Annual Report 2014

INSIDE SHW

ROADMAP 2020

SHW

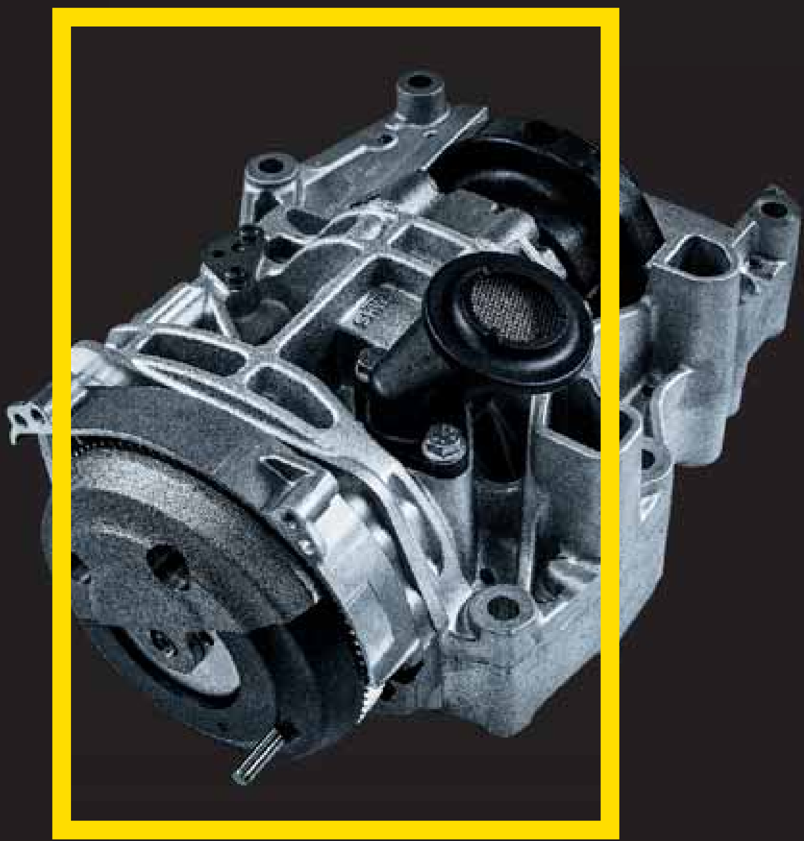
KEY FIGURES 2014

K EUR	2014	2013	Change in %
Sales	430,041	365,639	17.6%
EBITDA	34,827	34,780	0.1%
as % of sales	8.1%	9.5%	-
EBIT	16,575	20,607	-19.6%
as % of sales	3.9%	5.6%	-
Net income for the period	10,679	13,395	-20.3%
Earnings per share (€) [1]	1,83	2.29	-20.3%
Adjusted EBITDA	40,597	35,683	13.8%
as % of sales	9.4%	9.8%	-
Adjusted EBIT	22,495	21,661	3.9%
as % of sales	5.2%	5.9%	-
Equity	84,507	82,529	2.4%
Equity ratio [4]	40.3%	44.4%	-
Net debt / Net cash	-14,356	-2,881	-
Capital expenditure [2]	34,788	32,800	6.1%
as % of sales	8.1%	9.0%	-
Working capital [4]	30,877	31,894	-3.2%
as % of sales [4]	7.2%	8.7%	-
Number of employees (average) [3]	1,173	1,059	10.8%

[1] Based on average of 5,851,100 shares.
[2] Additions to tangible and intangible assets.
[3] Excluding trainees and temporary workers.
[4] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

TARGET ACHIEVEMENT

IN € MILLION	TARGET MARCH 2014	TARGET JULI 2014	ACTUAL 2014
Sales – Group	380–400	390–415	430.0
Sales – Pumps and Engine Components	287–305	297–320	333.6
Sales – Brake Discs	approx. 93	93–95	96.5
Adj. EBITDA – Group	38–40	39–41.5	40.6
Working Capital Ratio	11%	11%	7.2%



PEOPLE, MARKETS, INNOVATIONS AND 650 YEARS OF SUCCESS

First-class components for the automotive industry, a highly innovative workforce that understands how to transform ideas into marketable products and a Company history of 650 years – this is what characterises the SHW Group.

With new locations in Brazil, North America, we have set the course for further international growth in the years to come.

COMPANY PROFILE

The future of the automobile is being shaped by the world's growing demand for mobility and a regulatory environment that prescribes a significant reduction in the emissions of motor vehicles. The SHW Group profits from this development through its extensive CO_2-optimising product portfolio.

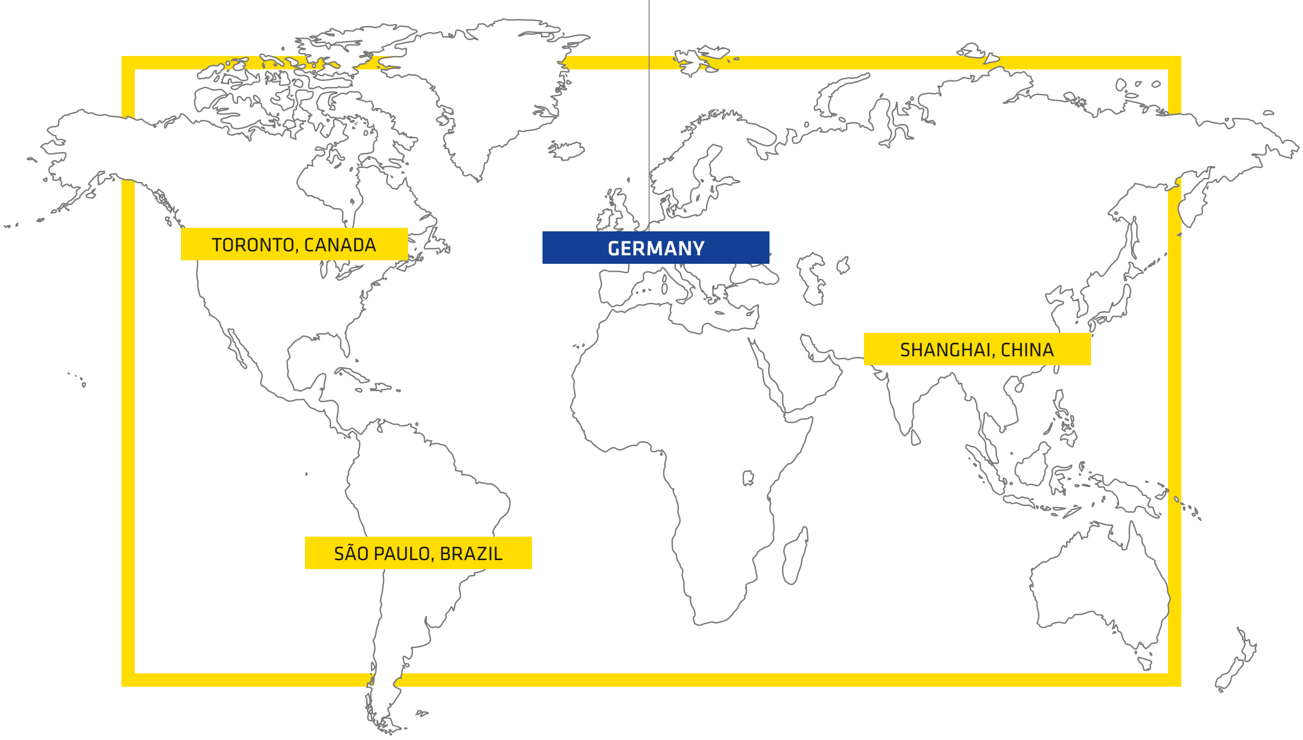
We began early on to develop advanced components for engine and transmission applications that increase the efficiency of internal combustion engines and their auxiliary units and minimise consumption. SHW brake discs also contribute to a reduction in vehicle weight.

As a reliable partner, we create sustainable added value for our automotive customers and shareholders. We strive to be one of the world's leading manufacturers of pumps and engine components for all drive technologies and to make the composite brake disc suitable for series production – always with the aim to help our customers to meet current and future CO_2 targets and to ensure environmentally friendly mobility.

LOCATIONS

Together with its international locations in North and South America and in China, SHW is represented in the key automotive markets.

Aalen-Wasseralfingen
Bad Schussenried
Neuhausen ob Eck
Tuttlingen-Ludwigstal



BUSINESS SEGMENTS

PUMPS AND ENGINE COMPONENTS

In the Pumps and Engine Components business segment, the SHW Group produces vehicle components for various fields of application. Products for passenger vehicles comprise variable engine oil pumps, electric auxiliary pumps for start-stop systems and oil/vacuum pumps with and without balancer shaft units. The product range also includes pumps for industry applications. In addition, further important engine and transmission components are made of sintered steel and sintered aluminium. All pumps and engine components are installed in new vehicles.

Sales

334

€ million
+21.7% compared
to previous year

Adjusted EBITDA

33.1

€ million
+12.9% compared
to previous year

Employees

828

as of 31 December 2014
+22.0% compared
to previous year

BRAKE DISCS

In the Brake Disc business segment, the SHW Group develops and produces monobloc ventilated brake discs made from cast iron as well as lightweight brake discs, known as composite brake discs, made from a combination of an iron friction ring and aluminium pot. Firstly, blank brake discs are manufactured in the Company foundry, of which the majority are processed afterwards. The vast majority of the brake discs are destined for the OEM business, while the remaining discs are primarily for the spare part business of the OEMs.

Sales

96

€ million
+5.5% compared
to previous year

Adjusted EBITDA

9.1

€ million
+14.3% compared
to previous year

Employees

376

as of 31 December 2014
+2.5% compared
to previous year

CONTENTS

14 A COMMENTARY ON OPTIMISATION

with Dr.-Ing. Thomas Buchholz

18 A COMMENTARY ON DEVELOPMENT

with Sascha Rosengart

22 A COMMENTARY ON QUALITY

with Andreas Rydzewski

Andreas Rydzewski
Member of the Management Board

Dr.-Ing. Thomas Buchholz
Chief Executive Officer

Sascha Rosengart
Chief Financial Officer

FOREWORD OF THE MANAGEMENT BOARD

Dear Shareholders[1], Business Partners, Customers and Friends of SHW AG,

The year 2014 was a very demanding year for SHW – it was a year characterised by strategic decisions, challenges and success! We accomplished key milestones important for the future capital-efficient growth of the SHW Group and laid the personnel and organisational foundations for "**SHW 2020**", a globally operating automotive supplier. The optimisation of our business processes at plant level is on schedule and will be vigorously pursued. The internationalisation of our business activities is also bearing fruit and is already visible in our results. With the new brake discs joint venture in China and our nomination as series supplier for variable engine oil pumps for a global engine platform, we have set the course for further growth well into the next decade.

Dear shareholders, thanks to your trust in our Company and your subscription of the new shares in the course of our capital increase on 18 February 2015, we have been able to significantly expand the scope of future organic and inorganic growth. Overall, the developments of the past fiscal year affirm our growth strategy and emphasise the need to continue to consistently implement the targets set as well as the need for operational processes to be stabilised.

We would also like to thank our nearly 1,200 employees worldwide for the growth achieved by the SHW Group in 2014. They deserve the special gratitude of the entire Management Board.

Continuing on the growth path

In the year 2014, SHW was able to decouple from the general development of the market once again. While vehicle production in the European Union increased by around 4.9 per cent to 16.8 million units, Group sales climbed by 17.6 per cent to € 430 million. We improved our Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) by 13.8 per cent to € 40.6 million (2013: € 35.7 million). This figure includes significant one-off series start-up costs for a large series product totalling € 5.8 million. These additional non-recurring costs are directly linked to a short-term increase in volume requested by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard.

[1] Any use of the masculine form of address in this report is simply for reasons of readability and also denotes the feminine form.

The Pumps & Engine Components business segment grew 21.7 per cent to € 333.6 million in the past fiscal year (2013: € 274.2 million) and thus achieved the highest sales level in the Company's history. This performance was driven by the high demand experienced in the Passenger Car division, particularly for variable oil/vacuum pumps (tandem pumps) and from the expansion in capacity for electric auxiliary pumps for the start-stop function.

The Brake Discs business segment also performed well and increased its sales by 5.5 per cent to € 96.5 million (2013: € 91.5 million) in 2014. This segment benefited from an improved product mix, cost savings and the continued optimisation of our production processes.

The Powder Metallurgy division at our Aalen-Wasseralfingen location experienced considerable logistical and operational pressures in 2014 because the higher demand outweighed the existing technical capacity. Thanks to the prompt adoption of an additive investment programme and an associated action plan, we expect to see the first substantial improvements in the division's results by the end of the second quarter of 2015.

Greater financial scope thanks to capital increase

With an equity ratio of 40.3 per cent and net bank liabilities of € 14.4 million as of the balance sheet date, the SHW Group's financial position remains very solid and the Company's financing is better than the industry standard. One of our key strategic financial objectives is to ensure sufficient financial flexibility for the further internationalisation of both divisions' business activities, the establishment of a best-cost-country location in eastern or south-eastern Europe and for inorganic growth. To accomplish this, we successfully carried out a capital increase in February 2015 in the context of a private placement with institutional investors, which generated a volume of € 24.6 million. Investor interest was extremely high and the order book was several times oversubscribed. SHW AG also has a syndicated credit line in the amount of € 60 million as well as other debt and equity instruments at its disposal.

Stable dividend

We are very pleased with the extraordinary amount of interest in our capital increase and with the confidence shown by our investors. At this point, we would like to extend our heartfelt appreciation to our shareholders. In light of this current momentum, our strong balance sheet and positive business outlook, the Management Board and the Supervisory Board have resolved to propose an unchanged dividend of € 1.00 per share to the Annual General Meeting scheduled to take place in Heidenheim on 12 May 2015. We are convinced that this level of dividend supports both the Company's further growth and a results-oriented dividend policy.

Presence established in strategically relevant overseas markets
In 2014, we established new locations in North America and China. Our Brazilian subsidiary SHW do Brasil Ltda. delivered its first oil pumps to a US automobile manufacturer in mid-July 2014 and was still able to achieve a positive result overall in the first year.

In North America, investments in the new sales and development centre for engine and transmission oil pumps and in recruiting activities have both started to bear fruit – we have successfully re-entered this strategically important market. Our discussions with a leading US automobile manufacturer were successful: SHW stood up against strong international competition and was nominated as a series supplier of variable engine oil pumps for a global engine platform. The pumps are to be produced in Europe, North America and China. According to the current schedule, production will start in Europe and North America in 2018. China is planned for the year 2019.

In October 2014, the Chinese subsidiary commenced business operations after hiring its first employees in the areas of purchasing, supplier development and sales at the new location in Kunshan. This location is now rigorously preparing for the start of series production. After successfully relocating production from Bad Schussenried to Kunshan, the production of variable engine oil pumps for a European car manufacturer is scheduled to begin in the second half of 2015. We expect to reach the break-even point after just a short time – similar to what was accomplished in Brazil. Currently, we are in final discussions with a Chinese automobile manufacturer to be nominated for the delivery of an electric auxiliary pump for the start-stop function and a transmission oil pump for a dual-clutch gearbox. Over the medium term, we will develop further markets in the Asia-Pacific region for our business in pumps and engine components.

The Brake Discs business segment will also be developed strategically. With the conclusion of the joint venture contract in China with Shandong Longji Machinery Co., Ltd., the first milestone has been achieved in our internationalisation of the brake discs business. As a majority shareholder (51 per cent), SHW will benefit from the existing customer orders that Shandong Longji is contributing to the joint venture until production for the joint venture's first customer orders for processed brake discs begin. As a result, the joint venture will be profitable from the start, ensuring a positive contribution to earnings.

Internal structures realigned for future growth

In 2014, we directly addressed the potential improvements in the operating and administrative areas identified a year ago. One theme that concerns all locations is related to the roll-out of the SHW production system. In addition, we have invested in the training and development of personnel and adapted our organisational structure to meet future requirements. In order to sustainably strengthen our competitiveness and free up resources for growth and internationalisation, SHW will continue to work intensely on raising its internal potential.

We are a Company rooted in tradition and values. To be able to assert ourselves successfully in the market beyond the year 2020 we need to achieve a fine balance between tradition and modernity. We cannot stand still; we must not to show any signs of “senility”, but must constantly evolve and innovate. In 2015, SHW will celebrate its 650-year anniversary. This means that the year 2015 is a very special year for us – a year of celebration, reflection and new beginnings.

We see it as a commitment to safeguard the interests of our shareholders, employees and other stakeholders and to work towards a sustainable automotive future. Product innovation, efficient market expansion, the highest quality standards and readiness for change – both in terms of structure and process orientation – will shape the year 2015.

We will focus on five strategic growth areas. We aim to:

- strengthen and expand our core competency of producing pumps and brake discs to reduce fuel consumption and focus on breakthrough products that make SHW a leading technology partner to the automotive industry;
- develop new markets through the efficient use of capital; for example, by examining our cooperation options in the field of brake discs in the NAFTA region, or by reviewing other alternative locations for pumps in eastern and south-eastern Europe and by strengthening our existing international activities;
- actively evaluate potential consolidation options in the area of engine and transmission components actively;
- consistently implement efficiency measures to sustainably improve our results;
- ensure the financial flexibility necessary to maintain strategic and operational options.

In total, we strive to achieve concrete goals and are aware that a higher degree of internationalisation goes hand in hand with a cultural change at SHW AG. The Swabian mentality of the employees sets SHW apart: diligence, ingenuity, tenacity, commitment, a good sense of what's possible and a strong business sense. Therefore, we are very confident that together, with the help of the entire SHW workforce, we will successfully transform into a global automotive manufacturer through commitment, openness, the willingness to learn and integrity: figuratively speaking, from the spark of change comes a "roaring fire". Therefore, our passion provides the perfect "oxidising agent" and our product innovations represent the fuel.

We have set ourselves ambitious growth targets for the year 2015. We will continue to grow profitably thanks to our innovative product portfolio, our focus on selected growth markets and our internal efficiency measures. Assuming a continued stable economy, we intend to increase sales to approximately € 460 million and improve our adjusted EBITDA to between € 46 million to € 50 million, whereby the recent investment ratio of 8.1 per cent should normalise at about 7 per cent. In addition, working capital should stabilise at an average level of 11 per cent of sales coupled with an increase in logistical complexity.

Dear shareholders, we are on a successful growth path. We have shown that we have identified areas for improvement and have successfully implemented the first measures. Our goals are ambitious but realistic. We have defined a comprehensive series of measures and are making good progress. Together with our employees, we will continue on our growth course with our full commitment and would be delighted if you, our shareholders, would continue to put your trust in us and accompany us on the road ahead.

Aalen, 10 March 2015

The SHW AG Management Board

Dr.-Ing. Thomas Buchholz	Sascha Rosengart	Andreas Rydzewski
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

WHAT DRIVES US AND DETERMINES OUR ACTIONS

Five questions about Roadmap 2020 posed to the Management Board of SHW

QUESTION 1:
How did the "Roadmap 2020" evolve?

Dr.-Ing. Buchholz: It was relatively simple: as you may know, the European Union has issued a regulation stipulating an average CO_2 target of 95 g CO_2/km until 2020/2021 for newly registered cars. Experts estimate that achieving this target will result in additional production costs ranging from approximately € 1,000 to € 2,000 per vehicle for premium cars.

As one of the leading automobile suppliers of variable engine oil pumps and lightweight brake discs, SHW has developed appropriate technical solutions at an early stage and thus developed the "Roadmap 2020". This roadmap also forms the basis for our medium-term planning until the year 2020.

Due to the increasing globalisation of our customers' engine and transmission production, the internationalisation of the Pumps and Engine Components business segment through the establishment of own production locations in China and North and South America, was an integral component of the roadmap from the start. Meanwhile, by setting up a joint venture, we have found a smart solution for our Brake Discs business segment that allows us to enter the strategically relevant overseas markets without being forced to make investments in local foundry capacity.

Mr Rydzewski: The organic growth of the Brake Discs business segment for the next few years was clearly predefined by the existing contracts on hand for processed brake discs and composite brake discs, but unfortunately capped due to the limited foundry capacity at our Tuttlingen location – producing approximately 4.0 million to 4.2 million raw brake discs per year. On this basis, we have reflected upon and evaluated opportunities of how to roll out our successful business model as a highly specialised, global niche provider of quality brake discs for the original equipment and aftermarket business of car manufacturers (original equipment service) globally. At this point, I would like to take the opportunity to mention that customers have asked repeatedly if we could produce our brake discs in the strategically important overseas markets of the NAFTA region and China. After having considered all relevant aspects, we finally concluded that we are going to pursue a joint venture strategy, as it is the most capital-efficient way to open up new growth prospects for the Brake Discs business segment beyond the year 2020.

QUESTION 2:
What is the status quo of the strategy implementation?

Dr.-Ing. Buchholz: Large-scale solutions must be available by 2018 in order to achieve the CO_2 targets set for 2020/2021. Since the upstream development phase takes about two to three years, we already find ourselves in the conceptual design phase with several of our customers. As part of our master plan, we have set out the product strategy and defined the required resources for the individual departments. The project plan, which has been derived from the roadmap, is being rigorously implemented.

We have achieved important milestones in our internationalisation. In mid-July 2014, our Brazilian subsidiary delivered its first oil pumps to a US car manufacturer and fortunately achieved a positive result overall in its first year. Our new Chinese location in Kunshan began operations and we are now busy preparing for the start of series production. With the nomination by a US car manufacturer as a series supplier of variable engine oil pumps for a global engine platform, we have successfully accomplished our re-entry into the North American market. Our joint venture in China opens up new growth prospects for the Brake Discs business segment, going beyond the year 2020.

Mr Rydzewski: Overall, we have been making very good progress. With Shandong Longji, we have found the ideal partner to successfully implement our capital-efficient internationalisation strategy in the Asian region and to jointly participate in the strong growth of the Asian automotive markets. In the NAFTA region, we are in ongoing talks with various partners about setting up another brake discs joint venture.

Mr Rosengart: I believe there are two dimensions: first, the optimisation of internal business processes, and second, SHW's development into a global automotive supplier.

Since I have joined the Company, and after having implemented SAP, my head of departments and I have been continuously working to stabilise the internal processes and to make them "weatherproof" for the ICS (Internal Control System). Another focus is the automation of repetitive processes. This could release resources for more intellectually complex and challenging activities.

One example I would like to mention is the implementation of a purchase requisition tool. This system-based process applies fully automated approval strategies and automated bookings of incoming invoices using scanned copies and archiving; or additionally, linking and connecting two production plants, which are in a supplier –

01
Dr.-Ing. Thomas Buchholz,
Chief Executive Officer

02
Andreas Rydzweski,
Member of the Management Board

03
Sascha Rosengart,
Chief Financial Officer

customer relationship. This targeted system of inter-linkage would save resources in work preparations, production planning, goods intake and invoicing and would lead to a partial reduction in safety stock.

In terms of optimising our internal business processes, we are right on track with regard to content and budget. I am also pleased that the work of the indirect departments is genuinely making a valuable contribution to “Roadmap 2020”.

In addition, we as a management team have set out to develop SHW into a “global supplier of choice” for innovative pumps and engine components and brake discs. In addition to organic growth, inorganic growth is also on the agenda. It falls under my area of responsibility to initiate the essential steps and provide preparation at a corporate level, (e.g. market intelligence and the evaluation of companies) the structuring of the process and to organise acquisition financing. After gaining experience in several evaluation processes over the past few months, we have been able to build the necessary expertise internally.

QUESTION 3:

What are the challenges you are facing while implementing this strategy?

Dr.-Ing. Buchholz: Due to the demanding CO_2 targets, there is a clear trend towards electrically driven engine oil pumps and transmission oil pumps in order to accomplish functions such as start-stop and sailing (e.g. for automatic/dual-clutch transmissions). In addition, the trend towards electrically driven pumps for higher performance classes (e.g. engine oil pumps) will consistently progress and be supported by 48V wiring systems as well as the increased use of synthetic materials. This represents a profound transformation for SHW – from a producer of mechanical oil pumps to a supplier of synthetic pumps with mechatronic components. We are taking this into account by strengthening our internal resources in product development and by cooperating with other companies.

One of the greatest challenges we face while becoming global is to strengthen employese’ loyalty, maintain qualified workers and to enhance the willingness to for assignments abroad, some potentially lasting several weeks.

Mr Rydzewski: The challenges we face are the typical ones when founding joint venture. The scope reaches from competition regulations, substantial coordination efforts, outflow of expertise and intercultural issues.

With the help of specialised law firms, SHW has negotiated comprehensive contracts that also deal with voting rights, responsibilities, control mechanisms and the (possible) dissolution of the joint venture. To protect our know-how advantage in the field of composite brake discs, the joint venture will initially focus exclusively on monobloc ventilated brake discs for the original equipment business. Additionally, SHW has the management responsibility for the areas of sales, development, quality assurance and finance. Hereby, particularly in the initial stages, it is important to motivate employees from the German plants to be willing to undertake a several week overseas assignment.

Mr Rosengart: My job is to train and develop the employees internally and to provide the relevant financial and integration resources, if necessary. We perceive ourselves as a service provider for the operating units.

QUESTION 4:
What is your main objective for SHW?

Dr.-Ing. Buchholz: Our key objective is to generate continuous, sustainable added value for our customers, shareholders and employees. We strive to be our customers' preferred partner for highly advanced components for CO_2 reduction in all major markets.

Mr Rydzewski: Long-term, to position the Brake Discs business segment as a leading manufacturer of high-quality brake discs worldwide.

Mr Rosengart: Cherishing our 650-year legacy in 2015, a central goal to is provide secure jobs for our employees well beyond the year 2020. We are therefore actively shaping the megatrend of reducing CO_2 emissions and will grow by providing our customers with innovative vehicle components of outstanding product quality at competitive prices in the relevant strategic markets and thus position ourselves as an international automotive supplier (a single product from a single source – on all continents worldwide).

QUESTION 5:
What was the most exciting event in 2014, and what are you most looking forward to in 2015?

Dr.-Ing. Buchholz: The most exciting event in 2014 was certainly our progress in implementing the internationalisation strategy, and the bulk order from a US automobile manufacturer was the icing on the cake. In 2015, I am looking forward to the start of production in China, the launch of our brake discs joint venture in China, the further expansion of our global activities and a successful turnaround in the Powder Metallurgy division. I am also looking forward to the many exciting conversations and discussions with our customers during the conceptual design phase in order to achieve our ambitious CO_2 targets by 2020.

Mr Rydzewski: The successful joint venture negotiations with our Chinese partner Shandong Longji. The year 2015 will be shaped by the start of operations at the Chinese joint venture and the start-up of a major order for composite brake discs for a European car manufacturer.

Mr Rosengart: Without doubt, our new joint venture with Longji Machinery Group, which also specialises in brake discs and engine oil pumps. I flew twice to the Eastern Chinese Shandong Province during the contract negotiations. Our new partners also visited us twice here in Wasseralfingen. We have succeeded in building trust with one another. Thanks to its share capital of € 32 million, SHW Longji Brake Discs Co. Ltd is solidly financed for the upcoming development of the Asian market.

01
The strategic direction of SHW is the subject of debate: Sascha Rosengart, Dr.-Ing. Thomas Buchholz and Andreas Rydzewski in a discussion.

02
SHW is preparing for the future with Roadmap 2020. The focus is on globalisation and sustainable automobility.

“We can react immediately if processes get stuck or the quality slides.”

A commentary on **OPTIMISATION**

The morning sun bathes the horizon in an orange-violet light as the BMW 5 Series rolls downhill leaving the forest behind. Thomas Buchholz releases the accelerator. Under the engine bonnet, the transmission automatically decouples from the engine. Almost silently, the car glides in neutral over the asphalt. The 57-year-old top manager has to smile: “We are currently working on new electric auxiliary pumps for the sailing function, enabling modern cars to save up to ten per cent in fuel. Beyond that, the next generation will even involve a complete switch-off of the internal combustion engine, allowing an emission-free, noiseless and low-resistance driving.” The doctor of engineering needs just fifteen minutes every morning from the hotel to his office. He spends his weekends in Leimen, the birthplace of Boris Becker.

Once arrived at the plant in Bad Schussenried, the Chief Executive Officer quickly switches on his laptop. Fully concentrated, he scans his email inbox while drinking his regular morning cappuccino. He then briefly discusses his schedule with his assistant. Now the first meeting with his plant managers begins.

17 executives sit around a long conference table: at the head its Buchholz. A chart is projected on the wall with the top projects. Professional atmosphere, short discussions, a bit of joking: the team exchanges views on current projects. Buchholz listens, questions and makes decisions.

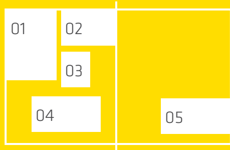
An hour later, the 57-year-old and the plant manager pass huge storage areas and conveyor belts. The production halls smell of hot metal, lubricants and cleaning chemicals. The two regularly stop briefly at individual workers and machines. “By regularly visiting the production lines on site, our senior executives get a good picture of the work processes. This ensures that if there was a bottleneck or if any quality issues arise, we can react immediately,” says Buchholz. The SHW plant in Bad Schussenried improved productivity by seven per cent compared to 2013 using “shop floor” management.

01 02

01
During the week, **Dr.-Ing. Thomas Buchholz** drives with his car from the hotel to the office. A picturesque drive over mountains and valleys – and through the forest.

02
Plant manager meeting. A long conference table surrounded with 17 executives: at the head sits Buchholz.

Dr.-Ing. Thomas Buchholz on optimisation



01 Thomas Buchholz inspects the quality of a series pump for himself.

02 Thomas Buchholz seek a discussion with colleagues before the call with a French supplier.

03 Lunch with coffee and a sandwich; if there is still time, the CEO of SHW reads the Handelsblatt.

04 Wear, weight and energy consumption – the laboratory is working on optimising the performance parameters.

05 Thomas Buchholz relaxes by walking and gathers energy for the upcoming tasks.

After the tour of the plant, Buchholz takes a look at the development lab. Oiled parts of a series pump are lying on a table. Buchholz and the head of department examine an adjustment ring. The four-cylinder engine component for a German premium carmaker has just completed an extensive test run. "We want to find out how we can minimise abrasion, weight and energy consumption of every single product. SHW supplies about 30 per cent of the EU market. Therefore, pumps that are even just a few per cent more efficient make a significant contribution to CO_2 reduction."

Buchholz's smartphone rings and he rushes back to the office. A conference call is scheduled with a French supplier of pistons and capstans for the SHW camshaft phasers. The experienced CEO is accompanied by the Chief Operations Officer and what is called a "bottleneck manager". "Together with our suppliers, we are looking for a solution on how to optimise the deburring of parts. This is why we have our own engineer on site who helps with implementing the improvement measures," said Buchholz. After the conversation, he is pleased. Production at the French supplier is running smoothly again, plant availability has improved significantly to 80 per cent and the target quantity is scheduled to be delivered within the next week.

Lunchtime, Thomas Buchholz, a happily married family man, eats a sandwich at his desk and reads the Handelsblatt. In front of him is a picture showing his wife, grown up son and the family dog. There is not much time for regeneration during the week.

The CEO joins the monthly business review: for three hours, the management team reports on the last month's development of the key performance indicators of their area of responsibility. Once again, for Buchholz this means: listen, ask critical questions, make decisions. He leaves the meeting with his sleeves rolled up. "It's very important for me not to place additional stress on my team. I am a supporter of an open and result-oriented discussion culture," says Buchholz. The team can benefit from their experienced coach.

There is no time for a sit-down. The regular weekly phone calls with the SHW subsidiaries in Brazil and North America are on the agenda. "I am pleased that our internationalisation strategy is progressing and unfolding. In Brazil, the production of oil pumps was successfully launched last July and is running smoothly and profitably. In North America, we have recently been able to re-enter this strategically important market by winning a nomination for a global engine platform as a series supplier of variable engine oil pumps."

At dusk, Buchholz parks his BMW in front of his hotel. 8 p.m. in the evening, the first warm meal of the day and a few emails on the iPad are waiting. The speedometer of his year-and-a-half-old company car shows 96,000 km. A result of his management style, which places importance on face-to-face contact.

Curriculum vitae of Dr.-Ing. Thomas Buchholz, Chief Executive Officer

After a degree and a doctorate in mechanical engineering, Thomas Buchholz gained extensive professional experience in the automotive industry via positions at Mahle and TI Automotive. Since August 2013, Thomas Buchholz has been Chairman of the Management Board of SHW Automotive GmbH and Chief Executive Officer of SHW AG. He is responsible for the Pumps and Engine Components business segment.

> “I prefer to surround myself with people who are smarter in their field than I am.”

A commentary on
DEVELOPMENT

His eyes wander routinely over the paper before he signs with one stroke. Less than three minutes before the early morning meeting with his fellow board members starts, Sascha Rosengart has just signed a new contract with Deutsche Telekom. “We are introducing the DE-mail to enable our employees to send encrypted emails in the future,” says the 43-year-old and rushes into the conference room next door. A new construction project totalling several millions, a capital increase and the eastern European expansion are all topics on the agenda. Everything is still strictly confidential. The door closes behind him.

An hour later, Rosengart is back at his office desk. It’s Monday morning and the father of two daughters is now warmed up and ready to make an impact. “During breakfast I listen to Berlin electronic music to get my pulse going,” he says, smiling. A sip of coffee, a quick glance at the business section of the Frankfurter Allgemeine Zeitung; then the controlling team, the Head of Finance and Accounting and the external auditor enter the room, one by one. “We set the priorities for the week and discuss the status quo of our projects and the budgeted monthly results. At the moment, we are working with our external auditors on the annual financial statements.”

When his three closest employees from controlling are about to march toward the stairwell, Rosengart calls them from across the hall. He has just had another idea concerning the end-of-month accounts. A short interchange of ideas follows. There is laughter. “I like to surround myself with people who are smarter in their field than I am. Not only do I challenge the team, but the team challenges itself and me.” “The quality of the staff has a significant impact on a business’ success as well as on in administrative functions,” says Rosengart shortly before the next meeting, and adds, “My job is to continuously optimise the processes and structures, and to go beyond, to optimise to the point where my person is obsolete in the long-term.”

Lunch at an Italian restaurant with the department heads: Rosengart orders a salad and takes a deep breath. “Our workforce has grown approximately by a quarter

01
Sascha Rosengart likes to have in-depth conversations with his employees whenever he has the chance.

02
Holding a discussion with his Head of Controlling: this is where the Chief Financial Officer is in his element – and ready for action.

"I see myself primarily as a coach to my employees."

over the past three years. In the context of this growth, it's important that the scope for decision-making and action is clearly defined." This is the reason why SHW has implemented a new authorisation matrix since the beginning of the year. It regulates which business transactions should be decided collectively. Transactions up to a certain value can be decided autonomously by the department's managers. The aim is to promote both independent decision-making and autonomy, being typical for small and medium-sized enterprises, and at the same time support our international growth structurally.

Lunch is followed by a brief stopover at an espresso bar: in the midst of quiet house music and clinking cups of coffee, Rosengart's team spontaneously discusses a detail in the monthly balance sheet. "I see myself primarily in the role of being coach to my staff. We still have a lot of unrealised potential that is being 'woken' and developed systematically."

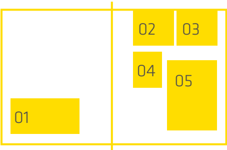
This is another reason why the 43-year-old wants to have all 45 of SHW's senior staff members regularly trained in leadership and communication techniques.

Back at the Aalen headquarters, the appointment calendar sets the pace. Rosengart's office door is open. There is a constant stream of auditors, the controlling team and the Chairman of the Works Council coming and going all afternoon. The documentation for the Audit Committee for the pending publication of the preliminary full-year results has to be prepared and ready for printing by the evening. Rosengart runs through the results with his team and assigns final adjustments to the provisional financial statements.

It is 7.30 p.m. Rosengart sits behind the wheel of his Audi A6, next to him lies a packed gym bag. The engine is already running when the phone rings. One of the auditors has one more question. The 43-year-old pauses briefly, speaks fully focused, and then drives off: he wants to relax finally – by spinning in the gym.

Curriculum vitae: Sascha Rosengart, Chief Financial Officer

After graduating with a degree in business administration, Sascha Rosengart gained extensive professional experience in various management positions in the automotive industry – with positions at Tower Automotive and Hengst Automotive. Since May 2013, Sascha Rosengart has been a member of the managerial team of SHW Automotive GmbH and Chief Financial Officer of SHW AG. He is responsible for the commercial areas including IT, Human Resources and Legal, Compliance & Risk Management, and Investor Relations & Corporate Communications.



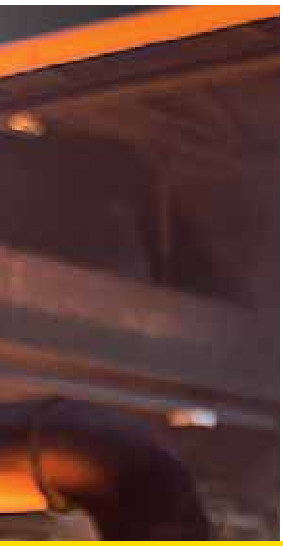
01
A short stop at the espresso bar and an exchange of ideas: "We still have a lot of buried potential."

02
Back in the office the appointment calendar sets the pace.

03
Before the annual financial statements are finalised, the auditors, controlling team and the Chairman of the Works Council are continually coming and going.

04
Sascha Rosengart takes a quick glance at the business section of the FAZ.

05
One last question from the auditors – then Sascha Rosengart drives in his Audi A6 to the gym.



> “We use recycled scrap almost exclusively for our composite brake discs.”

A commentary on

QUALITY

Andreas Rydzewski wants to get moving. Since the morning, he has been in discussions with the Supervisory Board and his fellow Management Board members about the preliminary key financial figures for the fiscal year 2014. The 60-year-old dons a blue overall over his grey suit and finally reaches inside the closet for his white hard hat. Just as the Management Board member leaves the timber-framed office building, a truck loaded with scrap metal passes by. “We almost exclusively use scrap metal as the basic raw material for our brake discs.” Rydzewski looks briefly at his iPhone, and then crosses the street to the foundry.

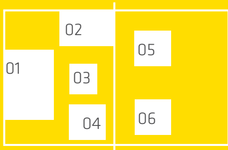
In the foundry, a rush of warm air welcomes him. Signal lights flash. The workers are driving the five-ton melting pot of the cupola furnace across the hall. The transport rails on the ceiling squeak. It is dark. Dust and soot dim the light of the lamps like a pane of frosted glass. Rydzewski welcomes the shift supervisor, who seconds later gives the signal for tilting. Orange-glowing liquid iron is casted into prepared moulds. Sparks fly. “The amount we can pour at our historical production site is limited. Therefore, instead of focusing on mass production, we focus on high-quality products for the premium segment,” says Rydzewski. Then he completes another round through the hall where the machines run day and night.

Back in the office, a conference call is lined up. Rydzewski is about to speak with the development department of a major customer. His quality manager sits next to him. “A new customer model is being equipped with SHW brake discs. Developers noticed a faint crackling during the cooling process of the brakes on the test stand. Thus, we now have to readjust it together,” says Rydzewski. “We monitor the start-up phase, lasting up to two years, systematically

01
Andreas Rydzewski during a walk through the foundry in Tuttlingen: this is where SHW’s brake discs are produced.

02
Monthly report meeting with his commercial manager.

Andreas Rydzewski on quality



01 Andreas Rydzewski makes sure that SHW products reach the market defect-free.

02 The machines in the foundry run around the clock.

03 A small snack before the next appointment.

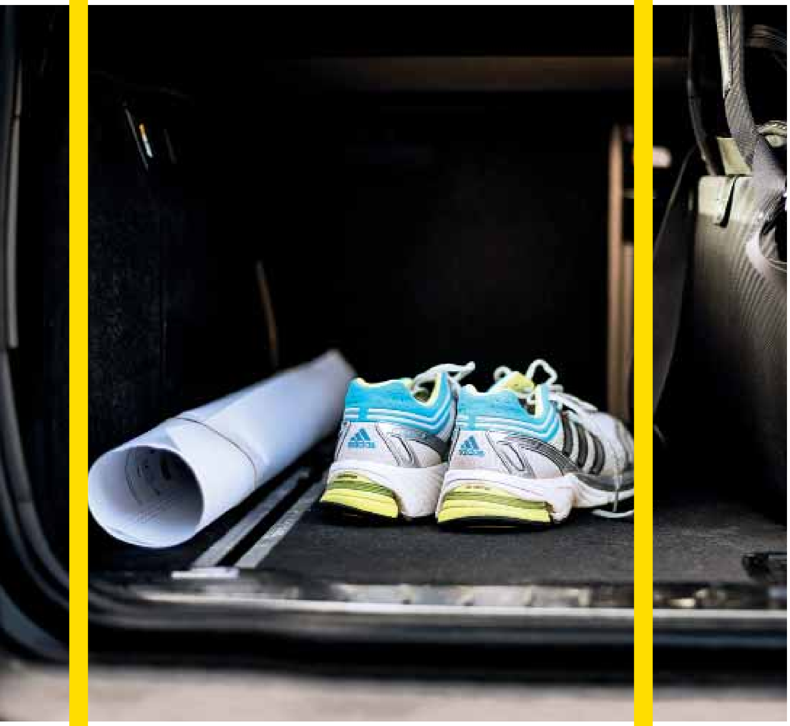
04 In the afternoon: The newly elected works council and the quality inspector from DQS discuss their issues with Andreas Rydzewski.

05 São Paulo is calling: Andreas Rydzewski takes notes on the monthly results during a conference call with the controller of the Brazilian subsidiary.

06 Shortly after 8 p.m., the running shoes are waiting for their evening run along the Danube.

“With our tightly knit analyses, we can react quickly and counteract problems immediately.”

Curriculum vitae: Andreas Rydzewski, Member of the Management Board
After graduating with a degree in business administration, Andreas Rydzewski gained extensive professional experience in the automotive industry through various management positions – including those at Mannesmann, Otto Wolf Group, Wirth (Brazil) and ThyssenKrupp. Andreas Rydzewski joined SHW Automotive GmbH in 2008 and has been a member of the managerial team and a member of the Management Board since then. He is responsible for the Brake Discs business segment.



and very closely together with our customers and suppliers. Only by doing so, a precise product is available at market launch.”

It is 1.30 p.m. and the controller of the Brazilian subsidiary gives an account of the monthly results to the SHW Management Board members via telephone conference. Rydzewski listens, takes notes, and follows the discussion by means of the Excel spreadsheets received earlier. “Through our closely monitored quality analyses, we can react quickly and immediately take mitigating actions when necessary. This is how we achieve maximum transparency.” Half an hour later, there is a knock at the door. The controlling team from the Tuttlingen site wants to discuss the monthly results of the Brake Discs business segment.

Still a long afternoon ahead. Firstly, Rydzewski takes time to talk with the newly elected works council; then he rushes to the conference room. The quality inspectors from DQS have just arrived from Frankfurt/Main for the annual certification.

Rydzewski’s office under the timber-framed roof is illuminated long that evening. The 60-year-old now approves purchase orders, studies shift protocols and replies to emails. At 8 p.m., his BMW 5 Series finally rolls off the foundry site. At the weekend, the family father commutes to Lauffen am Necker, but during the week he only needs five minutes to his commuters apartment in Tuttlingen. His trainers are already waiting for him to be taken to an after-work run along the Danube.

REPORT OF THE SUPERVISORY BOARD OF SHW AG

GENERAL INFORMATION

In the 2014 reporting year, the Supervisory Board performed the responsibilities incumbent upon it in accordance with the law, the Articles of Association and its Rules of Procedure. It monitored the situation of the Company in detail and supervised and advised the Management Board on a continuous basis.

In accordance with its guidelines, the Management Board informs the Supervisory Board regularly, promptly and comprehensively, in written or in verbal form, of all matters of relevance to the Company pertaining to strategy, planning, business development, risk situation, risk management and compliance, and also includes the Supervisory Board in decisions of special importance. For this purpose, the Management Board prepares a monthly written report that includes detailed information on the business and financial situation of SHW AG and its subsidiaries. It also reports in detail at the regular meetings of the Supervisory Board, in which the Supervisory Board discusses with the Management Board the business development, planning, and corporate strategies. The members of the Supervisory Board were also in contact with the Management Board outside the regular meetings, particularly, the Chairmen of both Company bodies. This is the manner in which the Supervisory Board was always kept promptly informed of current business developments and important business transactions.

Where the approval of the Supervisory Board or one of its committees was required for particular measures either by law, the Articles of Association or Rules of Procedure, a resolution was passed in this respect. On matters requiring such approval and in addition to verbal explanations, the Management Board prepares written documentation containing the information required for the Supervisory Board's decision when necessary.

In the year under review, the Supervisory Board carefully examined the reports and draft resolutions of the Management Board and discussed them in detail at its meetings. An examination of Company documents in addition to the documents submitted to the Supervisory Board was not necessary for the year under review.

In principle, the Supervisory Board passes its resolutions in meetings. If needed, resolutions may also be passed outside the meetings, especially in the course of telephone conferences or by means of a circulated document. When necessary, the Supervisory Board also meets without the Management Board.

SUPERVISORY BOARD MEEETINGS AND KEY TOPICS

In the year under review, four ordinary meetings of the Supervisory Board plenum took place, and five extraordinary meetings were conducted in the form of a telephone conference. All Supervisory Board members attended all Supervisory Board meetings, except for Dr Albrecht, who was absent from the meeting on 12 March 2014. In fiscal year 2014, there were two cases where Supervisory Board resolutions were passed via the circulation procedure.

During the meetings in 2014, the Supervisory Board was comprehensively informed by means of verbal and written reports prepared by the Management Board on all key questions concerning business development, corporate strategy, risk situation, risk management, and the financing structure of SHW AG and the SHW Group. Among other things, the Management Board explained the current domestic and international sales and earnings trends of the SHW Group and went into detail on the business developments within the individual business segments concerning the competitive environment. During the year under review, the key topics were as follows.

- At the ordinary meeting on 12 March 2014, the Supervisory Board approved the annual and consolidated financial statements and the combined (Group) management report of SHW AG, all as of 31 December 2013. The Supervisory Board also reviewed the Management Board's proposal for the appropriation of profits and passed a resolution on the resolutions proposed for the agenda of the ordinary Annual General Meeting on 9 May 2014 and the Supervisory Board's report for fiscal year 2013. It also passed resolutions on the approval for transactions requiring approval and to discharge the directors of SHW AG subsidiaries. Furthermore, the Supervisory Board gave its approval for a one-off payment from SHW Holding L.P. to the Management Board members of SHW AG, following SHW Holding's sale of its stake in the Company. Finally, the Supervisory Board dealt with issues relating to the safeguarding of the Powder Metallurgy division in Wasseralfingen.

- At the ordinary meeting on 9 May 2014, which took place following the Annual General Meeting and the supplementary elections to the Supervisory Board that took place, the Supervisory Board elected Mr Georg Wolf as Chairman and Mr Christian Brand as Deputy Chairman of the Supervisory Board of SHW AG and adopted a decision on the committee appointments. The Supervisory Board also adopted a decision on the approval of transactions requiring approval, particularly investment transactions. Finally, the Supervisory Board dealt with business development, strategic issues, the acquisition strategy, the update of the forecast and the subsequent approval of personnel and capital expenditure.

- In the extraordinary telephone conference of the Supervisory Board on 16 May 2014, the Supervisory Board adopted a decision for the approval for ancillary investments related to the Powder Metallurgy division in Wasseralfingen that require approval.

- In the extraordinary telephone conference of the Supervisory Board on 20 August 2014, the Supervisory Board adopted a decision about an amendment to the regulations on the annual bonus contained in the Management Board's remuneration and the corresponding supplements to the existing Management Board employment contracts. In relation to this, the Supervisory Board also adopted a decision on the revision of the Declaration of Conformity. Moreover, the Supervisory Board concerned itself with the updating of the catalogue of the Management Board transactions requiring approval.

- In the extraordinary telephone conference of the Supervisory Board on 9 September 2014, there were discussions with regard to a potential acquisition in the area of pumps and engine components.

- At the ordinary meeting on 8 October 2014, the Supervisory Board dealt with the report on business developments in the months of July and August 2014, and concentrated on the developments planned for the Pumps & Engine Components business segment and the Brake Discs business segment, especially with regard to the internationalisation and cooperation strategy. The Supervisory Board also adopted a decision on the approval of transactions requiring approval and the annual 2014 Declaration of Conformity.

- In the extraordinary telephone conference of the Supervisory Board on 7 November 2014, the updating of the catalogue of transactions of the Management Board requiring the Supervisory Board's approval were discussed once again.

- In the ordinary meeting on 27 November 2014, the Supervisory Board was given a full account of the overall business development in the individual business segments that concentrated on Powder Metallurgy and Pumps & Engine Components. The budget for fiscal year 2015 and the multi-year plan for the years 2015 to 2018 were adopted. Furthermore, the Supervisory Board dealt, among others, with the efficiency review of the work of the Supervisory Board. Finally, the Supervisory Board adopted a decision on the approval of transactions requiring approval and a revision of the catalogue of the Management Board transactions requiring approval.

- In the extraordinary telephone conference of the Supervisory Board on 18 December 2014, the strategy and internationalisation of the Brake Discs business segment were discussed, the necessary approvals were issued and decisions were adopted.

COMMITTEE WORK

In order to perform its duties efficiently, the Supervisory Board established two committees in the 2014 reporting year – the Executive Committee and the Audit Committee – as it had in the previous year.

- The ***Executive Committee*** prepares the meetings of the Supervisory Board. It also acts as a personnel committee and, as such, prepares personnel decisions by the Supervisory Board, in particular the appointment and dismissal of Management Board members, their remuneration, and other personnel matters addressed by the Supervisory Board, including the regular review of the remuneration system of the Management Board and the Management Board's long-term successor planning. Furthermore, where the plenary Supervisory Board's approval is not mandatory by law, it also decides in place of the Supervisory Board on the conclusion, alteration, and termination of employment contracts with Management Board members as well as other legal transactions with Management Board members or related parties to whom the Company is represented by the Supervisory Board in accordance with Section 112 AktG. The Executive Committee may further decide in the place of the Supervisory Board on the approval of ancillary activities and other activities of Management Board members in accordance with Section 88 AktG, the granting of loans to persons named in Section 89, 115 AktG, and may approve contracts with Supervisory Board members in accordance with Section 114 AktG. Finally, it decides in place of the plenary Supervisory Board on the approval of matters and measures submitted to it and requiring approval. In addition, the Executive Committee performs the function of a nominating committee in accordance with item 5.3.3 of the German Corporate Governance Code, and as such prepares the decisions of the Supervisory Board on its suggestions to the Annual General Meeting for elections to the Supervisory Board. During the period under review, the Executive Committee met on a total of three occasions. In addition, 16 decisions were reached by the circulation of written documentation.

- The ***Audit Committee*** prepares the decisions of the Supervisory Board concerning the financial and consolidated financial statements and agreements with the auditor, particularly the audit assignment, audit focus and fee. It also deals with the necessary independence of the auditor. Additionally, it prepares the decision of the Supervisory Board for its proposal to the Annual General Meeting on the appointment of the auditor and makes its recommendation on this matter to the Supervisory Board. The Audit Committee deals with financial reporting issues and monitors the financial reporting process, the effectiveness of the internal monitoring system, risk management and the compliance and internal auditing systems. In accordance with item 7.1.2 of the German Corporate Governance Code, the Audit Committee also discusses the half-year and quarterly financial reports with the Management Board before they are published. In the year under review, the Audit Committee met on seven occasions.

- The Supervisory Board was regularly and comprehensively informed in its plenary sessions of the committees' activities. More detailed information on the composition of the committees is available in the Corporate Governance Statement and the Corporate Governance Report, which can be found in a single document on the Company's website at **http://www.shw.de/cms/en/investor_relations/corporate_governance/cg_report_declaration_cg.**

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual and consolidated financial statements of SHW AG and the combined management and Group management report for fiscal year 2014 have been audited by the Company's auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, and awarded an unqualified auditor's opinion. The audit's focus was the intrinsic value of financial assets and goodwill, risks from mass transactions, sales, recognition and measurement of inventories, receivables and accruals, assessment of estimates, fraud, damage to assets and irregularities and the completeness of the notes to the consolidated financial statements, the management report and the Group management report.

The Supervisory Board carefully examined these documents. All statements and reports, as well as the report by the auditor, were submitted to the members of the Supervisory Board in a timely manner. The financial and consolidated financial statements and the combined management and the Group management report were discussed in detail, first by the Audit Committee and then by the full Supervisory Board, in the presence of the responsible auditor. The auditor reported on the main results of its audit and discussed the scope, emphases, and costs of the audit.

There were no circumstances which gave rise to concern about the auditor's impartiality. The auditor confirmed his independence to the Audit Committee. In the year under review, the auditor provided services to the Company (including associated companies) amounting to € 18 thousand in addition to services related to the audit of the financial statements.

The Supervisory Board agreed with the audit's findings and, following its own audit, concluded that it had no objections. The financial and consolidated financial statements prepared by the Management Board and examined by the auditor, as well as the combined management and Group management report, were approved by the Supervisory Board. The annual financial statements were thereby adopted. In conclusion, the Supervisory Board examined the Management Board's proposal for the appropriation of profits and concurred with this proposal, especially with regard to the annual result, liquidity, and financial planning of the Company.

CONFLICTS OF INTEREST

There were no conflicts of interest within the Supervisory Board in fiscal year 2014.

CORPORATE GOVERNANCE

In October 2014, the Management Board and the Supervisory Board issued a joint Declaration of Conformity in accordance with Section 161 AktG.
The Declaration has been made permanently available on the Company's website at **http://www.shw.de/cms/en/investor_relations/corporate_governance/cgcodex/.** SHW AG complies extensively with the recommendations of the German Corporate Governance Code.

COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes to the composition of the Management Board in fiscal year 2014. The following changes to the composition of the Supervisory Board occurred:

- Mr Anton Schneider resigned from his office as a member of the Company's Supervisory Board with effect from the end of 31 December 2013. Mr Georg Wolf took over his position in the SHW AG Supervisory Board on 10 January 2014. He was initially appointed as a member of the Supervisory Board by way of judicial appointment, and on 9 May 2014 the resolution was made by the Annual General Meeting to elect him as a member of the Supervisory Board. Since 11 January 2014, Mr Georg Wolf has also held the position of Chairman of the Supervisory Board.

- Additionally, Dr Hans Albrecht, Dr Martin Beck and Mr Ernst Rieber resigned from their positions as members of the Company's Supervisory Board with effect as of the end of the Annual General Meeting on 9 May 2014. Their successors, Ms Kirstin Hegner-Cordes, Prof. Jörg Ernst Franke and Mr Frank-Michael Meissner were elected to the Supervisory Board by a resolution of the Annual General Meeting on 9 May 2014.

The Supervisory Board thanks the Management Board and all employees whose commitment and effort over the past year has made SHW AG's successful business development possible.

Aalen, March 2015

On behalf of the Supervisory Board

Georg Wolf
Chairman

SHW SHARE

DISTINCTLY DIFFERENT DEVELOPMENTS ON THE INTERNATIONAL EQUITY MARKETS

The developments on the international stock markets varied greatly in 2014. The economic recovery in the US and indications from the Federal Reserve that it was leaning towards a cautious policy reversal ("Patient Approach") had a positive effect on the US equity markets. In this context, the Dow Jones Industrial Average improved by 7.5 per cent to 17,823 points. The Japanese Nikkei Index benefited from higher bond purchases by the Bank of Japan and climbed 7.1 per cent in a year-end comparison to 17,451 points.

European stock markets, however, suffered from the disappointing growth figures in the eurozone and from the armed conflicts in the Ukraine, Syria and Iraq. The Euro Stoxx 50 index ended the period of January to December 2014 with an increase of 1.2 per cent to 3,146 points. The German DAX index climbed by 254 points or 2.7 per cent to 9,806 points in 2014 amid strong fluctuations – the low of 8,572 points on 16 October/the high of 10,087 on 5 December. The SDAX index of Deutsche Börse AG – SHW has been a member of this index since 23 December 2013 – rose by 5.9 per cent to 7,186 points.

SHW SHARE BACK ON LAST YEAR'S HIGH LEVEL

The DAXsector Automobile Performance index, which is the relevant benchmark for SHW, was also very volatile. Only after a strong fourth quarter it was enough to close the year positively with a rise of 96 points, or 6.9 per cent, to 1,490 points.

The share placement of our former major shareholder Nordwind Capital on 5 November 2013 and the decision by the Deutsche Börse AG on 4 December to include the SHW share in the SDAX index with effect from 21 December 2013, ignited tremendous interest in SHW shares from international capital markets and inspired index-related purchases. After a record high of € 55.20 on 7 February 2014, the share entered into several months of consolidation, which came to an end only on 13 October 2014 at a price of € 29.80. The principle triggers were the significant logistical and operational pressures in the Powder Metallurgy division due to the higher customer call orders outweighing the existing technical capacity at the Aalen-Wasseralfingen location. This had a corresponding adverse impact on the productivity of our pump production activities in Bad Schussenried – the main customer of the

SHW SHARE IN BENCHMARK COMPARISON (INDEXED)

Source Bloomberg

Powder Metallurgy division – and caused many institutional investors to have doubts as to whether SHW would meet its higher sales and earnings guidance given on 30 June 2014. After a strong fourth quarter, the SHW share ended the year 2014 at a price of € 36.89, only 20.6 per cent below the year's closing price of € 46.47 in 2013.

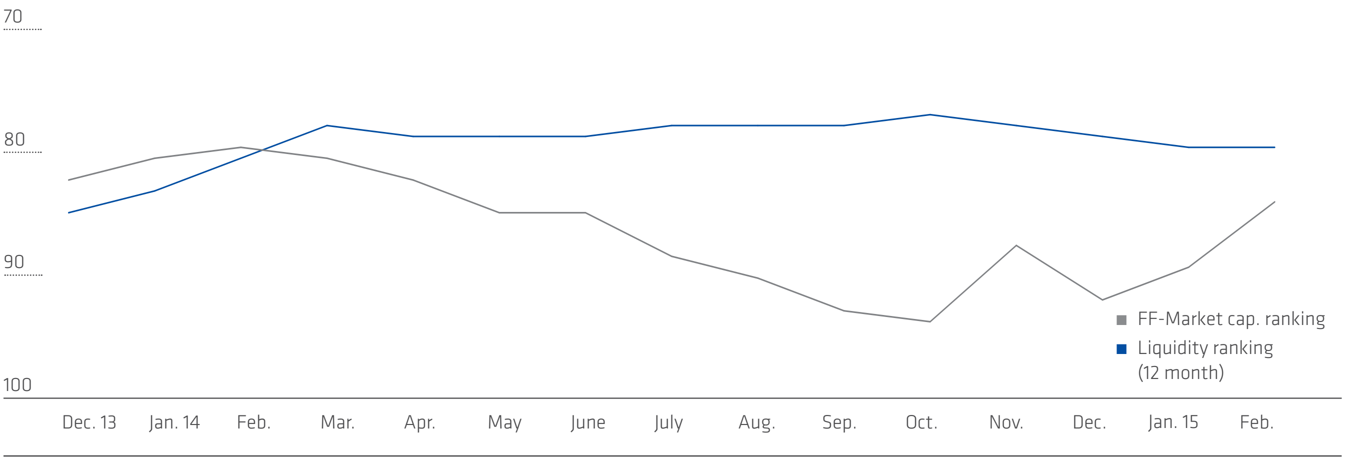
In the new year, sentiment towards the SHW share improved significantly in connection with a series of factors: the conclusion of a brake disc joint venture for the Asian market, our nomination as a series supplier of variable engine oil pumps for a global engine platform by an US car manufacturer, the optimistic outlook for fiscal year 2015 and, finally, the successful capital increase to finance further growth. Currently the SHW share is trading at € 46.97 (as of 13 March 2015), or approximately at the previous year's level.

SUCCESSFUL CAPITAL INCREASE UNDERLINES INVESTORS' TRUST IN SHW AG'S GROWTH STRATEGY

With the successful capital increase on 18 February 2015, the share capital of SHW AG increased by almost 10 per cent. A total of 585,109 new shares were issued at € 42.00 per share in a private placement with institutional investors by way of an accelerated book-building process. The new shares are entitled to dividends as of 1 January 2014. SHW AG received gross proceeds from the capital increase in the amount of approximately € 24.6 million. Investor interest was very large and the order book was several times over-subscribed. The new shares were subscribed to by investment and asset management companies both in Germany and abroad. The regional breakdown was as follows: (Great Britain: 61 per cent, Germany: 29 per cent, Switzerland: 6 per cent, Scandinavia: 4 per cent).

SHW AG's share capital now amounts to € 6,436,209. It is divided into 6,436,209 no-par value bearer shares with a notional amount of share capital of € 1 each still at 100 per cent free float.

DEVELOPMENT OF FREE FLOAT MARKET CAPITALISATION / LIQUIDITY RANKING

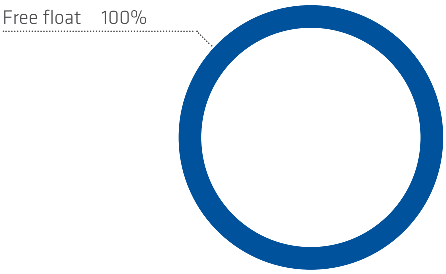


Source: Deutsche Börse AG

SUCCESSFUL CAPITAL INCREASE SUPPORTS RANKINGS

The successful capital increase will have a corresponding positive impact on SHW's rankings in the MDAX/SDAX selection list of the Deutsche Börse AG from March 2015. As of 30 December 2014, SHW's free float market capitalisation ranked 92 (previous year 81) which was a mirror image of the share price development and ranked 77 in terms of liquidity (previous year 84).

SHAREHOLDER STRUCTURE (AS OF MARCH 2015)



POSITIVE ANALYST RATINGS FOR THE SHW SHARE

With Oddo Seydler Bank AG, an additional research house initiated coverage of the SHW share in 2014. Now a total of six banks and research houses regularly publish studies on SHW. Of these six banks, five currently have a buy recommendation and one bank recommends holding the shares (status: March 2015).

The analysts are estimating an average target price of around € 51 (as of March 2015). At present, a further bank also intends to initiate research coverage in the coming months.

2013 ANNUAL REPORT AWARDED WITH GOLD LACP AWARD

After receiving the Bronze Award in the previous year, SHW received the LACP Vision Award in Gold in the category "Automobile & Components" for the 2013 Annual Report titled "Strongly positioned through product innovations". This is one of the major international competitions for annual reports and is organised annually by the League of American Communications Professionals. This excellent result was reconfirmed by our winning fifth place among all SDAX companies in the reporting category (annual reports, interim financial reports) of the "Investors Darling 2014" competition sponsored by Manager Magazin.

FURTHER STEP-UP IN INVESTOR RELATIONS ACTIVITIES PLANNED

The objective of SHW Investor Relations is for the SHW share to receive a fair valuation from the capital market. The foundation for achieving this is a continuous and open dialogue with all market participants and providing accurate and valuation-relevant information. In order to satisfy the significant increase in interest from investors and analysts, we have reinforced our Investor Relations department in February 2015 by adding personnel.

As an SDAX-listed, capital market-orientated Company, we will meet the information needs of market participants mainly through our quarterly financial reports published three times per year and through our active participation in investor conferences and roadshows. In addition, we intend to hold a Capital Markets Day for analysts and investors later this year. Our aim is to facilitate a greater understanding of SHW and provide transparency on the implementation of our growth strategy and efficiency-enhancing measures.

Please feel free to contact our Investor Relations staff for any information concerning SHW. A good starting point is the IR website (www.shw.de/cms/en/investor_relations). For more information, please contact us personally. SHW Investor Relations is looking forward to hearing from you!

Investor Relations contacts:

Michael Schickling
Telephone: +49 7361 502 462
Fax: +49 7361 5279020 462
Email: michael.schickling@shw.de

Anja K. Siehler
Telephone: +49 7361 502 469
Fax: +49 7361 5279020 469
Email: anja.siehler@shw.de

KEY FIGURES OF THE SHW SHARE FOR 2014

High (in €) [1]	55.500
Low (in €) [1]	29.800
Closing price on 30 December 2013 (in €)	46.465
Closing price on 30 December 2014 (in €)	36.885
Share price performance in FY 2014 (in %)	-20.6%
Market capitalisation as of 30 December 2013 (€ m)	271.9
Market capitalisation as of 30 December 2014 (€ m)	215.8
Average daily turnover (€ m) [2]	0.765
Average daily turnover (number of shares) [2]	18,526
Earnings per share (in €)	1.83
Dividend per share (in €) [3]	1.00

[1] Xetra Closing price
[2] All German stock exchanges
[3] Proposal to Shareholders Meeting on 12 May 2015

KEY FACTS

WKN	A1JBPV
ISIN	DE000A1JBPV9
Bloomberg-Code (Xetra)	SW1 GY
Reuters-Code (Xetra)	SW1.DE
Transparency level	Regulated Market (Prime Standard)
Number of shares as of 31 December 2014	5,851,100
Designated sponsor	Commerzbank AG

CONSOLIDATED GROUP MANAGEMENT REPORT AND SHW AG MANAGEMENT REPORT

GROUP PRINCIPLES

GROUP BUSINESS MODEL

SHW AG is the parent company of the SHW Group and a pure holding company. It holds all shares of SHW Zweite Beteiligungs GmbH, an intermediate holding company headquartered in Aalen-Wasseralfingen, which, in turn, holds all shares of SHW Automotive GmbH, headquartered in Aalen-Wasseralfingen. The Company also directly and indirectly holds all shares of its Brazilian subsidiary SHW do Brasil Ltda., headquartered in São Paulo. SHW Automotive GmbH holds all shares of its foreign subsidiaries SHW Automotive Pumps (Shanghai) Co., Ltd., in China, SHW Pumps & Engine Components Inc. headquartered in Toronto, Canada, as well as those of SHW Automotive Industries GmbH, headquartered in Aalen.

The operations of the SHW Group are conducted by SHW Automotive GmbH and its subsidiaries.

A Company with two business segments focused on CO_2 reduction

The SHW Group is a supplier to renowned automotive manufacturers, manufacturers of commercial, agricultural and construction vehicles, as well as to 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 SHW Group's business activities is mainly on the development and production of products that contribute to a reduction in fuel consumption and, in doing so, help reduce CO_2 emissions in the automotive sector.

On the road to becoming a global player for pumps and engine components

The Pumps and Engine Components business segment is the SHW Group's largest operating segment with production facilities in Bad Schussenried, Aalen-Wasseralfingen, and São Paulo (Brazil), as well as a sales and development centre for the NAFTA region

PUMPS & ENGINE COMPONENTS			BRAKE DISCS
Bad Schussenried / Kunshan / São Paulo / Toronto		Aalen-Wasseralfingen	Tuttlingen-Ludwigstal Neuhausen ob Eck
Passenger cars	**Industry**	**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 with / without balancer shafts	Fuel pumps Electric pumps	Sintered components for engines and transmissions	Composite brake discs
Electric auxiliary pumps for start-stop			
Camshaft phaser			

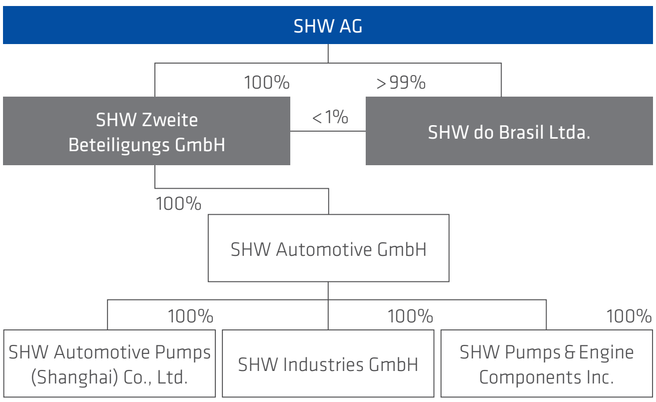
located in Toronto (Canada). The Passenger Car division in Bad Schussenried manufactures variable engine oil pumps, transmission oil pumps, electric auxiliary pumps for the start-stop function, oil/vacuum pumps with and without balancer shaft units as well as camshaft phasers. For the time being, the São Paulo location will only produce engine oil pumps. The Canadian subsidiary, SHW Pumps and Engine Components Inc., commenced operations in March 2014 and serves as the sales and development centre for oil and transmission pumps. The focus of this location is on acquiring new orders as well as on application engineering, particularly for US auto manufacturers.

In October 2014, the Chinese subsidiary SHW Automotive Pumps (Shanghai) Co., Ltd. commenced operations at its new location in Kunshan after hiring its first employees in the area of procurement, supplier development and sales. Currently the focus is on commissioning the series production.

In the Industry division in Bad Schussenried (formerly called the Truck & Off-Highway division) the SHW Group produces engine oil pumps, transmission oil pumps and fuel pumps used in trucks, agricultural and construction vehicles, stationary engines and wind power stations.

The SHW Group's Powder Metallurgy division manufactures engine components at its facility in Aalen-Wasseralfingen. The product range is focused on adjustment rings and rotors for engine oil pumps, camshaft phaser parts, chain wheels, and rotors made of sintered aluminium.

OVERVIEW OF GROUP SUBSIDIARIES



Technological leader in the area of brake discs with its first footprint overseas

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 – also known as composite brake discs – made from a combination of an iron friction ring with an aluminium pot. The segment's production sites are located in Tuttlingen-Ludwigstal and Neuhausen ob Eck.

At the end of January 2015, a joint venture agreement for the Asian market was concluded between SHW Automotive GmbH, a subsidiary of SHW AG, and the Chinese company Shandong Longji Machinery Co., Ltd. The joint venture will focus on the development and production of processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Until the production ramp-up of the joint venture's first customer orders for processed brake discs, it will produce unprocessed brake discs that are presently being manufactured by the Chinese joint venture partner for the aftermarket. This will take place at the foundry being brought into the joint venture by Shandong Longji. The successful conclusion of this contract is the first step in the further strengthening of SHW's position as a technologically leading brake disc manufacturer. The NAFTA region is another interesting target market for the Brake Discs business segment.

MANAGEMENT AND CONTROL

SHW AG is a German company headquartered in Aalen and therefore subject to the provisions of the German Stock Corporation Act. The bodies of the Company are the Management Board, the Supervisory Board and the Annual General Meeting. SHW AG has a dual management system comprised of a Management Board and a Supervisory Board. This system strictly separates the functions of management and control.

The Management Board is responsible for managing the Company's business and strives to achieve a lasting increase of the enterprise value while taking into account the interests of shareholders, employees, and other groups affiliated with the Company (stakeholders). In accordance with the Articles of Association, the Management

Board consists of one or more persons. The Management Board presently consists of three directors. In accordance with the Management Board's Rules of Procedure, every member is responsible for his own area of responsibility. Nevertheless, the members still have joint responsibility for the management of the group. As part of this overall responsibility, the three members must work together in their respective areas of responsibility in a cooperative and confident manner for the good of the Company.

The Management Board is responsible for the strategic direction of the Company and consults with the Supervisory Board on related matters. The Management Board is required to inform the Supervisory Board of SHW AG regularly and beyond the legal reporting obligations on all matters relevant to the Company pertaining to planning, business development, the risk situation and risk management, and on matters concerning compliance.

The Supervisory Board of SHW AG advises and oversees the Management Board in its management of the Company. As a rule, the Supervisory Board is not permitted to carry out management functions. However, the Management Board's Rules of Procedure specify that the Management Board requires the consent of the SHW AG Supervisory Board to carry out certain transactions and measures (e.g. significant changes to the corporate structure, acquisitions, or development of new markets).

In accordance with the Articles of Association, the SHW AG Supervisory Board consists of six members, all of whom are elected by the Annual General Meeting. The Supervisory Board meets at least twice each half-calendar year. SHW AG's Supervisory Board has formed an Executive Committee and an Audit Committee to improve efficiency and handle complex issues.

MARKET AND COMPETITION

SHW is one of the leading manufacturers in Europe in the area of passenger car engine oil pumps. Its market share is in the range of 25 to 30 per cent. The division's main competitors are KSPG (Germany), Magna Powertrain (Canada), Mahle (Germany), TCG Unitech (Austria) and NIDEC GPM (Japan). There are also a few automobile manufacturers, such as Mercedes and VW, who still have their own pump manufacturing facilities.

Our main competitors in Brazil are KSPG (Germany), Melling (USA), NIDEC GPM (Japan), Schadek (Brazil) and GKN (Great Britain).

The key competitors of SHW Pumps & Engine Components Inc. in the NAFTA region are Magna Powertrain (Canada) and Stackpole (USA), and to a lesser extent Melling (USA). The Japanese transplants are mainly supplied by the Japanese automotive suppliers Aisin and Yamada. Chrysler also still has its own production facility for transmission oil pumps.

In Europe, the Industry division mainly competes with KSPG (Germany), NIDEC GPM (Japan), Concentric (Sweden), Rickmeier (Germany) and Kracht (Germany).

The major competitors of the Powder Metallurgy division are GKN (Great Britain), Miba (Austria), PMG (Germany) and Schunk Sintermetalltechnik (Germany).

In the area of brake discs, SHW is one of the major manufacturers in Europe. The main competitors in this area are Fritz Winter (Germany), Buderus Guss (Germany), Brembo (Italy), Lingotes Especiales (Spain) and Fonderia di Torbole (Italy).

The largest competitors of our new brake disc joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. in the original equipment business are Brembo (Italy), Delphi (USA), Aisin (Japan), Tokico (Japan), Lioho Machine Works (Taiwan) and the Chinese companies Asimco Technologies, Fuzhou and Nanyang Machinery.

LEGAL AND ECONOMIC FACTORS

Global climate change and the scarcity of fossil fuels prompted the European Union to make a commitment in 2009, within the scope of an EU regulation, to reduce greenhouse gas emissions by at least 20 per cent by 2020 compared with their level in 1990.

Since motor vehicles with combustion engines make a considerable contribution to the emission of greenhouse gases, a focus was placed on reducing CO_2 emissions in road traffic. The corresponding regulation from 2009 provides for an average CO_2 target of 130 g CO_2/km by 2015 for newly registered passenger cars. At the end of 2013, the European Parliament and the EU Commission agreed on obligatory guidelines for the year 2021. This regulation stipulates that an average CO_2/km target value of 95 g CO_2/km must be met by the year 2021 for 100 per cent of the vehicle fleet. The European Union intends to replace the current "New European Driving Cycle – NEDC" procedure by what is known as the "Worldwide Harmonised Light Vehicles Test Procedure – WLTP" by 2017 in order to arrive at more realistic and globally comparable consumption values. The change in testing methods should lead to a significant rise in the measured consumption values. For example, studies conducted by the International Council on Clean Transportation (ICCT) have shown that for the year 2013 the real consumption measured by WLTP is about 30 per cent higher than the measured values generated by NEDC. The change from NEDC to WTLP results in a rise in the CO_2 target value for the year 2021 of only 5.7 per cent from 95 g/km to 100 g/km (excluding corrections for temperature) or from 7.7 per cent to 102 g/km (including corrections for temperature). The current state of the discussions indicates that WLTP will be used as the sole method of measurement from the year 2020, giving automobile manufacturers several years to implement the measures required. In the category of light commercial vehicles, a mandatory target of 147 g CO_2/km has been set for the year 2020 (2017: 175 g CO_2/km).

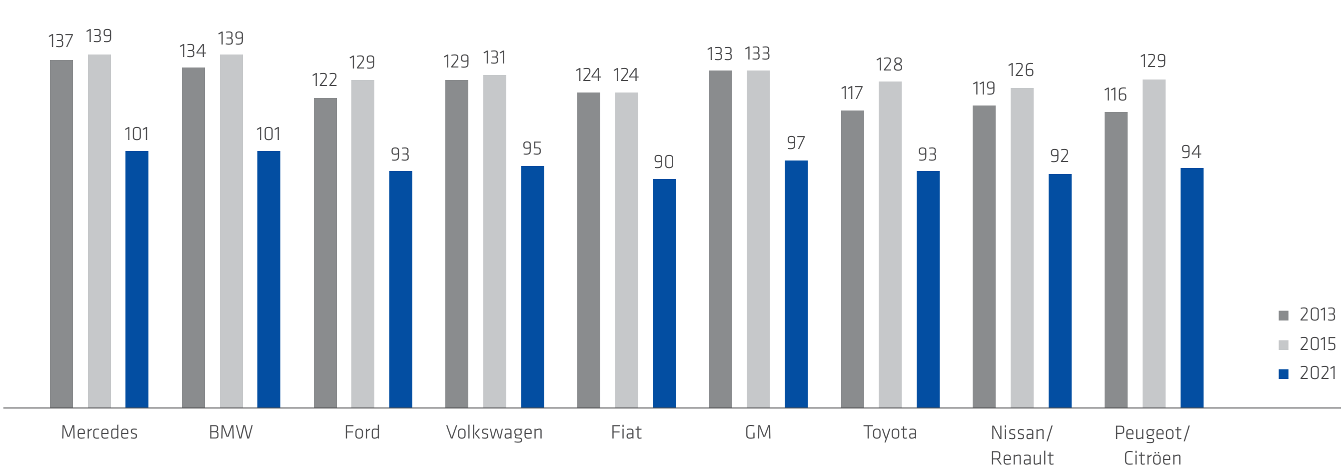
Regardless of the measurement method used, there is heavy pressure on vehicle manufacturers to reduce their vehicle fleets' CO_2 emissions in the years to come.

The measures impacting fuel consumption and CO_2 emissions can be distinguished as follows:

- measures to reduce the energy requirements for vehicle operation (rolling-resistant reduced tires, lightweight construction, aerodynamic optimisation),
- measures to improve efficiency in energy conversion from the original source of energy to mechanical power for the drive wheels through the
  – optimisation of the conventional combustion engine (direct injection, cooled exhaust gas recirculation, downsizing and turbocharging, variable valve trains, cylinder deactivation, variable compression, combustion processes, friction reduction, and reduction of thermal losses)

CO_2 EMISSIONS BY OEM

in g/km



Source: ICCT

  - optimisation of the transmission (automatic transmission, dual-clutch transmission, automatic power shift or stepped automatic transmissions)
  - electrification of the powertrain (micro-hybrid including start-stop function, mild hybrid, full hybrid, plug-in hybrid, electric vehicles)
  - optimisation of the energy consumption of auxiliary units (alternators, coolant pumps and oil pumps, vacuum pumps for brake boosters, power steering, air compressors, etc.)
- use of alternative fuels in combustion engines.

SHW started early in developing appropriate products and today has a broad product portfolio consisting of fuel-optimised components for engine and transmission applications that increase the efficiency of conventional combustion engines and their auxiliary units and gearboxes. SHW brake discs also make a material contribution to reducing the vehicle's weight. The SHW Group significantly benefits accordingly from the megatrend of CO_2 reduction.

The overview on the previous page compares the average specific CO_2 emissions of the vehicle fleets of various car manufacturers in Europe in 2013 with the targets for the years 2015 and 2021.

The comparison shows that all vehicle manufacturers have already achieved their individual targets for the year 2015 and, in some cases, did even better. Nevertheless, CO_2 emissions must still be cut by a further 27 per cent to reach the targets set for the year 2021.

In the other major automotive markets in North America, China and South America, there are also obligatory CO_2 targets for passenger cars that demand clear measures for reduction on the part of manufacturers in the coming years. SHW sees an excellent opportunity to establish itself in these markets with its innovative product portfolio. These markets are an absolute must for global players due to their size and growth prospects.

CORPORATE STRATEGY, CORPORATE MANAGEMENT AND CORPORATE OBJECTIVES

Corporate strategy

SHW AG's goal is to further strengthen the already strong market positions enjoyed by its Pumps and Engine Components and Brake Disc business segments so that it may continue to grow in a capital-efficient manner in the future. To achieve this goal, the Company focuses on the following five strategic areas:

Strategic area: Innovation

SHW is a success story marked by product innovations that have considerably contributed to reducing fuel consumption and, in doing so, reducing the CO_2 emissions of motor vehicles. The Company intends to focus on this core competence in the future and be a leading technology partner in the automotive industry for all drive concepts. Going forward, SHW will place particular emphasis on the development of variable transmission oil pumps and electric auxiliary pumps for the start-stop-sailing function.

The Brake Discs business segment is a sought after development partner when it comes to the safety component: the brake disc. Our know-how in the composite brake disc product area represents the core competence of this business area. Currently, the Company is working intensively on lightweight concepts for vehicles in the upper-middle and middle class in order to completely unlock this area's growth potential.

Strategic area: Globalisation

Based on a structured best-cost-country approach, the scalability of the pumps business allows SHW to carry out a relatively uncomplicated and capital-efficient expansion into countries where new and existing customers already have established their engine and transmission production or are planning to build new production sites. The Company therefore plans to follow its existing customers into the growth markets of Brazil and China.

For the development of the North American market, SHW wants to focus initially on the leading North American vehicle manufacturers and suppliers of automotive transmissions with regard to passenger car applications. In industrial applications, the Company would like to continue to expand its existing business relationships with North American agricultural and construction machinery manufacturers.

We have already seen the first signs of success: in Canada, we not only moved into the new development centre (which is equipped with performance and endurance test beds) and administration building in March 2014, but also during the course of fiscal year 2014 we reinforced our management team by adding further positions in operations, development, quality management and engineering. In January 2015, we were nominated as a series supplier for variable engine oil pumps for a global engine platform by a renowned US car manufacturer, which has made our re-entry into the North American market a reality. In winning this contract, SHW was able to prevail against strong international competition. The pumps are to be produced in North America, Europe and China. According to the current plans, the start of production (SOP) in North America and Europe is scheduled for the year 2018, and production in China is expected to start in the year 2019.

The preliminary search for a production location in the NAFTA region will now be pursued vigorously. The southern United States and Mexico, in particular, are being considered as potential locations. Both of these target regions offer solid infrastructure, relatively low wages and investment subsidies.

We have been producing engine oil pumps in Brazil for a renowned US automobile manufacturer since July 2014. In the meantime, this customer has nominated us for a follow-up contract for the delivery of identical engine oil pumps for European needs. The start of production will most likely be in 2017. Additional projects are currently in the bidding phase.

In the course of a production shift from Bad Schussenried to Kunshan, the Chinese subsidiary will start production of a variable engine oil pump for a European automobile manufacturer in the course of 2015. In addition, SHW Automotive Pumps (Shanghai) Co., Ltd. is currently in final discussions with a Chinese automobile manufacturer to provide the delivery of an electric auxiliary pump for the start-stop function and a transmission oil pump for a dual-clutch transmission.

The Company is also examining alternative locations in eastern and south-eastern Europe according to a best-cost-country approach since a further expansion of the Bad Schussenried location is spatially limited and economically unsuitable. Bad Schussenried will assume the role of "control unit" and take responsibility for the development and expansion of the international locations.

In the Brake Discs business segment, SHW pursues an internationalisation strategy using strategic investments and partnerships. The first milestone in internationalisation was marked at the beginning of 2015 with the conclusion of a joint venture agreement for the Asian market between SHW Automotive GmbH, a subsidiary of SHW AG, and Shandong Longji Machinery Co., Ltd. of China. Another interesting target market for the Brake Discs business segment is the NAFTA region.

Strategic area: Acquisitions

SHW wants to take an active part in shaping the ongoing consolidation process in the areas of engine and transmission components and enhance the Company's market position in selected business areas and regions. The basis for acquisitions is the solid financial resources of the SHW Group. The Group's financial flexibility was further strengthened by the successful capital increase executed in February 2015. SHW also has other sources of financing for potential acquisitions. In terms of debt, SHW could take on more syndicated loans or issue corporate bonds. SHW is also able to act strategically through its ability to issue new shares and convertible bonds.

Companies targeted for acquisition are those with technologically sophisticated products that belong to our current core business or are part of the value chain and can be integrated into the existing corporate organisation while taking into account the management resources available.

Strategic area: Efficiency

The Company continuously reviews its internal procedures and production processes to create a lasting improvement in its profit situation. A theme involving all locations is the roll-out of the SHW production system.

Among the most important measures being implemented at our Neuhausen site are:

- the expansion and automation of the aluminium foundry for composite brake discs;
- the launch of linked assembly lines and partially automated painting including existing installations; and
- improvements in productivity and process quality.

Also on the current agenda are improvements in process safety in all stages of production at our foundry in Tuttlingen. Other priorities in this respect include the

- further optimisation of the smelting plant and better scrap rates; and
- further optimisation of sand processing and control of unfinished castings.

In Bad Schussenried and Aalen-Wasseralfingen, the focus is on the following measures:

- further optimisation of SHW's production system;
- the full application of the new product development process;
- further optimisation of the entire supply chain and direct electronic connection of suppliers and service providers;
- reduction of set-up time;
- the automation of additional production lines; and
- capacity expansion in the areas of pressing, sintering, calibration and finishing.

At our location in Bad Schussenried, these measures are being supported by a structured best-cost-country approach.

Strategic area: Finance

SHW's finance strategy is consistently focused on ensuring the strategic and operational flexibility of the Company at all times. SHW is clearly committed to an environmentally friendly future in automobiles. The Company's financial stability has given it a degree of flexibility that represents a significant competitive advantage over other automotive suppliers and ensures long-term growth opportunities. This financial profile makes SHW AG one of the most trustworthy and appreciated partners for customers and business partners worldwide.

Our finance strategy is strictly implemented in keeping with the following indicators:

- securing a sustainable and strong capital structure with a balance sheet equity ratio of at least 30 to 40 per cent;
- following a results-oriented dividend policy with a payout ratio of 30 to 40 per cent of the net income for the year in accordance with legal restrictions and taking into account the financing requirements of the SHW Group;
- securing solid liquidity: the current credit line of € 60 million until September 2017 offers an opportunity to assume up to € 15 million in addition loans, take on additional debt on the capital market (e.g. promissory notes) of up to € 20 million;
- preserving the option to carry out further capital measures for potential acquisitions: following the 10 per cent capital increase on 18 February 2015, additional general resolutions expiring on 26 February 2016 are available for 40 per cent of the subscribed capital, equivalent to 2,340,441 shares.

Performance indicators

The SHW AG Management Board employs various instruments to assess the current performance and to derive future strategy and investment decisions from that. The goal is to take full advantage of our business and entrepreneurial potential for success.

Financial performance indicators

Next to sales development, the key performance indicator for SHW is adjusted EBITDA (defined as Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets). This indicator measures the quality of our sales development and shows how efficiently the business operations are managed. As a starting point for calculating adjusted EBITDA, we use the operating profit (EBIT) reported in the consolidated income statement.

In addition to earnings indicators, liquidity-based indicators are also of great importance. We therefore continuously monitor and control the main factors influencing our working capital (defined as the sum of inventories and trade receivables, less trade payables). We believe the most important indicator is the working capital ratio, defined as the ratio of working capital to sales.

Performance indicators are planned, measured, and monitored for the SHW Group as well as for the Pumps and Engine Components and Brake Discs business segments, whereby the working capital ratio is only applied at the Company level.

The control system at SHW also includes financial management indicators. Here, we pay particular attention to the liquidity, capital structure, and possible market price risks, particularly in relation to interest rates and currencies.

Entrepreneurial activities at the SHW Group are focused on the sustainable increase of the enterprise value and capital-efficient growth. The most important goals are the medium- and long-term growth in sales, adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA), as well as the sustainable improvement of the working capital ratio.

Non-financial performance indicators

In addition to the financial objectives, the SHW Group's management approach incorporates a number of non-financial objectives. The essential critical success factors are:

- Customer satisfaction
- Product quality
- Qualified and motivated personnel
- Environmental awareness

Customer satisfaction plays a central role in the Company's lasting success. SHW employees serve the customers in the best manner possible and provide them with customised solutions. The aim is to retain a high level of customer satisfaction and strive to improve it.

Consistently high-quality products and related services are prerequisites for high customer satisfaction. Our quality management ensures that our pumps, engine components and brake discs are

SHW INNOVATIONS SINCE 2002

2002	Variable engine oil pump
2004	Aluminium camshaft phaser
2005	Transmission oil pump for dual clutch
2006	Variable external gear pump
2006	Oil / vacuum pump
2006	Map-controlled engine oil pump
2007	Vane pump in engines
2010	Electric auxiliary pump for hybrids
2012	Camshaft phaser for diesel engines
2012	Variable oil / vacuum pump
2013	Scissor gears
2014	Variable oil / vacuum pump with balancer shaft

delivered to the customer error-free. The aim is to maintain a high level of quality and continue to improve it. We want to be the global supplier of choice for our existing and potential customers.

Our employees make a significant contribution to the SHW Group's economic success. Their identification with the Company – which is reflected in the high average length of service with the Company – and their commitment are the essential foundations of the Company's future success. Other important personnel indicators are average sick leave and the employee fluctuation rate. As the employer of choice, SHW promotes employee involvement, supports lifelong learning and continuous advancement, provides an attractive work environment, offers health management and ensures safety in the workplace. We want to be the employer of choice for our existing and future employees.

Responsible management and sustainability create the foundation for SHW's commercial success. We not only focus our product portfolio on CO_2-optimising vehicle components, but we also pay particular attention to employing resource-saving production processes. Our aim is to keep the rise in energy consumption and in CO_2 emissions below the rise in sales.

RESEARCH AND DEVELOPMENT

Electrically powered transmission pumps on the rise

In the past several years, automobile manufacturers have introduced a variety of new CO_2-optimised engines and transmissions with the support of the respective automotive suppliers. In optimising the conventional combustion engine, a number of measures have already been realised to improve combustion technology and to enhance the efficiency of the corresponding pump. There has also been notable progress made in optimising the energy consumption of the auxiliary units (alternators, coolant pumps and oil pumps, vacuum pumps for brake boosters, power steering, air compressors, etc.).

Variable or map-controlled pump systems for engine lubrication are standard in the new generations of engines.

Functional integration is also making further progress. SHW was the first company to develop variable oil/vacuum pumps (known as tandem pumps), which are arranged as a unit in the oil pan of the engine. Since the end of 2012, SHW has been providing these to a leading European automotive manufacturer. Series production for the third tranche of these oil/vacuum pumps is set to start in the year 2015.

A new oil/vacuum pump for a turbo-charged in-line four-cylinder diesel engine and an in-line three-cylinder diesel engine for a European premium manufacturer as well as an oil/vacuum pump with an integrated balancer shaft unit for a leading European car manufacturer were added in the past fiscal year.

In the field of automatic, dual-clutch and CVT transmissions, the trend is clearly going in the direction of electric auxiliary transmission oil pumps where the savings potential through start-stop sailing systems is tremendous. This increases the idle time of the engine and, therefore, reduces fuel consumption. While the first generation of engines only switched off when the vehicle was stationary, with an extended start-stop system the engine can already be switched off while coasting, for example, when approaching a red light. In the case of start-stop sailing, the engine is switched off while driving as soon as the foot is no longer on the gas or brake. Additional fuel savings are possible through the use of GPS navigation devices when the engine automatically shuts off upon entering the city limits. These types of functions are impossible without electric auxiliary pumps to maintain the hydraulic pressure in the auxiliary units after shutting off the combustion engine. Since 2011, SHW has been equipping the automatic transmissions of a well-known German car manufacturer with electric auxiliary pumps for the start-stop function.

The trend towards powering pumps electronically facilitates an even further reduction in CO_2 emissions, since the demand control can adjust from "zero" all the way up to peak performance regardless of the engine speed or condition.

The variable water pump to cool the engine opens up further potential for reducing fuel consumption. These types of pumps can allow a significant reduction of the warm-up phase of the engine and a reduction in drive power. This technology is currently in pre-development and is being prepared for series production. This division is also pursuing other new approaches that have a tremendous potential to reduce fuel consumption.

Our development activities are accompanied by the development and optimisation of modern product-specific test facilities and equipment. One example is a powerful cold chamber with an associated pump drive unit for function and endurance testing that was recently put into operation.

The Powder Metallurgy business unit places its emphasis on the development of materials and processes for the economical production of wear-resistant components for variable oil pumps. Additionally, backlash-free pre-stressed gear systems (scissor-gears) to be used in camshaft drives went into series production, and SHW's surface compression process was developed further.

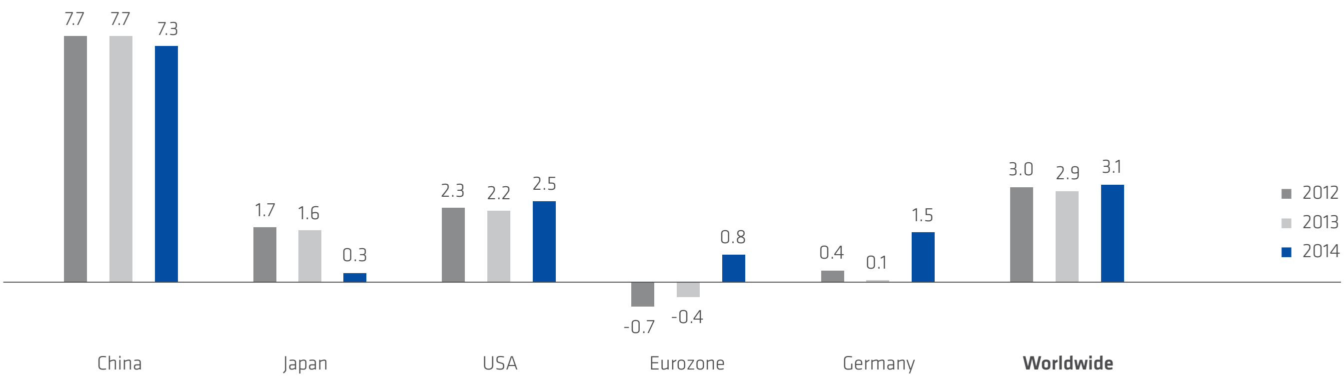
Future technological developments are influenced by the requirements brought on by market trends in pump technology for engines and transmissions: rising tolerance requirements for reducing leakage losses and higher strengths for the broader use of sintering solutions in hydraulic systems.

Demand for lightweight brake discs continues to rise

For years, the Brake Discs business segment has dedicated itself to the subject of lightweight construction. In as early as 1994, SHW produced the first brake disc using composite construction. At that time, it was being produced for the BMW M5. The idea was to separate the actual friction ring and the pot and to cast this pot out of aluminium. By using aluminium, the weight per vehicle can be reduced by up to 8 kg. This means a reduction in the unsprung and rotating masses, which improves the driving dynamics of the vehicle and also reduces fuel consumption and CO_2 emissions.

For a long time, the key question was which manufacturing process would be the most cost effective for connecting the cast-iron friction ring with the lighter brake disc pot. Based on the traditional methods of bolting and riveting, SHW was able to develop new concepts to the point of market readiness. These included friction welding and pressure rollers. Together with its partners, joining concepts, such as aluminium forging, were also tested as were hybrid applications including the direct casting connection between the friction ring and

GDP GROWTH BY REGION — in %



Source: Global Insight, Commerzbank Research aluminium. The number of vehicles equipped with SHW's composite brake discs has increased steadily in recent years. SHW is not only the technological leader but is now by far the leading producer of composite brake discs in Europe.

Above all else, the focus of future development lies in further weight reduction. By introducing the SHW production system, the value added should also increase significantly, which is a prerequisite for broader market penetration.

Intellectual property protected for the long term

The SHW Group protects its know-how and intellectual property in terms of pumps and other engine components, brake discs, alloys and powder metal parts by means of numerous industrial property rights such as patents, utility patents, design patents, or by the registration of such property rights. These rights are mostly registered in Germany and in other countries in the European Union and some are registered in the USA, Canada, Mexico, and Asia. Some patents are held jointly with customers (Porsche, BMW, and Audi) and can be used fully by both parties.

REPORT ON BUSINESS DEVELOPMENT

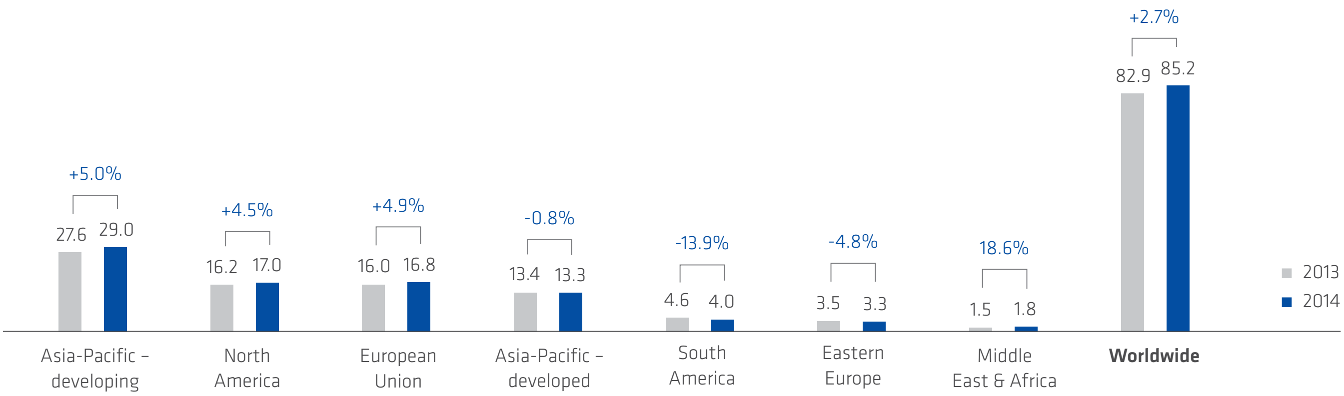
MACROECONOMIC ENVIRONMENT

A bumpy recovery for the world economy

After three years of declining growth rates and declining uncertainty surrounding the sovereign debt crisis, the global economy grew 3.1 per cent in the full year of 2014. Pressure came from the unresolved conflict between Russia and the Ukraine and the armed conflicts in Iraq and Syria.

Growth stemmed mainly from the advanced economies (EU-28, Switzerland, Norway, USA, Canada, Japan, South Korea, Taiwan, Hong Kong and Singapore), while the pace of growth in the emerging countries (Russia; China excluding Hong Kong; India; Indonesia; Thailand; Malaysia; the Philippines and Latin America) continued to weaken.

LIGHT VEHICLE PRODUCTION BY REGION — in million units



Source: PwC Autofacts January 2015

The US economy grew 2.5 per cent in 2014, reaching its highest rate of growth since the end of the recession in 2009. The euro area achieved overall GDP growth of 0.8 per cent (previous year -0.4 per cent). Nevertheless, the underlying economic momentum remained relatively weak. The following two factors particularly hinder stronger growth:

a) persistent macroeconomic imbalances (bubbles in the real estate market, excessive indebtedness of companies and private households) due to the expansionary monetary policies in some core countries (particularly in France, the Netherlands, Belgium and Finland); and
b) structural problems (e.g. inflexible labour markets) in many countries (especially in France and Italy).

With growth of 7.3 per cent, China recorded declining growth rates for the fourth consecutive year. Economic reforms passed in November 2013 have had an exceptionally stagnating effect. These reforms provided for the convertibility and flexibility of the Renminbi and placed restrictions on land sales for budget financing by local authorities. Moreover, the introduction of a structural transformation from heavy industry to the services and consumer goods sectors and imbalances in the Chinese financial sector have all dampened the growth of the Chinese economy.

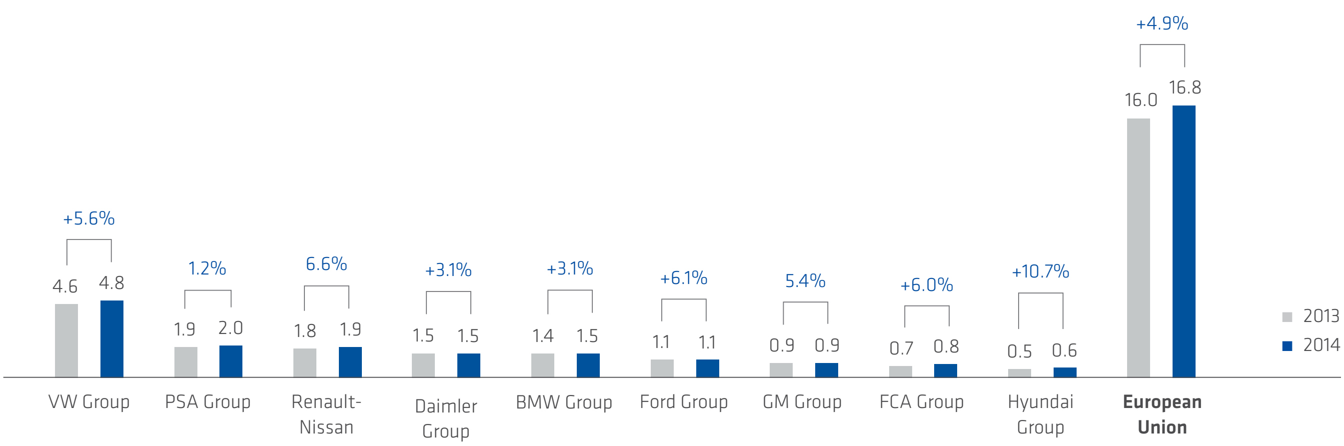
The increase in the VAT rate from 5 per cent to 8 per cent as of 1 April 2014 had a profound impact on the Japanese economy. After achieving GDP growth of 1.6 per cent in 2013, the Japanese economy reached a level of just 0.3 per cent growth during the past calendar year. In order to cushion the economy against further effects from weaker demand, the government has launched an economic programme under Prime Minister Abe and postponed the next increase in the VAT rate planned for 2015.

INDUSTRY-SPECIFIC ENVIRONMENT

Automotive production continues on its growth path

The global production of light vehicles (vehicles <6 t) grew slower than the world economy and increased by 2.7 per cent to 85.2 million vehicles in 2014. Development varied considerably between the different regions. The drop in production in Thailand (-23.6 per cent) significantly restricted the growth in the emerging markets of the Asia-Pacific region, which reported overall growth of 5.0 per cent. China, however, held on to the dynamic growth experienced in the previous year and raised vehicle production by 9.3 per cent to 21.3 million vehicles. In North America, production figures grew 4.5 per cent to 17.0 million units. The majority of this increase was

LIGHT VEHICLE PRODUCTION EUROPE BY OEM — in million units



Source: PwC Autofacts January 2015

attributable to an expansion in US production where approximately 11.5 million vehicles (+ 5.1 per cent vs. the previous year) rolled off the production lines in the midst of robust consumer demand. The 0.8 per cent decline in production figures in the advanced countries of the Asia-Pacific region was largely linked to South Korea. Here, production dropped 1.6 per cent to 4.3 million vehicles due to slowing exports. In South America, the strong slowdown in Brazil in connection with a massive decline in consumer confidence led to a decline in vehicle production of 13.9 per cent to 4.0 million units.

Growing domestic demand and rising exports to the USA and China resulted in a 4.9 per cent rise in vehicle production in the European Union to 16.8 million units. This rise also reflects the outstanding development in Spain (+10.9 per cent). As the most important production base in the European Union, Germany exceeded the previous year's production level by 4.3 per cent and produced 5.9 million vehicles.

Actual business development in comparison to the 2014 outlook

As a result of new product launches and continued strength in customer call orders, the Company has significantly surpassed its original sales forecast of € 380 million to € 400 million and its revised forecast of € 390 million to € 415 million published in the 2014 oder interim financial report. The main reason for this revision was the equally high demand from the European Union, NAFTA and China directed at vehicles from the German premium manufacturers, coupled with an engine and transmission production of these vehicle manufacturers that is still strongly focused on Germany. SHW was able to decouple from the market's overall development in fiscal year 2014: vehicle production in the European Union rose by 4.9 per cent to 16.8 million units, whereas SHW's Group sales climbed by 17.6 per cent overall to € 430.0 million (previous year € 365.6 million).

Adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) amounted to € 40.6 million and was somewhat above the original expectation of € 38.0 million to € 40 million and within the bandwidth of € 39.0 million to € 41.5 million stated in our interim report as of 30 June 2014.

Adjusted EBITDA includes significant one-off series start-up costs for a large series product totalling € 5.8 million. These additional non-recurring costs are directly linked to a short-term increase in volume requested by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations with this customer are still in progress to determine the appropriate compensation payments.

In fiscal year 2014, significant progress was made in optimising the working capital. Working capital declined by 3.2 per cent year-on-year to € 30.9 million (2013: € 31.9 million euros) along with a simultaneous increase in sales of 17.6 per cent, which resulted in an improvement in the working capital ratio from 8.7 per cent to 7.2 per cent. It was not yet possible to achieve the 11 per cent target level in each and every month of the year.

The Pumps and Engine Components business segment reported € 333.6 million in sales and exceeded both our original sales forecast of € 287 million to € 305 million as well as our revised forecast of € 297 million to € 320 million published in the 2014 half-year financial report.

The Brake Discs business generated sales of € 96.5 million, and slightly surpassed our original plan as well as the revised range of € 93 million to € 95 million published in July of 2014.

BUSINESS DEVELOPMENT, RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION OF THE SHW GROUP

Results of operations

Group sales climbed 17.6 per cent to € 430.0 million

New product launches and the continued high level of customer call orders enabled SHW to decouple from the general market development again in 2014. Vehicle production in the European Union grew by approximately 4.9 per cent to 16.8 million units and year-on-year Group sales improved by 17.6 per cent to € 430.0 million (previous year € 365.6 million).

Order intake climbs 16.7 per cent

There was renewed strength in our order intake. At the Group level, SHW was able to generate a rise of 16.7 per cent to € 453.5 million in fiscal year 2014. The Pumps and Engine Components business segment saw new orders increase by 22.0 per cent to € 355.6 million, and the Brake Discs business segment gained 0.7 per cent to € 97.9 million.

Cost of sales ratio rises

Cost of sales increased to € 388.9 million in fiscal year 2014 compared with € 323.7 million in the previous year. The cost of sales ratio rose from 88.5 per cent to 90.4 per cent. This rise was mainly caused by a change in the product mix brought about by the stronger-than-average growth of our passenger car pumps and extraordinary costs incurred in production that will be explained in detail in the following Sections. In addition, capacity constraints at our suppliers led to a loss of performance and added costs.

Selling expenses in fiscal year 2014 increased by € 1.5 million to € 6.0 million as a result of higher personnel and packaging costs. This lifted the selling expense ratio slightly from 1.2 per cent to 1.4 per cent.

Administrative expenses increased by only € 0.2 million to € 10.1 million compared with the prior year. As a result, the administrative expense ratio declined from 2.7 per cent to 2.4 per cent. In comparison to the previous year, this decline mainly resulted from a disproportionately low rise in personnel and the elimination of expenses for SAP Post Go-Live support.

The balance of other operating income and expenses deteriorated by a total of € 1.5 million, primarily due to the absence of compensation payments received in the prior year.

Research and development costs remain flat

Research and development costs remained virtually flat and amounted to € 7.6 million in 2014 after € 7.5 million in the prior year. In addition, € 1.3 million in development costs were capitalised (previous year € 2.4 million). Scheduled amortisation of capitalised development costs totalled € 2.0 million in fiscal year 2014. As a result of our strong sales growth, the R&D ratio (including capitalised development costs) fell to 2.1 per cent of sales (previous year 2.7 per cent). In the Pumps and Engine Components business segment, the focus of our research and development activities was on the development of variable engine oil pumps, electric auxiliary pump for the start / stop sailing, variable transmission oil pumps, oil / vacuum pumps with / without balance shaft units and camshaft adjusters. The activities of the Brake Discs business segment were centred on the further development of higher-value composite brake discs.

EBIT below previous year's level due to extraordinary effects and higher depreciation / amortisation

Group earnings before interest and taxes (EBIT) declined by € 4.0 million year-on-year or 19.6 per cent to € 16.6 million (previous year € 20.6 million) in fiscal year 2014. The corresponding EBIT margin declined to 3.9 per cent (previous year 5.6 per cent).

The high number of customer call orders in fiscal year 2014 coupled with the level of our available technical capacity at our site in Aalen-Wasseralfingen led to considerable logistical and operational pressure, not only for our suppliers but also for our Powder Metallurgy business segment. This adversely affected the productivity of our pump production activities at the Bad Schussenried site, which is the main customer of the Powder Metallurgy division. The high level of call orders also led to additional costs for extra shifts, external processing, third-party services, additional quality control measures, higher maintenance as well as to higher costs for special freight services.

In fiscal year 2014, reported Group earnings before interest and taxes (EBIT) was adversely affected by significantly higher one-off series start-up costs totalling € 5.8 million for a large series product. The added costs are directly related to an abrupt rise in the volume demanded by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard and include the period up to the scheduled conversion of the product to a fundamentally overhauled version. Negotiations are still in progress with this customer regarding appropriate compensation payments.

In addition, depreciation and amortisation in fiscal year 2014 increased by € 4.1 million to € 18.3 million as a result of higher investments.

Internalisation had the expected impact on Group results. Our Brazilian subsidiary SHW do Brasil Ltda., delivered its first oil pumps to a US automotive manufacturer in mid-July 2014 and was able to report a positive overall result for fiscal year 2014.

KEY FIGURES: SHW GROUP

K EUR	2014	2013	Change in %
Sales	430,041	365,639	17.6%
EBITDA	34,827	34,780	0.1%
as % of sales	8.1%	9.5%	–
EBIT	16,575	20,607	-19.6%
as % of sales	3.9%	5.6%	–
Net income for the period	10,679	13,395	-20.3%
Adjusted EBITDA	40,597	35,683	13.8%
as % of sales	9.4%	9.8%	–
Adjusted EBITDA	22,495	21,661	3.9%
as % of sales	5.2%	5.9%	–
Equity [1]	84,507	82,529	2.4%
Equity ratio [1]	40.3%	44.4%	–
Working capital [1]	30,877	31,894	-3.2%
as % of sales [1]	7.2%	8.7%	–

[1] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

Adjusted EBIT € 0.8 million higher than in the previous year

Adjusted Group earnings before interest and taxes (adjusted EBIT) increased by € 0.8 million, or 3.9 per cent, to € 22.5 million (previous year € 21.7 million), in the period from January to December 2014. This represents an EBIT margin of 5.2 per cent (previous year 5.9 per cent).

RECONCILIATION STATEMENT: SHW GROUP

K EUR	2014	2013
Sales	**430,041**	**365,639**
Operating result (EBIT)	**16,575**	**20,607**
PPA[1] fixed assets	150	151
Increased series start-up costs	5,770	–
Consulting costs for SAP Go-Live	–	180
Costs of changes in the Management Board	-	723
Adjusted EBIT	**22,495**	**21,661**
as % of sales	5.2%	5.9%
Other depreciation	18,102	14,022
as % of sales	4.2%	3.8%
Adjusted EBITDA	**40,597**	**35,683**
as % of sales	9.4%	9.8%

[1] Depreciation arising from purchase price allocation

Adjusted EBITDA climbs by € 4.9 million or 13.8 per cent

Adjusted Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) improved over the previous year by 13.8 per cent, or € 4.9 million, to a total of € 40.6 million (previous year € 35.7 million). The EBITDA margin amounted to 9.4 per cent compared with 9.8 per cent in the prior year.

Extraordinary effects in fiscal year 2014 and in the previous year

In fiscal year 2014, reported Group earnings before interest and taxes (EBIT) were adversely affected by significantly higher one-off series start-up costs totalling € 5.8 million for a large series product. The added costs are directly related to a abrupt rise in the volume demanded by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations with this customer are still in progress to determine the appropriate compensation payments.

Fiscal year 2013 contained non-recurring expenses of € 0.2 million for consulting costs in connection with SAP Post Go-Live support as well as € 0.7 million related to two changes in the Management Board.

Financial result improves

The net financial result for fiscal year 2014, amounted to an expense of € 1.8 million compared with € 1.7 million in the previous year. The € 0.1 million increase was primarily due to higher average financial liabilities. The fall in interest rates had a compensating effect.

Slightly lower tax rate

Income taxes amounted to € 4.1 million in 2014 (previous year € 5.5 million). The SHW Group tax rate was 27.7 per cent in fiscal year 2014 compared with 29.2 per cent in the previous year. The lower tax rate is mainly due to the first-time use of tax-loss carry-forwards from the Brazilian subsidiary SHW do Brasil Ltda. and the related recognition of deferred tax assets.

Net income for the year also affected by higher depreciation / amortisation

Net income declined by € 2.7 million in comparison to the previous year and totalled € 10.7 million. In addition to the extraordinary effects already mentioned, net income for the year was negatively affected by an increase of € 4.1 million in depreciation/amortisation for a total of € 18.3 million.

Earnings per share declined from € 2.29 to € 1.83. The weighted average number of shares used in the calculation of earnings per share in 2013 and in 2014 amounted to 5,851,100 shares.

On 18 February 2015, 585,109 new no-par value bearer shares were issued with institutional investors in an accelerated bookbuilding process in the context of a private placement. This capital increase resulted in a rise in the Company's share capital from € 5,851,100.00 to € 6,436,209.00. The subscription rights of shareholders were excluded. The new shares will carry full dividend rights as of 1 January 2014. Based on 6,436,209 no-par-value bearer shares, the earnings per share for fiscal year 2014 would amount to € 1.66.

Business segments

Pumps and Engine Components

Sales at a record level

In fiscal year 2014, the Pumps and Engine Components business segment reported annual sales of € 333.6 million (2013: € 274.2 million) – the highest level in the Company's history – with accompanying sales growth of 21.7 per cent.

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

Within the Pumps and Engine Components business segment, the Passenger Car division recorded sales growth of 25.3 per cent to € 272.0 million (2013: € 217.2 million) due to the higher customer call orders, particularly in the area of oil/vacuum pumps (tandem pumps) and as a result of the rise in capacity for an electric auxiliary pump for the start/stop function. After the continued robust demand from agricultural and construction vehicle manufacturers, the Industry division contributed sales of € 29.8 million (2013: € 30.2 million). The Powder Metallurgy division generated sales growth of 18.5 per cent for total sales of € 31.7 million (2013: € 26.8 million). Both new product launches, as well as higher customer call orders, were responsible for this solid sales growth.

KEY FIGURES: PUMPS AND ENGINE COMPONENTS

K EUR	2014	2013	Change in %
Sales	333,560	274,160	21.7%
EBITDA	27,286	29,114	-6.3%
as % of sales	8.2%	10.6%	–
EBIT	13,371	18,675	-28.4%
as % of sales	4.0%	6.8%	–
Adjusted EBITDA	33,056	29,277	12.9%
as % of sales	9.9%	10.7%	–
Adjusted EBIT	19,181	18,878	1.6%
as % of sales	5.8%	6.9%	–

EBIT adversely affected by extraordinary effects and higher depreciation / amortisation

The high number of customer call orders in fiscal year 2014 coupled with the level of our available technical capacity at our site in Aalen-Wasseralfingen led to considerable logistical and operational pressure, not only for our suppliers but also for our Powder Metallurgy business segment. This adversely affected the productivity of our pump production activities at the Bad Schussenried site, which is the main customer of the Powder Metallurgy division. The high level of call orders also led to additional costs for extra shifts, external processing, third-party services, additional quality control measures, higher maintenance as well as to higher costs for special freight services.

In fiscal year 2014, reported Group earnings before interest and taxes (EBIT) was adversely affected by significantly higher series start-up costs totalling € 5.8 million for a large series product. The added costs are directly related to an abrupt rise in the volume demanded by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations with this customer are still in progress to determine the appropriate compensation payments.

In addition, depreciation and amortisation in the Pumps and Engine Components business segment in fiscal year 2014 increased by € 3.5 million to € 13.9 million as a result of higher investments.

This led to a decline of € 5.3 million, or 28.4 per cent, in earnings before interest and taxes (EBIT) in fiscal year 2014 for a total of € 13.4 million (previous year € 18.7 million). The EBIT margin narrowed accordingly to 4.0 per cent (previous year 6.8 per cent).

Internalisation had the expected impact on the segment results. Our Brazilian subsidiary SHW do Brasil Ltda. delivered its first oil pumps to a US automotive manufacturer in mid-July 2014 and was able to report a positive overall result for fiscal year 2014.

RECONCILIATION STATEMENT: PUMPS AND ENGINE COMPONENTS

K EUR	2014	2013
Sales	**333,560**	**274,160**
Operating result (EBIT)	**13,371**	**18,675**
Total PPA [1]	40	40
Costs from production start-up	5,770	-
Consulting costs for SAP Go-Live	-	163
Adjusted EBIT	**19,181**	**18,878**
as % of sales	5.8%	6.9%
Other depreciation	13,875	10,399
as % of sales	4.2%	3.8%
Adjusted EBITDA	**33,056**	**29,277**
as % of sales	9.9%	10.7%

[1] Depreciation arising from purchase price allocation

Adjusted EBIT of € 19.2 million slightly above previous year's level

Adjusted earnings before interest and taxes (adjusted EBIT) of the Pumps and Engine Components business segment increased by € 0.3 million, or 1.6 per cent in 2014 compared with the previous year and amounted to € 19.2 million (previous year € 18.9 million). The EBIT margin was 5.8 per cent (previous year 6.9 per cent).

Adjusted EBITDA increased by 12.9 per cent to € 33.1 million

Adjusted earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) rose by 12.9 per cent from € 29.3 million to € 33.1 million. The corresponding EBITDA margin was 9.9 per cent (previous year 10.7 per cent).

Extraordinary effects in fiscal years 2014 and 2013

In fiscal year 2014, reported segment earnings before interest and taxes (EBIT) were adversely affected by significantly higher one-off series start-up costs totalling € 5.8 million for a large series product. The added costs are directly related to an abrupt rise in the volume demanded by a customer for the rescheduling of a conversion of diesel engines to the Euro 6 emission standard. Negotiations with this customer are still in progress to determine the appropriate compensation payments. The results of the Pumps and Engine Components business segment in the reporting year were adjusted for this one-off effect.

Fiscal year 2013 contained non-recurring expenses of € 0.2 million for consulting costs in connection with SAP Post Go-Live support.

Brake Discs

Sales increase 5.5 per cent

In fiscal year 2014, sales of the Brake Discs business segment increased in comparison to the same period last year by 5.5 per cent to € 96.5 million (previous year € 91.5 million).

The total number of brake discs sold rose 7.1 per cent and went from 4.03 million units in the previous year to 4.31 million units in fiscal year 2014. Part of this increase came from the exceptional development in the sales of high-value composite brake discs, which grew 11.7 per cent.

KEY FIGURES: BRAKE DISCS

K EUR	**2014**	2013	Change in %
Sales	96,481	91,479	5.5%
EBITDA	9,070	7,915	14.6%
as % of sales	9.4%	8.7%	–
EBIT	5,013	4,466	12.2%
as % of sales	5.2%	4.9%	–
Adjusted EBITDA	9,070	7,932	14.3%
as % of sales	9.4%	8.7%	–
Adjusted EBIT	5,123	4,594	11.5%
as % of sales	5.3%	5.0%	–

EBIT margin improves further

The Brake Discs business segment recorded a further significant improvement in earnings before interest and taxes (EBIT) in fiscal year 2014 compared with the previous year of € 0.5 million to € 5.0 million. The EBIT margin improved to 5.2 per cent (previous year 4.9 per cent). In addition to higher sales and an improved product mix, this business segment also profited from cost reductions and further optimisation of its production processes.

RECONCILIATION STATEMENT: BRAKE DISCS

K EUR	**2014**	2013
Sales	**96,481**	**91,479**
Operating result (EBIT)	**5,013**	**4,466**
PPA [1] fixed assets	110	111
Consulting costs for SAP Go-Live	-	17
Adjusted EBIT	**5,123**	**4,594**
as % of sales	5.3%	5.0%
Other depreciation	3,947	3,338
as % of sales	4.1%	3.6%
Adjusted EBITDA	**9,070**	**7,932**
as % of sales	9.4%	8.7%

[1] Depreciation arising from purchase price allocation

Adjusted EBITDA also increases

Adjusted earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) has continued to develop favourably and increased from € 1.1 million to € 9.1 million. The corresponding EBITDA margin was 9.4 per cent (previous year 8.7 per cent). Due to high investments, depreciation and amortisation grew by € 0.6 million in comparison to the previous year and reached € 4.1 million.

Extraordinary effects in fiscal years 2014 and 2013

In fiscal years 2014 and 2013, there was only € 0.1 million (rounded) in expenses from impairments from purchase price allocation (previous year € 0.1 million).

Net asset and financial position

Substantial improvement in working capital ratio

As of 31 December 2014, working capital was 3.2 per cent, or € 1.0 million, lower than in the previous year and totalled € 30.9 million. Both inventories and trade receivables have risen significantly less than sales. This was due to optimisation measures being implemented throughout the entire logistics chain as well in accounts receivable management. The working capital ratio, based on the Group's sales, improved to 7.2 per cent after 8.7 per cent in the previous year.

WORKING CAPITAL: MULTI-PERIOD OVERVIEW

K EUR	2014	2013	Change absolute	Change in %
Inventories	42,380	39,192	3,188	8.1%
Trade receivables [1]	44,656	40,583	4,073	10.0%
Trade payables	-56,159	-47,881	-8,278	17.3%
Working capital [1]	30,877	31,894	-1,017	-3.2%
as % of sales [1]	7.2%	8.7%		

[1] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

Equity ratio still above average

Group equity as of 31 December 2014 was € 2.0 million higher than in the previous year and totalled € 84.5 million. This rise largely resulted from the net income for the year 2014, which totalled € 10.7 million, partially offset by a dividend payment of € 5.9 million. In addition, the change in the discount rate and its impact on the measurement of pension accruals in accordance with IAS 19 resulted in a € 2.9 million charge made directly to equity. The increase in total assets led to a decline in the equity ratio from 44.4 per cent to 40.3 per cent.

FINANCIAL POSITION: MULTI-PERIOD OVERVIEW

K EUR	2014	2013	Change absolute	Change in %
Equity	84,507	82,529	1,978	2.4%
Non-current liabilities and accruals	37,797	35,377	2,420	6.8%
thereof liabilities to banks	2,486	3,676	-1,190	-32.4%
Current liabilities and accruals [1]	87,185	67,884	19,301	28.4%
thereof liabilities to banks	12,162	2,042	10,120	495.6%
thereof trade payables	56,159	47,881	8,278	17.3%
thereof other financial assets	6,070	7,027	-957	-13.6%
Balance sheet total	**209,489**	**185,790**	**23,699**	**12.8%**

[1] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

Trade receivables rose year-on-year by 17.3 per cent and increased from € 47.9 million to € 56.2 million. This rise resulted primarily from an increase in the purchase of goods and services resulting from the expansion in business volume.

The € 1.0 million decline in other financial liabilities to € 6.1 million is mainly due to a drop in accruals for post-project costs in connection with a customer project

Operating cash flow at previous year's level

Cash flow from operating activities in fiscal year 2014 amounted to € 29.9 million and was close to the previous year's level of € 30.4 million. Net income for the year was € 2.7 million lower. However, operating cash flow was positively impacted by increased depreciation and amortisation (+€ 4.1 million) and higher other accruals (+€ 3.3 million). The changes in deferred taxes (€ -1.5 million) and lower other current financial liabilities (€ -1.0 million) had a compensatory effect. The contribution achieved from the optimisation in working capital amounted to € 1.0 million.

Cash flow from investing activities of € -35.5 million in fiscal year 2014 exceeded the previous year's figure of € -30.0 million as a result of several new product launches.

This resulted in free cash flow of € -5.6 million in fiscal year 2014 (previous year € 0.4 million).

Net bank liabilities at a low level

As of 31 December 2014, the SHW Group had net bank liabilities of € 14.4 million, which was € 11.5 million above the level of 31 December 2013. The increase is comprised of negative free cash flow of € 5.6 million and other cash outflows – especially dividend payments – that together totalled € 5.8 million. As of 31 December 2014, the SHW Group held cash and cash equivalents of € 0.3 million (previous year € 2.8 million). Bank liabilities in the amount of € 14.6 million are comprised of two loans totalling € 3.7 million and working capital loans of € 10.9 million. This operating loan is part of a € 60.0 million credit line that runs until 30 September 2017. Half of this credit line may be used for acquisitions. At the end of the year, this credit line was also utilised in the form of guarantees amounting to € 2.6 million. The drawn down loans are variable interest rate loans based on the three-month Euribor rate plus a margin. Interest rates are not hedged.

RECONCILIATION STATEMENT: CHANGE IN NET CASH

KEUR	**2014**	2013
Cash flow from operating activities	29,891	30,395
Cash flow from investing activities	-35,520	-29,957
Free cash flow	**-5,629**	**438**
Other (esp. dividends)	-5,846	-22,948
Change in net cash	**-11,475**	**-22,510**

A number of new product launches necessitate much higher investment

Due to the high number of product launches, additions to property, plant and equipment and intangible assets increased to € 34.8 million in fiscal year 2014 (previous year € 32.8 million). Differences from reported additions to property, plant and equipment and intangible assets arise from the differing points in time that payment transactions take place.

In the Pumps and Engine Components business segment, additions amounted to € 26.1 million (previous year € 27.3 million) and included investments in research and development of € 1.3 million (previous year € 2.4 million). Much of the investment was used for new assembly lines, a processing centre, a powder press, and a calibration centre. The Brake Discs Business Segment invested a total of € 8.5 million (previous year € 4.6 million). Investments were made in a processing line and in a painting centre.

Growth was mirrored by a distinct increase in tangible assets

By the end of fiscal year 2014, total assets had a 12.8 per cent increase compared to the previous year and totalled € 209.5 million (previous year € 185.8 million). Tangible assets had a year-on-year increase of € 17.6 million to € 92.3 million that resulted from putting several new production lines into operation.

As of the balance sheet date, inventories increased by 8.1 per cent in comparison with the previous year and totalled € 42.4 million. This above-average rise compared with the growth in business volume can be traced back to a number of optimisation measures implemented throughout the entire logistics chain.

The 10.0 per cent rise in trade receivables to € 44.7 million was disproportionate to the growth in sales and resulted from an improvement in accounts receivables management.

NET ASSET POSITION: MULTI-PERIOD OVERVIEW

K EUR	31 Dec 2014	31 Dec 2013	Change absolute	Change in %
Non-current assets	119,014	99,688	19,326	19.4%
thereof other intangible assets	13,008	14,205	-1,197	-8.4%
thereof tangible assets	92,346	74,781	17,565	23.5%
thereof other financial assets	1,810	659	1,151	174.7%
Current assets	90,475	86,102	4,373	5.1%
thereof inventories	42,380	39,192	3,188	8.1%
thereof trade receivables [1]	44,656	40,583	4,073	10.0%
thereof liquid assets	292	2,837	-2,545	-89.7%
Balance sheet total	**209,489**	**185,790**	**23,699**	**12.8%**

[1] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

ROCE influenced by the Company's strong growth

The return on capital employed (ROCE), which measures the return on invested capital, declined from 19.7 per cent to 17.7 per cent in the reporting year.

ROCE: MULTI-PERIOD OVERVIEW

K EUR	31 Dec 2014	31 Dec 2013
Goodwill	7,055	7,055
Other intangible assets	13,008	14,205
Tangible assets	92,346	74,781
Deferred tax assets	4,795	2,988
Other (non-current) financial assets	1,810	659
Inventories	42,380	39,192
Trade receivables [1]	44,656	40,583
Other assets	3,147	3,490
Asset items of capital employed	209,197	182,953
Deferred tax liabilities	-3,456	-3,619
Other non-current accruals	-3,652	-3,388
Other non-current financial liabilities	-152	-206
Trade payables	-56,159	-47,881
Other current financial liabilities	-6,070	-7,027
Income tax liabilities	-444	-1,176
Other (current) accruals [1]	-4,482	-1,492
Other liabilities	-7,868	-8,266
Liability items of capital employed	-82,283	-73,055
Capital employed	126,914	109,898
Adjusted EBIT	**22,495**	**21,661**
ROCE	17.7%	19.7%

[1] Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

This is the result of the Company's continued strong growth, which on the one hand is reflected in a significant increase in tangible assets and, on the other hand, in the rise in depreciation and amortisation in the adjusted Group earnings before interest and taxes (adjusted EBIT).

Number of employees continues to rise

The average annual number of employees at the SHW Group increased by 10.8 per cent to 1,173 employees. Most of the increase took place at the two Pumps and Engine Components business segment locations.

At the Pumps and Engine Components business segment locations, the average number of employees increased from 658 to 768. The average number of employees at the two Brake Discs business segment locations rose from 366 to 372 employees.

In 2014, personnel expenses increased by 13.3 per cent to € 78.6 million compared with € 69.4 million in the previous year. This rise not only reflects the increase in the number of employees, but also the 2.2 per cent rise in wages as of 1 May 2014. The current collective bargaining agreement, which was concluded in the year 2013, has a term of 20 months and ended on 31 December 2014. In a year-on-year comparison, wages in 2014 were 3.2 per cent higher than the comparable figure of the previous year. The personnel cost ratio, i.e. the ratio of personnel expenses to Group sales, declined from 19.0 per cent to 18.3 per cent. Employee productivity, defined as sales per employee (annual average), improved over the previous year by 6.1 per cent from € 345,400 to € 366,600.

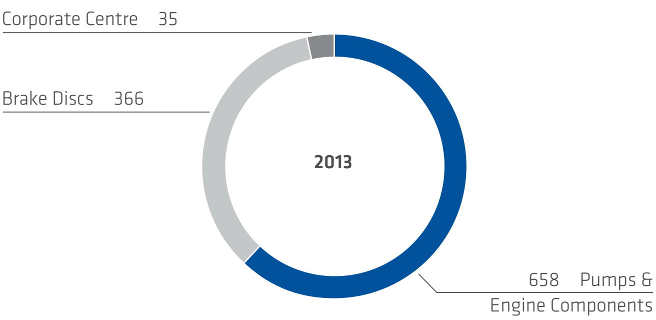
As of 31 December 2014, there were a total of 49 apprentices (previous year 45) at all SHW locations. The focus of new hirings was professional training for industrial mechanics.

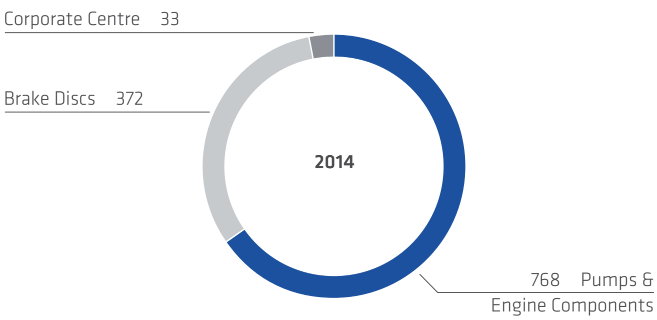
In addition to continuing education and training for employees that is directly job-related, the Company also offers regular seminars such as driving safety courses for car drivers and motorcyclists, smoking cessation seminars and, especially for our apprentices, seminars addressing "safety on the road".

In 2014, four employees celebrated their 40-year anniversary with the Company, 20 employees celebrated their 25-year anniversary, and 19 employees celebrated their 10-year anniversary. This is a testament to the low turnover and long tenure of employees at our Company.

In June 2015, the Company will celebrate its 650-year anniversary at a gala event together with other SHW companies. Family days at our German locations will also be celebrated in honour of this occasion.

EMPLOYEES BY BUSINESS SEGMENT





OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

Despite the circumstances already mentioned, the SHW AG Management Board has an overall positive assessment of the business performance in 2014. We achieved the targets for Group revenue and Group earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) that were last updated with the 30 June 2014 interim report. Our results included significantly higher one-off production start-up costs with a total volume of € 5.8 million for a large series product. As a result of the growth-related increase in investments, overall depreciation and amortisation increased by 28.8 per cent compared with 2013 and went from € 14.2 million to € 18.3 million, while the depreciation and amortisation ratio, i.e. the ratio of depreciation and amortisation to group sales rose from 3.9 per cent to 4.2 per cent. Net income for the year of € 10.7 million did not reach the level of the previous year (€ 13.4 million) as a result of higher depreciation and amortisation and one-off effects. Despite the significant expansion in sales, working capital fell by 3.2 per cent in absolute terms to € 30.9 million and, at the same time, the working capital ratio improved from 8.7 per cent to 7.2 per cent.

With an equity ratio of 40.3 per cent and net bank liabilities of only € 14.4 million, SHW's financial profile remains which above industry average.

With the Group's innovative product portfolio and the existing orders, the Management Board of SHW AG believes the Group is adequately positioned to continue to grow faster than the underlying vehicle market in the future. Moreover, the Company has various debt and equity instruments at its disposal for expanding its market position in selected business areas and regions and by way of acquisitions and collaborations.

ANNUAL FINANCIAL STATEMENTS OF SHW AG

The Group management report and the management report of SHW AG for fiscal year 2014 are combined in accordance with Section 315 (3) HGB in conjunction with Section 298 (3) HGB. The annual financial statements and the combined Group management report and management report of SHW AG are disclosed simultaneously in the Federal Gazette.

The following figures and explanations concern the annual financial statements of SHW AG prepared according to the provisions of the German Commercial Code and the German Stock Corporation Act.

EXPLANATION OF THE RESULTS OF OPERATIONS

INCOME STATEMENT

K EUR	2014	2013
1. General administration expenses	-2,673	-2,625
2. Other operating income	1,383	1,033
3. Other operating expenses	-733	-760
4. Income from investments	15,101	20,516
5. Interest result	1,861	1,228
6. Result from ordinary activities	**14,939**	**19,392**
7. Income taxes	-4,910	-4,916
8. Other taxes	-16	-14
9. Net income for the year	**10,013**	**14,462**
10. Profit carried forward	15	14
11. Unappropriated profit	**10,028**	**14,476**

The result from ordinary activities declined from € 19.4 million in the previous year to € 14.9 million as a result of the decrease in the income from the profit and loss transfer agreement with SHW Zweite Beteiligungs GmbH recorded under income from investments. Income from the profit transfer agreement was negatively affected by the extraordinary effects in the Pumps & Engine Components business segment mentioned above, and were thus below the target figure. We refer to the explanations on the results of operations of the Pumps & Engine Components business segment.

Interest result improved by € 0.6 million to € 1.9 million mainly as a result of lower liabilities compared with the previous year of loans from SHW Automotive GmbH.

EXPLANATION OF NET ASSETS AND FINANCIAL POSITION

SHW AG BALANCE SHEET (SUMMARISED)

K EUR	31 Dec 2014	31 Dec 2013	Change absolute
Fixed assets	76,749	76,915	-166
Current assets including prepaid expenses	86,467	92,192	-5,725
Total assets	**163,216**	**169,107**	**-5,891**
Equity	128,646	124,484	4,162
Accruals and liabilities	34,570	44,623	-10,053
Total equity and liabilities	**163,216**	**169,107**	**-5,891**

Fixed assets primarily include the investment in SHW Zweite Beteiligungs GmbH in the amount of € 74.6 million (previous year € 74.6 million).

Current assets are comprised mostly of receivables from the transfer of profits amounting to € 14.9 million (previous year € 20.5 million), interest-bearing loans of € 70.3 million to SHW Zweite Beteiligungs GmbH (previous year € 70.3 million) and refund claims from sales taxes of € 0.9 million (previous year € 1.0 million).

SHW AG's equity grew by € 4.2 million. This rise largely resulted from the net income for the year 2014, which totalled € 10.0 million, less a dividend payment to our shareholders of € 5.9 million. This allowed the equity ratio to improve to a level of 78.8 per cent after 73.6 per cent in the previous year.

The decline in accruals and liabilities is largely the result of the drop in loan liabilities from SHW Automotive GmbH. Loan liabilities were reduced to € 32.9 million using funds from the transfer of profits of € 9.2 million.

Since SHW AG functions purely as a holding company, its key performance indicators are limited to net investment income.

SHW AG's business development is principally faced with the same risks and opportunities as the SHW Group. SHW AG participates in the opportunities and risks of the subsidiaries to the extent of its respective ownership interest. These opportunities and risks are presented in the sections "Risk report" and "Outlook and opportunities report".

For the year 2015, we expect SHW AG to report net income well above the level in fiscal year 2014. Due to the link between SHW AG and the Group companies, please refer to our statements regarding the SHW Group in the section "Outlook and opportunities report".

REMUNERATION REPORT

The following remuneration report is part of the combined (Group) management report. It describes the remuneration structure for members of the Management Board and Supervisory Board together with their individual remuneration components. The report complies with the requirements of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS); furthermore, it considers the recommendations of the German Corporate Governance Code.

MANAGEMENT BOARD

Remuneration system

In compliance with the requirements of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code, the remuneration of Management Board members consists of both fixed (non-performance related) and variable (performance-related) components. A total of 40 per cent of the variable remuneration is comprised of an annual bonus and 60 per cent consists of a rolling sustainability bonus, of which half is based on a two-year assessment and the other half is based on a three-year assessment. The remuneration components are configured so that they are suitable, both separately and in their entirety, considering the duties of the individual Management Board members, their personal performance, the economic situation, and the success and future prospects of SHW AG.

Non-performance related remuneration components

The members of the Management Board receive an annual fixed remuneration that is paid in twelve equal monthly instalments. In addition, the members of the Management Board receive supplementary benefits in the form of a company car, insurance subsidies or insurance policies for the benefit of Management Board members with the premiums paid by the Company. The expense to the Company for these supplementary benefits may not exceed an annual amount of € 200 thousand.

Variable remuneration components

In the case of performance-related remuneration, a target bonus is set out in each of the Management Board members' service contracts. This amount corresponds to the amount of performance-related remuneration received when the objectives have been fully (100 per cent) achieved.

The first element of the Management Board's variable remuneration is the annual bonus for each fiscal year, which accounts for 40 per cent of the target bonus. Its determination is based on achieving objectives that are related to certain key performance indicators of the Company and its subsidiaries as well as associated companies (together comprising the SHW Group). A total of 70 per cent of the annual bonus is dependent on the SHW Group's EBITDA development and 30 per cent depends on the development of the average monthly working capital ratio of the SHW Group starting at the beginning of fiscal year 2014 (up until and including fiscal year 2013, this was based on the development of net financial liabilities). The relevant benchmark for assessing the extent to which the objectives have been achieved are the targets for EBITDA and the average working capital ratio for the SHW Group included in the annual budget approved by the Supervisory Board for the relevant fiscal year. The annual bonus to be paid in any fiscal year is determined and subsequently paid out in the following year on the basis of the audited and approved consolidated financial statements of SHW AG. The Supervisory Board may give appropriate consideration to extraordinary developments when assessing the extent to which the objectives have been achieved. Furthermore, the amount determined is reduced if the financial targets contained in the relevant credit and external financing agreements (covenants) of the SHW Group are not met in the relevant fiscal year. When exceeding the targets, the annual bonus may exceed its allotted pro rata target bonus, but may not amount to more than twice the pro rata target bonus.

The second component of variable remuneration is the sustainability bonus, which accounts for 60 per cent of the target bonus. Half of the sustainability bonus is determined on a two-year assessment basis and the other half on a three-year assessment basis. The amount depends on the Company's share price performance in relation to the benchmark index, the DAXsector Automobile Performance Index in the relevant current fiscal year and the following year (two-year basis), as well as in the current fiscal year and the two following years (three-year basis), respectively. At the end of each year, the relevant price is calculated as a 90-day average share price; the starting value for the year 2011 was the issue price of the shares at the IPO. The objectives are met in full when the share price development in the relevant time period corresponds to the development of the benchmark index. The sustainability bonus rises or falls against the proportional target bonus in the proportion in which the SHW share price in the relevant period outperforms or underperforms the benchmark index. The sustainability bonus however, cannot be higher than 150 per cent of the proportional target bonus (200 per cent in the case of the Chief Executive Officer). The sustainability bonus determined is paid two months after the end of the relevant assessment period.

Pension commitments

A contractual pension agreement exists only with the former Chief Executive Officer Dr Krause, and is based on entitlements to pension benefits contained in an employment contract from the year 2000. The contract primarily contains the following provisions:

The pension annuity begins with the termination of Management Board membership after the age of 65 unless occupational disability or an inability to work occurs, as defined in the statutory pension insurance, or in the case of a survivor's pension in the event of death. If occupational disability or an inability to work arises before retirement age is reached, the former Chief Executive Officer will receive a disability pension in the amount of the pension commitment. In the event of death, his widow will receive a survivor's pension in the amount of 60 per cent and each child entitled to support will receive an orphan's pension in the amount of 20 per cent of the agreed pension commitment. If there are two or more orphans, the combined orphan's pension will amount to 40 per cent of the agreed pension commitment and shall be divided equally among the orphans. If no widow's pension is granted, the orphan's pension rises, in principle, to 30 per cent per orphan and, in the case of three or more orphans, to a combined total of 80 per cent divided equally.

The employment relationship with the former Chief Executive Officer Dr Krause was terminated with effect 30 April 2013 and thus before he reached the age of 65; his entitlement was reduced accordingly. The pension entitlement is fully vested in accordance with the relevant legal requirements. The Company has recognised pension provisions of € 79 thousand for the pension commitment to Dr Krause mentioned above. The present value of this pension commitment is € 79 thousand. The expected fixed pension payment per month amounts to approximately € 330.

Total remuneration of the Management Board for fiscal year 2014 pursuant to DRS 17

The following table shows the remuneration paid to the Management Board in accordance with Section 314 HGB in conjunction with DRS 17. The table shows the remuneration granted as of the balance sheet date.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD FOR FISCAL YEAR 2014

K EUR	Non-performance related remuneration components		Performance-related remuneration components		Annual remuneration
Name	Annual fixed remuneration	Supplementary benefits	Annual bonus	Sustainability bonus	**Total**
Dr.-Ing. Thomas Buchholz	300	17	60	150 [2]	527
Andreas Rydzewski	230 [1]	15	24	60 [2, 3]	329
Sascha Rosengart	200	13	24	60 [2]	297
Total	**730**	**45**	**108**	**270**	**1,153**

[1] This amount includes a one-time extraordinary payment of € 10 thousand.
[2] The total amount of the sustainability bonus for fiscal year 2014 (based on two- year and three-year assessments) at 100 per cent of target attainment (for the calculation of the sustainability bonus, please refer to the section titled "remuneration report – Management Board – variable remuneration components").
[3] The amount of the sustainability bonus based on a three-year assessment that is attributable to fiscal year 2012, is due two months after the end of the year 2014 and amounts to € 27 thousand for Mr Andreas Rydzewski. The amount of the sustainability bonus based on a two-year assessment that is attributable to fiscal year 2013, is due two months after the end of 2014 and amounts to € 23 thousand for Mr Andreas Rydzewski.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD FOR FISCAL YEAR 2013

K EUR	Non-performance related remuneration components		Performance-related remuneration components		Annual remuneration
Name	Annual fixed remuneration	Supplementary benefits	Annual bonus	Sustainability bonus	**Total**
Dr.-Ing. Thomas Buchholz	125 [1]	7	52 [1, 2]	52 [1, 2]	236
Andreas Rydzewski	226 [3]	14	15	60 [4, 5]	315
Sascha Rosengart	131 [6]	8	32,5 [6, 7]	32.5 [6, 7]	204
Total	**482**	**29**	**99.5**	**144.5**	**755**

[1] Pro rata temporis; member of the Management Board since 1 August 2013.
[2] For fiscal year 2013, Dr.-Ing. Thomas Buchholz was entitled to a non-performance based bonus in the amount of € 104 thousand, half of which (€ 52 thousand, recorded under "annual bonus") was payable after the end of 2013 and the remaining half (€ 52 thousand, reported under "sustainability bonus") was payable after the end of 2014.
[3] This includes a payment in the amount of € 20 thousand for the temporary assumption of the role of Chief Executive Officer until the appointment of Dr.-Ing. Thomas Buchholz as Chief Executive Officer effective as of 1 August 2013.
[4] The total amount of the sustainability bonus (two- and three-year assessments) at 100 per cent target attainment for fiscal year 2013 (for a detailed calculation of the sustainability bonus see the section "remuneration report – Management Board – variable remuneration components").
[5] The amount of the sustainability bonus based on a three-year assessment that is attributable to fiscal year 2011, was due two months after the end of the year 2013 and amounted to € 33 thousand for Mr Andreas Rydzewski.
The amount of the sustainability bonus based on a two-year assessment that is attributable to fiscal year 2012, was due two months after the end of the year 2013 and amounted to € 34 thousand for Mr Andreas Rydzewski.
[6] Pro rata temporis; member of the Management Board since 6 May 2013.
[7] For fiscal year 2013, Mr Sascha Rosengart was entitled to a non-performance based bonus amounting to € 65 thousand, half of which (€ 32.5 thousand recorded under "annual bonus"), was payable after the end of 2013 and the remaining half (€ 32.5 thousand reported under "sustainability bonus") was payable after the end of 2014.

Remuneration of the Management Board for 2014 in accordance with the German Corporate Governance Code

Pursuant to the recommendations of the German Corporate Governance Code (GCGC) of 24 June 2014, both the benefits granted as well as the payments (inflows) are shown in table for fiscal year 2014 in the format recommended by the GCGC.

BENEFITS GRANTED TO THE MANAGEMENT BOARD IN FISCAL YEAR 2014

in K EUR	**Dr.-Ing. Thomas Buchholz** Chief Executive Officer (CEO) Joined: 01.08.2013				**Andreas Rydzewski** Member of the Management Board Joined: 01.10.2008				**Sascha Rosengart** Chief Financial Officer (CFO) Joined: 06.05.2013			
Benefits granted	2013	2014	2014 (Min.)	2014 (Max.)	2013	2014	2014 (Min.)	2014 (Max.)	2013	2014	2014 (Min.)	2014 (Max.)
Fixed remuneration	125 [1]	300	300	300	226 [3]	230 [4]	230 [4]	230 [4]	131 [5]	200	200	200
Supplementary benefits	7	17	17	17	14	15	15	15	8	13	13	13
One-time external remuneration	**75** [7]				**75** [7]				**75** [7]			
Total	**207**	**317**	**317**	**317**	**315**	**245**	**245**	**245**	**214**	**213**	**213**	**213**
One-year variable remuneration												
2013 Annual bonus	52 [2]	–	–	–	40 *)	–	–	–	32,5 [6]	–	–	–
2014 Annual bonus	–	100 *)	0	200	–	40 *)	0	80	–	40 *)	0	80
Multi-year variable remuneration												
2013 Sustainability bonus (2-year assessment)	52 [2]	–	–	–	30 **)	–	–	–	32,5 [6]	–	–	–
2013 Sustainability bonus (3-year assessment)		–	–	–	30 **)	–	–	–		–	–	–
2014 Sustainability bonus (2-year assessment)	–	75 **)	0	150	–	30 **)	0	45	–	30 **)	0	45
2014 Sustainability bonus (3-year assessment)	–	75 **)	0	150	–	30 **)	0	45	–	30 **)	0	45
Total remuneration	**311**	**567**	**317**	**817**	**415**	**345**	**245**	**415**	**279**	**313**	**213**	**383**

*) Data corresponds to the target value (i.e. 100 per cent target attainment) of the annual bonus.
**) Data corresponds to the target value (i.e. 100 per cent target attainment) of sustainability bonus at the date granted.
1) Pro rata annual fixed remuneration (€ 300 thousand) amounting to € 125 thousand since 1 August 2013
2) For fiscal year 2013, Dr.-Ing. Thomas Buchholz was entitled to a non-performance based bonus in the amount of € 104 thousand, half of which (€ 52 thousand, recorded under "annual bonus 2013") was paid after the end of 2013 and the remaining half (€ 52 thousand, reported under "sustainability bonus 2013; two- and three-year assessment") will be paid after the end of 2014.
3) The annual fixed remuneration until 30 September 2013 amounted to € 201 thousand and, from 1 October 2013, amounted to € 220 thousand. This also includes a payment in the amount of € 20 thousand for the temporary assumption of the role of Chief Executive Officer until the appointment of Dr.-Ing. Thomas Buchholz as Chief Executive Officer effective as of 1 August 2013.
4) This amount includes a one-time extraordinary payment of € 10 thousand.
5) Pro rata annual fixed remuneration (€ 200 thousand) amounting to € 131 thousand since 6 May 2013
6) For fiscal year 2013, Mr Sascha Rosengart was entitled to a non-performance based bonus in the amount of € 65 thousand, half of which (€ 32.5 thousand, recorded under "annual bonus 2013") was paid after the end of 2013 and the remaining half (€ 32.5 thousand, reported under „sustainability bonus 2013; two- and three-year assessment") will be paid after the end of 2014.
7) A one-off extraordinary payment of € 75 thousand from SHW Holding L.P. related to the sale of its entire shareholding in SHW AG in November 2013.

The following table shows the payments to the individual members of the Management Board in fiscal year 2014 and in comparison the previous calendar year:

PAYMENTS MADE TO THE MANAGEMENT BOARD IN FISCAL YEAR 2014

in K EUR	**Dr.-Ing. Thomas Buchholz** Chief Executive Officer (CEO) Joined: 01.08.2013		**Andreas Rydzewski** Member of the Management Board Joined: 01.10.2008		**Sascha Rosengart** Chief Financial Officer (CFO) Joined: 06.05.2013	
Payments (inflows)	2014	2013	2014	2013	2014	2013
Fixed remuneration	300	125 [1)]	230 [4)]	226 [3)]	200	131 [5)]
Supplementary benefits	17	7	15	14	13	8
One-time external remuneration		**75** [7)]		**75** [7)]		**75** [7)]
Total	**317**	**207**	**245**	**315**	**213**	**214**
One-year variable remuneration *)						
2013 Annual bonus	–	52 [2)]	–	15	–	32,5 [6)]
2014 Annual bonus	60	–	24	–	24	–
Multi-year variable remuneration **)						
2011 Sustainability bonus (3-year assessment)	–	–	–	33	–	–
2012 Sustainability bonus (2-year assessment)	–	–	–	34	–	–
2012 Sustainability bonus (3-year assessment)	–	–	27	–	–	–
2013 Sustainability bonus (2-year assessment)	52 [2)]	–	23	–	32,5 [6)]	–
Total remuneration	**429**	**259**	**319**	**397**	**269,5**	**246,5**

*) The information includes the amount to be paid for the annual bonus of each reporting year. The payments for each reporting year are made in the subsequent year, i.e. the 2013 annual bonus payment was made in 2014, and the 2014 annual bonus payment will take place in 2015.

**) The information includes the amount to be paid for the sustainability bonus whose assessment period ended in the respective financial year. The payments of the respective amounts are made in each subsequent year, i.e. payments for the 2011 sustainability bonus with a 3-year assessment period and the 2012 sustainability bonus with a 2-year assessment period were carried out in 2014, the payments for the 2012 sustainability bonus with a 3-year assessment period and the 2013 sustainability bonus with a 2-year assessment period will take place in 2015. For the particularities of the payments for Dr.-Ing. Thomas Buchholz and Mr Sascha Rosengart, please refer to the following footnote 2 and footnote 6.

1) Pro rata annual fixed remuneration (€ 300 thousand) amounting to € 125 thousand since 1 August 2013

2) For fiscal year 2013, Dr.-Ing. Thomas Buchholz was entitled to a non-performance based bonus in the amount of € 104 thousand, half of which (€ 52 thousand, recorded under "annual bonus 2013") was paid after the end of 2013 and the remaining half (€ 52 thousand, reported under "sustainability bonus 2013; two- and three-year assessment") will be paid after the end of 2014.

3) The annual fixed remuneration until 30 September 2013 amounted to € 201 thousand and, from 1 October 2013, amounted to € 220 thousand. This also includes a payment in the amount of € 20 thousand for the temporary assumption of the role of Chief Executive Officer until the appointment of Dr.-Ing. Thomas Buchholz as Chief Executive Officer effective as of 1 August 2013.

4) This amount includes a one-time extraordinary payment of € 10 thousand.

5) Pro rata annual fixed remuneration (€ 200 thousand) amounting to € 131 thousand since 6 May 2013

6) For fiscal year 2013, Mr Sascha Rosengart was entitled to a non-performance based bonus in the amount of € 65 thousand, half of which (€ 32.5 thousand, recorded under "annual bonus 2013") was paid after the end of 2013 and the remaining half (€ 32.5 thousand, reported under „sustainability bonus 2013; two- and three-year assessment") will be paid after the end of 2014.

7) A one-off extraordinary payment of € 75 thousand from SHW Holding L.P. related to the sale of its entire shareholding in SHW AG in November 2013.

Other benefits in the event of death

In the event of the death of a Management Board member during the term of his appointment, his widow or, alternatively, his dependants, are entitled to the fixed remuneration due for the month of his death and for the two months thereafter.

Benefits in the event of termination of the employment contract

In the case of the premature termination of a Management Board member's appointment with good cause, the member's employment contracts provides that, at the discretion of the Supervisory Board, the Company may either release the member from his services with full pay (and entitlement to unused holiday time), or terminate the employment contract prematurely and pay a settlement in the amount of two years of remuneration (including supplementary benefits), which may not exceed the remuneration due for the remaining term of the contract.

Furthermore, should a third-party purchaser undertake what is known as a "squeeze-out" at SHW AG, the employment contracts of the Management Board members give the members the right to resign from office and terminate their employment contract. When exercising this right of termination, the Management Board member receives a settlement amounting to two years of remuneration (including supplementary benefits), but not exceeding the remuneration due for the remaining term of the contract. For the purposes of this provision, a third-party purchaser means a purchaser that is neither SHW Holding L.P., which was the main shareholder of SHW AG until 7 November 2013, nor an affiliated company.

Other remuneration components

During the reporting year, no member of the Management Board received or was promised benefits from third parties in relation to his activities as a Management Board member. In addition, no member of the Management Board was granted additional compensation for the assumption of mandates in group companies of the SHW Group. During the year under review, the members of the Management Board did not receive loans or advance payments, nor were contingent liabilities entered into in their favour.

TOTAL REMUNERATION OF FORMER MANAGEMENT BOARD MEMBERS IN FISCAL YEAR 2014

K EUR	Non-performance related remuneration components		Performance-related remuneration components		Annual remuneration
Name	Annual fixed remuneration	Supplementary benefits	Annual bonus	Sustainability bonus	**Total**
Dr. Ing. Wolfgang Krause	11 [1)]	0	0	0 [2)]	11
Oliver Albrecht	34 [3)]	1	0	10 [3), 4), 5)]	45
Total	**45**	**1**	**0**	**10**	**56**

[1)] During the months of May to October 2013, Dr Krause received a monthly ex gratia compensation payment that did not include the sustainability bonus based on a three-year assessment period and attributable to fiscal year 2012 which was to be considered as part of the ex gratia compensation. The amount of the ex gratia compensation payment for the sustainability bonus mentioned was recalculated upon its determination and is to be paid two months after the end of the year 2014 in accordance with its due date.

[2)] The sustainability bonus based on a three-year assessment period and attributable to fiscal year 2012 will be due two months after the end of the year 2014 and amounts to € 45 thousand for Dr Wolfgang Krause.

[3)] Pro rata temporis until 28 February 2014. Mr Oliver Albrecht resigned from the Management Board effective as of 31 May 2013. His compensation will continue to be paid until his employment contract's original date of termination, i.e. until and including 28 February 2014. This also applies to the variable remuneration components attributable to this period which may become due after 28 February 2014.

[4)] The total amount of the pro rata sustainability bonus (two- and three-year assessments) at 100 per cent target attainment for fiscal year 2014 (for a detailed calculation of the sustainability bonus see the section "remuneration report – Management Board – variable remuneration components").

[5)] The sustainability bonus based on a three-year assessment period and attributable to fiscal year 2012 will be due two months after the end of the year 2014 and amounts to € 27 thousand for Mr Oliver Albrecht.
The sustainability bonus based on a two-year assessment period and attributable to fiscal year 2013 will be due two months after the end of the year 2014 and amounts to € 23 thousand for Mr Oliver Albrecht.

TOTAL REMUNERATION OF FORMER MANAGEMENT BOARD MEMBERS IN FISCAL YEAR 2013

K EUR	Non-performance related remuneration components		Performance-related remuneration components		Annual remuneration
Name	Annual fixed remuneration	Supplementary benefits	Annual bonus	Sustainability bonus	**Total**
Dr. Ing. Wolfgang Krause	159 [1)]	5	0	0 [2)]	164
Oliver Albrecht	201 [3)]	8	15	60 [3), 4), 5)]	284
Total	**360**	**13**	**15**	**60**	**448**

[1)] Of which pro rata fixed compensation in the amount of € 64 thousand until resignation on 30 April 2013, as well as ex gratia compensation totalling € 95 thousand for the months of May to October 2013, including the sustainability bonus based on a two-year assessment period and attributable to fiscal year 2012, which is to be considered as part of the ex gratia compensation.
The sustainability bonus, based on a three-year assessment period and attributable to fiscal year 2012, which is to be considered in the context of ex gratia compensation, is to be recalculated upon its determination or maturity and is to be paid in the form of ex gratia compensation.
[2)] The sustainability bonus, based on a three-year assessment period and attributable to fiscal year 2011, was due two months after the end of the year 2013 and amounts to € 55 thousand for Dr Wolfgang Krause.
The sustainability bonus, based on a two-year assessment period and attributable to fiscal year 2012, was due two months after the end of the year 2013 and amounts to € 57 thousand for Dr Wolfgang Krause.
[3)] Mr Oliver Albrecht resigned from the Management Board effective as of 31 May 2013. His compensation will continue to be paid until his employment contract's original date of termination, i.e. until and including 28 February 2014. This also applies to the variable remuneration components attributable to this period which may become due after 28 February 2014.
[4)] The total amount of the sustainability bonus (two- and three-year assessments) at 100 per cent target attainment for fiscal year 2013 (for a detailed calculation of the sustainability bonus see the section "remuneration report – Management Board – variable remuneration components").
[5)] The sustainability bonus, based on a three-year assessment period and attributable to fiscal year 2011, was due two months after the end of the year 2013 and amounts to € 28 thousand for Mr Oliver Albrecht.
The sustainability bonus, based on a two-year assessment period and attributable to fiscal year 2012, was due two months after the end of the year 2013 and amounts to € 34 thousand for Mr Oliver Albrecht.

SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined by the Annual General Meeting and is outlined in Section 14 of the Company's Articles of Association. It was newly regulated based on the decision of the Annual General Meeting of 9 May 2014, which became effective upon registration of the relevant provision of the Articles of Association in the commercial register of the Company on 12 June 2014, effective as of 1 July 2014.

The remuneration of the Supervisory Board pursuant to section 14 of the Articles of Association in the version dated 30 June 2014 provided the following provisions:

Regular members of the Supervisory Board receive fixed annual remuneration amounting to € 20 thousand. The Chairman of the Supervisory Board receives twice this sum (€ 40 thousand), and the Deputy Chairman receives one and a half times the amount (€ 30 thousand). Supervisory Board members who belong to a committee of the Supervisory Board also receive an attendance fee of € 500 for each occasion they attend a meeting of the respective committee; the Chairman of the respective committee receives twice this amount (€ 1 thousand) and the Deputy Chairman of the respective committee, if appointed, receives one and a half times this amount (€ 750). Supervisory Board members attending more than one committee meeting on a single day (including those of different committees) are granted a total of only one attendance fee for that day. Furthermore, the Company refunds the Supervisory Board members for any expenses incurred in the exercise of their Supervisory Board duties as well as any VAT payable on their remuneration and expenses.

The newly regulated Supervisory Board remuneration pursuant to Section 14 of the Articles of Association in the current version dated 1 July 2014, stipulates an increase in fixed remuneration and an adjustment in the remuneration for committee activities; the Articles of Association now includes the following provisions:

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR FISCAL YEAR 2014

K EUR	Annual fixed remuneration	Executive Committee and Audit Committee attendance fees	Total [1]
Georg Wolf Chairman of the Supervisory Board Chairman of the Executive Committee	69	2	71
Christian Brand Deputy Chairman of the Supervisor Board [3] Chairman of the Audit Committee	37	2	39
Dr. Martin Beck [2] Deputy Chairman of the Supervisor Board	11	1	12
Kirstin Hegner-Cordes [3]	18	0	18
Prof. Jörg Ernst Franke [3]	18	0	18
Dr. Hans Albrecht [2]	7	0	7
Edgar Kühn	25	1	26
Frank-Michael Meißner [3]	18	0	18
Ernst Rieber [2]	7	0	7
Total	**210**	**6**	**216**

[1] Excluding amounts reimbursed as expenses or compensation for VAT paid.
[2] Until the conclusion of the Company's Annual General Meeting on 9 May 2014.
[3] Since 9 May 2014.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD FOR FISCAL YEAR 2013

K EUR	Annual fixed remuneration	Executive Committee and Audit Committee attendance fees	Total [1]
Anton Schneider Chairman of the Supervisory Board Chairman of the Executive Committee	40	1	41
Dr. Martin Beck Deputy Chairman of the Supervisor Board	30	1	31
Dr. Hans Albrecht	20	0	20
Christian Brand Chairman of the Audit Committee	20	2	22
Edgar Kühn	20	0	20
Ernst Rieber	20	0	20
Total	**150**	**4**	**154**

[1] Excluding amounts reimbursed as expenses or compensation for VAT paid.

Regular members of the Supervisory Board receive fixed annual remuneration amounting to € 30 thousand. The Chairman of the Supervisory Board receives € 100 thousand, and the Deputy Chairman receives € 40 thousand.

Supervisory Board members who belong to a committee of the Supervisory Board also receive an attendance fee of € 500 for each occasion they attend a meeting of the respective committee; the Chairman of the respective committee receives twice this amount (€ 1 thousand). Supervisory Board members attending more than one committee meeting on a single day (including those of different committees) are granted a total of only one attendance fee for that day. In a deviation therefrom, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are not entitled to receive attendance fees for their activities in Supervisory Board committees. Rather, the annual fixed compensation of the Chairman of the Audit Committee increases to € 50 thousand; in the case of the Chairman of the Supervisory Board, activities in Supervisory Board committees are already compensated for by the annual fixed compensation.

Furthermore, as already stipulated in the previous provisions, the Company refunds the Supervisory Board members for any expenses incurred in the exercise of their Supervisory Board duties as well as any VAT payable on their remuneration and expenses.

During the year under review, no member of the Supervisory Board received remuneration or benefits for services personally rendered, particularly for any consultation or mediation services for SHW AG or its subsidiaries. Members of the Supervisory Board were not granted loans or advance payments from SHW AG during the year under review.

In the reporting year, all members of the Supervisory Board of SHW AG in office as of 31 December 2014 concurrently belonged to the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, an indirect subsidiary of SHW AG. For periods during which members of the SHW AG Supervisory Board are also members of the Schwäbische Hüttenwerke Automotive GmbH Supervisory Board, members receive an attendance fee for the Supervisory Board meetings of Schwäbische Hüttenwerke Automotive GmbH instead of the remuneration otherwise payable for their activities as members of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH. The attendance fee totals € 500 for regular members of the Supervisory Board; the Chairman of the Supervisory Board receives twice this amount, and the Deputy Chairman receives one and a half times this amount.

DECLARATION OF CORPORATE GOVERNANCE PURSUANT TO SECTION 289A HGB AND CORPORATE GOVERNANCE REPORT PURSUANT TO ITEM 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Corporate Governance pursuant to Section 289a HGB, which, in particular, includes the Declaration of Conformity according to Section 161 AktG, information on general corporate Governance practices, a description of the working methods of the Management Board and Supervisory Board, and information on the composition and working methods of their respective committees, as well as Corporate Governance Report pursuant to item 3.10 of the German Corporate Governance Code, which reports on other Corporate Governance topics at SHW, can be found in a combined document on the SHW website under **http://www.shw.de/cms/en/investor_relations/corporate_governance/cg_report_declaration_cg/**.

DISCLOSURES AND EXPLANATIONS RELATING TO TAKEOVERS REGULATIONS

This chapter contains disclosures in accordance with Sections 289 (4), 315 (4) HGB and the Management Board's explanatory report in accordance with Sections 176 (1) sent. 1 AktG.

COMPOSITION OF SUBSCRIBED CAPITAL

As of 31 December 2014, the Company's subscribed capital amounted to € 5,851,100.00, divided into 5,851,100 no-par-value bearer shares with a notional amount of share capital of € 1.00 per share. As a result of the capital increase in the amount of € 585,109.00 carried out in February 2015 and entered into the commercial register, subscribed capital now amounts to € 6,436,209.00, divided into 6,436,209 no-par-value bearer shares with a notional amount of share capital of € 1.00 per share. The shares are fully paid in. Different classes of shares do not exist. All shares confer the same rights and obligations. Each share grants one vote at the Annual General Meeting.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

Restrictions on voting rights or the transfer of shares do not exist.

INTERESTS IN CAPITAL THAT EXCEED 10 PER CENT OF THE VOTING RIGHTS

To the Company's knowledge, no shareholder held an interest in the share capital that exceeded 10 per cent of the voting rights as of 31 December 2014.

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL

Shares with special rights conferring control were not issued.

Method of exercising voting rights when employees hold shares, but do not directly exercise their control rights

There is no control of voting rights when the employees holding an interest in the share capital do not directly exercise their control rights.

LEGAL REGULATIONS AND PROVISIONS IN THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS AND ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the Articles of Association, the Management Board of SHW AG shall consist of one or more members (Section 6 (1) of the Company's Articles of Association). The Supervisory Board determines the number of Management Board members, appoints them, and dismisses them. Their appointment carries on for a maximum period of five years; a reappointment or an extension of their term is permissible for a maximum period of five years in each case (cf. in particular Section 84 (1) sent. 1 to 4 AktG).

A simple majority of votes cast by the Supervisory Board is required for appointing Management Board members; the Chairman of the Supervisory Board has the deciding vote when the vote is tied (Section 11 (7) of the Company's Articles of Association). If several persons are appointed to the Management Board, the Supervisory Board may appoint one member as the Chief Executive Officer (section 84 (2) AktG, Section 6 (2) of the Company's Articles of Association) as well as a further member of the Management Board as Deputy Chairman (Section 6 (2) of the Company's Articles of Association). If a required member of the Management Board is absent, in urgent cases, the court is to appoint a member (Section 85 (1) sent. 1 AktG) upon the request of an involved party. The Supervisory Board may revoke the appointment of a Management Board member as well as the nomination for Chief Executive Officer for good cause (cf. particularly Section 84 (3) sent. 1 and 2 AktG).

In principal, amendments to the Articles of Association must be resolved by the Annual General Meeting (Section 179 (1) sent. 1 AktG). At SHW AG, a resolution passed at the Annual General Meeting, which amends the Articles of Association, requires a simple majority of cast votes and of the share capital represented when passing the resolution (Section 179 (2) AktG in conjunction with Section 20 (2) of the Articles of Association), unless mandatory legal regulations require a larger majority. This applies in cases such as a change in the Company's object of business (Section 179 (2) sent. 2 AktG) as well as in the creation of authorised capital (Section 202 (2) sent. 2 AktG) or contingent capital (Section 193 (1) sent. 1 AktG), for which a majority of at least three-quarters of the capital represented at the passing of the resolution is required. The Supervisory Board is authorised to resolve amendments to the Articles of Association which only affect their wording (Section 179 (1) sent. 2 AktG in conjunction with Section 13 of the Company's Articles of Association).

AUTHORISATION OF THE MANAGEMENT BOARD TO ISSUE OR REPURCHASE SHARES

Previously, with the consent of the Supervisory Board, the Management Board was authorised, in accordance with Section 4 of the Company's Articles of Association, to increase the Company's share capital on one or more occasions up to a total of € 2,925,550.00 million (in words: two million, nine hundred and twenty-five thousand, five hundred and fifty euros) by issuing up to 2,925,550 (in words: two million, nine hundred and twenty-five thousand, five hundred and fifty) no-par-value bearer shares against contribution in cash and / or in kind up until and including 28 February 2016 (Authorised Capital 2011). As a result of the partial utilisation of Authorised Capital 2011 in February 2015 from the execution of a capital increase in the amount of € 585,109.00 excluding subscription rights, the remaining Authorised Capital 2011 now amounts to € 2,340,441.00 (in words: two million, three hundred and forty thousand, four hundred and forty-one euros) through the issue of 2,340,441 (in words: two million, three hundred and forty thousand, four hundred and forty-one) new no-par value bearer shares. With the consent of the Supervisory Board, the Management Board is authorised to determine the further details of capital increases from the Authorised Capital 2011, as well as their execution. The profit entitlement of the new shares may be determined other than in the manner described in Section 60 (2) AktG, which states that, in principle, shares issued in the course of the year are only entitled to a pro rata dividend for the fiscal year of issue. Alternatively, shares issued in the course of the year may be granted with a full entitlement to profits or with the profit entitlement granted as of the beginning of the following year. Generally, when issuing new shares, shareholders are entitled to a statutory subscription right that is in proportion to their interest in the share capital. Nevertheless, with the consent of the Supervisory Board, the Management Board has the authorisation to wholly or partially exclude the subscription rights in specific cases. These cases are explained in more detail in Authorised Capital 2011.

By resolution of the extraordinary Annual General Meeting of 14 June 2011, the Management Board was authorised to issue bearer and / or registered convertible bonds, bonds with warrants, participation rights and / or profit participation bonds (and combinations of these instruments), on one or several occasions, for a total nominal amount of € 125,000,000.00 (in words: one hundred and twenty-five million euros) with or without limited maturity. The Management Board also received authorisation to grant or to impose upon the holders or creditors of bonds, conversion rights or option rights for no-par-value bearer shares of the Company with a pro rata amount of the share capital of up to € 2,925,550.00 (in words: two million nine hundred and twenty-five thousand five hundred and fifty euros) in accordance with the provisions of the terms and conditions of the bond.

The bonds are to be issued in exchange for cash payment. To the extent that the raising of funds serves the Group's financing interests, the bonds may also be issued by entities controlled by the Company or by entities in which the Company has a majority interest. In this case, with the consent of the Supervisory Board, the Management Board is authorised to assume the guarantee for the bonds, give other declarations and take the actions required to make the issue successful, as well as to grant no-par-value bearer shares of the Company to holders of conversion and option rights. In principle, shareholders are entitled to a statutory subscription right to the aforementioned bonds in proportion to their interest in the share capital. However, with the consent of the Supervisory Board, the Management Board is authorised to exclude the shareholder's subscription right, in whole or in part, in specific cases that are explained in more detail in the resolution of the Annual General Meeting. The extraordinary Annual General Meeting of 14 June 2011 has created contingent capital amounting to € 2,925,550.00 (Contingent Capital 2011) to serve the aforementioned conversion and option rights and conversion obligations of the Company.

By resolution of the extraordinary Annual General Meeting of 14 June 2011, and according to Section 71 (1) no. 8 AktG, with the consent of the Supervisory Board, SHW AG is also authorised to purchase treasury shares of the Company with a notional amount of up to 10 per cent of the Company's share capital existing at the time of the authorisation until 13 June 2016. Shares repurchased under this authorisation, together with other treasury shares purchased and still possessed by the Company, may not exceed more than 10 per cent of the share capital at any time. A purchase may take place on the stock exchange or by means of a public offer to all shareholders and / or by means of a public request to submit offers for sale. Treasury shares purchased by the Company may be reissued or cancelled without requiring a further resolution of the Annual General Meeting. Upon consent of the Supervisory Board, the Management Board is authorised to exclude shareholder subscription rights, in whole or in part, when reissuing treasury shares in the specific cases that are explained in more detail in the Annual General Meeting's resolution. According to the resolution of the extraordinary Annual General Meeting of 14 June 2011, in addition to the aforementioned authorisation to purchase treasury shares in accordance with Section 71 (1) no. 8 AktG, and in addition to the methods described, it is also permissible to purchase shares of the Company through the use of derivatives.

For this purpose, with the Supervisory Board's consent, the Management Board has the authorisation to sell options which, when exercised, oblige the Company to purchase Company shares (put options). Furthermore, with the consent of the Supervisory Board, the Management Board is authorised to purchase options which grant the Company the right to purchase the Company's shares upon exercising the option (call options) as well as to purchase shares using put options, call options, and / or a combination of the two. Share purchases using put options, call options, or a combination of the two are restricted to shares amounting to a maximum of 5 per cent of the share capital existing at the time of the authorisation. The term of the options must be chosen so that when exercising the option, the subsequent purchase of Company shares does not occur after 13 June 2016.

MATERIAL COMPANY AGREEMENTS SUBJECT TO A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

A syndicated loan agreement dated 25 October 2012 was concluded for a line of credit for a total of € 60.0 million under the lead of UniCredit Bank AG. Commerzbank AG, Kreissparkasse Ostalb, SEB AG, and BW Bank are also members of the consortium. This agreement has a term of five years and runs until 30 September 2017. As part this syndicated loan agreement, an amount of up to € 30.0 million may also be used for acquisitions. The value of the working capital facility amounted to € 10.9 million as of 31 December 2014. The consortium mentioned above has also granted the SHW Group guaranteed loans totalling € 2.6 million to be charged to the credit line. The credit agreement may be terminated prematurely by the banks if a third party directly or indirectly acquires or holds more than 50 per cent of the shares or the voting rights of SHW AG. The definition of third parties for the purpose of this regulation is any purchaser who is neither SHW Holding L.P. nor an affiliated company.

Company indemnification agreements concluded with Management Board members and employees in the event of a takeover bid

There are no indemnification agreements in place for Management Board members or employees in the event of a takeover bid. However, all acting Management Board members' service contracts contain the right of Management Board members to resign and terminate their service contracts in the event a third-party purchaser carries out a squeeze out of SHW AG. Upon exercising this termination right, the Management Board member receives a severance payment amounting to two year's salary, but not exceeding the remuneration for the remaining term of the contract. For the purpose of this provision, the definition of a third-party purchaser is a purchaser that is neither SHW Holding L.P., which was the main shareholder of SHW AG until 7 November 2013, nor an affiliated company.

RISK REPORT

PRINCIPLES OF RISK MANAGEMENT

In the course of its business activities, the SHW Group encounters numerous risks and opportunities that can have a positive or negative impact on the results of operations, net assets, and financial position.

We consider these risks to be possible future developments or events that could lead to a negative forecast for the Company or cause the Company's results to deviate from the targets. In this risk report, we have divided the most important risks into three main categories: strategic and operational risks, risks relating to the compliance with standards and financial risks.

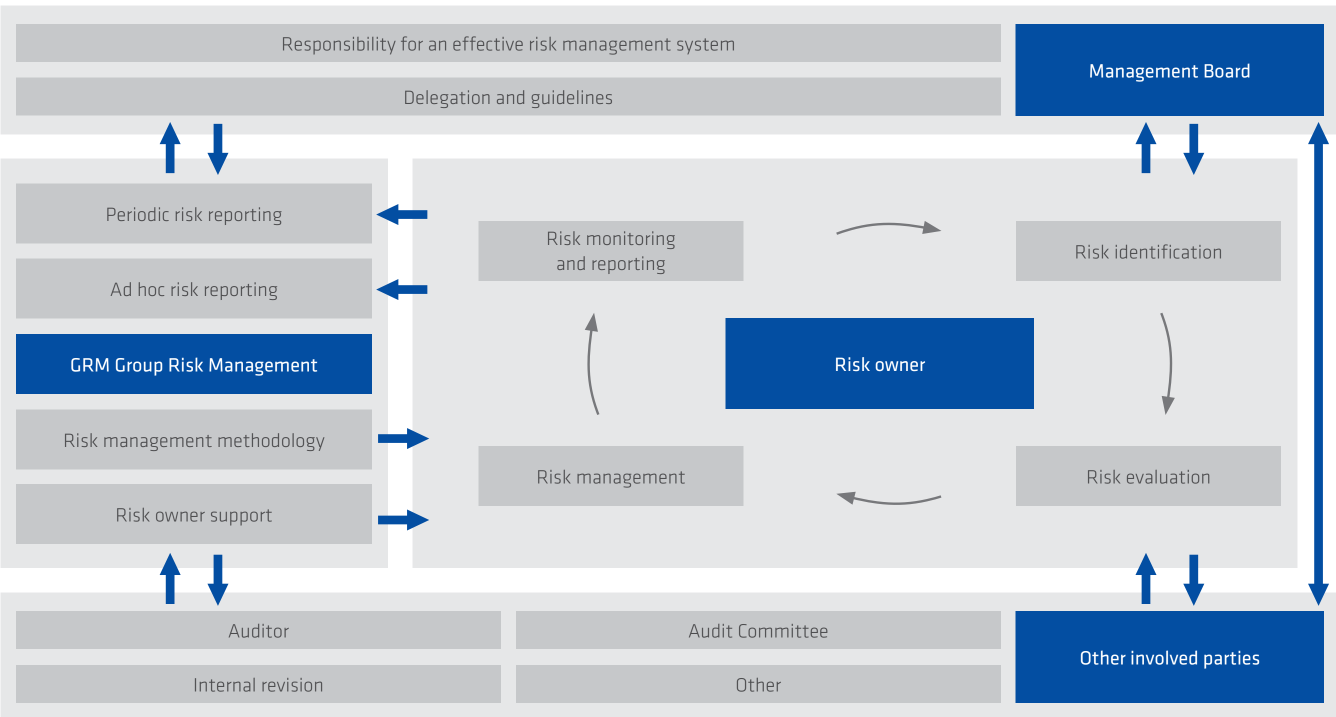
RISK MANAGEMENT ORGANISATION

The Management Board of SHW AG is responsible for risk management and for determining the principles of risk management. It decides how to deal with risks and determines the extent of risk to be borne by SHW.

The Management Board regularly reports to the Supervisory Board with regard to the key risks of the Company and on issues of risk management.

A Group risk manager is responsible for the centrally managed risk management process. The risk manager monitors all risk management activities, aggregates the risks at group level and reviews the plausibility and completeness of reported risks. He is also responsible for the risk management system's ongoing improvement. The Group risk manager reports directly to the Management Board.

THE RISK MANAGEMENT PROCESS



On the business segment and plant level, there are what are known as risk officers – typically managers below the Management Board level – who are responsible for the management and monitoring of individual risks.

To achieve the most effective risk management possible, we have implemented an integrated risk management system where risks are identified, assessed, controlled, monitored, and systematically reported. Our key objective in doing this is to safeguard the Company's value and increase it further.

GENERAL RISK MANAGEMENT PROCESS

SHW's risk management process is comprised of four steps:

- Risk identification and risk recognition
- Risk assessment
- Risk management
- Risk monitoring and risk reporting

Risk identification and risk recognition

To ensure that risks are recognised as comprehensively as possible, we have defined group-wide risk categories and risk areas as well as the persons responsible for the identification of risks (risk officers).

Risk officers must identify the risks relevant to SHW four times annually and also document these risks by means of a risk recording sheet. Material changes to risks, which are identified in the course of the year, are communicated to the Management Board via established reporting channels.

Risk assessment

The assessment of risks is carried out by the risk officer also by using the risk recording sheet. Gross and net expected values are derived for each individual risk. The first value represents the expected financial impact on earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (EBITDA) before any risk-reducing measures are taken and is multiplied by the expected probability of occurrence. The second value represents the expected financial impact following the implementation of risk-reducing measures multiplied by the expected probability of occurrence.

Risk management

Risk officers are responsible for the development and implementation of measures designed to reduce the risk in their own area of responsibility. The decision on the implementation of risk reduction measures is made either by the risk officer in coordination with the Management Board or by the Management Board. Four different approaches are used:

- Risk avoidance
- Risk reduction with the aim of minimising the financial impact or the likelihood of occurrence
- Risk transfer to a third party
- Risk acceptance

Risk monitoring and risk reporting

Each risk officer must observe the ongoing and potential risks in their area of responsibility in order to be able to respond quickly if necessary. Risk reporting comprises:

- Periodic information on the risk situation
- Ad hoc risk information

Periodic risk reporting is carried out in a two-step process. First, risk managers must report risks to central risk management on a quarterly basis; second, the Group risk management aggregates the risks reported and provides the SHW AG Management Board with a quarterly consolidated Group-wide report based on the information provided by the risk managers' data. In the event of significant changes in previously reported risks or newly identified risks, reporting also occurs on an ad hoc basis outside of the regular routine quarterly reports. This also applies if events are identified that, due to their materiality, require the prompt notification of the Management Board. The Management Board, in turn, reports quarterly to the Supervisory Board of SHW AG.

Group guidelines on risk management and the instruments used for control, are reviewed and refined at regular intervals.

Internal control and risk management system with regard to the Group accounting process – information pursuant to Section 289 (5) and Section 315 (2) no. 5 HGB with explanations

According to Section 289 (5) and Section 315 (2) no. 5 HGB, SHW AG is obliged to describe the key characteristics of the internal control and risk management system in the management report and the Group management report, particularly with regard to the accounting and Group accounting processes. In addition to the disclosures prescribed by law, the following Section also includes the relevant explanations in this regard pursuant to Section 175 (2) sent. 1 AktG.

The internal control and risk management system relevant to accounting should ensure that all events and transactions are recognised in the financial accounting in their entirety, are correctly estimated and measured and are presented in the financial reporting of SHW AG and its subsidiaries in compliance with the statutory and contractual requirements and internal guidelines. This requires Group-wide compliance with statutory and internal Company guidelines.

The Management Board organises the scope and focus of the system implemented by applying the specific requirements of SHW AG. These are reviewed regularly and updated if necessary. However, it should be noted that despite appropriate and functional systems, full assurance of the identification and management of risks cannot be guaranteed.

The accounting processes within the SHW Group are almost completely centralised at its headquarters in Aalen. This facilitates the use of standardised and uniform processes and the use of standardised systems in financial accounting.

The accounting department prepares the consolidated financial statements for the SHW Group as well as the financial statements for all Group companies with the exception of the financial statements of SHW do Brasil Ltda., Brazil, and SHW Pumps & Engine Components Inc., Canada, which are prepared locally, and reports consolidated financial information to the Management Board on a monthly basis. More complex issues that have an impact on accounting are evaluated with the support of external advisors when necessary. In addition, the four-eye principle is applied to all accounting processes.

The controlling department routinely reviews the completeness and accuracy of the information contained in the financial statements and well as possible deviations from the business plan and presents results to the Management Board by means of a standardised report on a monthly basis.

SHW AG already possesses a suitable system of various internal guidelines that covers compliance issues, authorisation concepts for orders and the conclusion of contracts, as well as signatory powers and internal accounting guidelines.

The internal accounting guidelines contain control systems such as a Group-wide unified reporting system for consolidation purposes which is aimed at ensuring uniform financial statements within the SHW Group. These guidelines are continually updated. As part of its monitoring activities, the Supervisory Board is also regularly involved in major issues pertaining to accounting and the internal control and risk management systems based thereon.

STRATEGIC AND OPERATIONAL RISKS

Economic and industry risks

As a supplier to the automotive industry, the business development of the SHW Group is directly and largely dependent upon the production of new vehicles. The industry experts at PwC Autofacts currently expect further growth in the global production of light vehicles in the year 2015 (see “Industry and macroeconomic outlook”). The highest growth is expected to be seen in the emerging markets in the Asia-Pacific region (including China).

Currently, the Pumps & Engine Components business segment is greatly dependent on the production of vehicles, engines and transmissions in Europe and on the export activities to North America and China of its customers. A renewed escalation of the sovereign debt crisis could have a particularly negative impact on the purchasing behaviour of consumers and consequently affect the growth prospects of this business segment. In addition, various automotive manufacturers intend to significantly expand their vehicle, engine and transmission production, especially in countries such as China and Brazil, as well as in the USA and Mexico. In both cases, there is the risk that the installed production capacity of the Pumps & Engine Component business segment at both of the German locations would not be optimally utilised.

To reduce this risk, the Company is emphatically focused on the expansion of its pumps and engine components business in Brazil, North America and China.

Due to its current structure, the Brake Discs business segment is heavily dependent on the vehicle production of its customers in Europe. A renewed escalation of the sovereign debt crisis could have a particularly negative impact on the purchasing behaviour of consumers and consequently affect the growth prospects of this business segment. In this case, there is the risk that the installed production capacity of the Brake Discs business segment at both of the German locations would not be optimally utilised.

To mitigate this risk while avoiding high investments in new foundry capacity, the Company is vigorously expanding its brake disc business in China and North America through joint ventures. Therefore, in early 2015, SHW concluded a joint venture agreement with Shandong Longji Machinery Co., Ltd. SHW has reached its first, capital-efficient and profitable milestone in the internationalisation of its Brake Disc business. Until production begins for the first customer orders for processed brake discs, the joint venture will initially produce unprocessed brake discs currently manufactured by Shandong Longji for the spare parts market in the foundry acquired through the Chinese joint venture partner. This guarantees that the foundry will operate at a consistently high level of utilisation and generate positive results from the very start.

Despite this, the SHW Group is prepared for a sudden drop in vehicle production similar to that seen in 2009. Similar to what was successfully carried out in the years 2008 and 2009, the Company would respond through appropriate measures for cost adaptation along the entire value chain in order to secure the financial and earnings positions of the Group.

In summary, based on our current knowledge, we believe it is very unlikely that there will be a significant decline in passenger car production figures in the three key automobile markets China, North America and Europe in 2015.

Risks from the increasing electrification of new pump generations

As a result of the ambitious CO_2 targets, a clear trend has emerged to power engine and transmission oil pumps electrically in order to realise functions such as start-stop and sailing (e.g. for automatic and dual-clutch transmission systems). In addition, the trend towards electrically driven pumps for higher performance classes (e.g. engine oil pumps) will decidedly continue and will be supported by 48V wiring systems as well as the increased use of synthetic materials. Due to the trend towards mechatronic systems, the SHW Group is exposed to the risk of losing its previous competitive advantage as a specialist for mechanical components and systems.

The Company is taking this risk into account by building internal resources in product development and through collaborations planned with other companies.

Risks of alternative drive technologies

SHW's customers continuously find themselves confronted with ever more challenging CO_2 limits for their vehicle fleets. The trend is moving in the direction of more powerful engines and, at the same time, engines that are more fuel-efficient and emit fewer emissions, such as hybrid and electric vehicles. SHW's future success therefore depends above all on its ability to develop new and improved CO_2-relevant vehicle components for all drive technologies and bring them to market on a timely basis.

The SHW Group has recognised the future importance of hybrid vehicles at an early stage and in the year 2008 delivered the electric auxiliary pump for the first European hybrid vehicle. This technology is now finding wide application in the start-stop function of vehicles with automatic transmissions.

Industry consolidation and competitive risks

The SHW Group is faced with risks from continued industry consolidation in the area of engine and transmission components. As a result of the acquisition in October 2012 of the German ixetic GmbH by Magna Powertrain, a financially strong competitor with a broad product portfolio emerged in Europe. With the acquisition of the German geräte- und Pumpenbau GmbH Dr Eugen Schmidt (GPM) by the Japanese NIDEC Corporation in December 2014 and completed on 2 February 2015, a competitor emerged that has expertise in the fields of mechanical components and electric drives/electronics all under one roof. A perpetually intense competitive environment in Europe – currently SHW's most important vehicle market – could jeopardise capital-efficient growth.

To reduce this risk, SHW is striving to gain a broader foothold through internationalisation and collaborations (extending the value-added chain). In this regard, acquisitions are considered.

Risks when entering new markets through own subsidiaries

SHW plans to advance the internationalisation of its business activities in the Pumps & Engine Components business segment using its wholly-owned subsidiaries in Brazil, North America and China. In doing so, SHW expects to be exposed to a number of risks. For one, there is the risk that the Company will not be considered for new projects or not to a sufficient extent. Second, the start-up costs can differ from the budgeted figures, both in terms of time and amount.

In order to limit the associated risks, we only make capital expenditures or employ specialised personnel when a concrete order has been received.

Risks when entering new markets through joint ventures

SHW intends to advance the internationalisation of its Brake Discs business segment activities by using joint ventures in China and North America. In January 2015, negotiations were successfully completed with Shandong Longji Machinery Co., Ltd. to form a joint venture to provide brake discs to the Asian market. In doing so, SHW expects to be exposed to a number of risks. These risks include mainly competition regulations, a high degree of coordination effort, the drainage of know-how and the customary intercultural problems. In addition, joint ventures have a tendency to become unstable. This is reflected by their often limited lifetimes.

With the help of specialised law firms, SHW has negotiated comprehensive contracts that deal with the (possible) dissolution of the joint venture in addition to voting rights, responsibilities and control mechanisms. To protect the advantage of our know-how in the field of composite brake discs, the joint venture will initially focus only on monobloc ventilated quality brake discs for the original equipment business. In addition, SHW has management responsibility for sales, development, quality assurance and finance.

Risks from new product launches

SHW is exposed to risks associated with new product launches. There is a risk that delays, quality problems, or increased start-up costs will occur and that the budgeted production costs will be exceeded.

To keep these risks under control, close cooperation and coordination between the relevant SHW departments (especially those of production, purchasing, sales, quality assurance, and development) and the relevant departments of the customers and suppliers takes place in the start-up phase.

Customer risks

Customer risks arise from the SHW's dependence on key customers (key accounts), which are in a position to exert their bargaining power. This could lead to considerable pressure on margins. These risks arise not only because of the relative size of our major customers, but also due to the relatively limited ability to influence their business.

In the past financial year, the SHW Group generated more than 10 per cent of Group sales with two customers. In the previous year, based on like-for-like Group sales, three customers accounted for more than 10 per cent of Group sales. The share of sales generated by SHW's largest customer increased from 39.7 per cent to 41.4 per cent. To minimise these risks, SHW strives to ensure a balanced sales distribution. In this respect, not only is the acquisition of new customers on the agenda, but also the development of new markets (North and South America, China) and application areas, as well as acquisitions and cooperations. An important related milestone was our nomination as the series supplier of variable engine oil pumps by a US car manufacturer for a global engine platform.

In summary, we can state that with our present state of knowledge and based on the existing, predominantly long-running orders and long-standing client relationships, both a complete or partial loss of one of our key customers is unlikely in the next few years. This is particularly true since SHW provides a large number of various products for a variety of engines, transmissions, and vehicle types for each individual customer.

Risk of rising input costs

To produce pumps and engine components, as well as brake discs, the SHW Group obtains iron scrap, raw aluminium, steel powder and coke from raw material suppliers. Historically, iron, aluminium, and coke prices have been subject to sharp price fluctuations. In many instances, the SHW Group has agreements with the automobile manufacturers it supplies in which the selling prices of products are adjusted to the short- and medium-term fluctuations in commodity prices for raw aluminium, aluminium powder, steel powder and iron scrap on a monthly, quarterly, or half-yearly basis. In these cases, what is known as "metal surcharges" are imposed by the automotive manufacturers we supply in addition to the selling prices agreed on by the SHW Group. To deal with the price fluctuation of coke, SHW and a number of customers have concluded agreements for an energy surcharge that is renegotiated periodically and adjusted for changes in price levels.

After material costs, personnel costs represent the second-largest cost block within the SHW Group. If the increases in salaries in the forthcoming collective wage negotiations are significantly higher than the productivity gains, this could weaken the relative competitiveness of SHW AG and have a negative impact on the achievement of its earnings targets.

If in the near term, contrary to our expectations, the scheduled call order volumes of our customers are scaled back significantly and result in deviations from our sales budget, this would then cause an increase in our personnel cost ratio and to a certain extent have a negative impact on earnings.

In order to be able to respond easily to peaks in demand, SHW uses its ability to employ fixed-term contract workers and temporary employees in the context of capacity management. A further rise in labour costs represents a significant risk factor for the profitability of the SHW Group overall that will need to be offset with efficiency measures – especially in the production area. The planned sales increases combined with a proportionally lower increase in the number of employees should keep any increases in the personnel expense ratio within limits.

Risks from an unforeseen rise in customer call orders

SHW is exposed to risks associated with unforeseen increases in customer call orders beyond the maximum limits agreed to contractually. This can lead to significant problems throughout the entire supply chain and substantial additional burdens. SHW makes an effort to receive compensation for the resulting additional costs.

Risks related to EEG apportionment

With effect from 1 August 2014, the German Renewable Energies Act (EEG 2014) came into force. This significantly reduced the risks to the Brake Discs business segment from legal developments in the EEG apportionment compared to the previous year. The SHW Group does not currently see any material risks connected the EEG apportionment.

Supplier risks

The SHW Group is reliant on its suppliers for the timely delivery of raw materials and for the components necessary for production. A delayed delivery would have a significant effect on the SHW Group's business operations.

SHW has maintained long-term relationships with the majority of its suppliers. SHW contends with the potential risks arising from delayed deliveries or the loss of key suppliers with regular on-site reviews, which include an assessment of creditworthiness. At the same time, SHW maintains close contact and business relationships with alternative suppliers worldwide for essential purchased items.

Through the use of a modern enterprise resource planning system, the SHW Group has created the conditions required for ensuring that the necessary materials are available on time and in sufficient quantity. To further improve the supply chain, a new logistics centre was made available at the location in Bad Schussenried in the spring of 2013.

IT risks

On 1 January 2013, the SHW Group introduced SAP as its new ERP enterprise software at all of its German locations. Throughout the entire last year, intensive training was carried out and will continue to be carried out in the current fiscal year as needed. Overall, the Company sees a low likelihood of further charges.

RISKS RELATED TO COMPLIANCE WITH STANDARDS

Risks of product liability

Despite extensive quality control, components produced by the SHW Group may still turn out to have defects. Defective products can also cause damage to the end customers of the automotive manufacturers, which can also lead to damages and product liability claims from these end customers.

Defective or potentially defective products may also force the SHW Group to be required to carry out recalls, or alternatively, the Group's customers may be required to carry out these types of measures.

We have the appropriate quality assurance systems to prevent and reduce these risks. The SHW Group is insured to the extent customary in the market taking into account an appropriate deductible against claims for damages due to defective products. In some cases, the SHW Group's customers in Germany have declared warranty or liability claims arising from alleged faulty deliveries from SHW Automotive GmbH. These claims were reported to the SHW Group's insurance provider. The SHW Group and the insurers are currently reviewing the merits of some of these claims and their coverage by insurance policies. The SHW Group has recognised provisions with regard to some of these cases. There are currently no pending legal proceedings with customers.

Environmental risks

The SHW Group's facilities are subject to a variety of environmental regulations that stipulate the emission limits and standards for the treatment, storage, and disposal of waste and hazardous materials. The Group's foundry at the Tuttlingen- Ludwigstal location is particularly subject to a number of such environmental legal constraints. Compliance with these environmental regulations and compliance with the constraints under the authorisations required for operation create operating costs and require continued investment. Failure to comply with environmental regulations may result in civil, criminal or public law consequences, especially in fines and claims for damages due to property damage, personal injury, or due to the temporary or permanent suspension of operations.

FINANCING RISKS

Risks of default

During calendar year 2014, the continued growth momentum in the international vehicle markets resulted in a further earnings improvement of the Group's globally active customers. Customers with a strong dependence on the southern countries of the European Union experienced a sequential improvement in operating earnings. There was no further increase in the risk of default with those customers. Payment terms and debt limits are adjusted and regularly monitored, when required. On the supplier side, the economic situation on average has not seen much of an improvement. As a result of our multi-supplier strategy, we currently see little risk of having to offer financial support to one of our suppliers.

Currency risks

Currently, the SHW Group is not subject to any serious currency risk since nearly all costs and sales are predominantly invoiced in euros in virtually all input factor and product markets. With the initiation of deliveries to customers in Brazil (Pumps & Engine Components business segment) at the end of the second quarter of 2014, no additional transaction risk for the Group arose since sales and costs are incurred in local currency. Translation risk will initially come mainly from the exchange rate of the euro against the Brazilian real.

SHW Automotive GmbH, as a shareholder of Longji Brake Discs (LongKou) Co., Ltd., has a contribution obligation in the amount of RMB 109.9 million denominated in foreign currency stemming from the conclusion of the joint venture agreement (Pumps & Engine Component business segment) in January 2015.

Financing risks

With an equity ratio of 40.3 per cent and net financial liabilities of € 14.4 million as of 31 December 2014, as well as sufficiently available credit lines, the SHW Group's financial profile can be described as being very solid. This equity ratio continued to improve following the capital increase on 18 February 2015.

For a refinancing loan, there is a loan agreement for € 60 million with a term until 30 September 2017 between a number of companies in the SHW Group and various banks. Up to € 30 million of this amount can be used for corporate acquisitions. As part of this credit agreement, companies of the SHW Group have pledged to comply with certain corporate ratios ("financial covenants"). In fiscal year 2014, the Company complied with the target values of both ratios – the economic equity ratio and the leverage ratio.

The SHW Group may also draw on other debt and equity instruments. These include the assumption of additional loans of up to € 15 million and additional debt from the capital market of up to € 20 million. After the 10 per cent capital increase on 18 February 2015, additional general resolutions expiring on 26 February 2016 are available for 40 per cent of the subscribed capital, equivalent to 2,340,441 shares for acquisition opportunities.

Overall, the financing of the Group's planned organic growth and growth through acquisitions is secured.

Interest rate and tax risks

Changes in market interest rates affect future interest payments on floating rate liabilities. Significant interest rate increases are likely to affect the profitability, liquidity, and financial position of the SHW Group.

In order to reduce the interest rate risk and to assure financial flexibility, SHW aims to continue to finance investments mainly from its cash flow from operating activities. In 2014, the interest rates in the euro area remained very low. The European Central Bank announced its plans to continue this low interest rate policy. Therefore, we do not expect any meaningful increases in interest rates in the near future.

There are additional risks associated with the current tax audit for the assessment periods from 2008 to 2011. These risks are processed according to the best estimate as of the balance sheet date in the 2014 annual financial statements.

Impairment risks (goodwill impairment)

A portion of the SHW Group's assets consists of intangible assets, including goodwill. As of 31 December 2014, the Group's goodwill reported in the balance sheet amounted to € 7.1 million. Of this amount, € 4.2 million was attributable to the Pumps and Engine Components business segment and € 2.8 million was attributable to the Brake Discs business segment. The goodwill impairment test as of 31 December 2014 was based on the planning for the years 2015–2018 and took into account assumptions on the future development.

Although the goodwill on 31 December 2014 was assessed as recoverable, it cannot be ruled out that impairment may be required at a future reporting date.

The risk profile of the SHW Group has expanded in comparison to fiscal year 2013 due to the unexpectedly high customer call orders in the Pumps and Engine Component business segment.

Key risks in fiscal year 2015

We believe the key risks in the current fiscal year are related to the subjects of new product launches, suppliers and product liability.

Risk category	Probability of occurrence	Expected value (net)
New product launches	< 30 per cent	< € 1 m
Product liability risks	< 30 per cent	< € 1 m
Supplier risks	< 30 per cent	< € 2,5 m

The increased risks associated with product liability result from a claim for damages filed by a customer against SHW. SHW has rejected the claim from the customer and reported the case to the insurance company. Moreover, SHW has filed a claim for recourse against the relevant suppliers. With regard to omitting the EEG risk as a material risk, we refer to our explanations in the chapter "Risks related to EEG apportionment".

OVERALL RISK ASSESSMENT

From a current perspective, we judge the overall risk position of the Group to be well manageable. We have not identified any risks that could permanently weaken the earnings, net assets or financial situation either individually or in conjunction with other risks. Risks that could jeopardise the continued existence of the Group are also not apparent. As of 31 December 2014, there were no legal proceedings pending to a material degree.

To the extent that there are no differences in the descriptions of risks, the risks presented do not relate in a specific manner to any individual business segments.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2015, SHW Automotive GmbH, a subsidiary of SHW AG, and Shandong Longji Machinery Co., Ltd. signed an agreement to form a joint venture for brake discs for the Asian market. The Sino-Foreign Equity Joint Venture will operate under the name SHW Longji Brake Discs (LongKou) Co., Ltd. SHW Automotive GmbH will be the majority shareholder holding a 51 per cent interest in the Company's share capital of RMB 215.5 million (Renminbi) and Shandong Longji will hold an interest of 49 per cent. The joint venture is headquartered in the eastern Chinese city of LongKou (Shandong province).

Shandong Longji will contribute an already existing foundry in LongKou with annual capacity for approximately 4 million raw brake discs and related machinery and equipment and land use rights to the joint venture. SHW will make a cash contribution in the amount of RMB 109.9 million.

The Company will focus on the development and production of processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Until production begins for the first customer orders for processed brake discs, the joint venture will initially produce unprocessed brake discs currently manufactured by Shandong Longji for the spare parts market in the foundry cacquired through the Chinese joint venture partner. This guarantees that the foundry will operate at a consistently high level of utilisation and generate positive results from the very start.

On 18 February 2015, SHW AG issued 585,109 new no-par-value bearer shares from the capital increase against contribution in cash concluded on 17 February 2015. The new shares were placed by way of an accelerated book-building process at a price of €42.00 per share as part of a private placement with institutional investors.

The issue of 585,109 new shares has been carried out in the context of a capital increase from authorised capital. The capital increase resulted in a rise in the Company's share capital from € 5,851,100.00 to € 6,436,209.00. The subscription rights of shareholders have been excluded. The new shares will carry full dividend entitlement as of 1 January 2014.

SHW AG received approximately € 24.6 million as a result of the capital increase. SHW AG will use the proceeds from the capital increase above all for an expansion in its capacity to accommodate a recently won series delivery contract from a leading US OEM for a global engine platform and to accelerate SHW's international growth. The respective pumps will be produced in North America, China and Europe and will secure the SHW Group's international growth far into the next decade. SHW AG is also currently in discussions for a further joint ventures, for example, for the Brake Discs business segment and is currently assessing its options to expand the production of the Pumps and Engine Components business segment in low-wage countries in Europe.

REPORT ON OPPORTUNITIES AND OUTLOOK

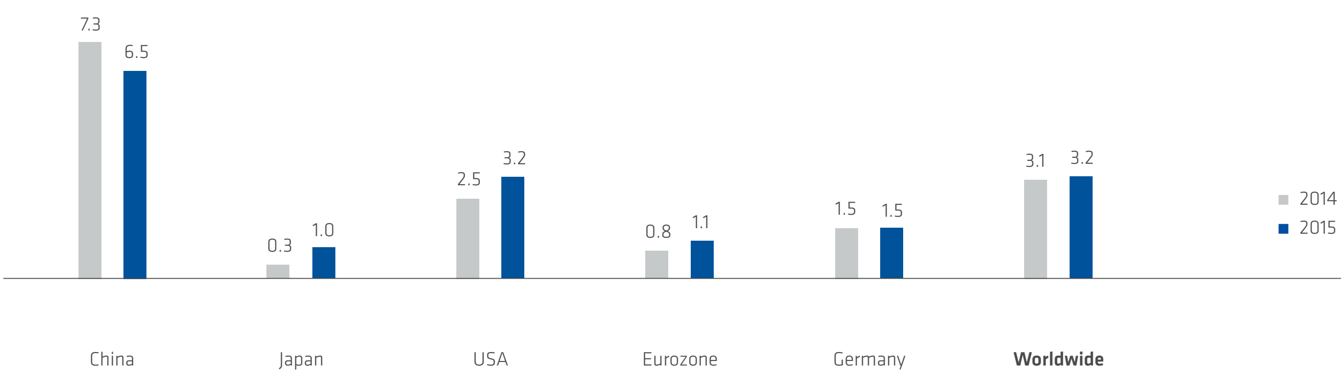
INDUSTRY AND MACROECONOMIC OUTLOOK

Global economy with handbrake applied

Despite the ongoing conflict between Russia and the Ukraine and the armed conflicts in Iraq and Syria, the economists at Commerzbank assume that growth momentum will prevail and will generally lead to a global economic growth of 3.2 per cent. This growth will mainly be driven by advanced economies while the pace of expansion in the emerging markets, although still relatively high, will slow down further in the current year. The declining growth momentum in China will have the strongest impact.

According to the economists at Commerzbank, the euro area will experience a recovery in economic performance in the current year, but a strong upturn is still not in sight. The economic experts now expect growth of 1.1 per cent for the year on average (status: Feb-

GDP GROWTH BY REGION in %



Source: Global Insight, Commerzbank Research ruary 2015). Countries bringing up the rear continue to be Italy (GDP: 0.1 per cent), France (0.7 per cent) and the Netherlands (1.2 per cent). These countries have gradually lost cost competitiveness due to the above-average growth of their unit labour costs. In contrast, Ireland (GDP: 3.5 per cent), Spain (GDP: 2.3 per cent), Greece (GDP: +2.0 per cent) and Portugal (GDP: 1.5 per cent) have improved their competitiveness since the outbreak of the global financial crisis through a strong decline in their unit labour costs and are now back on a growth path.

For the German economy, the analysts at Commerzbank expect annual average GDP growth of 1.5 per cent (previous year 1.5 per cent). The main growth driver is the export economy which is benefiting from a weaker euro.

In the USA, the overall positive environment is expected to be reflected in an acceleration in growth to 3.2 per cent (previous year 2.5 per cent). The deleveraging of households is largely completed and construction activity is proving to be the pillar of the economy following a normalisation in the inventory of unsold homes and as a result of improvement in the conditions on the labour market.

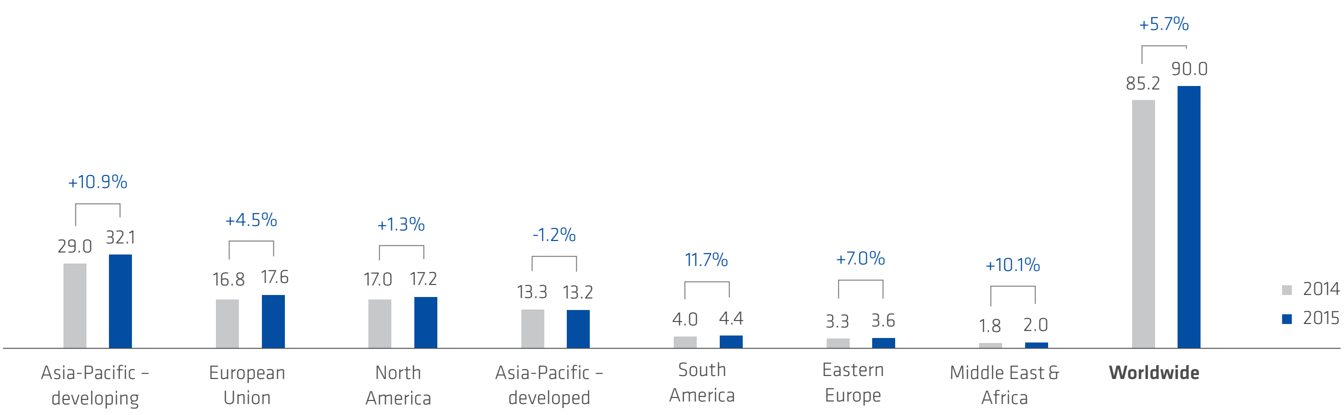
For China, the economic experts at Commerzbank expect a further slow-down in economic output to 6.5 per cent in 2015 (previous year 7.3 per cent). The biggest load factor is the weak housing market. This not only slows down residential investment, but also negatively affects land sales and thus the income of local authorities.

Despite existing risks, the economic outlook and rising disposable incomes in many emerging markets provide a solid basis for a continued upturn in the global automotive business in 2015.

Automotive production continues growth path

Industry experts from PwC Autofacts expect 2015 to see an increase in global light vehicle production (vehicles <6 t) of 5.7 per cent to 90.0 million vehicles. This growth will be supported by production increases in the emerging countries of the Asia-Pacific region, with China providing the lion's share. In North America, the production numbers will continue to stabilise after their unexpected strong increase experienced in the previous year. A recovery in production figures in the South American region following their collapse in the

LIGHT VEHICLE PRODUCTION BY REGION in million units



Source: PwC Autofacts January 2015

previous year should lead to a rise in production of 11.7 per cent to 4.4 million vehicles. A further improvement in domestic demand in the European Union should provide the basis necessary for a 4.5 per cent increase, which means the year 2015 could become another relatively good year for the European car manufacturers.

For the production location of Germany, the PwC automotive experts are forecasting a slight 2.6 per cent increase in production volume in 2015 to about 6.1 million units. New product launches should also contribute to SHW growing faster than the underlying automobile market again in 2015.

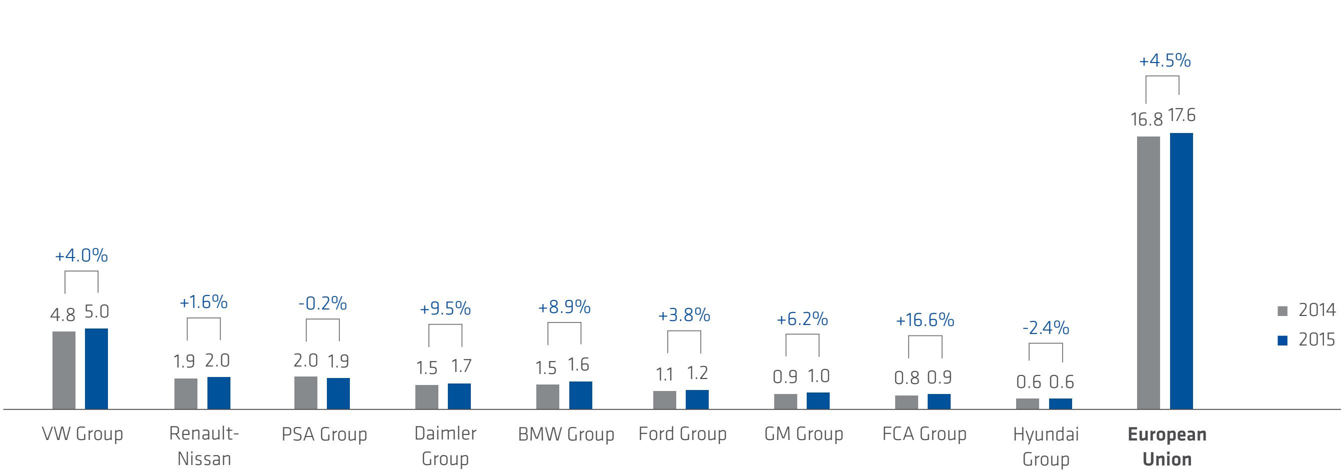
GROUP OUTLOOK

The continued favourable conditions provide a solid basis for continuing the sustainable growth course during the coming year.

Revenue growth projected to be in the high single-digit percentage range

Under the assumption that the order situation will remain stable, SHW expects Group sales in fiscal year 2015 to be in the order of € 460 million. These expectations do not include the effects of the brake disc joint venture SHW Longji Brake Discs (LongKou). Sales in the Pumps and Engine Components business segment are expected to be approximately € 360 million based on further product launches and a shift in the product mix towards more complex pumps. With the start of the major order for composite brake discs for a European car manufacturer, the goal for the Brake Discs business segment is to significantly increase the proportion of higher-value composite brake discs and thus achieve sales of approximately € 100 million.

LIGHT VEHICLE PRODUCTION EUROPE BY OEM in million units



Source: PwC Autofacts January 2015

EBITDA expected to improve in the course of further revenue growth

In fiscal year 2015, the Management Board's focus will be mainly on the steady implementation of the themes and measures to improve efficiency that have been fully identified. In achieving the sales growth planned, the Company expects to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the order of € 46 million to € 50 million in 2015. Earnings improvements should come mainly from:

a) A sales increase of composite brakes by almost two thirds
b) Additional sales contributions from pumps and engine components
c) A turnaround in the Powder Metallurgy division
d) The realisation of economies of scale after completing the adaption of the internal structures

In the event of the full consolidation of the brake discs joint venture SHW Longji Brake Discs (Longkou), we would expect a slight increase in the forecast for group sales and adjusted group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA).

Targeted working capital ratio of a sustainable 11 per cent

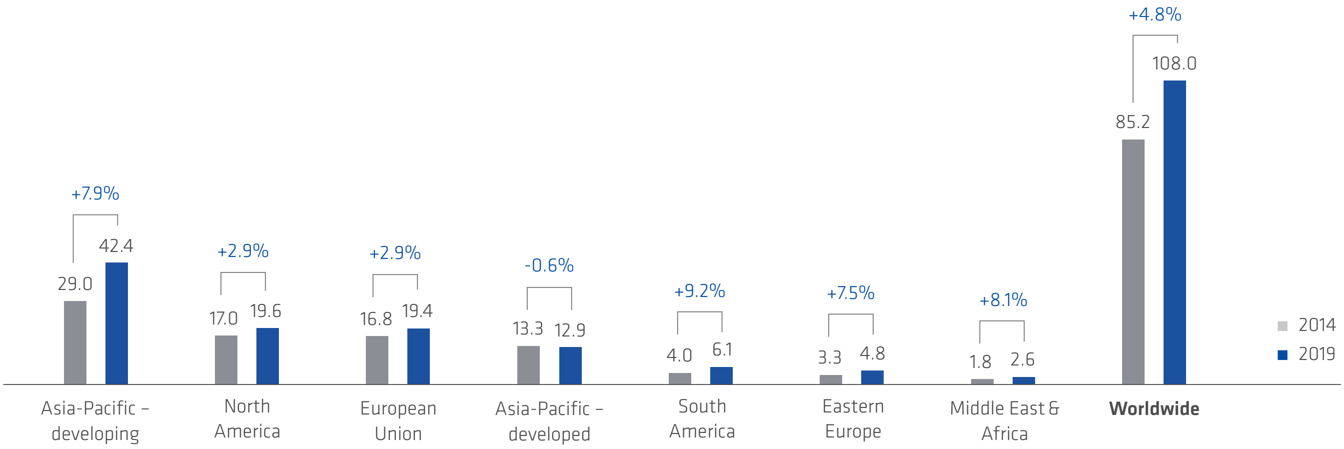
Another topic of focus for the Management Board in fiscal year 2015 will be the optimisation of working capital. The aim is to achieve a sustainable working capital ratio, i.e. the ratio of net working capital to sales, of 11 per cent on a monthly basis.

Slight decline in investments in 2015, depreciation / amortisation to exceed previous year's level

The Company plans to make investments in tangible assets of an estimated € 30 million to € 33 million in fiscal year 2015. This is due to a number of new product launches and higher replacement investments at its location in Aalen-Wasseralfingen.

The high level of investments in recent years will be reflected in a renewed rise in depreciation and amortisation to approximately € 22 million.

LIGHT VEHICLE PRODUCTION 2014–2019 (CAGR) in million units



Source: PwC Autofacts January 2015

Dividend policy: sustainable payout ratio of 30 to 40 per cent

The SHW Group pursues a sustainable, results-oriented dividend policy. The Company plans to continue to payout 30 per cent to 40 per cent of its reported net income for the year as dividends to the Company's shareholders in the future – taking into account any legal restrictions and in consideration of the financing needs of the SHW Group. Based on the Company's sound balance sheet structure and positive business outlook, the Management Board and the Supervisory Board have resolved to propose a stable dividend of € 1.00 per share to the Annual General Meeting in Heidenheim on 12 May 2015, despite the decline in the net income for the year of 20.3 per cent to € 10.7 million.

OPPORTUNITIES

Principles for managing opportunities

We consider the term "opportunities" to mean possible future developments or events that can lead to a positive forecast for the Company or the chance to exceed the existing targets. Our opportunity management is essentially formed on the basis of the goals and strategies of the two business segments of Pumps and Engine Components as well as Brake Discs. Direct responsibility for the early and regular identification and analysis of opportunities rests with the operational management of the business segments. Opportunity management is an integral part of the group-wide planning and control systems at SHW. In this context, a thorough examination is done on the subjects of markets and competition, relevant cost items, and key success factors. This leads to the formation and definition of concrete business segment-specific targets.

An important role in opportunity management is played by the development and sales departments. They are constantly searching for ways to optimise the existing pumps, engine components, and brake discs as well as trying to find new applications and market opportunities. Opportunities also often arise from product innovations that result during the development of new, more efficient and lower emission engine generations. This is the reason SHW tries to become involved in the vehicle manufacturer's development process as early as possible.

The following describes the principal opportunities.

Group-wide opportunities

Considerable effort will be required to achieve the 2021 emission target

In recent years, manufacturers of passenger cars have made some significant progress in the direction of meeting the CO_2 limit of 130 g/km, which is targeted for the year 2015.

Nevertheless, further significant efforts will be necessary in order to reach the 2021 emission target of 95 g/km set by the European Commission.

The automotive industry has several means at its disposal to achieve this target value. Efforts will be focused on optimising the traditional combustion engines and reducing vehicle weight. In addition, significant funds will be invested in the development of hybrid and electric vehicles.

SHW AG's pumps, engine components and brake discs enable the Company to make a significant contribution to reducing fuel consumption and, in turn, to lowering CO_2 emissions. With SHW's core products – camshaft phasers, variable oil pumps and electric auxiliary pumps for start-stop systems, the Company succeeds in reducing CO_2 emissions by more than 10 per cent.

With its composite brake discs, the Brake Discs business segment also makes a contribution to reducing CO_2 emissions. Here the weight savings amount to 2 kg per brake disc, or 8 kg per vehicle.

Based on its innovative product portfolio and existing orders, SHW is well positioned to continue growing faster than the underlying vehicle market in the future.

In addition to organic growth, the ongoing consolidation process in the area of engine and transmission components offers an additional growth opportunity. SHW is financially well positioned to enhance its market position in selected business areas and regions.

Opportunities in the business segments

During the period of 2014 to 2019, industry experts at PwC Autofacts expect the production of light vehicles in the emerging countries of the Asia-Pacific region (including China) and in the region of South America to achieve an average annual growth rate (CAGR) of 7.9 per cent and 9.2 per cent, respectively.

To participate in this expected growth, SHW has established two wholly-owned subsidiaries for the production of oil pumps in China and Brazil. In Brazil, engine oil pumps have been delivered to a US automotive manufacturer since July 2014.

In January 2015, SHW was nominated by a US car manufacturer for a global engine platform as a series supplier of variable engine oil pumps. SHW was able to prevail against strong international competition. The respective pumps are to be produced in Europe, North America and China. According to the current plans, the start of production (SOP) in Europe and North America is scheduled for the year 2018 and is planned for the year 2019 in China.

Preparations will now be actively made after receving the first large series contract. The decision on the future production location for large series production will be based on these reviews. In particular, we are considering the southern United States and Mexico as potential sites. Both target regions provide a solid infrastructure, relatively low wages and investment subsidies.

The Chinese subsidiary is presently in final discussions with a Chinese automobile manufacturer to be selected for the delivery of an electric auxiliary pump for the start-stop function and a transmission oil pump for a dual-clutch transmission. In the second half of 2015, the production of variable engine oil pumps for a European car manufacturer is scheduled to begin following the successful relocation of our production activities from Bad Schussenried to Kunshan.

By the year 2020, SHW wants to achieve annual sales of € 100 million each in North and South America and the Asia-Pacific region.

As a result of the ambitious CO_2 targets, a clear trend has emerged to power engine and transmission oil pumps electrically in order to realise functions such as start-stop sailing (e.g. for automatic and dual-clutch transmission systems). In addition, the trend towards electrically driven pumps for higher performance classes (e.g. engine oil pumps) will decidedly continue and be supported by 48V wiring systems as well as the increased use of synthetic materials. SHW is addressing this by building internal resources in product development and through collaborations with other companies.

In the field of composite brake discs, SHW is the technological leader and the market leader by a considerable distance. This year, SHW will begin delivering the first composite brake discs for the premium class vehicles of a renowned German automotive manufacturer as part of a large series contract. With further automation of the production process, the Company is aiming for a significant reduction in production costs so that it may also be in a position to submit competitive bids for vehicles in the upper-middle- and middle-class segments. We will forge ahead with the internationalisation of our business activities through joint ventures. Next to China, the NAFTA region represents a further interesting target market.

Thanks to the Company's innovative product portfolio, its market position and financial strength, it is confident that it can realise the opportunities that present themselves and successfully master the challenges that come from the risks described.

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS

During the current fiscal year, if material changes in the economic environment do not occur, the Management Board of SHW AG expects a moderate rise in sales along with an improvement in operating earnings. The Management Board will pay particular attention to the themes of operational excellence and internationalisation in the fiscal year 2015.

Aalen, 10 March 2015

Dr.-Ing. Thomas Buchholz	Sascha Rosengart	Andreas Rydzewski
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF 31 DECEMBER 2014

ASSETS			
K EUR	Note	**31 Dec 2014**	31 Dec 2013
Goodwill	(1)	7,055	7,055
Other intangible assets	(1)	13,008	14,205
Tangible assets (property, plant and equipment)	(1)	92,346	74,781
Deferred tax assets	(18)	4,795	2,988
Other financial assets	(2)	910	659
Other assets (non-current)	(2)	900	0
Non-current assets		119,014	99,688
Inventories	(3)	42,380	39,192
Trade receivables *)	(4)	44,656	40,583
Other assets	(5)	3,147	3,490
Cash and cash equivalents	(6)	292	2,837
Current assets		90,475	86,102
Total assets		**209,489**	**185,790**

*) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

EQUITY AND LIABILITIES

K EUR	Note	31 Dec 2014	31 Dec 2013
Subscribed capital	(7)	5,851	5,851
Capital reserves	(7)	14,780	14,780
Revenue reserves	(7)	68,424	63,630
Other reserves	(7)	-4,548	-1,732
Total equity		84,507	82,529
Pension accruals and similar obligations	(8)	28,051	24,488
Deferred tax liabilities	(18)	3,456	3,619
Other accruals	(9)	3,652	3,388
Other financial liabilities	(10)	152	206
Liabilities to banks	(10)	2,486	3,676
Non-current liabilities and accruals		37,797	35,377
Liabilities to banks	(10)	12,162	2,042
Trade payables	(10)	56,159	47,881
Other financial liabilities	(10)	6,070	7,027
Income tax liabilities	(10)	444	1,176
Other accruals *)	(9)	4,482	1,492
Other liabilities	(10)	7,868	8,266
Current liabilities and accruals		87,185	67,884
Total equity and liabilities		**209,489**	**185,790**

*) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE FISCAL YEAR 2014

K EUR	Note	2014	2013
Sales	(11)	430,041	365,639
Cost of sales	(16, 19)	-388,921	-323,665
Gross profit		41,120	41,974
Selling expenses	(12, 16)	-5,968	-4,446
General administration expenses	(13)	-10,113	-9,949
Research and development costs	(14)	-7,588	-7,547
Other operating income	(15)	1,745	3,198
Other operating expenses	(16)	-2,621	-2,623
Operating result		16,575	20,607
Financial income	(17)	12	7
Financial expenses	(17)	-1,816	-1,692
Earnings before taxes (EBT)		14,771	18,922
Deferred taxes	(18)	844	-611
Current income tax	(18)	-4,936	-4,916
Earnings after taxes		10,679	13,395
Net income for the year		**10,679**	**13,395**
Earnings per share *)		1.83	2.29

*) Based on 5,851,100 shares (5,851,100 shares), see Note 7 “Equity”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

FOR THE FISCAL YEAR 2014

K EUR	2014	2013
Net income for the year	10,679	13,395
Items that will not be reclassified to profit and loss in future periods		
Actuarial gains / losses from pension accruals and similar obligations before tax	-3,993	984
Tax effect	1,126	-278
Items that may be reclassified to profit and loss in future periods		
Currency translation reserve	51	-180
Tax effect	0	0
Other comprehensive income after tax	-2,816	526
Total comprehensive income after tax	**7,863**	**13,921**
Net income for the year attributable to		
– shareholders of SHW AG	10,679	13,395
– holders of non-controlling interests	0	0
Total comprehensive income after tax attributable to		
– shareholders of SHW AG	7,863	13,921
– holders of non-controlling interests	0	0

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

FOR THE FISCAL YEAR 2014

K EUR	Note	2014	2013
1. Cash flow from operating activities			
Net income from continuing operations / Net income for the year		10,679	13,395
Depreciation / amortisation (+) of fixed assets		18,252	14,173
Income tax expenses through profit or loss (+)	(18)	4,936	4,916
Income taxes paid (-)		-5,686	-4,730
Financing costs through profit or loss (+)	(17)	1,816	1,692
Interest paid (-)		-660	-597
Financial investment income through profit or loss (-)	(17)	-12	-7
Interest received (+)		12	7
Increase (+) / decrease (-) in accruals *)		2,824	-3,596
Change in deferred taxes		-844	611
Other non-cash effective expenses (+) / income (-)		-1,141	-1,076
Gain (-) / loss (+) from the disposal of assets		172	176
Increase (-) / decrease (+) in inventories, trade receivables, and other assets *)		-7,800	-4,170
Increase (-) / decrease (+) in trade payables, and other liabilities		7,343	9,601
Cash flow from operating activities		29,891	30,395

*) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

K EUR	Note	2014	2013
2. Cash flow from investing activities			
Cash received (+) from the disposal of tangible assets		17	66
Cash paid (-) for investments in tangible assets		-32,716	-25,439
Cash paid (-) for investments in intangible assets		-2,546	-4,584
Cash paid (-) for investments in financial assets		-275	0
Cash flow from investing activities		-35,520	-29,957
3. Cash flow from financing activities			
Cash received (+) from the assumption of financial liabilities		10,012	5,718
Cash paid (-) for the redemption of financial liabilities		-1,082	0
Dividends paid (-) to shareholders		-5,851	-23,404
Payments (-) for investments in non-current financial assets		0	-81
Cash flow from financing activities		3,079	-17,767
4. Cash and cash equivalents at the end of the period			
Cash-effective changes in cash and cash equivalents (sum of positions 1–3)		-2,550	-17,329
Exchange rate-related changes in cash and cash equivalents		5	-18
Cash and cash equivalents at the beginning of the period		2,837	19,629
Changes in cash from scope of consolidation related changes		0	555
Cash and cash equivalents at the end of the period	**(6)**	**292**	**2,837**

*) Previous year figures adjusted; see Note 4 “Trade receivables” (page 113).

STATEMENT OF CHANGES IN GROUP EQUITY (IFRS)

AS OF 31 DECEMBER 2014

K EUR	Subscribed capital (Note 9)	Capital reserves (Note 9)	Revenue reserves (Note 9)	Other reserves (Note 9)	Total equity
As of 1 January 2013 (as initially reported)	**5,851**	**14,780**	**73,709**	**0**	**94,340**
Changes in measurement methods	0	0	-47	-2,258	-2,305
As of 1 January 2013 (adjusted)	5,851	14,780	73,662	-2,258	92,035
Changes from actuarial gains and losses	0	0	0	706	706
Foreign currency translation	0	0	0	-180	-180
Total income recognised directly in equity	0	0	0	526	526
Net income for 2013	0	0	13,395	0	13,395
Total comprehensive income for the period	**0**	**0**	**13,395**	**526**	**13,921**
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	0	0	-23	0	-23
Dividends paid	0	0	-23,404 *)	0	-23,404
As of 31 December 2013	**5,851**	**14,780**	**63,630**	**-1,732**	**82,529**

*) 4 euro per share

K EUR	Subscribed capital (Note 9)	Capital reserves (Note 9)	Revenue reserves (Note 9)	Other reserves (Note 9)	Total equity
As of 1 January 2014	5,851	14,780	63,630	-1,732	82,529
Changes from actuarial gains and losses	0	0	0	-2,867	-2,867
Foreign currency translation	0	0	0	51	51
Income recognised directly in equity	0	0	0	-2,816	-2,816
Net income for 2014	0	0	10,679	0	10,679
Total comprehensive income for the period	**0**	**0**	**10,679**	**-2,816**	**7,863**
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	0	0	-34	0	-34
Dividends paid	0	0	-5,851 *)	0	-5,851
As of 31 December 2014	**5,851**	**14,780**	**68,424**	**-4,548**	**84,507**

*) 1 euro per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2014

BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

SHW AG's consolidated financial statements as of 31 December 2014 were approved by the Management Board on 10 March 2015 for submission to the Supervisory Board. SHW Aktiengesellschaft with registered offices at Wilhelmstr. 67, Aalen/Germany, was created in 2011 by a change of legal form and recorded in the commercial register on 8 June 2011. The Company's largest single shareholder was SHW Holding L.P., Bermuda, until the successful placement of the respective block of shares. All of the Company's shares have been in free float since 5 November 2013. The Group's principal activity is the production and sale of hydraulic pumps, powder metallurgy parts and brake discs. The consolidated financial statements presented, conform to the applicable International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB) in London. The authoritative version of IFRS is that as of 31 December 2014 as to be applied in the EU. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) relevant for the fiscal year 2014, as well as previous interpretations of the Standing Interpretations Committee (SIC), have been applied.

The consolidated financial statements are generally prepared in accordance with the acquisition cost principle. Excluded from this are derivative and available-for-sale financial instruments accounted for at fair value. Deviations from this are specified under the accounting and valuation principles.

The consolidated financial statements have been prepared in euros. Unless indicated otherwise, the figures shown in the consolidated financial statements are stated in thousand euros (€ thousand). The consolidated financial statements also exempt the Company from preparing consolidated financial statements in accordance to Section 315a III HGB (German Commercial Code).

With the resolution of 9 February 2015, the shareholders of SHW Automotive GmbH and SHW Zweite Beteiligungs GmbH unanimously resolved to make use of the exemption rule pursuant to Section 264 (3) HGB and to dispense with preparing a management report and notes as well as the disclosure of the annual financial statements. The resolutions were released to the Federal Gazette on 27 February 2015 for publication.

CONSOLIDATION METHODS

Scope of consolidation and consolidation principles

The consolidated financial statements comprise the financial statements of SHW AG, as the preeminent consolidation Group, and all of its major subsidiaries controlled, as defined by IFRS 10, as of 31 December of the respective fiscal year. The financial statements of subsidiaries are prepared as of the same reporting date as those of the parent company using uniform accounting and valuation principles. In fiscal year 2014, SHW Pumps & Engine Components Inc., Ontario/Canada was included in the scope of consolidation for the first time because the Company has commenced operating activities. SHW Automotive Pumps, Shanghai/China and SHW Automotive Industries GmbH, Aalen, are currently not operational and are not included in the consolidated financial statements for reasons of materiality. SHW Automotive CZ, s.r.o., Brno/Czech Republic, was liquidated on 15 December 2014. This Company was also not operational and was not included in the consolidated financial statements for reasons of materiality.

On 23 January 2015, SHW Automotive GmbH, a subsidiary of SHW AG, and Shandong Longji Machinery Co., Ltd. signed an agreement to form a joint venture for brake discs for the Asian market. The Sino-Foreign Equity Joint Venture will operate under the name SHW Longji Brake Discs (LongKou) Co., Ltd. The Company will focus on the development and production of processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive manufacturers in the Asian market.

The Company will have share capital of RMB 215.5 million (renminbi) with SHW Automotive GmbH as the majority shareholder with an interest of 51 per cent, and Shandong Longji holding 49 per cent. The amount of the contribution corresponds to the respective interests held in the joint venture. The joint venture's main office will be located in the eastern Chinese city of LongKou (Shandong Province). Shandong Longji Machinery Co., Ltd. will provide the joint venture with an existing foundry in LongKou as a contribution in kind with annual capacity of about 4 million brake disc blanks, related machinery and equipment, and land use rights. The SHW Group will pay its contribution in the amount of RMB 109.9 million in cash.

SHW AG currently assumes that SHW Longji Brake Discs (LongKou) Co., Ltd. will be fully consolidated in the consolidated financial statements of SHW AG in accordance with IFRS 3. The acquisition is subject to several conditions precedent, meaning the acquisition date could not be determined by the time these consolidated financial statements were prepared. No further information can currently be provided since there is no conclusive assessment of the essential details for the acquisition's initial accounting.

A complete list of all SHW Group holdings is on file at the commercial register of the Aalen district court, HRB 7-A, and is an integral part of these notes to the consolidated financial statements.

Capital consolidation is carried out in accordance with the purchase method. Subsidiaries are fully consolidated from their date of acquisition, i.e. from the date the Group directly or indirectly controls the entity as defined by IFRS 10. Control exists when, based on voting or other rights, SHW AG can direct the relevant activities of the subsidiary, is exposed to positive or negative variable returns from the investee and when SHW AG can exert influence over these returns. Subsidiaries are no longer included in the consolidated financial statements as soon as the parent company ceases control over the subsidiary. Joint ventures are accounted for according to the equity method and initially recognised at acquisition cost. The equity method is applied from the time that the SHW Group has gained joint control or a significant influence over the joint venture and is no longer applied when this significant influence or joint control over the investee ends. Upon first-time consolidation, the entity's acquisition cost is allocated to the identifiable assets, liabilities, and contingent liabilities of the entity acquired. The assets acquired, particularly the intangible assets, are reassessed in terms of their accounting and subsequently recognised at fair value. To the extent that the acquisition costs for the acquired entity exceed the proportional fair value of the net assets, goodwill is recognised and an impairment test is carried out once per year or, more often, with good cause. If the impairment test reveals a loss in value, then unscheduled amortisation is carried out.

All intra-Group balances, transactions, income, expenditures, profits and losses from intra-Group transactions that are included in the single financial statements of consolidated companies are eliminated. In the case of proportionate consolidation, the elimination is carried out according to the ownership interest held.

CHANGES IN ACCOUNTING AND VALUATION PRINCIPLES

1. New and amended standards and interpretations applicable in the year 2014

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations, which have been adopted by the EU into European law and must be applied to reporting periods beginning on 1 January 2014:

Standard / Interpretation		Status	To be applied from
IFRS 10	Consolidated Financial Statements	new	01.01.2014
IFRS 11	Joint Arrangements	new	01.01.2014
IFRS 12	Disclosures of Interests in Other Entities	new	01.01.2014
Amendments to IFRS 10 / IFRS 11 / IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidelines.	revised	01.01.2014
Amendments to IFRS 10 / IFRS 12 / AS 27	Investment Entities	revised	01.01.2014
IAS 27 revised	Separate financial statements	revised	01.01.2014
IAS 28 revised	Investments in Associates and Joint Ventures	revised	01.01.2014
Amendments to IAS 32	Offsetting of Financial Assets and Financial Liabilities	revised	01.01.2014
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	revised	01.01.2014
Amendments to IAS 39 / IFRS 9	Novation of Over-the-Counter Derivatives and Continuation of the Existing Hedge Relationship	revised	01.01.2014

IFRS 10 “Consolidated Financial Statements” is based on existing standards. The focus of IFRS 10 is the introduction of a uniform consolidation model for all entities on the basis of the control of the subsidiary by the parent company. The standard also provides guidance for determining whether or not an entity is controlled, particularly in cases of doubt.

This amendment has no impact on SHW Group’s scope of consolidation.

- IFRS 11 “Joint Arrangements”. This standard replaces IAS 31 “Interests in Joint Ventures”, and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 has abolished the previous option to apply the proportionate consolidation method for jointly controlled entities. In the future, these entities will be consolidated solely by use of the equity method.

  This amendment has no impact on SHW Group’s scope of consolidation.

- IFRS 12 “Disclosures of Interests in Other Entities” combines the revised disclosure requirements of IAS 27, IFRS 10, IAS 31, IFRS 11 and IAS 28 into a single standard.

  This standard resulted in expanded disclosure requirements for the notes.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 – “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidelines.” With respect to IFRS 10, there is a clarification regarding the time of initial application. The standard amendment clarifies that the date of initial application is the beginning of the reporting year in which

IFRS 10 is applied for the first time. With respect to IFRS 11 and IFRS 12, the standard amendments provide additional transitional relief upon first-time application. With respect to IFRS 11, the obligation to provide comparative information from previous years is limited to the period that immediately precedes the period of initial application. Comparative information from previous periods for non-consolidated entities is not necessary in the year of the initial adoption of IFRS 12.

These amendments have no impact on the consolidated financial statements.

- Amendments to IFRS 10, IFRS 12, IAS 27 – “Investment Entities”. The amendments to IFRS 10, IFRS 12 and IAS 27 concern investment entities such as pension funds, private equity firms, and venture capital companies, which are defined as an independent category of entities in order to provide them an exemption from the new consolidation standards (IFRS 10). Additional information must be disclosed as to the nature and financial effects of the investment.

  These amendments have no impact on the consolidated financial statements.

- IAS 27 (revised) “Separate financial statements” requires the effects of all transactions with non-controlling interests to be recognised in equity insofar as there is no change in control and as long as these transactions do not result in goodwill or in profits or losses. In the case of a loss of control, the standard provides detailed instructions on the presentation in the financial statements. Any remaining interest in the entity should be measured at fair value, and the resulting profit or loss should be disclosed as such.

  This amendment has no impact on the consolidated financial statements.

- IAS 28 (revised) “Investments in Associates and Joint Ventures” (revised May 2011). With the adoption of IFRS 11 and IFRS 12, the scope of IAS 28 has been expanded to include the application of the equity method to joint ventures and associated companies.

  This revision has no impact on the consolidated financial statements.

- Amendments to IAS 32 (revised) “Offsetting of Financial Assets and Financial Liabilities”. The offsetting requirements formulated in IAS 32 were principally retained and merely substantiated by further guidance on their application. On the one hand, the standard-setter expressly emphasises that an unconditional and legally enforceable claim to offset must exist even in the case of an insolvency of a participating party. On the other hand, criteria are quoted, for example, under which gross fulfilment of a financial asset and a financial liability may still lead to offsetting.

  This amendment has no impact on the consolidated financial statements.

- Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”. The amendments correct the disclosure requirements which resulted from the modification of IFRS 13 and went beyond the intended purpose. This concerns impaired assets where the recoverable amount corresponds to the fair value less selling costs. Previously, the recoverable amount was to be disclosed regardless of any impairment. The correction limits the disclosure requirement to impairments that have actually occurred, but expands the scope of required disclosures.

  This standard has no material impact on the consolidated financial statements.

- Amendments to IAS 39 and IFRS 9 “Novation of Over-the-Counter Derivatives and Continuation of the Existing Hedge Relationship”. With this amendment, derivatives continue to be designated as a hedging instrument in an existing hedging relationship despite novation. Novation is defined as circumstances in which the initial derivative counterparties agree that a central counterparty should substitute for their initial counterparty and, therefore, should act as the respective counterparty. A fundamental prerequisite for novation is that the involvement of a central counterparty has occurred as a result of legal or regulatory requirements. In addition, changes in the contractual provisions may only affect those areas which are necessary for the context of novation. The aim of the amendment is to avoid effects on hedge accounting resulting from the derecognition of a derivative when converting the contract to a central counterparty.

  This standard has no impact on the consolidated financial statements.

2. Standards, interpretations and amendments to published standards not yet mandatory in 2014 and not adopted early by the Group

The IASB and IFRIC have adopted further standards and interpretations. These regulations have not been applied in this fiscal year because either they have not yet been endorsed by the EU, or their application is not yet mandatory.

The effects of early application of the new or revised standards, in particular IFRS 9 and IFRS 15, are still being examined.

Standard / Interpretation		Status	To be applied from
IFRIC 21	Levies	new	17.06.2014
IFRS 9	Financial Instruments	new	01.01.2018
IFRS 14	Regulatory Deferral Accounts	new	01.01.2016
IFRS 15	Revenue from Contracts with Customers	new	01.01.2017
AIP 2012–2014	Annual Improvements Project (2012–2014)	revised	01.01.2016
AIP 2011–2013	Annual Improvements Project (2011–2013)	revised	01.07.2014
AIP 2010–2012	Annual Improvements Project (2010–2012)	revised	01.07.2014
Amendments to IFRS 10 / IAS 28	Sales or Contributions of Assets between an Investor and its Associate / Joint Venture	revised	01.01.2016
Amendments to IAS 1	Disclosure Initiative	revised	01.01.2016
Amendments to IAS 19	Employee Contributions to defined Benefit Plans	revised	01.07.2014
Amendments to IFRS 9 / IFRS 7	Mandatory effective date of IFRS 9 and Transition Disclosures	revised	01.01.2015
Amendments to IFRS 11	Acquisition of an Interest in a Joint Operation	revised	01.01.2016
Amendments to IAS 27	Equity Method in separate Financial Statements	revised	01.01.2016
Amendments to IAS 16 / IAS 41	Agriculture: Bearer Plants	revised	01.01.2016
Amendments to IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	revised	01.01.2016

ACCOUNTING AND VALUATION PRINCIPLES

Currency translation

The consolidated financial statements are prepared in euros, which is the functional and presentation currency of the Group. Each company within the Group determines its own functional currency. The line items of the companies contained in the financial statements of the respective Group companies are measured using this functional currency. Foreign currency transactions are translated initially at the spot rate for the functional currency and the foreign currency prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot rate prevailing at the reporting date. All currency differences are recognised in profit or loss. Non-monetary items measured at historical acquisition or production costs in a foreign currency are translated at the exchange rate prevailing on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate prevailing on the date the fair value was determined.

Assets and liabilities of foreign subsidiaries and joint ventures using a functional currency other than the euro are translated at the closing rate of the fiscal year, while the income statement items are translated at the average exchange rate for the period. Any differences resulting from these conversions are recognised directly under "other reserves" within equity ("foreign currency translation"). At the time of disposal, the amount recognised in "other reserves" is then recorded in profit or loss.

Translation differences arising from items to be received from or to be paid to a foreign operation for which settlement is neither planned nor likely and thus are part of the net investment in that foreign operation, are recognised directly in equity within the foreign currency translation reserve.

The exchange rates used for the translation of the main currencies of the Group are shown in the following table:

		Reporting date 31 Dec		Average	
	1 euro	2014	2013	2014	2013
Brazil	BRL	3.2268	3.2564	3.1172	2.8514
Canada	CAD	1.4085	–	1.4656	–

Intangible assets

Intangible assets which were not acquired in the course of a company acquisition are capitalised at their acquisition cost. The acquisition costs of intangible assets acquired through a business combination are recognised at fair value as of the acquisition date. In subsequent periods, intangible assets are recognised at their acquisition cost or production cost, less accumulated amortisation and accumulated impairment losses. A distinction is made between intangible assets with limited useful lives and those with indefinite useful lives. Aside from goodwill, the SHW Group currently does not possess any intangible assets with indefinite useful lives.

Intangible assets with limited useful lives are amortised using the straight-line method over their economic useful life of four to nine years and are tested for possible impairments when there is evidence suggesting that the intangible asset may be impaired. The useful life and amortisation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Research costs are recognised in the period incurred. Project development costs are only capitalised as intangible assets when the Group can verify the technical feasibility of completing the intangible asset which would allow for the internal use or sale of the asset, as well as the intention of completing the intangible asset and the intention to use or to sell the asset. Furthermore, the Group must provide proof of the establishment of the asset's future economic use, the availability of resources for the purposes of completing the asset, and be able to reliably identify the expenses incurred which can be attributed to the development of this intangible asset. Development costs include directly attributable costs, as well as a proportionate share of overhead expenses. Sales expenses and general administration expenses are not included.

If an internally generated intangible asset cannot be capitalised or an intangible asset does not yet exist, then the development costs are recognised in profit or loss in the period in which they arise.

Customer base

The fair value of the customer base at the time of the business combination is determined using a capitalised value method. The asset is amortised on a straight-line basis over a period of four to five years in accordance with the underlying valuation method. If there is evidence of a possible impairment, an impairment test is carried out, and impairment losses are recognised if necessary.

Goodwill

Goodwill is carried at acquisition cost upon initial recognition and is measured as the premium paid in the business combination in excess of the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities of the business acquired. Following initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses.

Goodwill is subject to an impairment test once per year or when needed and is impaired if necessary. To test for impairment, the goodwill is allocated as of the acquisition date to cash-generating units in the Group that are expected to benefit from the synergies of the business combination. This occurs regardless of whether other assets or liabilities of the acquired business are allocated to these cash-generating units. If the recoverable amount of a cash-generating unit is less than the unit's carrying amount, the impairment loss is first allocated to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit and then to the other assets of the unit on a proportionate basis and in accordance with the carrying amount of each asset in the unit. Any recognised impairment loss on goodwill may not be reversed in subsequent periods.

Tangible assets

Tangible assets are measured at acquisition cost or production cost less accumulated scheduled depreciation and accumulated impairment losses. The production costs of tangible assets produced internally comprise the direct and overhead costs of production directly attributable to the asset, including depreciation.

Tangible assets are depreciated using the straight-line method over their expected useful lives. The carrying amount of tangible assets is tested for impairment when there is an indication that the asset's carrying amount exceeds its recoverable amount.

Scheduled depreciation is based on the following useful lives:

Buildings	14 to 40 years
Land improvements | facilities	8 to 20 years
Technical equipment and machines	5 to 15 years
Operating and office equipment	3 to 14 years

At the end of each fiscal year, the residual values, useful lives, and depreciation methods are reviewed and adjusted accordingly. A tangible asset is derecognised either upon its disposal or when there are no future economic benefits expected from its use or disposal. Gains or losses resulting from an asset's derecognition are recorded in profit or loss.

Impairment of tangible and intangible assets

At the end of each fiscal year, the residual values, useful lives and depreciation methods are reviewed in order to determine if there are any indications of impairment. If there are indications, then the asset's recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount of the asset's cash-generating unit is estimated when the recoverable amount of an individual asset cannot be determined because the cash flows it generates are not essentially independent of the cash flows of other assets or groups of assets. If a reasonable and consistent basis for allocating the assets can be determined, the joint assets are allocated to the respective cash-generating units; otherwise the assets are allocated to the smallest Group of cash-generating units for which a reasonable and consistent basis of allocation can be determined.

The recoverable amount is the higher of fair value less selling costs and value in use. An appropriate valuation model is used to determine the fair value less selling costs. When calculating the value in use, the future estimated cash flows are discounted to their present value by using a pre-tax interest rate. This pre-tax interest rate takes current market assessments of the time value of money into account and the risks inherent in the asset that are not included in the initial cash flow estimate.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, then the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is immediately recognised in profit or loss. If the impairment loss is subsequently reversed, then the carrying amount of the asset (or cash-generating unit) will be increased through the profit or loss up to the revised estimate of the recoverable amount.

The increase in the carrying amount shall not exceed the carrying amount that would have been determined if an impairment loss on the asset (or cash-generating unit) had not been recognised in previous years.

Borrowing costs

Interest on borrowed capital is capitalised within the context of IAS 23 for qualifying assets if the interest is significant.

Financial assets and liabilities

Financial assets, as defined by IAS 39, are categorised as either financial assets measured at fair value through profit or loss, loans and receivables, financial investments held to maturity or available-for-sale financial assets. Financial liabilities are categorised as either liabilities amortised at acquisition cost pursuant to the effective interest rate method or as financial liabilities at their fair value through profit or loss.

Financial assets and liabilities are initially recognised at fair value. Financial assets for which fair value has not been measured through profit or loss will also include transaction costs directly attributable to the acquisition of the financial asset.

The SHW Group determines the classification of its financial assets upon initial recognition and, if permitted and appropriate, re-evaluates this allocation at the end of each fiscal year.

Financial instruments are recognised at the time the SHW Group becomes a contracting party to the financial instrument. For customary purchases or sales on the market as part of a contract whose terms require delivery within a period typically specified by the regulations and conventions of the respective market, the settlement date is relevant for the initial recognition and subsequent derecognition, i.e. the date on which the asset was delivered to or by the SHW Group.

Financial assets measured at fair value through profit or loss

The category of financial assets measured at fair value through profit or loss includes financial assets held for trading and, where applicable, financial assets classified in this category upon their initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of being sold in the near future. Derivatives, including separately recognised embedded derivatives, are also classified as held for trading unless they are designated as hedging instruments and are effective as such. Gains and losses from financial assets in this category are recognised in profit or loss with the exception of derivatives that are classified as hedging instruments and are effective as such.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After their initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired or amortised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale and are not allocated to the categories above. After their initial measurement, they are subsequently carried at fair value. Unrealised gains and losses are recognised directly in equity. When this type of financial asset is derecognised or impaired, any cumulative gains or losses previously recognised directly in equity are transferred to profit or loss. If financial investments in equity instruments do not have a quoted market price on an active market and their fair value cannot be assessed reliably, then they are measured at acquisition cost less accumulated impairments.

Held to maturity financial investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed term where the Group has the intention and ability to hold them to maturity. After initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest rate method, less any impairments.

Interest-bearing borrowings

Upon initial recognition, interest-bearing borrowings are recognised at fair value less transaction costs associated with the borrowing. Following their initial recognition, interest-bearing borrowings are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or amortised.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and other financial liabilities classified at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if acquired for the purpose of being sold in the near future. Derivatives, including embedded derivatives recorded separately, are also classified as held for trading. Gains or losses on financial liabilities held for trading are recognised in profit and loss with the exception of derivatives designated as hedging instruments and effective as such.

Currently, there are no financial assets or financial liabilities in the SHW Group that have been classified as measured at fair value upon initial recognition or financial assets that are classified as held-to-maturity financial investments.

The SHW Group tests financial assets or groups of financial assets for impairment at each balance sheet date.

If there is objective evidence of impairment of financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows of a comparable financial asset discounted using the financial asset's original effective interest rate. The carrying amount of the asset is reduced by way of an allowance account. The loss is recognised through profit or loss.

Trade receivables that generally have 30- to 90-day terms are recognised at their original invoice amount less bad debt allowances. An impairment using an allowance account is recognised when there is objective, material evidence that the Group will not be in a position to collect the receivable in full. Receivables are derecognised as soon as they become uncollectible.

If the amount of the impairment of a financial asset carried at amortised cost decreases in one of the subsequent fiscal years and this decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment is reversed through profit or loss. Any increase in the carrying amount may not exceed the amount that would have resulted if the measurement of the asset had continued at acquisition cost without impairment.

When an available-for-sale asset becomes impaired, an amount equal to the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value is reclassified from equity to profit or loss. Any reversals of impairment losses on equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in profit or loss when the rise in the fair value of the financial instruments resulted from an event occurring after the impairment's recognition in profit or loss.

Financial assets and financial liabilities are derecognised when the claims or obligations underlying these assets or liabilities are settled, cancelled, transferred or have lapsed.

Disclosure of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately on the balance sheet, i.e. separate from non-financial assets and non-financial liabilities.

Cash and cash equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash in hand, bank balances and short-term deposits with original maturities of three months or less.

Inventories

Inventories are carried at acquisition and / or production cost or the lower net realisable value. Net realisable value is the estimated selling price of the inventories, less all estimated expenses considered necessary for completion and sale. Production costs include direct costs as well as the directly allocable portion of necessary materials and production overhead costs plus completion-related depreciation and other production-related costs. Selling expenses, non-production-related general administrative expenses, and borrowing costs were not capitalised. Raw materials and merchandise are generally measured at their average acquisition cost.

Inventories are recognised at their net realisable value when the net realisable value is lower than the carrying value on the closing date. Appropriate impairments on inventory are taken for inventory risks resulting from excessive storage periods or reduced saleability.

Pension accruals and similar obligations

The SHW Group has two defined benefit plans in Germany that essentially have the same terms and conditions. They are measured using the projected unit credit method and take into account the future development of salaries and pensions as well as the 2005 G reference tables ("RICHTTAFELN") published by Klaus Heubeck on 19 July 2005, which are applicable in Germany for the measurement of occupational pension obligations for fiscal years ending after the date of their publication. The actuarial interest rate is based on first-class, fixed-interest, corporate bonds with an AA rating.

Actuarial gains and losses, which arise from changes in actuarial assumptions and deviations between earlier actuarial assumptions and the actual development, have been recorded directly in equity under other reserves at the time they arise and in consideration of deferred tax since 1 January 2013. The actuarial gains and losses recognised in other reserves and the related deferred taxes are not realised in subsequent periods in profit or loss. The actuarial gains and losses recognised in the respective period and the related deferred taxes are shown separately in the statement of comprehensive income.

Changes in the level of benefits with retroactive effect on entitlements already earned resulting from adjustments to the plan, are directly recognised in EBIT in the year in which the plan is adjusted.

Expenses from the accrual of pension provisions are recorded under financial expenses. The remaining components of net pension expenses are included in the income statement under the respective functions.

For defined-contribution plans, the SHW Group has no further obligations above and beyond the payment of contributions and pension insurance contributions and social contributions to the special purpose funds. The contributions are recognised as an expense and allocated to the respective functions.

The other non-current employee benefits are also measured using the projected unit credit method.

Other accruals

Other accruals are the best estimate of all identifiable risks and contingent liabilities and are recognised at the amount required to fulfil the current obligation on the balance sheet date. Accruals are recognised when there is a legal or constructive obligation resulting from a past event that makes a future outflow of resources embodying economic benefits likely and when the amount of the obligation can be reliably estimated. If the impact of the interest effect is material, then the non-current accruals are discounted at a pre-tax interest rate. Current accruals are expected to be utilised within the following fiscal year.

Actual tax refund claims and tax liabilities

Actual tax refund claims and tax liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of this amount is based on the tax rates and tax laws applicable on the balance sheet date.

Deferred taxes

Deferred taxes are calculated on all temporary differences between the carrying amounts of assets and liabilities in the IFRS and tax balance sheet; deferred tax assets are only recognised to the extent that the related tax refunds or reductions are likely to occur.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which the deferred tax assets can be fully or at least partially offset. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it has become likely that future taxable income will allow the deferred tax asset to be realised.

Deferred tax assets are recorded in a separate item under non-current assets, while deferred tax liabilities are contained in a separate item under non-current liabilities and accruals.

Deferred tax assets and liabilities are measured in accordance with the liability method using the tax rates expected in the year the asset is realised, or the liability is settled. This is based on tax rates (and tax laws) that have been enacted on the balance sheet date or that are expected to be enacted in the near future.

Income taxes and deferred taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Leasing

A lease is classified as a finance lease if essentially all opportunities and risks relating to ownership are transferred to the lessee by the lease agreement. All other leases are classified as operating leases.

If the fundamental opportunities and risks related to the ownership of the asset lie with SHW, the lease is treated as a finance lease. Upon conclusion of the lease, the leased asset is recognised at the lower of fair value of the leased item or at the present value of the minimum lease payments. The corresponding liability to the lessor is recorded in the balance sheet as a financial lease obligation. The lease payments are divided into an interest component and a repayment component, with the interest expenses being directly reported through profit or loss unless they can be unambiguously allocated to an asset.

Lease instalments on operating leases are recognised on a straight-line basis as an expense over the term of the lease.

Derivative financial instruments and hedging transactions

A derivative financial instrument is a financial instrument whose value changes in response to the change in a certain reference factor. This financial instrument normally demands little to no expenditure for its acquisition and settles at a future date.

Derivative financial instruments are carried at fair value on the date the contract is concluded and measured at fair value in the subsequent periods. Fair value is determined using standardised valuation techniques. To the extent that the fair value is positive, the derivative financial instruments are recognised as financial assets. If their fair value is negative, they are recognised as financial liabilities. Gains or losses arising from changes in the fair value of derivative financial instrument that do not qualify for hedge accounting are recognised directly to profit or loss.

The relationship between the underlying transaction and the hedging instrument is documented at the inception of a hedge relationship, including the risk management objectives as well as the company strategy underlying the hedge relationship. Furthermore, documentation is kept at the inception of the hedge relationship and during its term with regard to the effectiveness of the hedging instrument at offsetting changes in fair value and in cash flows of the underlying transaction.

For derivative financial instruments used in a hedge relationship, the changes in fair value in the course of the fiscal year are recognised according to the type of hedge relationship. In the case of a cash flow hedge, changes in fair value of the effective portion of the hedge instrument are recorded directly in equity under other reserves (“changes in the fair value of hedge instruments”) and take into account deferred taxes. The ineffective portion is reported directly in profit or loss under other income or under other expenses. To the extent that the requirements for a cash flow hedge no longer exist, the amounts recognised under “other reserves” are released in profit or loss over the remaining term of the hedging instrument.

The changes in the fair value of derivatives that qualify for fair value hedges and designated as such are recognised directly in the consolidated income statement together with the changes in the fair value of the underlying transaction attributable to the hedged risk. The change in the fair value of the hedging instrument and the changes in underlying transaction attributable to the hedged risk are recognised in the consolidated income statement under the item associated with the underlying transaction. The accounting of the hedge relationship ends when either the Group dissolves the hedge relationship, the term of the hedging instrument expires, the instrument is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. At that time, the adjustment in the carrying amount of the underlying transaction resulting from the hedged risk commences through profit or loss.

Neither cash flow hedges nor fair value hedges currently exist within the SHW Group.

Income and expenses

Income from the sale of goods and merchandise is recognised when the opportunities and risks of ownership of the goods and merchandise have been transferred to the buyer. This is generally the case upon delivery of the goods and merchandise. Sales are measured at the fair value of the consideration received or to be received, less any discounts, customer bonuses, or rebates.

Dividends and interest income are recognised at the time they occur. In the case of dividends, this represents the point in time in which the right to receive payment is established.

Operating expenses are recognised upon the utilisation of the service. Expenses for advertising and sales promotions as well as other sales-related expenses are recognised at the time they occur. Accruals for warranties are made at the time of the product's sale. Interest and other borrowing costs are recorded as incurred as long as the borrowing costs are not related to qualified assets within the meaning of IAS 23 and if the opportunities and risks of the goods sold have been transferred to the buyer.

Government grants

Government grants are recognised at fair value if it can be assumed with great certainty that the grant will be given and that the Group fulfils the necessary conditions for the grant's receipt.

Government grants for costs are recognised over the period in which the related costs for which the grant was given in compensation are incurred. Performance-based grants are offset against the corresponding expenses for which they were given in compensation in accordance with IAS 20.29 et seq.

Government grants for investments are deducted from the related assets.

Key estimates

The preparation of the financial statements requires that assumptions and estimates are made for the measurement of some balance sheet items, for the disclosure of contingent liabilities, and for disclosing income and expenses. Actual amounts may differ from these estimates.

The following presents the key forward-looking assumptions and significant sources of uncertainty concerning estimates as of the reporting date that involve a considerable risk of material adjustment to the carrying amounts of assets or liabilities in the upcoming fiscal year. These assumptions are subject to a periodic review conducted by the management.

Goodwill impairment

The SHW Group tests goodwill for impairment at least once annually or when there is an indication that the goodwill of € 7,055 thousand (previous year € 7,055 thousand) may be impaired. This involves an estimate of the recoverable amount of those cash-generating units (CGUs) to which the goodwill is allocated. In order to calculate the recoverable amount of the CGU, the Group must estimate the fair value, less the cost of sale, based on the EBIT forecasts and, in addition, select an interest rate in order to calculate the present value of cash flows. Further details may be found in Note 1 "Statement of changes in intangible assets and tangible assets".

Development costs

Development costs are capitalised according to the accounting and valuation methods presented. The initial capitalisation of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. Generally, this is the case when a product development project has achieved a certain degree of maturity within an existing project management model. Determining the amounts to be capitalised requires assumptions and estimates to be made of the expected cash flows from the assets, discount rates to be applied, and the expected period of future cash flows to be generated by the assets. As of 31 December 2014, capitalised development costs amounted to € 8,318 thousand (previous year € 8,995 thousand).

Pensions and similar obligations

Expenses from defined benefit plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future wage and salary increases, mortality rates, and future pension increases. Such estimates are subject to considerable uncertainty due to the long-term nature of these plans. Accruals for pensions and similar obligations totalled € 28,051 thousand as of 31 December 2014 (previous year € 24,488 thousand). Further details may be found in Note 8 “Pension accruals and similar obligations”.

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax-loss carry-forwards to the extent that it is probable that taxable income will be available in the future so that the tax-loss carry-forwards can actually be used. A considerable degree of discretionary judgement on the part of the management is required to determine the amount of deferred tax assets that can be recognised, based on the expected timing and level of taxable income in the future together with future tax planning strategies. Further details may be found in Note 18, “Income Taxes”.

Estimates used in the application of accounting principles

Discretionary decisions must be made with regard to accounting and valuation principles. These decisions are continually re-evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the current circumstances.

This particularly applies to the following types of situations:

- Determination of the fair value of assets and liabilities acquired as part of a business combination, as well as these assets' period of useful life, based on assessments by the management.
- In the case of assets that are to be sold, management must determine whether these can be sold in their present condition and whether their sale is very probable.
- In recognising accruals for warranties, the main parameters (quota for the expected utilisation and the average amount) are to be defined by management.
- Financial assets are to be allocated to the categories of “held-to-maturity financial investments”, “loans and receivables”, “available for-sale financial assets” and “financial assets measured at fair value through profit or loss”.

Segment reporting

Reporting for the business segments is carried out in a manner consistent with the internal reporting to the Company's chief operating decision maker. The chief operating decision maker is responsible for decisions regarding the allocation of resources to the business segments and for the monitoring of the segments' profitability. The Management Board is the Company's chief operating decision maker.

NOTES TO THE BALANCE SHEET

(1) Statement of changes in intangible assets and tangible assets

	Acquisition and production costs				
K EUR	As of 1 Jan 2013	Additions from first-time consol. of previously non-consol. subsidiaries	Additions	Disposals	Reclassifications
Intangible assets					
Customer base	47,569	0	0	0	0
Goodwill	7,055	0	0	0	0
Internally generated assets	9,080	0	3,789	-200	0
Other intangible assets	6,527	0	795	0	0
	70,231	0	4,584	-200	0
Tangible assets					
Land, land rights and buildings	27,349	0	3,195	0	1,816
Technical equipment and machinery	76,960	0	14,379	-163	4,163
Other equipment, operating and office equipment	13,179	34	4,399	-98	316
Advance payments and assets under construction	7,281	0	6,243	0	-6,295
	124,769	34	28,216	-261	0
Total	**195,000**	**34**	**32,800**	-461	**0**

K EUR	As of 1 Jan 2014	Additions from first-time consol. of previously non-consol. subsidiaries	Additions	Disposals	Reclassifications
Intangible assets					
Customer base	47,569	0	0	0	0
Goodwill	7,055	0	0	0	0
Internally generated assets	12,669	0	1,971	-174	0
Other intangible assets	7,322	0	575	-37	0
	74,615	0	2,546	-211	0
Tangible assets					
Land, land rights and buildings	32,360	0	1,955	0	187
Technical equipment and machinery	95,339	0	14,153	-634	6,211
Other equipment, operating and office equipment	17,823	3	3,005	-737	57
Advance payments and assets under construction	7,229	0	13,079	-7	-6,455
	152,751	3	32,242	-1,378	0
Total	**227,366**	**3**	**34,788**	-1,589	**0**

Currency translation differences	As of 31 Dec 2013	Accumulated amortisation / depreciation	Net carrying amounts 31 Dec 2013	Net carrying amounts 1 Jan 2013	Amortisation / depreciation of the fiscal year
0	47,569	47,569	0	0	0
0	7,055	0	7,055	7,055	0
0	12,669	2,471	10,198	8,062	1,453
0	7,322	3,315	4,007	4,252	1,038
0	**74,615**	**53,355**	**21,260**	**19,369**	**2,491**
0	32,360	7,935	24,425	20,454	1,041
0	95,339	60,485	34,854	25,228	8,881
-7	17,823	9,550	8,273	5,306	1,706
0	7,229	0	7,229	7,281	0
-7	152,751	77,970	74,781	58,269	11,682
-7	**227,366**	**131,325**	**96,041**	**77,638**	**14,173**

Currency translation differences	As of 31 Dec 2014	Accumulated amortisation / depreciation	Net carrying amounts 31 Dec 2014	Net carrying amounts 1 Jan 2014	Amortisation / depreciation of the fiscal year
0	47,569	47,569	0	0	0
0	7,055	0	7,055	7,055	0
0	14,466	4,902	9,564	10,198	2,431
0	7,860	4,416	3,444	4,007	1,139
0	**76,950**	**56,887**	**20,063**	**21,260**	**3,570**
0	34,502	9,019	25,483	24,425	1,085
0	115,069	71,279	43,790	34,854	11,431
1	20,202	10,988	9,214	8,273	2,166
13	13,859	0	13,859	7,229	0
14	183,632	91,286	92,346	74,781	14,682
14	**260,582**	**148,173**	**112,409**	**96,041**	**18,252**

In the reporting year, there were no borrowing costs, as defined by IAS 23, recoded under intangible and tangible assets.

Intangible assets, with the exception of goodwill, have limited useful lives.

Additions to internally generated assets mainly resulted from capitalised development costs of € 1,349 thousand.

Other intangible assets mainly include capitalised costs from the SAP project of € 2,852 thousand (previous year € 3,525 thousand).

Scheduled depreciation and amortisation of tangible and intangible assets are included in functional costs and particularly in the cost of sales. Unscheduled depreciation is reported under other operating expenses.

Purchase commitments for intangible assets and tangible assets amount to € 4,761 thousand (previous year € 2,677 thousand).

Goodwill

Goodwill acquired within the context of business combinations was allocated to the following three cash-generating units (CGUs) for impairment testing:

- Pumps CGU
- Engine components CGU
- Brake discs CGU

In principle, the segments correspond to the CGU that forms a common segment with the exception of the Pumps and Engine component CGUs.

The recoverable amount of the three CGUs was calculated on the basis of their fair value less selling costs. This calculation was made using EBIT forecasts that are based on the financial plan for the years from 2015 to 2018 approved by management. This concerns a determination of fair value according to level 3 of the valuation hierarchy as defined by IFRS 13. Calculation of the terminal value is based on an inflation/growth rate of 1.0 per cent (previous year 1.0 per cent). A 9.6 per cent discount rate was used for the EBIT forecasts (previous year 9.1 per cent). This is the risk-adjusted weighted average cost of capital (WACC) before taxes.

Goodwill was allocated to the relevant CGUs as follows:

CARRYING AMOUNT OF GOODWILL

K EUR	31 Dec 2014	31 Dec 2013
Pumps & Engine Components	4,233	4,233
Brake Discs	2,822	2,822
Total	**7,055**	**7,055**

The goodwill recognised in the Pumps and Engine Components business segment is only related to the area of Pumps and not the Engine Components area.

EBIT forecasts used for testing goodwill for impairment are based on the following assumptions:

Planned gross margins

The gross margins in the planning period were determined using the average gross margins generated in the previous year. An overall growth assumption was not made for the planning period, but instead planning was based on the amount of call orders expected to be received from the OEMs (Original Equipment Manufacturers).

Cost increases

EBIT forecasts are based on averages from previous years' experience as well as on estimates of future developments. The fundamental assumptions made coincide with those from external sources of information (the German Foundry Association [Deutscher Gießereiverband] and the Powder Metallurgy Professional Association [Fachverband Pulvermetallurgie]).

Discount rates

The discount rate was derived from a base interest rate (after tax) of 1.75 per cent and an after-tax market risk premium of 6.0 per cent. The β-factor, capital structure and borrowing cost rate were derived from a peer group of comparable companies.

The recoverable amount is compared with the corresponding carrying amount of the relevant CGU. An impairment of goodwill is recognised if the recoverable amount is less than the carrying amount of the CGU. The annual goodwill impairment test revealed there was no need for impairment. Even in the case of a 1.0 per centage point increase in the discount rate or a change in the EBIT forecast of -10 per cent, there would still be no need for impairment.

(2) Other non-current financial assets and other assets

The other non-current financial assets are comprised as follows:

K EUR	31 Dec 2014	31 Dec 2013
Cash surrender value of reinsurance	337	343
Participating investments	510	307
Other	63	9
Total	**910**	**659**

Other non-current financial assets include interests of € 510 thousand (previous year € 307 thousand) in the form of investments in equity instruments, which are categorised as financial investments held for sale. These are measured at acquisition cost since there is no quoted price on an active market available for these instruments. Since these are non-operational companies, it is also not possible to reliably measure their fair value due to their unpredictable cash flows. In the previous year, this item still contained non-current loans to SHW Pumps & Engine Components Inc., Canada, which were offset in 2014.

Of the other non-current assets, a total of € 900 thousand (previous year € 0 thousand) are prepaid expenses.

(3) Inventories

K EUR	31 Dec 2014	31 Dec 2013
Raw materials and supplies	15,115	13,689
Work in progress	16,542	16,216
Finished goods	10,543	9,263
Advance payments	180	24
Total	**42,380**	**39,192**

Inventories do not contain any qualified assets as defined by IAS 23.

Impairments of inventories in fiscal year 2014 amounted to € 2,279 thousand (previous year € 1,778 thousand). The adjustment relative to the prior year is included in the cost of sales through profit or loss.

The acquisition and production costs of inventories, which are recognised as an expense under the cost of sales, amounted to € 283,321 thousand (previous year € 239,070 thousand).

The net realisable value totalled € 42,380 thousand (previous year € 39,192 thousand).

(4) Trade receivables

K EUR	31 Dec 2014	31 Dec 2013
Receivables from customers	46,661	42,135
Provisions	-98	-34
Provisions for uncleared items in process	-1,907	-1,518
Total	**44,656**	**40,583**

Impairments for disputed items were reported under other current provisions in the previous year. The previous year's figures were adjusted accordingly. On 1 January 2013, impairments for disputed items amounted to € 1,582 thousand.

Trade receivables are non-interest bearing and generally have terms ranging from 30 to 90 days.

With regard to the trade receivables that are not impaired or overdue, there are no indications as of the balance sheet date that any debtor is not able to meet his payment obligations. Trade receivables are impaired when there is objective evidence of impairment, for example, in the case of insolvency.

Allowances for bad debt on trade receivables, which are included in profit or loss as other operating expenses, developed as follows:

K EUR	2014	2013
Bad debt provisions as of 1 January	1,552	1,618
Additions (impairment expenses)	64	4
Reversals (other operating income)	0	-6
Change of provisions for uncleared items in process (sales)	389	-64
Bad debt provisions as of 31 December	**2,005**	**1,552**

(5) Other current assets

Receivables from an electricity and energy tax refund, debit balances, as well as claims from other taxes amounting to € 1,153 thousand (previous year € 1,258 thousand) are all included under other assets.

(6) Cash and cash equivalents

K EUR	31 Dec 2014	31 Dec 2013
Receivables from Magna Powertrain Inc., Concord, Ontario, Canada	292	2,837
Total	**292**	**2,837**

Bank deposits earn a variable rate of interest for on-call deposits of up to three months.

(7) Equity

The changes in equity are shown in the “Statement of Changes in Group Equity”.

As part of the initial public offering and under a notarised agreement from February 2011, SHW Management Beteiligungs GmbH & Co. KG’s shares in SHW Zweite Beteiligungs GmbH amounting to € 2,166 thousand were contributed into SHW AG in exchange for the issue of new shares. Subscribed capital increased by € 351 thousand to € 5,851 thousand. An amount of € 1,815 thousand was allocated to capital reserves.

The Company’s subscribed capital amounted to € 5,851,100.00 as of 31 December 2014 and is divided into 5,851,100 no-par-value bearer shares with a notional amount of the share capital of € 1.00 per share. The shares are fully paid in.

On 18 February 2015, SHW AG issued 585,109 new no-par-value bearer shares from the capital increase against contribution in cash resolved on 17 February 2015. The new shares were placed with institutional investors by way of an accelerated book-building process at a placement price of € 42.00 per share. The 585,109 new shares were issued from authorised capital. The capital increase raised the Company’s share capital from € 5,851,100.00 to € 6,436,209.00. The subscription rights of shareholders were excluded. The new shares will carry full dividend rights as of 1 January 2014.

Based on 6,436,209 no-par-value shares, earnings per share for the fiscal year 2014 would amount to € 1.66 per share.

The Management Board and Supervisory Board propose to distribute a dividend of € 1.00 per share from the fiscal year 2014 unappropriated profit. This is equivalent to a total dividend distribution of € 6,432,209.00 for 6,436,209 no-par-value bearer shares.

The capital reserves include the premiums from the issue of shares less transaction costs directly attributable to raising capital.

The revenue reserves include the consolidated net income from previous years carried forward.

Other reserves include changes in value recognised directly in equity and are comprised of the following:

K EUR	Pension liabilities	Foreign currency translation	Total other reserves
Position as of 1 January 2013	-2,258	0	-2,258
Total result directly recognised in equity	706	-180	526
Position as of 31 December 2013	-1,552	-180	-1,732
Total result directly recognised in equity	-2,867	51	-2,816
Position as of 31 December 2014	**-4,419**	**-129**	**-4,548**

In fiscal year 2014, other reserves decreased by € 2,867 thousand due to a change in the actuarial assumptions used to measure pension obligations. The actuarial gains and losses less the related deferred tax assets or liabilities, are to be recorded in other comprehensive income within equity pursuant to IAS 19.

With the consent of the Supervisory Board, the Articles of Association authorise the Management Board to increase the Company's share capital once or several times, until 28 February 2016, up to € 2,925,550 by issuing new no-par-value bearer shares against contribution in cash and/or in kind (Authorised Capital 2011). The Management Board did not exercise this right during the fiscal year 2014.

Due to the partial utilisation of Authorised Capital 2011 from the execution of the capital increase of € 585,109.00 excluding shareholder rights in February 2015, the remaining Authorised Capital 2011 now amounts up to € 2,340,441.00 (in words: two million, three hundred and forty thousand, four hundred and forty-one euros) through the issue of up to 2,340,441 (in words: two million, three hundred and forty thousand, four hundred and forty-one) new no-par-value bearer shares.

With the consent of the Supervisory Board, the Management Board is authorised to determine the further details of capital increases from Authorised Capital 2011 as well as their execution. The profit entitlement of the new shares may be determined other than in the manner described in Section 60 (2) AktG. In the Articles of Association, Section 13 applies to the Supervisory Board's authorisation to adjust the version of the Articles of Association upon utilisation of the Authorised Capital 2011 and/or at the expiry of its term.

By resolution of the extraordinary Annual General Meeting of 14 June 2011, the Management Board was given authorisation to issue bearer and/or registered convertible bonds, bonds with warrants, participation rights and/or profit participation bonds (and combinations of these instruments), on one or several occasions, for a total nominal amount of € 125,000,000.00 (in words: one hundred and twenty-five million euros) with or without limited maturity. The Board also received authorisation to grant to or impose conversion rights or option rights on no-par-value bearer shares in the Company upon the holders or creditors of bonds, with a proportionate share in the subscribed capital of up to € 2,925,550.00 (in words: two million nine hundred and twenty-five thousand five hundred and fifty euros) in accordance with the more detailed provisions of the terms and conditions of the bonds. The bonds are to be issued in exchange for cash payment. In principle, shareholders are entitled to a statutory subscription right to the aforementioned bonds in proportion to their interest in the subscribed capital; however, with the consent of the Supervisory Board, the Management Board is authorised to exclude the shareholder's subscription right in whole or in part in specific cases which are explained in more detail in the resolution of the Annual General Meeting. The extraordinary Annual General Meeting of 14 June 2011, created contingent capital amounting to € 2,925,550.00 (Contingent Capital 2011) to serve the aforementioned conversion and option rights and conversion obligations issued by the Company.

(8) Pension accruals and similar obligations

Pension accruals and similar obligations include pension accruals of € 28,051 thousand (previous year € 24,488 thousand), including death benefits of € 131 thousand (previous year € 126 thousand).

The company pension plan is largely based on direct defined benefit plans. As a rule, the benefits are measured in accordance with the employee's duration of service. The previous company pension plan is not available for new employees starting on or after 1 January 1999. In contrast to this earlier plan, employees now must pay half of the plan contributions themselves. In the reporting year, employer contributions to the statutory pension scheme in Germany were paid in the amount of approximately € 5.6 million (previous year € 5.4 million).

The pension plans are funded by recognising pension accruals and, in some cases, liability insurance policies were concluded. The corresponding plan assets are reported under "other non-current financial assets" (cf. Note 2). This does not concern qualifying insurance policies that should be considered as plan assets.

Pension accruals are measured in accordance with actuarial principles using the projected unit credit method and taking into account the future development of salaries and pensions as well as the 2005 G reference tables ("RICHTTAFELN") published by Klaus Heubeck.

The following assumptions have been made:

	2014	2013
Pension increase rate	1.80%	2.00%
Interest rate	1.80%	3.10%

Employees are paid a fixed sum, regardless of their salary. Therefore, changes in the salary trend are not assumed. Any adjustments required by law are carried out by adjusting the trend in pension levels. The projected benefit obligation shows the employees' pension entitlements measured according to the situation on the balance sheet date. This includes actuarial gains or losses resulting from differences between the expected risks and those that have occurred in individual cases.

In accordance with IAS 19, accruals for pension obligations also take actuarial gains and losses into account. They are now shown in comprehensive income within equity. Actuarial losses resulting from a change in actuarial assumptions or from adjustments based on experience amounted to € -3,993 thousand in the reporting year (previous year gain of € 984 thousand).

The pension accruals recognised in the balance sheet contain the following:

K EUR	2014	2013
Defined Benefit Obligation (funded)	259	225
Defined Benefit Obligation (unfunded)	27,922	24,389
Total Defined Benefit Obligation (DBO)	**28,181**	**24,614**
Fair value of plan assets	-130	-126
Pension accruals and similar obligations as of 31 December	**28,051**	**24,488**

The development of pension accruals was as follows:

K EUR	
As of 1 January 2013	25,830
Current service costs	286
Interest costs	690
Pension payments	-1,433
Actuarial gains and losses recognised in equity	-1,134
Actuarial gains and losses from experience adjustments	150
Other	99
Accruals as of 31 December 2013	24,488
Current service costs	285
Interest costs	737
Pension payments	-1,452
Actuarial gains and losses recognised in equity	4,070
Actuarial gains and losses from experience adjustments	-77
Accruals as of 31 December 2014	**28,051**

The development of the defined benefit obligation (DBO) is as follows:

K EUR	2014	2013
Defined Benefit Obligation (DBO) as of 1 January	**24,614**	**25,952**
Current service costs	285	286
Interest costs	741	694
Pension payments	-1,452	-1,433
Actuarial gains and losses recognised in equity	4,070	-1,130
Actuarial gains and losses from experience adjustments	-77	146
Other	0	99
Defined Benefit Obligation (DBO) as of 31 December	**28,181**	**24,614**

The development of plan assets is as follows:

K EUR	2014	2013
Fair value of plan assets as of 1 January	**126**	**122**
Interest revenue	4	4
Plan assets as of 31 December	**130**	**126**

The plan assets are composed of two (pledged) reinsurance policies (life insurance). The plan assets do not include separate financial instruments or assets used by the Company. There will be no employer contribution to plan assets in 2015.

The net pension expenses for defined benefit obligations are comprised as follows:

K EUR	2014	2013
Current service cost	285	286
Net interest cost	737	690
Net pension cost	**1,022**	**976**

Liabilities from defined benefit plans are as follows:

K EUR	2014	2013
Active employees	7,683	5,716
Former employees with vested rights	1,640	1,201
Pensions / other	18,728	17,571
Pension accrual as of 31 December	**28,051**	**24,488**

The current service costs are included in the cost of sales, selling expenses, general administration expenses, and research and development costs. Interest is recognised under interest expenses. The pension payments expected in 2015 amount to € 1,475 thousand. Pension payments in this amount are also expected for the years to come. The pension plan costs in 2015 are expected to amount to € 895 thousand. The pension plan costs in 2015 are expected to amount to € 895 thousand.

The risks associated with the defined benefit obligations concern the actuarial risks such as longevity, as well as other financial risks such as market risk, which can be influenced by interest rates. There are also inflation risks that can have an impact on future pension increases. There is no intention to hedge these risks.

Sensitivity analysis

An increase or decrease in the key actuarial assumptions would have the following impact on the present value of the obligation (Defined Benefit Obligation [DBO]).

K EUR **DBO**	Change in interest rate **-0.5%**	Change in interest rate **+0.5%**
28,181	30,226	26,138
DBO	Inflation rate **1.3%** (-0.5%)	Change in interest rate **2.3%** (+0.5%)
28,181	26,670	29,556
DBO	Life expectancy **+1 year**	
28,181	29,385	

The weighted duration of pension accruals amounts to 14.4 years (previous year 12.8 years as of 31 December 2014.

(9) Other accruals

K EUR	As of 31 Dec 2013	Utilisation	Reversals	Additions	As of 31 Dec 2014
Warranties	1,351	0	-500	1,803	2,654
Other business-related obligations*	126	0	0	1,694	1,820
Obligations to employees	3,388	-62	0	326	3,652
Other accruals	15	-10	0	3	8
	4,880	**-72**	**-500**	**3,826**	**8,134**
Of which non-current accruals	3,388	-62	0	326	3,652

*) Previous year figures adjusted; see Note 4 “Trade receivables” (page 113).

K EUR	As of 31 Dec 2012	Utilisation	Reversals	Additions	As of 31 Dec 2013
Warranties	2,078	-197	-599	69	1,351
Other business-related obligations*	1,506	-1,506	0	126	126
Obligations to employees	2,949	-118	-6	563	3,388
Other accruals	3	-3	0	15	15
	6,536	**-1,824**	**-605**	**773**	**4,880**
Of which non-current accruals	2,948	-117	-6	563	3,388

*) Previous year figures adjusted; see Note 4 “Trade receivables” (page 113).

Other non-current accruals

Other non-current accruals of € 3,652 thousand (previous year € 3,388 thousand) include accruals for obligations to employees for anniversary bonuses of € 2,085 thousand (previous year € 1,808 thousand) and early retirement schemes of € 1,567 thousand (previous year € 1,580 thousand).

Warranties

An accrual was recognised for warranty obligations from the products sold during the last three years. The measurement of the accrual is based on past experience with repairs and returns. In existing warranty cases, the amount is based on the expected result of the negotiations.

Other business-related obligations

Other business-related obligations primarily include customer-related contingent losses of € 1,820 thousand (previous year € 126 thousand).

Obligations to employees

Obligations to employees mainly comprise € 2,085 thousand (previous year € 1,808 thousand) in accruals for anniversary bonuses and € 1,567 thousand (previous year € 1,580 thousand) for early retirement schemes.

(10) Liabilities

K EUR	31 Dec 2014	31 Dec 2013
Non-current liabilities to banks	2,486	3,676
Non-current other financial liabilities	152	206
Non-current liabilities	**2,638**	**3,882**
Current liabilities to banks	12,162	2,042
Trade payables	56,159	47,881
Current other financial liabilities	6,070	7,027
Income tax liabilities	444	1,176
Other liabilities	7,868	8,266
Current liabilities	**82,703**	**66,392**
Total	**85,341**	**70,274**

A syndicated loan agreement dated 25 October 2012 was concluded under the lead of UniCredit Bank AG. The loan agreement has a volume of € 60 million with a term until 30 September 2017 and can be used in full as a working capital loan. The interest rate is variable and is based on Euribor plus a margin between 1.2 per cent and 2.0 per cent per annum. The margin varies based on compliance with the agreed covenants. The key covenants are the leverage ratio and the economic equity ratio. Both covenants were complied with as of 31 December 2014. By the year's end, € 10,972 thousand of the working capital loan had been drawn down and € 2,573 thousand had been utilised through guarantees. In addition, on 10 December 2012, 19 December 2012 and 11 July 2013, the Group took out two development loans via KSK Ostalb, Aalen, for € 3,900 thousand and € 858 thousand, respectively. The loans have an annual interest rate of 1.85 per cent and 1.0 per cent, respectively. In fiscal year 2014, a scheduled repayment of € 1,082 thousand was made on these loans.

The payment obligations for materials purchases are secured by the retention of title, which is customary for the industry.

Other current financial liabilities mainly include liabilities for expenses where the underlying services were received in fiscal year 2014, but the corresponding invoice was only recognised in the fiscal year 2015.

Other liabilities primarily include liabilities for management bonuses of € 1,111 thousand (previous year € 948 thousand), vacation of € 1,486 thousand (previous year € 1,286 thousand), wage taxes of € 832 thousand (previous year € 2,330 thousand), overtime and working hours carried forward of € 2,735 thousand (previous year € 1,929 thousand) and € 253 thousand for employer's liability insurance (previous year € 271 thousand).

(11) Segment reporting

Segment reporting is based upon the "management approach". Operating segments are determined on the basis of internal reports, as defined by IFRS 8, which are regularly used 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 is determined in accordance with IFRS, as is the operating result of the Group. The EBITDA of the segments and the Group is derived by taking into account the respective depreciation/amortisation. The assets of each segment are also established on the basis of IFRS. Financial expenses, financial income and income taxes are administered at the Group level. The Pumps & Engine Components segment manufactures oil and water pumps 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 segments are essentially based on market conditions identical to those that apply to transactions with third parties.

The geographic information of the SHW Group is based on sales with customers headquartered in the various countries. The following summary provides an overview of the sales and results of the various business segments. As in the prior year, there were no revenues to report on the basis of business transactions with other business segments in fiscal year 2014.

BUSINESS SEGMENTS IN 2014

K EUR	Pumps and Engine Components	Brake Discs	Other / Elimination / Consolidation Effects	Group
Segment sales	333,560	96,481	0	430,041
Segment EBIT	13,371	5,013	-1,809	16,575
Segment EBITDA	27,286	9,070	-1,529	34,827
Financial result	0	0	-1,804	-1,804
Earnings before taxes	13,371	5,013	-3,613	14,771
Scheduled segment depreciation / amortisation	13,915	4,057	280	18,252
Segment capital investments	26,053	8,492	243	34,788
Segment assets	146,848	52,631	10,010	209,489
Material segment expenses *)	5,770	0	0	5,770
Number of customers with sales > 10% of total sales	2	1		
VW Group	126,425	51,566		177,991
Daimler	83,420	250		83,670

*) Additional start-up costs for a large series product.

BUSINESS SEGMENTS IN 2013

KEUR	Pumps and Engine Components	Brake Discs	Other / Elimination / Consolidation Effects	Group
Segment sales	274,160	91,479	0	365,639
Segment EBIT	18,675	4,466	-2,534	20,607
Segment EBITDA	29,114	7,915	-2,249	34,780
Financial result	0	0	-1,685	-1,685
Earnings before taxes	18,675	4,466	-4,219	18,922
Scheduled segment depreciation / amortisation	10,439	3,449	285	14,173
Segment capital investments	27,344	4,629	827	32,800
Segment assets **)	127,519	46,889	11,382	185,790
Material segment expenses *)	163	17	723	903
Number of customers with sales > 10% of total sales	3	1		
VW Group	97,230	47,948		145,178
Daimler	60,002	264		60,266
BMW Group	33,894	6,227		40,121

*) Concerns expenses in the context of consulting services for SAP Post Go-Live support and a changes in the Board.
**) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

GEOGRAPHIC SEGMENTS 2014

KEUR	Germany	Rest of Europe	America	Other	Total
External sales	274,151	147,364	248	8,278	430,041
Other segment information					
Non-current segment assets	111,075	0	1,334	0	112,409

GEOGRAPHIC SEGMENTS 2013

KEUR	Germany	Rest of Europe	America	Other	Total
External sales	232,780	127,674	4,422	763	365,639
Other segment information					
Non-current segment assets	94,584	0	1,457	0	96,041

NOTES TO THE INCOME STATEMENT

(12) Selling expenses

Selling expenses are expenses incurred by the functional area of sales. This primarily includes expenses incurred by the sales, advertising and marketing departments and all of the overhead expenses that can be allocated to these functions or activities. Direct selling expenses also include freight charges, commissions and dispatch costs.

(13) General administration expenses

Administration costs include all administrative expenses, which cannot be directly allocated to other functional areas. This includes expenses for general administration, management and other higher ranking departments (see also the explanations on the results of operations in the combined Group management report and the management report).

(14) Research and development costs

Research and development costs include personnel and non-personnel costs (e.g. the depreciation of machinery used in research and development). In addition, an amount of € 1.3 million (previous year € 2.4 million) in development costs has been capitalised.

(15) Other operating income

Other operating income includes, among others, services rendered amounting to € 176 thousand (previous year € 190 thousand), € 1,239 thousand for the reversal of accruals, other liabilities and impairments (previous year € 1,003 thousand), income from derecognised customer receivables of € 78 thousand (previous year € 348 thousand), income from compensation payments of € 103 thousand (previous year € 1,338 thousand) as well as income from the disposal of assets of € 17 thousand (previous year € 25 thousand). Income from the reversal of accruals and liabilities resulted mainly from the reversal of specific warranty provisions.

(16) Other operating expenses

Other operating expenses include, among others, accruals for bonus payments to employees amounting to € 211 thousand (previous year € 492 thousand), € 430 thousand for employee severance payments (previous year € 548 thousand) and € 13 thousand for legal and consulting fees (previous year € 308 thousand).

(17) Financial result

The financial result is comprised as follows:

K EUR	2014	2013
Financial income	12	7
Financial expenses		
interest and similar expenses	-1,079	-1,002
interest portion in the addition to pension accruals	-737	-690
	-1,816	-1,692
Financial result	**-1,804**	**-1,685**

Financial income contains mainly interest on non-current assets and interest income from fixed-term investments.

Other interest and similar expenses refer primarily to interest and borrowing costs from the syndicated loan of € 734 thousand (previous year € 640 thousand) determined using the effective interest rate method (see Note 10 “Liabilities”).

The following table shows the net result of financial instruments divided according to valuation category:

K EUR	Net results		Of which expense / income from the value adjustment	
	2014	2013	**2014**	2013
Loans and receivables (LaR)	-441	7	-441	0
Available-for-sale assets (AfS)	-6	-8	-6	-8
Financial liabilities measured at amortised cost (FLAC)	-734	-640	0	0
Total	**-1,181**	**-641**	**-447**	**-8**

(18) Income taxes

a) Tax recognised in profit or loss

K EUR	2014	2013
Current taxes	-4,936	-4,916
Current year	-4,998	-4,916
Adjustments for previous years	62	0
Deferred taxes	844	-611
Appearance resp. reversal of temporary differences	668	-611
Recognition of previously unrecognised unused tax losses	176	0
Total	**-4,092**	**-5,527**

The revaluation of defined benefit obligations resulted in deferred tax benefits of € 1,126 thousand (previous year deferred tax expenses of € 278 thousand) which were recognised directly in equity.

b) Reconciliation of effective tax rate

K EUR	2014	2013
Earnings before tax	14,771	18,922
Expected income tax	4,165	5,336
Tax-free income, non-deductible expenses	49	32
Taxes from previous years	-62	0
Reduction in assessed value	-12	-12
Additions (pursuant to § 8 of the German Trade Tax Act.)	35	39
Unrecogised deferred tax assets from loss carryforwards	110	124
Recognition of previously unrecognised unused tax losses	-176	0
Deviating foreign tax rate	8	0
Other	-25	8
Income tax (effective tax rate: 27.7%, Previous year: 29.2%)	**4,092**	**5,527**

In 2014, the corporate income tax in Germany totalled 15.8 per cent. Trade tax amounted to 12.4 per cent with an average multiplier of 353.9 per cent.

This resulted in a total statutory tax burden of 28.2 per cent.

Deferred taxes are based on differences in recognition and measurement in the tax balance sheet; the local actual tax rate of 28.2 per cent is used for Germany.

No deferred taxes were calculated on what is referred to as "outside basis differences" amounting to € 6,031 thousand (previous year € 6,892 thousand) since SHW is able to control the timing of their release, and it is likely that the temporary difference will not be reversed in the foreseeable future.

The distribution of dividends to shareholders of SHW AG did not have an impact on income tax in 2014 and 2013 and will not have an impact on the 2015 income taxes.

c) Composition of deferred taxes

	Consolidated balance sheet	
K EUR	31 Dec 2014	31 Dec 2013
Deferred income tax liabilities		
Other intangible assets	2,697	2,878
Tangible assets (property, plant and equipment)	210	362
Other non-current assets	282	0
Inventories	17	116
Current assets	158	147
Current liabilities and accruals	92	116
Total	**3,456**	**3,619**
Deferred income tax assets		
Pension accruals and similar obligations	3,507	2,474
Other non-current liabilities and accruals	517	367
Other current liabilities and accruals	595	147
Unused tax losses	176	0
Total	**4,795**	**2,988**

d) Deferred taxes recognised directly in equity

K EUR	before tax	Tax income / expense	after tax
2014			
Foreign currency translation differences	51	0	51
Changes in the amount of actuarial gains and losses	-3,993	1,126	-2,867
Total	**-3,942**	**1,126**	**-2,816**
2013			
Foreign currency translation differences	-180	0	-180
Changes in the amount of actuarial gains and losses	984	-278	706
Total	**804**	**-278**	**526**

e) Unrecognised deferred taxes

No deferred tax assets were recognised for taxlosses amounting to € 391 thousand (previous year € 746 thousand) since it is unlikely that a taxable income will be available in the future against which the deferred tax asset can be used.

Our Brazilian subsidiary SHW do Brasil Ltda. delivered its first oil pumps to a US automotive manufacturer in mid-July 2014 and was able to report a positive overall result already in the third quarter of fiscal year 2014. As a result, deferred tax assets in the amount of € 176 thousand on previously unrecognised taxlosses (€ 518 thousand) were recognised because the Management Board believes it is probable that a taxable income will be available in the future to offset these tax-losses. The Company still reported a loss in 2013.

(19) Other notes to the income statement

The cost of sales and other functional costs contain the following cost of materials, depreciation and amortisation as well as personnel expenses:

COST OF MATERIALS

K EUR	2014	2013
Cost of raw materials and supplies and of purchased merchandised	-262,932	-220,129
Cost of purchased services	-20,389	-18,941
Total cost of materials	**-283,321**	**-239,070**

Depreciation and amortisation

Depreciation and amortisation of intangible assets and tangible assets totalled € 18,252 thousand (previous year € 14,173 thousand).

PERSONNEL EXPENSES

K EUR	2014	2013
Wages and salaries	-66,182	-57,493
Social security charges and pension cost	-12,434	-11,900
Total personnel expenses	**-78,616**	**-69,393**

Pension expenses comprise the addition of € 286 thousand (previous year € 287 thousand) to pension accruals (excluding the interest component). Statutory pension insurance expenses totalled € 5,603 thousand (previous year € 5,428 thousand).

Annual average number of employees:

EMPLOYEES

	2014	2013
Wage earners	939	849
Salaried employees	234	210
	1,173	**1,059**

OTHER INFORMATION

(20) Contingent liabilities

There were no contingent liabilities in fiscal years 2014 and 2013.

(21) Financial instruments

The Group does not hedge its interest risk under the new syndicated loan agreement using transactions with banks. Management is informed of interest positions on a regular basis.

In accordance with IFRS 7, assets and liabilities carried at fair value in the balance sheet are to be categorised according to the levels of the fair value hierarchy. This hierarchy reflects the significance of the input data used for measurement and can be divided as follows:

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).

Shares in associated companies of SHW Automotive Pumps (Shanghai) and SHW Industries GmbH are carried at amortised cost since they are not traded on an active market.

A distinction is made between the following categories of financial instruments:

K EUR	Measurement category (in accordance with IAS 39)	Carrying amount as of 31 Dec 2014	Fair value as of 31 Dec 2014	Recognised at		
				Amortised cost	Fair value through equity	Fair value through profit or loss
ASSETS						
Other non-current financial assets						
Asset value of the reinsurance cover	AfS	337	337	337	–	–
Shares in associated companies	AfS	510	*)	510	–	–
Trade receivables	LaR	44,656	*)	44,656	–	–
Cash and cash equivalents	LaR	292	*)	292	–	–

*) The fair value equals the carrying amount approximately

In the near future, the Company does not plan to sell or derecognise any significant portions of the available-for-sale financial assets recorded as of 31 December 2014.

K EUR	Measurement category (in accordance with IAS 39)	Carrying amount as of 31 Dec 2013	Fair value as of 31 Dec 2013	Recognised at		
				Amortised cost	Fair value through equity	Fair value through profit or loss
ASSETS						
Other non-current financial assets						
Asset value of the reinsurance cover	AfS	343	343	343	–	–
Shares in associated companies	AfS	238	*)	238	–	–
Trade receivables **)	LaR	40,583	*)	40,583	–	–
Other receivables	LaR	69	*)	69	–	–
Cash and cash equivalents	LaR	2,837	*)	2,837	–	–

*) The fair value is approximately equal to the carrying amount
**) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

K EUR	Measurement category (in accordance with IAS 39)	Carrying amount as of 31 Dec 2014	Fair value as of 31 Dec 2014	Recognised at		
				Amortised cost	Fair value through equity	Fair value through profit or loss
LIABILITIES						
Liabilities to bank	FLAC	14,648	14,648	14,648	–	–
Trade payables	FLAC	56,159	56,159	56,159	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	67	67	67	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	6,070	6,070	6,070	–	–

K EUR	Measurement category (in accordance with IAS 39)	Carrying amount as of 31 Dec 2013	Fair value as of 31 Dec 2013	Recognised at		
				Amortised cost	Fair value through equity	Fair value through profit or loss
LIABILITIES						
Liabilities to bank	FLAC	5,718	5,718	5,718	–	–
Trade payables	FLAC	47,881	47,881	47,881	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	72	72	72	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	7,027	7,027	7,027	–	–

AfS: Available for Sale LaR: Loans and Receivables FLAC: Financial Liabilities measured at Amortised Cost

The following overview of maturities illustrates how the cash flows from liabilities (not discounted) affect the Group's liquidity situation as of 31 December 2014:

K EUR	Total	2015	2016	2017	2018	2019
Liabilities to banks (non-current)	2,522	0	1,214	1,200	108	0
Trade payables	56,159	56,159	0	0	0	0
Other non-current liabilities	152	58	58	10	10	9
Current liabilities						
to banks	12,200	12,200	0	0	0	0
Other	0	0	0	0	0	0
Total	**71,033**	**68,417**	**1,272**	**1,210**	**118**	**9**

The situation as of 31 December 2013 can be summarised as follows:

K EUR	Total	2014	2015	2016	2017	2018
Liabilities to banks (non-current)	3,749	0	1,227	1,214	1,200	108
Trade payables	47,881	47,881	0	0	0	0
Other non-current liabilities	206	58	58	57	9	8
Current liabilities						
to banks	2,093	2,093	0	0	0	0
Other	0	0	0	0	0	0
Total	**53,929**	**50,032**	**1,285**	**1,271**	**1,209**	**116**

Capital management

The primary objective of capital management is to ensure that the Group maintains a strong credit rating and healthy equity ratio in order to support its business activity. The Group manages its capital structure and adjusts it to the respective economic conditions. There is not an externally set target for its net financial liabilities. The Group monitors its capital structure on the basis of its net financial liabilities and its target ratios in accordance with the covenant provisions. A monthly report is prepared in this regard and discussed at the Management Board meetings. The Group's equity is managed and controlled through a targeted retention of earnings which is defined by a shareholders' resolution. The following table shows the composition of the net financial liabilities as of the respective balance sheet dates.

K EUR	**31 Dec 2014**	31 Dec 2013
Liabilities to banks	14,648	5,718
Trade payables	56,159	47,881
Cash and cash equivalents	-292	-2,837
Net financial liabilities	**70,515**	**50,762**

Credit risk

Trade receivables had the following age structure as of the respective balance sheet date:

K EUR	**Carrying amount**	of which: neither impaired nor overdue as of the balance sheet date	of which: impaired and not overdue as of the balance sheet date	of which: impaired and overdue as of the balance sheet date	of which: not impaired as of the balance sheet date but overdue according to the following maturity periods					
Trade receivables					Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
as of 31 Dec 2014	46,661	38,659	1,428	808	3,995	400	847	206	292	26
as of 31 Dec 2013 *)	42,135	33,500	933	901	5,637	681	97	113	175	98

*) Previous year figures adjusted; see Note 4 "Trade receivables" (page 113).

Credit risk results from the possibility of the full or partial default of a counterparty and also exists in the context of cash investments. Impairments of trade receivables and other receivables and assets are recognised according to uniform Group rules and cover all recognisable credit risks. Accordingly, impairments are recognised if there are objective indications of impairment, i.e. in the case of customer insolvency or when receivables have been overdue for a certain period of time. The Group mainly delivers to renowned automotive manufacturers and suppliers. Credit insurance has been purchased to cover the receivables of SHW Automotive GmbH. Receivables from car manufacturers are not covered by this insurance policy. High levels of bad debt losses have not been recorded in recent years. The maximum risk incurred upon the default of the counterparty for receivables not covered by credit insurance and for other financial assets, is limited by the carrying amount of the respective assets of € 38,804 thousand (previous year € 35,967 thousand). There are no significant risks of default in terms of trade receivables at the SHW Group due to the customer structure.

Liquidity risk

Liquidity risk represents the risk of not being able to meet present or future payment commitments or only being able to do so at unfavourable conditions. The Group monitors the liquidity risk with the assistance of monthly financial plans for the proceeds and expenditures of the forthcoming months. The Group strives to be in a position to meet its financial obligations at all times and seeks the most optimum balance of short-term cash deposits and use of borrowing. This means that the Group seeks a minimum level of liquidity, which is derived from the monthly financial plans, whereby it should be ensured that the Group's capital requirements for current business and planned investments are sufficiently secured in the most cost-effective manner possible. Readily available cash and liquidity that is not required in the near term are invested, e.g. in call-money accounts. A further aim of the Group is to keep its level of working capital as low as possible. A revolving credit facility of € 60 million is available to the Group for borrowing. To date, this facility has been drawn down by € 10.9 million due to an operating loan and by € 2.6 million through guarantees. For further information on the maturities of liabilities, please refer to our comments under Note 10 "Liabilities".

Market price risk

The Group is mainly exposed to foreign exchange risks and changes in interest rates. Risks from exchange rate fluctuations originate from capital investments, financing measures and operating activities in regions using a foreign currency. Interest risks arise from financial instruments bearing a variable interest rate, which have an impact on the Group's interest expenses when the interest rate changes. The management of market price risks is tasked with mitigating the impact of fluctuations in foreign exchange rates and interest rates.

Interest and currency risk

The Group's interest rate risk largely results from the loan agreement concluded on 25 October 2012. The Group has decided not to hedge its interest rate risk.

The interest rate risk for the Group in the fiscal year was not material.

Currently, foreign exchange risks exist only to a limited extent at our Brazilian and Canadian subsidiaries and were not material for the Group in the past fiscal year.

Collateral issued

A land charge of € 2,000 thousand was entered in favour of Kreissparkasse Ostalb by means of a notarised agreement on 19 December 2012. This land charge served as collateral for two loans of € 4,758 thousand.

(22) Other financial obligations

Financial obligations to third parties originating from investment projects already initiated were within the normal scope of business.

K EUR	2014	2013
Obligations from rent and lease agreements	4,756	2,906
of which due within one year	1,319	1,127
of which due within in between one and five years	2,664	1,779
of which due in more than five years	773	0

SHW Automotive GmbH leases cars under a vehicle leasing arrangement and also leases four warehouses, telephone equipment, computer hardware and machinery. SHW do Brasil Ltda. and SHW Pumps & Engine Components Inc. are leasing a warehouse each. In 2014, there were no further lease instalments due for machinery leased under a sale-and-lease-back contract (previous year € 1,098 thousand). The contract ended on 31 December 2013. Lease expense for other machinery amounted to € 384 thousand (previous year € 455 thousand). Expenses for rent and tenancy agreements amounted to € 442 thousand in the fiscal year 2014(previous year € 447 thousand).

(23) Auditor's fee

K EUR	2014	2013
Services relating to the audit of the financial statements		
– thereof related to prior years	166	131
– thereof related to	15	0
other audit services	8	0
Other assurance services	2	2
Tax consultancy services	0	0
Other services	16	20

Tax advisory services were not provided by the auditor. Other expenses occurring in fiscal year 2014 amounted to € 31 thousand (€ 17 thousand thereof are attributable to previous years).

(24) Total remuneration of the members of the Management Board and Supervisory Board

K EUR	2014	2013
Short-term benefits (remuneration)	883	787
Long-term benefits (remuneration)	270	144
Post-employment benefits	0	272
Other long-term benefits and post-employment benefits	0	0

Remuneration of former members of the Management Board amounted to € 56 thousand. A total of € 79 thousand (previous year € 55 thousand) has been recognised as provisions for pension obligations to former members of the Management Board.

The remuneration of former members of the management of predecessor companies and their surviving dependants amounted to € 251 thousand (previous year € 240 thousand). The corresponding pension obligations for these persons were covered with accruals of € 3,269 thousand (previous year € 3,100 thousand).

The total remuneration of the Supervisory Board amounted to € 216 thousand during the fiscal year (excluding the reimbursement of expenses). We also refer to the remarks in the section titled "remuneration report" in the combined Group management report and management report.

(25) Cash flow statement

The cash flows shown in the cash flow statement are divided into three categories: operating activities, investing activities, and financing activities. Other non-cash-effective expenses included within the cash flow from operating activities in the fiscal year 2014 were primarily related to non-cash interest expenses, as in the previous year. As of the balance sheet date, there were investments of € 2.3 million in tangible assets for which no cash outflows had occurred during the fiscal year. Cash outflows for investments in tangible assets of the previous year amounted of € 2.7 million.

The amount of cash and cash equivalents shown in the cash flow statement is comprised of the cash and cash equivalents presented in the balance sheet. Overdrafts of € 10,972 thousand (previous year € 960 thousand) existed as of the balance sheet date.

(26) Relationships with related parties

The consolidated financial statements of SHW AG, Aalen, include all major subsidiaries and joint ventures.

In fiscal year 2014, the Management Board of SHW AG was comprised of the following members:

Dr.-Ing. Thomas Buchholz, Leimen
- Chief Executive Officer and Managing Director of SHW Automotive GmbH, responsible for the Pumps and Engine Components business segment

Sascha Rosengart, Aalen
- Chief Financial Officer and Managing Director of SHW Automotive GmbH, responsible for central administration

Andreas Rydzewski, Lauffen am Neckar
- Member of the Management Board and Managing Director of SHW Automotive GmbH, responsible for the Brake Discs business segment

The Supervisory Board members in fiscal year 2014 were:

Georg Wolf, Dietzenbach,
- Chairman (as of 11 January 2014)
- Previously Chairman of the Management Board of ixetic GmbH, Bad Homburg v.d. Höhe (meanwhile: Magna Powertrain GmbH)

Further mandates:
- Advisory Board of Weber-Hydraulik 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

Further mandates:
- Member of the Supervisory Board of Wüstenrot & Württembergische AG
- Deputy Chairman of the Supervisory Board of Wüstenrot Holding AG

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. 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)
- Chairman of the Works Committee at SHW Automotive GmbH, Bad Schussenried facility

Frank-Michael Meißner, Tuttlingen (as of 9 May 2014)
- Chairman of the Works Committee at SHW Automotive GmbH, Tuttlingen facility

(27) German Corporate Governance Code

The Management Board and the Supervisory Board have submitted the Declaration of Conformity pursuant to Section 161 AktG and have made it permanently available to shareholders through its publication on the Company's website (www.shw.de).

(28) Significant Events Subsequent to the End of the Financial Year

On 23 January 2015, SHW Automotive GmbH, a subsidiary of SHW AG, and Shandong Longji Machinery Co., Ltd., signed an agreement to form a brake disc joint venture for the Asian market. For further information, please refer to the section "scope of consolidation and consolidation principles" in the notes.

The information regarding the capital increase against contribution in cash executed on 18 February 2015 can be found in the Note 7 "Equity".

SCHEDULE OF SHAREHOLDINGS AS OF 31 DECEMBER 2014 ACCORDING TO SECTION 313 (2) HGB

Company name and location	Interest in capital in %	Local currency	Exchange rate (EUR / LC)	Equity (LC 1,000)	Result (LC 1,000)
Schwäbischen Hüttenwerke Zweite Beteiligungs GmbH, Aalen	100	EUR	1	74,611	0
Schwäbischen Hüttenwerke Automotive GmbH, Aalen	100	EUR	1	91,452	0
SHW do Brasil Ltda., Sao Paulo / Brazil	100	BRL	3.2268	263	330
SHW Automotive Pumps Shanghai / China	100	RMB	7.4655	960	-2,076
SHW Automotive Industries GmbH, Aalen	100	EUR	1	25	0
SHW Pumps & Engine Components Inc, Brampton, Ontario / Canada	100	CAD	1.4085	-119	-573

Aalen, 10 March 2015

Dr.-Ing. Thomas Buchholz
Chief Executive Officer

Sascha Rosengart
Chief Financial Officer

Andreas Rydzewski
Member of the Management Board

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by **SHW AG, Aalen**, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, including the Group management report, which is combined with the management report of the Company for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the combined Group management report and management report in accordance with the IFRS, as adopted by the EU, and the applicable supplementary provisions of the German commercial law pursuant to Section 315a (1) HGB are the responsibility of the legal representatives of the Company. Our task is to express an opinion on the consolidated financial statements and the combined Group management report and management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB in consideration of the generally accepted standards in Germany for the audit of financial statements defined by the Institute of Public Auditors in Germany (IDW). Those standards require the audit to be planned and conducted in such a manner as to detect with adequate certainty any inaccuracies or infringements materially affecting the presentation of the net assets, financial position, and results of operations, as conveyed by the consolidated financial statements and the combined Group management report and management report, and in consideration of the applicable accounting principles. In determining the audit procedures, consideration was given to the knowledge of the business activities and the economic and legal environment of the Group, as well as to the possible errors likely to be encountered. In the course of the audit, the effectiveness of the accounting-based internal control system and evidence of the information contained in the consolidated financial statements and in the combined Group management report and management report were assessed primarily on the basis of random samples. The audit encompasses an assessment of the annual financial statements of those entities included in the consolidated financial statements, the determination of the entities to be included in the scope of consolidation, the accounting and consolidation principles applied, and of the principal assessments made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and of the combined Group management report and management report. We are of the opinion that our audit provides an adequately secure foundation on which to base our opinion.

Our audit has caused us to raise no objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, and with the applicable supplementary provisions of the German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these provisions. The combined Group management report and management report is consistent with the consolidated financial statements and overall presents an accurate image of the position of the Group and the opportunities and risks of future development.

Stuttgart, 10 March 2015

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Christoph Brauchle	Christoph Lehmann
Auditor	Auditor

ASSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and statement of comprehensive income of the Group, and the Group management report and management report of SHW AG represent a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Aalen, 10 March 2015

Management Board of SHW AG

Dr.-Ing. Thomas Buchholz	Sascha Rosengart	Andreas Rydzewski
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

GLOSSARY

Aluminum pot

The brake disk pot forms the very middle of the brake disc and is used for mounting the disc to the hub and the wheel of the car. Composite discs have an aluminum pot instead of an iron pot.

Aluminium die-cast casing

Oil pump casing made of aluminium manufactured using a high-pressure die-cast process.

Auxiliaries

Auxiliaries are devices powered by the engine such as the alternator, power steering servo pumps, vacuum pump for the brakes, air conditioner compressor, secondary air pump for exhaust treatment, fan and sometimes also the oil and coolant pumps.

Balancer shaft unit

Three, four and five-cylinder inline engines and V-six engines vibrate more powerfully and run more unevenly than engines with higher numbers of cylinders. Engine running can be improved through the use of balancer shafts which are installed directly inside the engine and which rotate in the opposite direction to the engine's crankshaft.

Camshaft phaser

The camshaft is part of the engine's valve train. Its job is to operate the valves at the right moment and in the right sequence, thereby controlling the gas exchange. With the aid of camshaft phasers, the timing of the intake valves or exhaust valves can be adapted to the respective load status of the engine. This improves the engine's performance and torque curve, and also saves fuel.

Composite disc

The composite discs made by SHW consist of a grey cast iron friction ring and an aluminum pot. Both parts are linked together by means of steel pins, where the friction ring can freely glide on those pins in radial direction. Thus, it is guaranteed that the friction ring can expand independently from the pot while heated under force. Heat tensions of the disc and the risk of cracks can be minimised. In this way, the composite disc combines extreme durability with the highest level of safety. In addition, a composite disc has a lower weight than conventional brake discs made from iron. By use of aluminum, a possible weight reduction of up to 8 kg per vehicle can be reached.

Dual-clutch

Dual-clutch transmissions comprise two independent transmission units. As they move through the gears, the dual-clutch mechanism allows the engine to engage with each of the two transmissions in turn via two drive shafts. The dual-clutch transmission permits an automatic gear change with no interruption in power flow. The transmission is controlled via a mechatronics module, which houses the electronic control unit, various sensors as well as the hydraulic control elements in a single compact unit.

Electric auxiliary pump for hybrids / start-stop system

The electric auxiliary pumps maintains the hydraulic pressure level in auxiliaries after the combustion engine has been switched off.

External gear pump

Specification of a variable oil pump.

Friction ring

The friction ring is the part of the brake disc on which the brake pads are pressed, in order to apply the brake force. Friction rings can either be flat, with perforation holes (cross-drills) or grooves.

Fuel pump

In a modern fuel-injection systems, the fuel pump supplies the right amount of fuel, i.e. diesel or petrol, to the injection valves or injection pump at the right pressure.

Light vehicles

Passenger cars and light trucks with a permissible total weight of up to 6 tons.

Lightweight brake disc

See composite discs.

Map-controlled oil pump

A map-controlled oil pump is a special type of variable oil pump, equipped with an electromagnetic control valve. In a data map, target values for certain engine parameters are stored. Networking with the engine control device on the vehicle enables a map-controlled pump to be controlled as needed, dependent on the operating status of the engine. The volume of oil delivered by the pump is regulated by the electromagnetic control valve.

Micro, mild or plug-in hybrid

Name for different hybrid vehicle variants. Micro hybrids have a conventional internal combustion engine with start-stop system that switches it off at traffic lights. In a mild hybrid, the combustion engine gives the electric motor an assist for starting and accelerating, while electrical energy is recovered by means such as brake energy recovery. A plug-in hybrid has a battery that can be charged with grid power.

Oil / vacuum pump

In engines with direct injection, the vacuum pump generates the vacuum needed for boosting brake performance, a vacuum which is also required for controlling servo systems and exhaust gas recirculation. It can also be combined with an oil pump.

Powder metallurgy

In the powder metallurgy production process, different powdered metals are mixed and then pressed into a mould under pressure. During the subsequent heat treatment (sinter) the granules of powder are firmly attached to their contact surfaces via diffusion of the atoms in the metal.

Sinter metal parts

Pump cogwheels and other pump components (e.g. rotors and adjustment rings), components for the engine drive (belt and chain wheels), components for camshaft phasers (chain wheel, rotor, stator and signal transmitter disc) and camshafts, camshaft drive wheels, synchroniser hubs and cogwheels made of steel or aluminum powder.

Truck & off-highway applications

Pumps and engine components for trucks, agricultural and construction vehicles, stationary engines and wind power stations.

Vane pump

Specification of a variable oil pump.

Variable oil pump

A variable oil pump supplies the amount of oil needed for different engine operating states, dependent on oil pressure.

Variable water pump

The main distinctive feature of a variable water pump is that it only works at a reduced rate during the warming up phase of the engine and ensures that the cooling water inside the cooling ducts of the engine block warms up especially quickly.

Ventilated brake disc

Ventilated brake discs are not made from solid metal but contain internal air channels in order to cool the disc down more quickly.

Wave-design / wave-disc

Wave discs or brake discs with a wave design are composite discs which offer a further weight reduction as their outer diameter features a wave profile. The additional weight reduction can reach up to 1.5 kg per vehicle, depending on the size of the discs.

FINANCIAL CALENDAR

16 March 2015	Annual report 2014 / Annual press conference / Analysts' conference
30 April 2015	Interim report for the 1st quarter of 2015
12 May 2015	Annual general meeting 2015 (Congress Centrum Heidenheim)
29 July 2015	Interim report for the 2nd quarter of 2015
28 October 2015	Interim report for the 3rd quarter of 2015

IMPRINT

Publisher
SHW AG
Wilhelmstraße 67
D-73433 Aalen, Germany

Telephone: +49 7361 502 1
Fax: +49 7361 502 421
Email: info@shw.de
Internet: www.shw.de

Investor Relations & Corporate Communications
Michael Schickling
Telephone: +49 7361 502 462
Email: michael.schickling@shw.de

Concept and Design
IR-One AG & Co.,
Hamburg, Germany
www.ir-1.com

Photography
Daniel Banner,
Bad Nauheim,
www.bannerfoto.de

The English version of the Annual Report is a translation of the German version of the Annual Report.
The German version of this Annual Report is legally binding.

SHW AG

Wilhelmstraße 67
D-73433 Aalen, Germany

Telephone: +49 7361 502 1
Fax: +49 7361 502 421

Email: info@shw.de
Internet: www.shw.de