

# BUNDLING ENERGIES

NEW SYNERGIES FROM  
SYNCHRONISATION

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## COMPANY PROFILE

The origins of the company reach back to the year 1365, making it one of the oldest industrial companies 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 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 & off-highway 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), China (Kunshan), Toronto (Canada) and Timișoara (Romania). With more than 1,500 employees, the company achieved Group sales of above €420 million in the fiscal year 2018. Further information is available at [www.shw.de](http://www.shw.de).

## HIGHLIGHTS

- With a holding of now over 75 per cent, the Pierer Group of companies is the industrial anchor shareholder
- EBIT in the first six months significantly improved compared to the same period of the prior year
- Positive cash flow from operating activities in the first half of 2019
- Solid equity base and group financing enable additional investments in growth

## KEY PERFORMANCE INDICATORS FOR THE SHW GROUP

K EUR	H1		Change %
	2019	2018	
Sales	221,937	220,301	0.7%
EBITDA	20,525	12,463	64.7%
as % of sales	9.2%	5.7%	-
Depreciation and amortisation	12,794	11,974	6.8%
as % of sales	5.8%	5.4%	-
EBIT	7,731	489	1481.0%
as % of sales	3.5%	0.2%	-
Net profit or loss for the period	4,613	- 661	-
Earnings per share (€)*	0.72	- 0.10	-
Equity	127,499	120,599	5.7%
Equity ratio	40.9%	43.4%	-
Cash flow from operating activities	9,777	- 7,920	-
Cash flow from investing activities (intangible assets and property, plant and equipment)	- 22,018	- 16,938	30.0%
Operating free cash flow	- 12,241	- 24,858	50.8%
Total free cash flow	- 12,241	- 8,639	- 41.7%
Net financial debt	- 52,808	- 30,456	- 73.4%
Investments	26,535	16,947	56.6%
as % of sales	12.0%	7.7%	-
Net working capital	70,346	58,754	19.7%
Net working capital as % of sales (past twelve months)	16.6%	14.0%	-
ROE (past twelve months)	6.8%	3.4%	-
ROCE (past twelve months)	6.5%	4.3%	-

\* 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

K EUR	H1		Change %
	2019	2018	
<b>KEY PERFORMANCE INDICATORS FOR PUMPS AND ENGINE COMPONENTS</b>			
Sales	162,990	165,336	- 1.4%
EBITDA	14,588	11,476	27.1%
as % of sales	9.0%	6.9%	-
Depreciation and amortisation	8,937	9,297	- 3.9%
as % of sales	5.5%	5.6%	-
EBIT	5,651	2,179	159.3%
as % of sales	3.5%	1.3%	-
Segment investments	18,100	9,220	96.3%
ROCE (past twelve months)	7.6%	9.4%	-
<b>KEY PERFORMANCE INDICATORS FOR BRAKE DISCS</b>			
Sales	58,947	54,965	7.2%
EBITDA	6,525	5,028	29.8%
as % of sales	11.1%	9.1%	-
Depreciation and amortisation	3,226	2,351	37.2%
as % of sales	5.5%	4.3%	-
EBIT	3,299	2,677	23.2%
as % of sales	5.6%	4.9%	-
Segment investments	6,585	7,083	- 7.0%
ROCE (past twelve months)	10.6%	5.9%	-
<b>CENTRAL FUNCTIONS / RECONCILIATION</b>			
Sales	-	-	-
EBITDA	- 588	- 4,041	- 85.4%
Depreciation and amortisation	631	326	93.6%
EBIT	- 1,219	- 4,367	- 72.1%
Segment investments	1,850	644	187.3%

# HALF-YEAR ISSUER REPORT OF THE MANAGEMENT BOARD FROM 1 JANUARY TO 30 JUNE 2019

## Macroeconomic and industry environment

In the first six months of 2019 the global economy continued to grow strongly, even if growth in most countries lay below the comparative periods of the previous year and the global economic climate has continued to dim. Political disturbances to trade policies and economic uncertainties have burdened the global economy – most of all the trade war between the USA and China, along with the customs tariffs threatened by the USA against Mexico and the persistent uncertainties caused by BREXIT.

The international automobile markets weakened in the first half of 2019. New vehicle registrations were much lower in comparison to the same period of the previous year, particularly in China, but unit sales also fell in the US and many western European countries. Demand in Germany lay at roughly the same level as the prior year.

It can be assumed that there will be a decline in global automobile production over the full year 2019, the final extent of which depends on how the trade disputes develop in future. An additional burden could be placed on the European market, and Germany in particular, from the next stage of the WLTP emissions testing cycle commencing in September 2019.

## Course of business

### Results of operations

Group sales in the first half of 2019 are up 0.7 per cent on the previous year. Weaker revenue for diesel applications was the main factor in the fall of 1.4 per cent in the revenue of the Pumps and Engine Components business segment. The Brake Discs business segment recorded a 38 per cent increase in sales of higher priced composite disc brakes and managed to increase its sales by a total of 7.2 per cent.

The gross margin of the SHW Group rose to 13.1 per cent, which constitutes an improvement of more than one percentage point.

While non-recurring expenses of €7.6 million reduced EBITDA in the first half of fiscal year 2018 (reference is made to page 8 of the Half-Year Financial Report for 2018), there were no significant non-recurring expenses in the first six months of fiscal year 2019. Moreover, depreciation and amortisation increased by roughly €0.8 million on account of the sharp rise in investment activity in the years 2017 and 2018. EBITDA increased by roughly €8.1 million in comparison to the comparative period of the previous year. The EBITDA margin rose from 5.7 per cent (9.1 per cent after eliminating non-

recurring effects) in the first half of 2018 to 9.2 per cent in the first half of 2019.

With the financial result remaining more or less unchanged, the net profit for the period after deducting income taxes increased by approximately €5.3 million.

### Net assets

The rise of capital expenditure, which is up by more than 50 per cent on the comparative period of the previous year, led to a rise in non-current assets of approximately €26.9 million. This includes non-cash additions of roughly €4.6 million from the first-time application of IFRS 16 (right-of-use assets from leases formerly recognised as operating leases) which led to a rise of an equal amount in (non-current and current) financial liabilities.

The increase of €9.1 million in net working capital can be primarily attributed to the work performed to prepare for the production of new series – particularly at the foreign locations – the performance or settlement of which led to higher inventories and trade receivables as of the reporting date.

The equity ratio weakened from 43.4 per cent to 40.9 per cent, mainly on account of the 12.0 per cent increase in the balance sheet. The increase in the net profit for the period and the dividend resolution for the fiscal year 2018, which reflects the need to reinforce internal financial resources on account of the record investment programme, resulted in an increase in equity. This was countered by a sharp fall in the discount rate used to measure pension provisions as at 30 June 2019 (1.3 per cent), which resulted in an increase in pension obligations and a corresponding decrease in other comprehensive income / other reserves.

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 (which expires on 4 August 2023).

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 and financial position

In addition to the large improvement in the net profit for the period, the significant improvement in cash flow from operating activities (H1/2019: €9.8 million; H1/2018: €-7.9 million) can be chiefly attributed to reductions in provisional income tax payments for the fiscal year 2018 (which did not have a cash impact until the beginning of 2019) and lower provisional income tax payments for the fiscal year 2019.

Investing activities in 2019 (cash outflow of approximately €-22.0 million) were financed by taking out additional financial liabilities of roughly €12.9 million in addition to cash flow from operating activities. In the first half of fiscal year 2018 investing activities were almost entirely funded by the cash flows returned by the divestment of the interest in the joint holding, SHW Longji Brake Discs (LongKou) Co., Ltd.

Before the backdrop of the record level of investment over the full year of fiscal year 2018 and another sharp increase in investments in the first six months of 2019, the new financial debt of the SHW Group increased to €52.8 million as at 30 June 2019.

## Employees

In the first six months of the fiscal year 2019, the Group's average number of employees – on an FTE basis – increased from 1,509 in the comparable period of the previous year to 1,578.

## Shareholder structure and public listing

Within the framework of the delisting of SHW shares from the regulated market of the Frankfurt Stock Exchange, Pierer Industrie AG, Wels, Austria, issued a delisting purchase offer on 24 May 2019 to purchase any shares in SHW AG affected by the delisting. Before its expiry on 21 June 2019, the delisting purchase offer was accepted for a total of 1,586,384 SHW shares (corresponding to roughly 24.65 per cent of issued capital and voting rights in SHW AG). Moreover, the a total of 106,540 SHW shares (corresponding to approximately 1.66 per cent of issued capital and voting rights in SHW AG) were acquired via the stock exchange outside the framework of the purchase offer.

On 23 July 2019 Pankl SHW Industries AG, the direct parent of SHW AG, acquired 1,692,924 shares in SHW AG from Pierer Industrie AG. This corresponds to 26.30 per cent of the issued capital and voting rights in SHW AG.

With a holding of over 75 per cent in SHW AG the Pierer Group of companies is now the industrial anchor shareholder of SHW AG.

The Frankfurt Stock Exchange delisted the shares of SHW from trading on the regulated market of the Frankfurt Stock Exchange effective the end-of-day on 26 June 2019. As already communicated, the shares of SHW AG will continue to be traded beyond 26 June 2019 on the free market (m:access) of the Munich stock exchange and also on the XETRA trading platform of Frankfurt Stock Exchange.

## Report on risks and opportunities

In the first half of fiscal year 2019 there have been no significant changes to the assessment of the risks and opportunities for the SHW Group compared to the comments made in the Company's Annual Report for 2018 (pages 47 to 56).

## Outlook

The Management Board of SHW AG continues to forecast group sales for the fiscal year 2019 within a range of between €440 million and €480 million. The EBITDA margin is expected to range between 8.5 per cent and 10 per cent.

Aalen, 26 August 2019

**Wolfgang Plasser**  
Chief Executive Officer

**Thomas Karazmann**  
Chief Financial Officer

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO IFRS AS AT 30 JUNE 2019

Consolidated Income Statement (unaudited) from 1 January to 30 June 2019

K EUR	H1	
	2019	2018
Sales	221,937	220,301
Cost of sales	- 192,773	- 193,618
Gross profit	29,164	26,683
Selling expenses	- 6,507	- 6,339
General administrative expenses	- 9,241	- 10,590
Research and development costs	- 7,845	- 5,707
Other operating income	3,240	2,059
Other operating expenses	- 1,080	- 5,617
<b>Earnings before interest and tax</b>	<b>7,731</b>	<b>489</b>
Financial income	3	3
Financial expenses	- 896	- 827
Profit or loss of joint ventures accounted for using the equity method	0	0
<b>Earnings before tax</b>	<b>6,838</b>	<b>- 335</b>
Deferred taxes	410	91
Current income tax	- 2,635	- 417
Earnings after tax	4,613	- 661
<b>Net profit or loss for the period</b>	<b>4,613</b>	<b>- 661</b>
Earnings per share in EUR (basic and diluted)*	0.72	- 0.10

\* 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 2019

K EUR	H1	
	2019	2018
<b>Net profit or loss for the period</b>	<b>4,613</b>	<b>- 661</b>
<b>Items that will not be reclassified to profit or loss in future periods</b>		
Actuarial gains / losses from pension provisions and similar obligations before tax	- 2,670	0
Tax effect	758	0
<b>Items that may be reclassified to profit or loss in future periods</b>		
Currency translation differences	683	- 426
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	- 1,229	- 426
<b>Total comprehensive income after tax</b>	<b>3,384</b>	<b>- 1,087</b>
Net profit or loss for the period attributable to		
- shareholders of SHW AG	4,613	- 661
- holders of non-controlling interests	0	0
Total comprehensive income attributable to		
- shareholders of SHW AG	3,384	- 1,087
- holders of non-controlling interests	0	0



## Consolidated Statement of Financial Position (unaudited) as at 30 June 2019

<b>ASSETS</b>			
K EUR	<b>30.06.2019</b>	31.12.2018	30.06.2018
Goodwill	7,441	7,441	7,441
Customer base	778	826	874
Other intangible assets	12,445	11,380	8,622
Property, plant and equipment	147,322	134,742	124,179
Deferred tax assets	6,540	5,385	5,796
Other financial assets	333	333	287
Other assets	3,261	3,503	3,624
<b>Non-current assets</b>	<b>178,120</b>	<b>163,610</b>	<b>150,823</b>
Inventories	59,467	58,816	52,528
Trade receivables	62,749	50,943	55,674
Other financial assets	289	217	327
Income tax assets	2	1,425	2,424
Other assets	7,025	6,780	9,139
Cash and cash equivalents	3,899	5,003	7,172
<b>Current assets</b>	<b>133,431</b>	<b>123,184</b>	<b>127,264</b>
<b>Total assets</b>	<b>311,551</b>	<b>286,794</b>	<b>278,087</b>

**EQUITY AND LIABILITIES**

K EUR	30.06.2019	31.12.2018	30.06.2018
Subscribed capital	6,436	6,436	6,436
Capital reserves	38,510	38,510	38,510
Revenue reserves	90,419	86,063	82,271
Other reserves	- 7,866	- 6,637	- 6,618
<b>Equity</b>	<b>127,499</b>	<b>124,372</b>	<b>120,599</b>
Employee benefits	34,820	32,199	32,845
Deferred tax liabilities	2,997	3,015	2,060
Liabilities to banks	5,129	5,409	1,522
Other financial liabilities	8,947	6,046	6,678
Other provisions and accruals	45	45	29
Other liabilities	511	643	712
<b>Non-current liabilities and provisions</b>	<b>52,449</b>	<b>47,357</b>	<b>43,846</b>
Liabilities to banks	51,578	38,674	36,106
Trade payables	51,466	54,521	47,774
Contract liabilities	404	1,449	1,674
Other financial liabilities	10,716	6,136	7,712
Income tax liabilities	1,806	99	77
Other provisions and accruals	3,078	5,663	9,533
Other liabilities	12,555	8,523	10,766
<b>Current liabilities, provisions and accruals</b>	<b>131,603</b>	<b>115,065</b>	<b>113,642</b>
<b>Total liabilities and equity</b>	<b>311,551</b>	<b>286,794</b>	<b>278,087</b>

## Consolidated Statement of Cash Flows (unaudited) from 1 January to 30 June 2019

	H1	
	2019	2018
<b>1. Cash flow from operating activities</b>		
Net profit or loss for the period	4,613	- 661
Depreciation and amortisation (+) of fixed assets	12,794	11,974
Income tax expenses through profit or loss (+)	2,635	417
Income taxes paid (-) / received (+)	517	- 2,837
Financing costs through profit or loss (+)	896	827
Interest paid (-)	- 467	- 294
Financial investment income through profit or loss (-)	- 3	- 3
Interest received (+)	3	3
Increase (+) / decrease (-) in provisions	- 2,865	- 1,863
Change in deferred taxes	- 409	- 45
Other non-cash effective expenses (+) / income (-)	- 479	- 3
Gain (-) / loss (+) from the disposal of assets	353	- 2
Increase (-) / decrease (+) in inventories, trade receivables and other assets	- 13,342	- 20,945
Increase (+) / decrease (-) in trade payables and other liabilities	5,531	5,512
<b>Cash flow from operating activities</b>	<b>9,777</b>	<b>- 7,920</b>
<b>2. Cash flow from investing activities</b>		
Cash received (+) from the disposal of property, plant and equipment	0	9
Cash paid (-) for investments in property, plant and equipment	- 20,640	- 15,833
Cash paid (-) for investments in intangible assets	- 1,378	- 1,114
Cash received (+) from disposal of financial assets	0	16,219
<b>Cash flow from investing activities</b>	<b>- 22,018</b>	<b>- 719</b>

	H1	
	2019	2018
<b>3. Cash flow from financing activities</b>		
Cash received (+) from the assumption of financial liabilities	12,904	15,987
Cash paid (-) for the redemption of financial liabilities	- 280	- 397
Dividends paid (-) to shareholders	- 257	- 3,218
Cash paid (-) for leases	- 1,299	- 412
<b>Cash flow from financing activities</b>	<b>11,068</b>	<b>11,960</b>
<b>4. Cash and cash equivalents at the end of the period</b>		
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)	- 1,173	3,321
Exchange rate-related changes in cash and cash equivalents	69	- 17
Cash and cash equivalents at the beginning of the period	5,003	3,868
<b>Cash and cash equivalents at the end of the period</b>	<b>3,899</b>	<b>7,172</b>

## Consolidated Statement of Changes in Equity (unaudited) from 1 January to 30 June 2019

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
1 January 2018	6,436	38,510	86,150	- 6,192	124,904
Foreign currency translation differences	0	0	0	- 426	- 426
Other comprehensive income after tax	0	0	0	- 426	- 426
Net profit for the period H1 2018	0	0	- 661	0	- 661
Total comprehensive income for the period H1 2018	0	0	- 661	- 426	- 1,087
Dividends paid <sup>1</sup>	0	0	- 3,218	0	- 3,218
<b>30 June 2018</b>	<b>6,436</b>	<b>38,510</b>	<b>82,271</b>	<b>- 6,618</b>	<b>120,599</b>

<sup>1</sup>Dividends paid amounted to €0.50 per share

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
Foreign currency translation differences	0	0	0	683	683
Other comprehensive income after tax	0	0	0	- 1,229	- 1,229
Net loss 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 <sup>2</sup>	0	0	- 257	0	- 257
<b>30 June 2019</b>	<b>6,436</b>	<b>38,510</b>	<b>90,419</b>	<b>- 7,866</b>	<b>127,499</b>

<sup>2</sup>Dividends paid amounted to €0.04 per share

## IMPRINT

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### Production system

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The English version of the half-year issuer report is a translation of the German version of the half-year issuer report. The German version of this half-year issuer 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.