 million in net working capital is primarily due to lower sales in the first half of 2020, which led to lower receivables and lower inventories and consequently, also to lower liabilities. Furthermore, the active steering measures of working capital management made a positive contribution.

The equity ratio weakened from 41.0 per cent to 38.0 per cent in comparison to the comparable period of the previous year, mainly on account of the 3.3 per cent increase in the balance sheet total coupled with a decrease in equity.

Current liabilities to banks include revolving money market loans and other funds drawn on current account loans within the framework of the long-term syndicated bank loan.

Current other liabilities mainly consist of obligations towards employees for vacation accrued, overtime or bonuses under the terms of collectively bargained wage and salary agreements. Due to the development of business, these have all increased as at the reporting date in comparison to the end of the previous year.

Cash flows

The cash flow from operating activities (H1 2020: €-13.9 million; H1 2019: €9.8 million) was predominantly affected by the global impacts of the COVID-19 pandemic. These resulted in a significant deterioration in operating business and a net loss for the first half of 2020. However, thanks to our Cash@SHW project initiated in 2019 already, we were able to cushion ourselves from the consequences of the COVID-19 pandemic by taking targeted action. Nevertheless, the consequences of the COVID-19 pandemic had a positive influence on the development of working capital. Lower sales in the first six months of 2020 led to a sharp fall in trade receivables in all of our business segments. On

account of the production interruptions, less inventory was built up than in the comparable period of the previous year and, as a result, lower trade payables.

Investing activities in 2020 (cash outflow of approximately €14.1 million) were financed primarily by taking out additional financial liabilities of roughly €27.3 million. In the first half of fiscal year 2019 investing activity was almost completely financed from the cash flow from operating activities and additional debt finance of €12.9 million.

The opportunity of taking out a loan from the German development bank, KfW, at market rates was used to secure liquidity during the corona crisis.

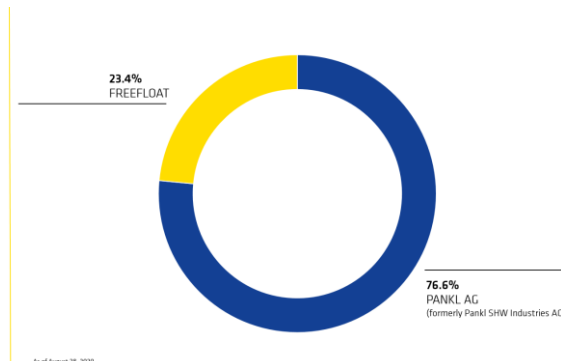
Before the backdrop of the record level of investment in recent years and the continuing high level of investment activity in the first six months of 2020, the net financial debt of the SHW Group increased to €71.8 million as at 30 June 2020 (30 June 2019: €52.8 million).

Employees

In the first six months of the fiscal year 2020, the Group's average number of employees – on an FTE basis – increased from 1,578 in the comparable period of the previous year to 1,625.

Shareholders and listing on the public exchange

Since June 2019, the shares of SHW AG have been traded on the free market (m:access) of the Munich stock exchange and also on the XETRA trading platform of Frankfurt Stock Exchange. With a stake of 76.6 per cent in issued capital and the voting rights, the Pierer Group of Companies is an industrial anchor shareholder for SHW AG.



Report on risks and opportunities

Currently, the spread of the coronavirus is affecting the development of the global economy in 2020 and having a knock-on effect on the financial markets. The impacts of the coronavirus on the development of fiscal year 2020 cannot be fully assessed at present.

Forecast

A forecast for the full year 2020 remains impossible. Although we currently see some stabilization in the business environment, the economic impacts for 2020 arising from the corona pandemic and the continuing uncertainties can be neither sufficiently nor reliably assessed.

Aalen, 28 August 2020

Wolfgang Plasser
Chairman of the
Management Board

Thomas Karazmann
CFO

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

Consolidated Income Statement (unaudited) for the Period from
1 January to 30 June 2020

K EUR	H1	
	2020	2019
Sales	168,425	221,937
Cost of sales	- 154,632	- 192,273
Gross profit	13,793	29,664
Selling expenses	- 5,754	- 6,507
General administrative expenses	- 10,859	- 9,741
Research and development costs	- 6,105	- 7,845
Other operating income	2,559	3,240
Other operating expenses	- 3,056	- 1,080
Earnings before interest and tax	- 9,422	7,731
Financial income	10	3
Financial expenses	- 903	- 896
Profit or loss of joint ventures accounted for using the equity method	0	0
Earnings before tax	- 10,315	6,838
Deferred taxes	2,623	410
Current income tax	356	- 2,635
Earnings after tax	- 7,336	4,613
Net profit or loss for the period	- 7,336	4,613
Earnings per share in EUR (basic and diluted)*	- 1.14	0.72
* Earnings per share calculated in relation to an average of 6,436,209 shares (Previous year 6,436,209 shares).		

Consolidated Statement of Comprehensive Income (unaudited) from 1 January to 30 June 2020

K EUR	H1	
	2020	2019
Net profit or loss for the period	- 7,336	4,613
Items that will not be reclassified to profit or loss in future periods		
Actuarial gains / losses from pension provisions and similar obligations before tax	0	- 2670
Tax effect	0	758
Items that may be reclassified to profit or loss in future periods		
Currency translation differences	- 1873	683
Tax effect	0	0
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	0	0
Tax effect	0	0
Other comprehensive income after tax	- 1,873	- 1,229
Total comprehensive income after tax	- 9,209	3,384
Net profit or loss for the period attributable to		
- shareholders of SHW AG	- 7,336	4,613
- holders of non-controlling interests	0	0
Total comprehensive income attributable to		
- shareholders of SHW AG	- 9,209	3,384
- holders of non-controlling interests	0	0

Consolidated Statement of Financial Position (unaudited) as at 30 June 2020

ASSETS

K EUR	30.06.2020	31.12.2019	30.06.2019
Goodwill	7,441	7,441	7,441
Customer base	682	730	778
Other intangible assets	15,454	15,184	12,445
Property, plant and equipment	154,199	155,763	147,322
Deferred tax assets	13,990	11,358	6,540
Other financial assets	249	309	333
Other assets	4,622	3,633	3,261
Non-current assets	196,637	194,418	178,120
Inventories	58,476	56,165	59,467
Trade receivables	42,609	44,425	62,749
Other financial assets	1,650	1,397	289
Income tax assets	591	145	2
Other assets	9,354	9,063	7,025
Cash and cash equivalents	12,651	15,321	3,899
Current assets	125,331	126,516	133,431
Total assets	321,968	320,934	311,551

EQUITY AND LIABILITIES

K EUR	30.06.2020	31.12.2019	30.06.2019
Subscribed capital	6,436	6,436	6,436
Capital reserves	38,510	38,510	38,510
Revenue reserves	88,361	95,697	90,419
Other reserves	- 10,824	- 8,951	- 7,866
Equity	122,483	131,692	127,499
Employee benefits	35,116	35,335	34,820
Deferred tax liabilities	7,196	7,129	2,997
Liabilities to banks	24,260	15,301	5,129
Other financial liabilities	10,127	11,522	8,947
Other provisions and accruals	45	45	45
Other liabilities	588	464	511
Non-current liabilities and provisions	77,332	69,796	52,449
Liabilities to banks	60,186	42,632	51,578
Trade payables	33,765	50,883	51,466
Contract liabilities	1,340	1,005	404
Other financial liabilities	10,332	8,694	10,716
Income tax liabilities	732	1,882	1,806
Other provisions and accruals	3,969	4,004	3,078
Other liabilities	11,829	10,346	12,555
Current liabilities, provisions and accruals	122,153	119,446	131,603
Total liabilities and equity	321,968	320,934	311,551

Consolidated Cash Flow Statement (unaudited) for the period from 1 January to 30 June 2020

	H1	
	2020	2019
1. Cash flow from operating activities		
Net profit or loss for the period	- 7,336	4,613
Depreciation and amortisation (+) of fixed assets	14,143	12,794
Income tax expenses through profit or loss (+)	- 356	2,635
Income taxes paid (-) / received (+)	- 1,152	517
Financing costs through profit or loss (+)	629	896
Interest paid (-)	- 412	- 467
Financial investment income through profit or loss (-)	- 10	- 3
Interest received (+)	10	3
Increase (+) / decrease (-) in provisions	- 382	- 2,865
Change in deferred taxes	- 2,659	- 409
Other non-cash effective expenses (+) / income (-)	- 930	- 479
Gain (-) / loss (+) from the disposal of assets	23	353
Increase (-) / decrease (+) in inventories, trade receivables and other assets	- 2,482	- 13,342
Increase (+) / decrease (-) in trade payables and other liabilities	- 12,978	5,531
Cash flow from operating activities	- 13,892	9,777
2. Cash flow from investing activities		
Cash received (+) from the disposal of property, plant and equipment	22	0
Cash paid (-) for investments in property, plant and equipment	- 12,074	- 20,640
Cash paid (-) for investments in intangible assets	- 1,448	- 1,378
Cash received (+) from disposal of financial assets	- 622	0
Cash flow from investing activities	- 14,122	- 22,018

	H1	
	2020	2019
3. Cash flow from financing activities		
Cash received (+) from the assumption of financial liabilities	27,298	12,904
Cash paid (-) for the redemption of financial liabilities	- 785	- 280
Cash received (+) from the issue of shares	0	0
Dividends paid (-) to shareholders	0	- 257
Cash paid (-) for leases	- 994	- 1,299
Cash flow from financing activities	25,519	11,068
4. Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)	- 2,495	- 1,173
Exchange rate-related changes in cash and cash equivalents	- 175	69
Cash and cash equivalents at the beginning of the period	15,321	5,003
Cash and cash equivalents at the end of the period	12,651	3,899

Consolidated Statement of Changes in Equity (unaudited) from 1 January to 30 June 2020

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
1 January 2019	6,436	38,510	86,063	- 6,637	124,372
Changes from actuarial gains and losses	0	0	0	- 1,912	- 1,912
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	0	0	0	0	0
Foreign currency translation differences	0	0	0	683	683
Other comprehensive income after tax	0	0	0	- 1,229	- 1,229
Net profit for the period H1 2019	0	0	4,613	0	4,613
Total comprehensive income for the period H1 2019	0	0	4,613	- 1,229	3,384
Dividends paid ¹	0	0	- 257	0	- 257
30 June 2019	6,436	38,510	90,419	- 7,866	127,499

¹Dividends paid amounted to €0.50 per share

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
1 January 2020	6,436	38,510	95,697	- 8,951	131,692
Changes from actuarial gains and losses	0	0	0	0	0
Foreign currency translation differences	0	0	0	- 1,873	- 1,873
Other comprehensive income after tax	0	0	0	- 1,873	- 1,873
Net loss for the period H1 2020	0	0	- 7,336	0	- 7,336
Total comprehensive income for the period H1 2020	0	0	- 7,336	- 1,873	- 9,209
Dividends paid	0	0	0	0	0
30 June 2020	6,436	38,510	88,361	- 10,824	122,483

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The English version of the Issuer's Report is a translation of the German version. The German version of this Financial Report is legally binding.

Forward-looking statements

This report contains forward-looking statements about SHW AG and the SHW Group, which are marked by such words and expressions as "expect", "intend", "plan", "assume", "are aimed at", and similar formulations. Numerous factors, many of which are outside the sphere of influence of SHW AG, influence the business activities, the success, the business strategy and the results of SHW AG. Forward-looking statements are not historical facts and therefore contain known and unknown risks, uncertainties and other important factors that could lead to actual developments diverging from expectations. These forward-looking statements are based on the current planning, objectives, estimates and projections and consider all events that have occurred prior to date on which this report was released. In light of these risks, uncertainties and other relevant factors, SHW AG does not accept any liability other than the obligations required by the law and does not intend to roll forward such forward-looking statements or adjust them to reflect future events and developments. Although the greatest care has been exercised to ensure that the information and facts contained herein are accurate and that opinions and expectations are appropriate, no liability is accepted or guarantee issued that the information and opinions contained herein are complete, accurate, suitable and/or exact.