Half-year Financial Report

1 January to 30 June 2015

INSIDE SHW

ROADMAP 2020

SHW

Key figures SHW Group (IFRS)

K EUR	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	123,122	107,293	14.8%	240,111	212,072	13.2%
EBITDA	11,765	10,170	15.7%	22,803	19,010	20.0%
as % of sales	9.6%	9.5%	-	9.5%	9.0%	-
EBIT	6,219	5,699	9.1%	12,233	10,517	16.3%
as % of sales	5.1%	5.3%	-	5.1%	5.0%	-
Net income for the period	5,531	3,955	39.8%	9,616	7,197	33.6%
Earnings per share[1]	0,86	0,68	27.1%	1,53	1,23	24.5%
Adjusted EBITDA	11,933	11,070	7.8%	22,971	19,910	15.4%
as % of sales	9.7%	10.3%	-	9.6%	9.4%	-
Adjusted EBIT	6,425	6,637	-3.2%	12,476	11,492	8.6%
as % of sales	5.2%	6.2%	-	5.2%	5.4%	-
Equity	-	-	-	111,382	84,005	32.6%
Equity ratio*	-	-	-	45.8%	41.0%	-
Net debt / Net cash	-	-	-	-8,860	-17,358	-49.0%
Capital expenditure[2]	8,121	8,780	-7.5%	14,337	18,001	-20.4%
as % of sales	6.6%	8.2%	-	6.0%	8.5%	-
Working Capital*	-	-	-	47,528	38,993	21.9%
as % of sales*	-	-	-	10.4%	9.7%	-
Number of employees (average)[3]	-	-	-	1.276	1.119	14.0%

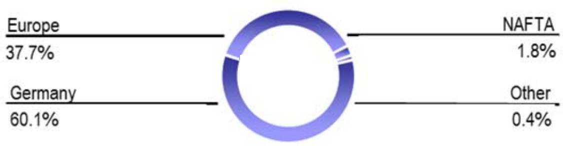
[1)] H1/2015 based on an average of 6,281,042 shares / H1/2014 based on an average of 5,851,100 shares.
Q2/2015 based on an average of 6,436,209 shares / Q2/2014 based on an average of 5,851,100 shares.
[2)] Additions to tangible and intangible assets.
[3)] Excluding trainees and temporary workers.
*) Prior year values adjusted; see Note page 25.

Sales by segment from 1 January to 30 June

in %

Sales by region from 1 January to 30 June

in %



Company profile

The future of the automobile is being shaped by the rising global demand for mobility and a regulatory environment that calls for a significant reduction in motor vehicle emissions. The SHW Group can profit from these factors with its comprehensive CO_2-optimising product portfolio.

We began early on to develop pioneering components for engine and transmission applications that raise the efficiency of combustion engines and their auxiliary units and reduce fuel consumption. SHW brake discs also help reduce a vehicle's weight.

As a reliable partner, we generate added value for our automotive customers and our shareholders. We strive to be one of the leading global producers of pumps and engine components for all drive technologies and to make composite brake discs suitable for high-volume production – always with the goal of helping our customers meet the CO_2-target requirements of today and tomorrow and ensuring environmentally friendly mobility.

Through the Pumps and Engine Components business segment, SHW is either already operating or is initiating production in the near future at its own production locations in the strategically important automotive markets of Europe, North and South America and China. We will also continue to develop the Brake Discs business segment strategically. We reached our first milestone in the internationalisation of our brake disc business with the initiation of the brake disc joint venture SHW Longji on 1 April 2015. The penetration of additional markets is also expected to take place by means of collaborations.

Content

SHW Share

European stock markets suffer from the "Greek tragedy"

After a strong first quarter with markets reaching all-time highs, European stock markets took a fall during the second quarter. The main trigger was the ongoing discussion of whether Greece would remain in the eurozone. Additional pressure came from the sharp rise in the yields of European government bonds, the strong euro and discussions regarding a first interest rate hike by the US Federal Reserve. Improved economic data from the euro area, a recovery in the US economy and the expansive monetary policy of the Chinese central bank were only able to lift European stock markets temporarily.

The Euro Stoxx 50 ended the second quarter of 2015 at 3,424 points with a loss of 273 points. The German benchmark index, the DAX, closed at 10,945 points on 30 June 2015, or 8.5 per cent lower than on the last trading day of the first quarter. The SDAX index, of which SHW has been a member since 23 December 2013, was able to escape from these negative developments and gained 191 points, or 1.8 per centper cent, in comparison to the end of the first quarter and closed at 8,578 points.

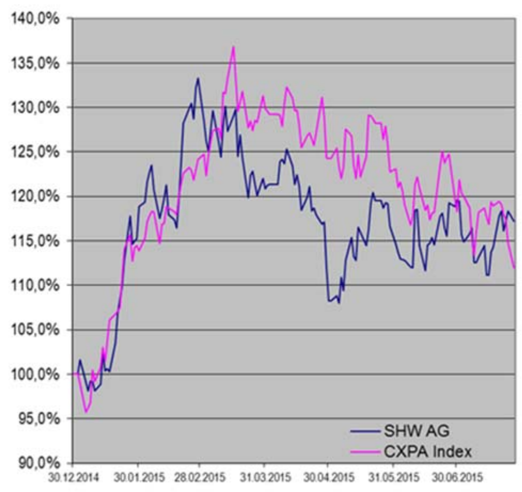
The US markets experienced a phase of increased volatility in the second quarter. After a decline in economic growth in the first quarter of 2015, markets were driven in the second quarter by positive developments in the labour market – at 5.4 per centper cent, the unemployment rate reached its lowest level in seven years – and the steady rise in consumer confidence. The US Dow Jones benchmark index lost 0.9 per cent overall in the second quarter of 2015 and closed the quarter at 17,620 points. Thanks to central bank policy and political reforms, the Japanese Nikkei index decoupled from the downward trend in Europe and reached 20,593 points on 24 June 2015, which was not only a new high for the year but also its highest level since December 1996. In the second quarter, the Nikkei index improved overall by 5.4 per cent and ended the April to June 2015 period at 20,236 points.

Despite positive new registration figures from the European Union and North America, some of the large automotive manufacturers (BMW, VW and Daimler) in the DAXsector Automobile Performance Index suffered significant price losses. The share price decline was triggered by increasingly apparent signs of a major slowdown in the growth of the Chinese automobile market – the largest market for these manufacturers. The DAXsector Automobile Performance Index ended the second quarter 8.9 per cent lower at 1,762 points.

SHW shares significantly outperform the benchmark index

In the April to June 2015 period, SHW shares managed to avoid some of the negative sentiment for automotive shares and, despite the announcement on 12 May of a change in the company's Chief Executive Officer, recorded a comparably moderate decline of just 3.4 per centper cent to € 43.05 (31 March 2015 € 44.58). What may have also played a role in this context is the fact that currently the development of the Chinese automobile market only has a limited effect on SHW. SHW shares are currently quoted at € 42.15 (status 28 July 2015).

Performance of SHW shares and DAXsector Automobile Performance Index (CXPA) January 2015 to July 2015



Successful fourth Annual General Meeting

The fourth Annual General Meeting of SHW AG, held in Heidenheim on 12 May 2015, was met with great interest by the SHW shareholders with 45.88 per cent of the share capital represented. As proposed by the Management and Supervisory Board of SHW AG, the distribution of a dividend of € 1.00 per share was approved. A total of € 6.4 million of the € 10.7 million in Group net income for fiscal year 2014 was distributed to SHW AG shareholders. This represents a payout ratio of 60.3 per cent. All of the resolutions proposed by the Management Board and the Supervisory Board were approved by a large majority.

Further stabilisation in the MDAX / SDAX selection list

Following the capital increase in February 2015 that brought net proceeds of € 24.3 million (increasing equity), and an increase in the Company's subscribed capital from € 5.85 million to € 6.44 million, SHW's shares continue to be at 100 per cent free float. In comparison to 31 March 2015, SHW has lost some ground in the MDAX / SDAX selection list of the Deutsche Börse AG. Ranked in terms of free-float market capitalisation, SHW has fallen slightly to number 90 as of the 30 June 2015 reporting date (31 March 2015 ranked 85). In terms of the liquidity ranking, the Company was number 84 by the end of the second quarter of 2015 (31 March 2015 number 82).

Kepler Cheuvreux initiates coverage of SHW shares with a buy recommendation and a target price of € 49

The ongoing efforts to gain coverage of SHW shares from further research houses have been successful. On 2 July 2015, the renowned brokerage house Kepler Cheuvreux initiated coverage of SHW shares with a target price of € 49. An additional brokerage house is planning to initiate coverage shortly. SHW is currently covered by seven, perspectively eight, research houses. The goal is to gain further banks to initiate coverage of SHW.

Extensive communication with capital market participants

The objective of SHW Investor Relations is to ensure that SHW shares receive an appropriate valuation from the capital market. The basis for achieving this objective is the ongoing and open dialogue with all market participants and the availability of concise and valuation-relevant information.

As an SDAX-listed, capital-market oriented industrial company, SHW meets the information demands of market participants primarily though quarterly reports published three times per year, and through the active participation in investor conferences and roadshows. For example, in September 2015, SHW plans to participate in the Commerzbank Sector Conference in Frankfurt as well as in the IAA Cars 2015 Conference sponsored by Deutsche Bank. SHW also plans to be present at the Equity Forum (Eigenkapitalforum) at the end of November 2015. In participating in these conferences, SHW aims to strengthen the market's understanding of SHW and provide transparency with regard to the implementation of the growth strategy and the measures for increased efficiency.

The Investor Relations staff are gladly available to you for all issues concerning SHW. A good starting point is the IR website (www.shw.de/cms/en/investor_relations). Please do not hesitate to get in touch if you would like any additional information. SHW Investor Relations is looking forward to hearing from you.

Share at a glance	
WKN	A1JBPV
ISIN	DE000A1JBPV9
Ticker symbol	SW1 GY
Type of shares	Ordinary no-par-value bearer shares
Number of shares	6.44 million
Share capital	€ 6.44 million
Market capitalisation[1)]	€ 277.1 million
Free float	100.0%
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
First listing	7 July 2011
Designated sponsor	Commerzbank AG

[1)] On the basis of the closing price of € 43.05 as of 30 June 2015

Interim Group 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, which, in turn, holds all shares of SHW Automotive GmbH, headquartered in Aalen. 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 (Kunshan) Co., Ltd., headquartered in Kunshan, China, SHW Pumps & Engine Components Inc., headquartered in Toronto, Canada, as well as SHW Automotive Industries GmbH, headquartered in Aalen. Besides, SHW Automotive GmbH holds a 51 per cent interest in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in LongKou, China.

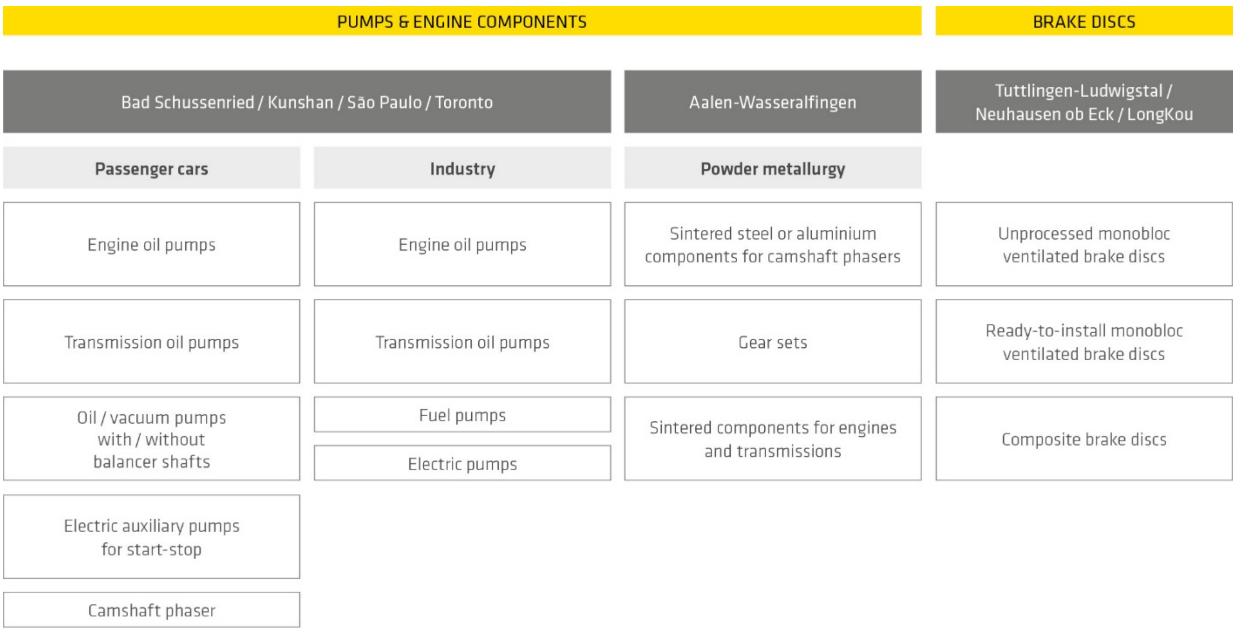
SHW Automotive GmbH, its subsidiaries as well as SHW do Brasil Ltda. conduct the operations of the SHW Group.

A company with two business segments and focussed 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 primarily 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). At the Kunshan location in China, preparations are being made for the commencement of series production. Following the relocation of a production order from Bad Schussenried to Kunshan, we will start with the production of variable engine oil pumps in the second half of 2015. The focus of the Canadian location near Toronto is on acquiring new orders and on application engineering, particularly for US auto manufacturers. After being nominated as a series supplier of variable engine oil pumps for a global engine platform, series production in the NAFTA region is scheduled to start in 2018.



The Passenger Car division in Bad Schussenried manufactures mainly 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 location in São Paulo will only produce engine oil pumps.

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

In addition, the Company'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, components for camshaft phasers, chain wheels and rotors made of sintered aluminium.

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 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.

In early April, the joint venture formed in January 2015 between SHW Automotive GmbH, a subsidiary of SHW AG, and the Chinese Shandong Longji Machinery Co., Ltd. commenced operations. Initially, the joint venture will produce unprocessed brake discs for the spare parts business of the Chinese joint venture partner. Going forward, this joint venture will focus on the development and production of processed monobloc ventilated brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Management's current focus is on meeting the certification requirements of ISO/TS16949 and acquiring orders from original equipment manufacturers. Another interesting target market for the Brake Discs business segment is the NAFTA region.

Economic conditions

Global economy growing moderately

In the second quarter of 2015, the global economy is expected to have picked up somewhat after a comparably weak first quarter that was provoked by a slump in the US economy at the start of the year. The pickup in most advanced economies (EU-28, Switzerland, Norway, USA, Canada, Japan, South Korea, Taiwan, Hong Kong and Singapore) was likely fuelled by the persistently loose monetary policies of Western central banks, the neutral fiscal policy in the eurozone, lower oil prices and improving labour market conditions. In contrast, against the background of lower commodity prices, tighter financing conditions, structural bottlenecks and the influence of geopolitical factors, the pace of growth in the emerging markets (Russia, China excluding Hong Kong, India, Indonesia, Thailand, Malaysia, the Philippines and Latin America) continued to weaken with only a few exceptions.

After a positive start into the year (GDP Q1/2015 + 0.4 per cent quarter-on-quarter), which was driven by lower crude oil prices, the weaker euro and mild winter weather, the economic environment in the eurozone in the second quarter of 2015 deteriorated slightly. The crude oil price has since recovered sharply and the euro is significantly stronger. Moreover, growth has slowed down as a result of the decline in demand from emerging markets, the high indebtedness of private households and the correction of the real estate markets in some countries. According to the data currently available, the eurozone's economy in the second quarter of 2015 grew some 0.3 per cent quarter-on-quarter.

It currently seems that after the disappointing first quarter (GDP + 0.3 per cent quarter-on-quarter), the German GDP growth is expected to have amounted to roughly 0.5 per cent.

The Japanese economy recovered slowly from the shock of last year's increase in value-added tax, which had resulted in a major economic slump. After a strong first quarter (GDP + 1.0 per cent) that was stimulated by private durable goods investments, the economists at Commerzbank expect the GDP to remain unchanged.

Following a weak first quarter in which GDP contracted by 0.2 per cent – strongly influenced by the harsh winter, dock worker strikes and a collapse in investment in the oil and gas industry – the US economy is expected to have returned to growth in the second quarter of 2015 and should report GDP growth of roughly 2.5 per cent. This turnaround is expected to be fuelled primarily by private consumption as a result of increasing incomes, lower oil prices and continued improvements in the labour market. Construction activities, now that inventories of unsold homes are back to their usual levels, should offer support.

The picture is still varied in the emerging markets. Russia and Brazil continue to be in recession. In the April to June 2015 period GDP in China, according to government data, continued to grow by 7.0 per cent year-on-year as it had in the first quarter of 2015. The latest headache seems to be the ongoing weak real estate market, which is having a negative impact not only on housing construction but also on the amount of income from the sale of land for regional authorities. Finally, the unresolved conflict between Russia and the Ukraine and armed conflicts in Iraq and Syria also continue to put pressure on the world economy.

Europe and the US still growing—China's growth falters

The automobile markets in the US and the European Union continued their dynamic performance during the second quarter. At the same time, China showed increasing signs of a significant growth slowdown.

The five largest markets in the European Union by volume – Germany, Great Britain, France, Italy and Spain – posted above-average growth gaining 8.0 per cent to 2.78 million units. As in the first quarter, Spain and Italy were again the strongest markets growing 14.0 per cent and 16.8 per cent, respectively. Spain's performance continues to be sustained by the government scrappage scheme (Plan PIVE 7). With new passenger car registrations at 0.44 million units (previous year 0.38 million units), Italy is nearing its "pre-crisis level". Further dynamic performance came from the markets in Germany (+ 4.2 per cent), France (+ 5.5 per cent) and Great Britain (+ 7.2 per cent).

The US automobile market increased its new registrations for passenger cars and light trucks in the second quarter by 3.2 per cent to 4.56 million units (previous year 4.42 million units). Growth continued to be driven by the light truck segment while the passenger car segment was slightly below the year-ago level. The catalysts were the 5.4 per cent unemployment rate – the lowest in seven years – and higher consumer confidence. The German automobile manufacturers gained market share with their overall increase of 6.5 per cent.

The Chinese passenger car market showed a significant slowdown in growth in the second quarter of 2015. The number of passenger cars sold in the April to June 2015 period amounted to 4.79 million cars and was only marginally above last year's level of 4.76 million units.

New passenger car registrations in Japan sank by 7.8 per cent to 0.91 million units in the April to June period. Registrations were still being impacted by the increase in value-added taxes introduced in April 2014.

The Mercosur region continued to slide. In Brazil, the largest single market in South America, the declining trend in new registrations for passenger cars and light vehicles accelerated significantly in the second quarter of 2015: at 0.62 million units, new registrations for light vehicles declined by 23.1 per cent year-on-year.

Results of operations, net assets and financial position of the SHW Group

Key figures: SHW Group

K EUR	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	123,122	107,293	14.8%	240,111	212,072	13.2%
EBITDA	11,765	10,170	15.7%	22,803	19,010	20.0%
as % of sales	9.6%	9.5%	-	9.5%	9.0%	-
EBIT	6,219	5,699	9.1%	12,233	10,517	16.3%
as % of sales	5.1%	5.3%	-	5.1%	5.0%	-
Net income for the period	5,531	3,955	39.8%	9,616	7,197	33.6%
Adjusted EBITDA	11,933	11,070	7.8%	22,971	19,910	15.4%
as % of sales	9.7%	10.3%	-	9.6%	9.4%	-
Adjusted EBIT	6,425	6,637	-3.2%	12,476	11,492	8.6%
as % of sales	5.2%	6.2%	-	5.2%	5.4%	-
Equity	-	-	-	111,382	84,005	32.6%
Equity ratio	-	-	-	45.8%	41.0%	-
Working Capital*	-	-	-	47,528	38,993	21.9%
as % of sales*	-	-	-	10.4%	9.7%	-

*) Prior year values adjusted; see Notes page 25.

Results of operations

Sales in the first six months of the year increased 13.2 per cent to € 240.1 million

Group sales increased 13.2 per cent from € 212.1 million to € 240.1 million during the January to June 2015 period, especially as a result of higher customer call orders in comparison to the previous year.

Marginal rise in cost of sales ratio

Cost of sales increased 13.6 per cent from € 190.2 million to € 216.1 million in the reporting period. The cost of sales ratio rose from 89.7 per cent to 90.0 per cent at the same time. The change in the cost of sales ratio mainly resulted from shifts in the product mix, which offset one another to some extent.

Selling and general administrative expenses grew from € 7.2 million to € 8.9 million in the first six months of the 2015 fiscal year. This above-average rise in comparison to sales growth was mainly the result of the expansion in our international sales activities and the first-time consolidation of SHW Automotive Pumps (Kunshan) Co., Ltd., in Kunshan, China, as of 1 January 2015.

Research and development costs at previous year's level

In the first six months of the 2015 reporting year, research and development costs remained close to the previous year's level and amounted to € 3.2 million. In addition, a total of € 0.6 million (previous year € 0.8 million) in development costs were capitalised. Resulting from the strong sales growth, the R&D ratio (including capitalised development costs) fell to 1.6 per cent of sales (previous year 1.9 per cent). In the Pumps and Engine Components business segment, the focus of research and development was on the development of transmission pumps and electrification. The activities of the Brake Discs business segment were centred on the further development of higher-value composite brake discs.

Reconciliation statement: SHW Group

K EUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Sales	123,122	107,293	240,111	212,072
Operating result (EBIT)	6,219	5,699	12,233	10,517
PPA[1] fixed assets	38	38	75	75
Increased series start-up costs	-	900	-	900
Costs of changes in the management board	168	-	168	-
Adjusted EBIT	6,425	6,637	12,476	11,492
as % of sales	5.2%	6.2%	5.2%	5.4%
Other depreciation	5,508	4,433	10,495	8,418
as % of sales	4.5%	4.1%	4.4%	4.0%
Adjusted EBITDA	11,933	11,070	22,971	19,910
as % of sales	9.7%	10.3%	9.6%	9.4%

[1)] Depreciation arising from purchase price allocation

EBITDA improved in the first half year

In the first half of 2015, adjusted earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) rose to € 23.0 million year-on-year. The corresponding EBITDA margin increased slightly from 9.4 per cent to 9.6 per cent.

In the Pumps and Engine Components business segment, the implementation of efficiency measures to address the operational and logistical burdens in the Powder Metallurgy in Aalen-Wasseralfingen and pump production at the Bad Schussenried site lagged behind SHW's own expectations. Additionally, the product mix of the Pumps and Engine Components business segment had a slightly negative impact on the gross margin compared to the first half of the previous year.

The development of our international operations in China and Canada is proceeding as planned. The economic situation of the Brazilian subsidiary, SHW do Brasil Ltda., continues to be tense due to the difficult economic environment. Nevertheless, SHW do Brasil Ltda. made a positive contribution to the segment result.

The rise in adjusted EBITDA in the Brake Discs business segment sharply outpaced the rise in sales. The result was impacted by the positive effects from the product mix and especially from productivity improvements generated through a higher degree of automation and lower quality costs.

Joint venture affects financial result

At € -0.6 million, the net balance of financial income and expenses for the period of January to June of 2015 remained at the previous year's level. Average financial debt was virtually unchanged in comparison to the previous year. Since 1 April 2015, the Chinese joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., has been accounted for in SHW AG's consolidated financial statements using the equity method. The resulting profit from entities accounted for using the equity method in the second quarter of 2015 in the amount of € 1.3 million relates to the badwill recognition through profit and loss of € 1.2 million, which arose in connection with the first-time measurement.

Declining tax rate

Income taxes rose by € 0.6 million to € 3.3 million as a result of the increase in earnings before taxes in the first six months of 2015. At 25.7 per cent, the tax rate was significantly below the previous year's level of 27.3 per cent. The decline in the tax rate is related to the first-time inclusion of the results of companies accounted for using the equity method.

Net income in the first half year significantly above previous year's level

Net income in the first six months of the 2015 fiscal year increased by 33.6 per cent from € 7.2 million to € 9.6 million. This improvement was mainly impacted by positive earnings effects related to the first-time inclusion of the profit from entities accounted for using the equity method. Earnings per share reached € 1.53 in the first half of 2015 compared to € 1.23 in the previous year. The weighted average number of shares used in the calculation of earnings per share was 6,281,042 (previous year 5,581,100).

Business Segments

Development of the Pumps and Engine Components business segment

Strong sales growth continued

The Pumps and Engine Components business segment generated a 16.9 per cent increase in sales to € 190.8 million (previous year € 163.1 million) in the first half of 2015.

The Passenger Car division achieved a sales increase of 21.5 per cent to € 159.5 million (previous year € 131.3 million) as a result of higher customer call orders – particularly for variable oil/vacuum pumps (tandem pumps) and camshaft phasers – and due to the ramp-up of capacity expansion.

The Industry division contributed € 15.2 million to sales (previous year € 15.6 million). The Powder Metallurgy division increased total sales (including inter-company sales) in the first half of 2015 by 11.6 per cent from € 26.6 million to € 29.7 million.

Key figures: Pumps and Engine Components

K EUR	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	98,222	82,562	19.0%	190,759	163,129	16.9%
EBITDA	8,951	8,075	10.8%	18,223	15,550	17.2%
as % of sales	9.1%	9.8%	-	9.6%	9.5%	-
EBIT	4,535	4,730	-4.1%	9,891	9,203	7.5%
as % of sales	4.6%	5.7%	-	5.2%	5.6%	-
Adjusted EBITDA	8,951	8,975	-0.3%	18,223	16,450	10.8%
as % of sales	9.1%	10.9%	-	9.6%	10.1%	-
Adjusted EBIT	4,545	5,640	-19.4%	9,911	10,123	-2.1%
as % of sales	4.6%	6.8%	-	5.2%	6.2%	-

EBITDA in the first half year improved to € 18.2 million

In the first half of 2015, the Pumps and Engine Components business segment generated adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of € 18.2 million (previous year € 16.5 million). The corresponding EBITDA margin declined from 10.1 per cent to 9.6 per cent.

The implementation of efficiency measures to address the operational and logistical burdens in the Powder Metallurgy in Aalen-Wasseralfingen and pump production at the Bad Schussenried site lagged behind SHW's own expectations. Additionally, the product mix had a slightly negative impact on the gross margin compared to the first half of the previous year.

The development of the international operations in China and Canada is proceeding as planned. The economic situation of the Brazilian subsidiary, SHW do Brasil Ltda., continues to be tense due to the difficult economic environment. Nevertheless, SHW do Brasil Ltda. made a positive contribution to the segment result.

At € 9.9 million, adjusted segment earnings before interest and taxes (adjusted EBIT) in the first half of 2015 were € 0.2 million lower year-on-year due to a sharp rise in depreciation.

Reconciliation statement: Pumps and Engine Components

K EUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Sales	98,222	82,562	190,759	163,129
Operating result (EBIT)	4,535	4,730	9,891	9,203
PPA[1] fixed assets	10	10	20	20
Increased series start-up costs	-	900	-	900
Adjusted EBIT	4,545	5,640	9,911	10,123
as % of sales	4.6%	6.8%	5.2%	6.2%
Other depreciation	4,406	3,335	8,312	6,327
as % of sales	4.5%	4.0%	4.4%	3.9%
Adjusted EBITDA	8,951	8,975	18,223	16,450
as % of sales	9.1%	10.9%	9.6%	10.1%

[1)] Depreciation arising from purchase price allocation

Development of the Brake Discs business segment

Key figures: Brake Discs

K EUR	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
Sales	24,900	24,731	0.7%	49,352	48,943	0.8%
EBITDA	2,968	2,507	18.4%	5,095	4,252	19.8%
as % of sales	11.9%	10.1%	-	10.3%	8.7%	-
EBIT	1,897	1,445	31.3%	2,987	2,246	33.0%
as % of sales	7.6%	5.8%	-	6.1%	4.6%	-
Adjusted EBITDA	2,968	2,507	18.4%	5,095	4,252	19.8%
as % of sales	11.9%	10.1%	-	10.3%	8.7%	-
Adjusted EBIT	1,925	1,473	30.7%	3,042	2,301	32.2%
as % of sales	7.7%	6.0%	-	6.2%	4.7%	-

Double-digit EBITDA margin

In the first six months of the 2015 fiscal year, the Brake Discs business segment generated sales of € 49.4 million (previous year € 48.9 million). At 2.22 million units, the total number of brake discs sold during the January to June 2015 period remained at the previous year's level. The ramp-up in composite brake discs led to a 20.2 per cent increase in their sales figures and was able to offset the slight decline in the sales of monobloc ventilated brake discs.

In the first half of 2015, the adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) increased by € 0.8 million year-on-year and totalled € 5.1 million. The EBITDA margin correspondingly rose from 8.7 per cent to 10.3 per cent. The result was impacted by the positive effects from the product mix and especially from productivity improvements generated through a higher degree of automation and lower quality costs.

The adjusted earnings before interest and taxes (adjusted EBIT) increased from € 2.3 million to € 3.0 million. The adjusted EBIT margin in relation to sales increased accordingly to 6.2 per cent after 4.7 per cent in the previous year.

SHW went a step further towards the internationalisation of the Brake Discs business in the first quarter of 2015 by concluding a joint venture agreement with the Chinese company Shandong Longji Machinery Co., Ltd. The joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou, China commenced business operations on April 1, 2015, after obtaining its business licence. Until production begins for the first customer orders for processed brake discs, the joint venture will initially produce unprocessed brake discs for the spare parts business of the Chinese joint venture partner. This guarantees that the foundry will operate at a steady level of high utilisation from the very start and generate positive earnings contributions. Business development in the second quarter of 2015 was in line with plan.

The joint venture is accounted for in the consolidated financial statements of SHW AG using the equity method due to company law provisions and contractual arrangements. As a result, the earnings contribution of SHW Longji Brake Discs (Longkou) Co., Ltd., is reported in the profit from entities accounted for using the equity method and is not included in the performance indicators shown above. For further details, please refer to the information provided in the notes to these interim consolidated financial statements.

Reconciliation statement: Brake Discs

K EUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Sales	24,900	24,731	49,352	48,943
Operating result (EBIT)	1,897	1,445	2,987	2,246
PPA[1] fixed assets	28	28	55	55
Adjusted EBIT	1,925	1,473	3,042	2,301
as % of sales	7.7%	6.0%	6.2%	4.7%
Other depreciation	1,043	1,034	2,053	1,951
as % of sales	4.2%	4.2%	4.2%	4.0%
Adjusted EBITDA	2,968	2,507	5,095	4,252
as % of sales	11.9%	10.1%	10.3%	8.7%

1) Depreciation arising from purchase price allocation

Net asset and financial position

Successful capital increase led to a rise in the equity ratio

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 as part of a private placement by way of an accelerated bookbuilding process at an issue price of € 42.00 per share with a discount of 2.2% compared to the share's relevant closing price on the previous day. The capital increase resulted in a rise in the Company's share capital from € 5,851,100.00 to € 6,436,209.00.

In comparison to 30 June 2014, equity has increased by a total of € 27.4 million, or 32.6 per cent, to € 111.4 million. Both the capital increase of € 24.3 million and the net income for the last twelve months of € 13.1 million contributed to this rise in equity. Equity was reduced by a dividend payment of € 6.4 million and by an amount of € 2.9 million from actuarial losses related to an adjustment in the actuarial interest rate used in the valuation of pension provisions. The equity ratio increased from 41.0 per cent as of 30 June 2014 to 45.8 per cent.

Cash flow affected by capital increase and internationalisation

In the first half of 2015, the SHW Group generated € 13.2 million in cash flow from operating activities (previous year € 12.1 million). Positive effects came from higher net income for the period, higher depreciation and amortisation, lower income tax payments and the change in provisions. Cash flow from operating activities was negatively affected by the rise in working capital and the change in other liabilities.

Reconciliation statement: Change in net cash

K EUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Cash flow from operating activities	14,599	12,050	13,172	12,066
Cash flow from investing activities (intangible and tangible assets)	-8,121	-8,718	-16,640	-20,716
Operating Free cash flow	6,478	3,332	-3,468	-8,650
Cash flow from investing activities (financial assets)	-37	0	-8,931	0
Total Free cash flow	6,441	3,332	-12,399	-8,650
Other (esp. dividend / capital increase)	-6,438	-5,851	17,895	-5,827
Change in net cash	3	-2,519	5,496	-14,477

Cash flow from investing activities made in intangible and tangible assets in the first six months of 2015 amounted to € -16.6 million and was 19.7 per cent below the previous year's figure of € -20.7 million. This item also included payments for tangible assets in the amount of € 2.3 million, which were already included in the asset additions in the 2014 fiscal year. Of the asset additions in the first half of 2015, a total of € 10.3 million is attributable to the Pumps and Engine Components business segment and € 3.8 million to the Brake Discs business segment.

The cash flow from investing activities in financial assets of € -8.9 million concerns the payment of the first instalment of the purchase price for the interest in the Chinese joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou, China. Cash flow from financing activities was mainly affected by the capital increase carried out on 18 February 2015, which resulted in cash proceeds for the SHW Group of € 24.3 million.

Net bank liabilities reduced by € 8.5 million

At the end of the first half of 2015, net bank liabilities of the SHW Group amounted to € 8.9 million, or € 8.5 million lower than their value as of 30 June 2014. The reduction in net bank liabilities was made possible particularly as a result of the positive cash flow from financing activities related to the capital increase.

Growth is reflected in tangible assets and financial assets

Compared to 30 June 2014, total assets grew € 38.7 million to € 243.4 million. Tangible assets rose by € 12.6 million year-on-year to € 97.1 million due to investments in production facilities for a number of new product launches and expansion in capacity.

Companies accounted for using the equity method in the amount of € 17.1 million exclusively concern the Chinese joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou, China. In the first quarter of 2015, SHW Automotive GmbH made a € 8.9 million payment into the joint venture's share capital, which was reported under other non-current financial assets. Since 1 April 2015, the joint venture is accounted for in SHW AG's consolidated financial statements using the equity method. The second instalment of the purchase price of € 7.1 million that is still outstanding has been recognised under other non-current financial liabilities.

Inventories increased by € 2.0 million, or 5.1 per cent, compared to the end of the first half of 2014. This rise was significantly lower than the rise in business volume, which can be partially attributed to logistical improvements. In addition, several customer projects were invoiced in the second quarter of 2015 that had been included under inventories.

The increase in trade receivables of 14.2 per cent to € 60.8 million in comparison to 30 June 2014 was slightly stronger than the sales growth of 13.2 per cent. This rise can mainly be traced back to higher sales generated in the month of June 2015.

Trade payables grew by € 1.0 million to € 53.8 million, whereby the low increase largely corresponded to the development of inventories.

Working capital ratio remains below 11 per cent

The level of working capital at the end of the first half of 2015 increased € 8.5 million year-on-year to € 47.5 million. This rise was stronger than the rise in business volume. Accordingly, the working capital ratio, based on the Group's trailing twelve-month sales, increased to 10.4 per cent from 9.7 per cent in the previous year but continued to be below SHW's long-term target of 11.0 per cent.

K EUR	30.06.2015	30.06.2014	Change absolute	Change in %
Inventories	40,476	38,520	1,956	5.1%
Trade receivables	60,813	53,260	7,553	14.2%
Trade payables*	-53,761	-52,787	-0,974	1.8%
Working Capital	47,528	38,993	8,535	21.9%
as % of sales*	10.4%	9.7%	-	-

*) Prior year values adjusted; see Notes page 25.

Growth leads to additional employees in the Pumps and Engine Components business segment

The average number of employees increased at the Group level to 1,276 in the first six months of the 2015 fiscal year compared to 1,119 in the same period of the previous year. Most of the employee increases took place at the Pumps and Engine Components business segment locations. These locations saw the average number of employees increase from 691 to 861.

Opportunities and risks

The assessment of opportunities and risks for the SHW Group has not changed significantly in comparison to the statements on opportunities and risks in the 2014 Annual Report (pages 71– 79 and pages 84 – 85).

Outlook

Macroeconomic outlook

In comparison to the projections made by the economic experts at Commerzbank in April of 2015, the bank's experts have trimmed their growth forecasts for the global economy from 3.2 per cent to 3.0 per cent (status July 2015). The main reason for this adjustment was the sharp decline in the forecast for the US economy, which was cut from 2.8 per cent to 2.3 per cent as a result of the weak first quarter. The Commerzbank economists continue to expect growth to be mainly driven by the economic recovery in the advanced economies, while the pace of expansion in the emerging and developing countries, although still high, will continue to slow down in comparison to the previous year. The slowing pace of growth in China is having the greatest impact.

Economists at Commerzbank expect the euro area's economic output to recover slightly by 1.2 per cent. Bringing up the rear should be Greece (GDP - 1.0 per cent), Italy (GDP + 0.3 per cent) and France (GDP + 0.9 per cent). These countries have successively lost their price competitiveness due to the above-average rise in their unit labour costs. In contrast, Ireland (GDP + 3.5 per cent), Spain (GDP + 3.2 per cent) and Portugal (GDP + 1.5 per cent) have been able to significantly improve their competitiveness since the outbreak of the global financial crisis by significantly bringing down their unit labour costs, putting these countries back on a solid growth path.

Analysts at Commerzbank have left their forecasts for German GDP growth unchanged at +1.8 per cent, despite a rather disappointing start in the year, but still see latent downside risk.

For China, Commerzbank's economic experts expect the economic data in 2015 to reveal a slowdown in growth to 6.5 per cent (previous year 7.3 per cent) in spite of the recent better-than-expected figures. The largest negative factor affecting Chinese growth is the country's weak real estate market.

Despite existing risks, the economic outlook for the European Union and North America and rising disposable incomes in many emerging markets provide a solid basis for a continuation in the upturn of the global automotive business in 2015.

Industry outlook

In their most recent update (July 2015), industry experts from PwC Autofacts have again reduced their forecasts for global light vehicle production (vehicles < 6 t). PwC Autofacts now expects global growth of only 2.7 per cent in 2015 (previously 4.5 per cent) to 88.61 million vehicles.

The main reason for this revision is the major adjustment made in the production forecasts for the emerging countries in the Asia-Pacific and South America regions. At the country level, the revisions for the automotive markets in Brazil, Russia and China stand out: the previous forecast of 2.86 million vehicles for Brazil has been reduced to 2.60 million vehicles and the forecast for Russia has been cut from 1.50 million units to 1.41 million units. The upward revision in vehicle production growth in China made in April 2015 was partially reversed with the July update. Now only 23.87 million vehicles are expected, which corresponds to a growth rate of 7.9 per cent (previously 10.0 per cent).

Small downward revisions were made in the forecasts for vehicle production in the European Union. Now PwC Autofacts expects total production to amount to 17.55 million vehicles (previously 17.68 million vehicles). The North American region was the only region where the automotive experts raised their full-year 2015 production forecasts: they currently expect a total of 17.54 million vehicles (previously 17.18 million vehicles) to roll off the production lines.

Group outlook

Based on the half-year financial figures, the Management Board now expects Group sales in the order of € 470 million (previously € 460 million). The Pumps and Engine Components business segment anticipates a sales volume of roughly € 370 million (previously € 360 million). SHW assumes that the Brake Discs business segment will achieve sales of € 100 million.

With the achievement of planned sales growth, the Company continues to expect to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the order of € 46 million to € 50 million in 2015. The degree of target achievement will depend on the accelerated implementation of the efficiency programmes in the Pumps and Engine Components business segment.

The brake discs joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd, will be accounted for in the consolidated financial statements using the equity method. Consequently, the corresponding earnings contribution is reported in the profit from entities accounted for using the equity method and, therefore, has no effect on Group sales and Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA).

Aalen, 29 July 2015

The SHW AG Management Board

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

Interim Consolidated Financial Statements (IFRS) as of 30 June 2015

Consolidated Income Statement (unaudited)

1 January to 30 June 2015

K EUR	Q2 2015	Q2 2014	H1 2015	H1 2014
Sales	123,122	107,293	240,111	212,072
Cost of sales	-111,649	-96,455 *	-216,066	-190,235 *
Gross profit	11,473	10,838	24,045	21,837
Selling expenses	-1,553	-1,323	-2,980	-2,532
General administration expenses	-3,114	-2,296	-5,952	-4,693
Research and development costs	-1,240	-1,268 *	-3,239	-3,275 *
Other operating income	1,220	498	1,424	715
Other operating expenses	-567	-750	-1,065	-1,535
Operating result	6,219	5,699	12,233	10,517
Financial income	4	11	5	11
Financial expenses	-301	-356	-620	-635
Profit from entities accounted for using the equity method	1,322	-	1,322	-
Earnings before tax	7,244	5,354	12,940	9,893
Deferred taxes	180	147	-174	298
Current incomes taxes	-1,893	-1,546	-3,150	-2,994
Earning after tax	5,531	3,955	9,616	7,197
Net income for the period	5,531	3,955	9,616	7,197
Earnings per share (in EUR)[1)]	0,86	0,68	1,53	1,23

[1)] Based on an average of 6.281.042 (prior year 5.581.100) shares, see Notes page 24.

*) Prior year values adjusted; see Notes page 22.

Consolidated Statement of Comprehensive Income (unaudited)

1 January to 30 June 2015

K EUR	Q2 2015	Q1 2014	H1 2015	H1 2014
Net income for the period	5,531	3,955	9,616	7,197
Items that will not be reclassified to profit and loss in future periods				
Currency translation reserve	-	-	-	-
Currency translation reserve of foreign entities accounted for using the equity method	-	-	-	-
Tax effect	-	-	-	-
Items that may be reclassified to profit and loss in future periods				
Currency translation reserve	125	70	82	164
Tax effect	-	-	-	-
Currency translation reserve of foreign entities accounted for using the equity method	-421	-	-421	-
Other comprehensive income after tax	-296	70	-339	164
Total comprehensive income after tax	5,235	4,025	9,277	7,361
Net income for the period attributable to				
- shareholders of SHW AG	5,531	3,955	9,616	7,197
- holders of non-controlling interests	-	-	-	-
Total comprehensive income after tax attributable to				
- shareholders of SHW AG	5,235	4,025	9,277	7,361
- holders of non-controlling interests	-	-	-	-

Consolidated Balance Sheet (unaudited)

as of 30 June 2015

K EUR	30 June 2015	31 Dec 2014	30 June 2014
Assets			
Goodwill	7,055	7,055	7,055
Other intangible assets	11,906	13,008	13,919
Tangible assets (property, plant, and equipment)	97,145	92,346	84,527
Deferred tax assets	4,447	4,795	3,147
Investments in entities accounted for using the equity method	17,110	-	-
Other financial assets	362	910	578
Other assets (non-current)	795	900	-
Non–current assets	138,820	119,014	109,226
Inventories	40,476	42,380	38,520
Trade receivables	60,813	44,656	53,260 *
Other financial assets	86	—	106
Other assets	2,078	3,147	2,522
Cash and cash equivalents	1,142	292	1,128
Current assets	104,595	90,475	95,536
Total assets	243,415	209,489	204,762

*) Prior year values adjusted; see Notes page 25.

K EUR	30 June 2015	31 Dec 2014	30 June 2014
Equity and Liabilities			
Subscribed capital	6,436	5,851	5,851
Capital reserves	38,510	14,780	14,780
Revenue reserves	71,323	68,424	64,942
Other reserves	-4,887	-4,548	-1,568
Total equity	111,382	84,507	84,005
Pension accruals and similar obligations	27,814	28,051	24,263
Deferred tax liabilities	3,180	3,456	3,480
Other accruals	3,652	3,652	3,367
Other financial liabilities	7,175	152	172
Liabilities to banks	1,891	2,486	3,081
Non-current liabilities and accruals	43,712	37,797	34,363
Liabilities to banks	8,111	12,162	15,405
Trade payables	53,761	56,159	52,787
Other financial liabilities	5,677	6,070	6,336
Income tax liabilities	1,147	444	938
Other accruals	8,254	4,482	2,434 *
Other liabilities	11,371	7,868	8,494
Current liabilities and accruals	88,321	87,185	86,394
Total equity and liabilities	243,415	209,489	204,762

*) Prior year values adjusted; see Notes page 25.

Consolidated Statement of Changes in Equity (unaudited)

as of 30 June 2015

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
As of 1 January 2014	5,851	14,780	63,630	-1,732	82,529
Foreign currency translation	-	-	-	164	164
Total income recognised directly in equity	-	-	-	164	164
Net income for the period as of 30 June 2014	-	-	7,197	-	7,197
Total comprehensive income for the period	-	-	7,197	164	7,361
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-34	-	-34
Dividends paid	-	-	-5,851		-5,851
As of 30 June 2014	5,851	14,780	64,942	-1,568	84,005
As of 1 January 2015	5,851	14,780	68,424	-4,548	84,507
Currency translation reserve of foreign entities accounted for using the equity method	-	-	-	-421	-421
Foreign currency translation	-	-	-	82	82
Total income recognised directly in equity	-	-	-	-339	-339
Net income for the period as of 30 June 2015	-	-	9,616	-	9,616
Total comprehensive income for the period	-	-	9,616	-339	9,277
Issuance of new shares	585	23,730	-	-	24,315
Dividends paid	-	-	-6,436		-6,436
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-281	-	-281
As of 30 June 2015	6,436	38,510	71,323	-4,887	111,382

Consolidated Cash Flow Statement (unaudited)

1 January to 30 June 2015

K EUR	H1 2015	H1 2014
Cash flow from operating activities		
Net income for the period	9,616	7,197
Depreciation / amortisation (+) of fixed asset assets	10,570	8,493
Income tax expenses through profit or loss (+)	3,150	2,994
Income tax paid (–)	-2,413	-3,229
Financing costs through profit or loss (+)	620	635
Interest paid (–)	-250	-223
Financial investment income through profit or loss (–)	-5	-11
Interest received (+)	5	11
Increase (+) / decrease (–) in accruals	3,535	1,235 *
Change in deferred taxes	72	-298
Other non-cash effective expenses (+) / income (–)	-267	-564
Gain (–) / loss (+) from the disposal of assets	28	112
Profit from entities accounted for using the equity method	-1,322	-
Increase (-) / decrease (+) in inventories, trade receivables, and other current assets	-12,990	-11,610 *
Increase (+) / decrease (–) in trade payables, and other current liabilities	2,823	7,324
Cash flow from operating activities	13,172	12,066
Cash flow from investing activities		
Cash received (+) from the disposal of tangible assets	-	62
Cash paid (–) for investments in tangible assets	-15,808	-19,294
Cash paid (–) for investments in intangible assets	-832	-1,484
Cash paid (-) for investments in financial	-8,931	-
Cash flow from investing activities	-25,571	-20,716
Cash flow from financing activities		
Cash received (+) from the assumption of financial liabilities	-	13,255
Cash paid (–) for the redemption of financial liabilities	-4,646	-487
Cash received (+) from the issuance of new shares	24,315	-
Dividends paid (-) to shareholders	-6,436	-5,851
Cash flow from financing activities	13,233	6,917
Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (sum of positions 1–3)	834	-1,733
Exchange rate-related changes in cash and cash equivalents	-13	24
Cash and cash equivalents at the beginning of the period	292	2,837
Changes in cash from scope of consolidation related changes	29	-
Cash and cash equivalents at the end of the period	1,142	1,128

*) Prior year values adjusted; see Notes page 25.

Notes to the Interim Consolidated Financial Statements

Principles and methods used for the interim consolidated financial statements

These condensed, unaudited interim consolidated financial statements of SHW AG, Wilhelmstrasse 67, 73433 Aalen, Germany, and its subsidiaries (hereinafter referred to as the SHW Group) as of 30 June 2015 were prepared in accordance with the provisions of the International Accounting Standards for interim reporting (IAS 34) and in application of § 315a HGB in conjunction with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable for interim reporting in the European Union (EU).

According to IAS 34, the interim consolidated financial statements do not include all of the information necessary to be disclosed in the consolidated financial statements at the end of a fiscal year. Therefore, these statements should be read in conjunction with the consolidated financial statements for the 2014 fiscal year.

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

These interim consolidated financial statements were forwarded by the Management Board to the Supervisory Board's Audit Committee on 21 July 2015 and concern the period from 1 January to 30 June 2015 in comparison to the same period of the previous year. The presentation of the net assets (balance sheet) is based on a comparison of the amounts as of 31 December 2014 and 30 June 2014. The interim consolidated financial statements have been prepared in euro. Unless indicated otherwise, the amounts stated in the interim consolidated financial statements are in thousands of euros.

In the opinion of the Management Board, the interim consolidated financial statements contain all customary accounting adjustments and deferrals necessary for a fair presentation of the net assets, financial position, and results of operations of the Group. The accounting and valuation methods applied to the interim consolidated financial statements for the first six months of 2015 essentially correspond to those of the consolidated financial statements as of 31 December 2014. A detailed description of these methods is included in the notes to the consolidated financial statements as of 31 December 2014.

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

The first-time application of the amendments to IAS 19: "Defined Benefit Plans Employee Contributions" and to IFRS 9/IFRS 7: "Effective date of IFRS 9 and transitional provisions" as well as the new IFRIC 21: "Levies" since 1 January 2015, have not resulted in any material changes to the interim financial statements.

In the context of a change in cost allocation in the invoicing of customer projects, there was a reclassification of research and development costs to cost of sales. The previous year's figures were adjusted accordingly (€ 1.1 million).

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

Scope of consolidation

The interim consolidated financial statements as of 30 June 2015 comprise the financial statements of the German entities SHW Automotive GmbH, Aalen, and SHW Zweite Beteiligungs GmbH, Aalen, and the financial statements of SHW do Brasil Ltda., Sao Paulo/Brazil, and SHW Pumps & Engine Components Inc., Ontario/Canada in addition to those of SHW AG. Since 1 January 2015, SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan/China has also been included in the scope of consolidation because the company has commenced its operating activities.

By means of a notarial certification, SHW AG and Schwäbische Hüttenwerke Zweite Beteiligungs GmbH entered into a merger agreement on 24 June 2015. The agreement provides for a merger of Schwäbische Hüttenwerke Zweite Beteiligungs GmbH as the transferring legal entity into SHW AG as the acquiring legal entity. The required registration and entry of the merger into the commercial register is expected to take place in August 2015.

Investments in joint ventures

Joint ventures as defined by IFRS 11 are accounted for in accordance with IAS 28 using the equity method. In the case of joint ventures, SHW AG carries out economic activities together with other parties and subject to joint control. The controlling parties have rights to the net assets but not to the assets and liabilities. Joint ventures are recognised in the consolidated financial statements using the equity method from the date joint control exists. Based on the acquisition cost of the interest in the jointly controlled entity, the carrying amount of the investment is increased or decreased for changes in equity (both, those through profit and loss and those directly in equity) of the investment accounted for using the equity method, to the extent that these changes relate to SHW AG's allocable interest. An impairment test is carried out, provided that objective evidence is available that there has been a possible impairment of the investment's entire carrying value.

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. The Sino-Foreign Equity Joint Venture operates under the name SHW Longji Brake Discs (LongKou) Co., Ltd and is headquartered in the eastern Chinese city of LongKou (Shandong province). The company's focus will be the development and production of monobloc processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. The joint venture commenced operations on 1 April 2015.

SHW Automotive GmbH is the majority shareholder with an interest of 51 per cent in the joint venture's share capital of RMB 215.5 million (Renminbi) and Shandong Longji holds an interest of 49 per cent. In the first quarter of the 2015 fiscal year, SHW Automotive GmbH made a € 8.9 million payment into the joint venture's share capital. The second instalment of the purchase price of € 7.1 million that is still outstanding has been recognised under other non-current financial liabilities.

Based on contractual arrangements between the shareholders, the joint venture is subject to joint control by the two shareholders SHW Automotive GmbH and Shandong Longji Machinery Co., Ltd. Moreover, at present, the sales and earnings development of the joint venture is still largely determined by Shandong Longji Machinery Co., Ltd. Consequently, according to the definition of IFRS 11, there is a joint arrangement.

Based on company law provisions and the contractual arrangements between both joint venture partners and in consideration of other facts and circumstances, the joint arrangement has been classified as a joint venture.

As a result, the joint venture has been recognised in SHW AG's consolidated financial statements using the equity method.

Exchange rates

The exchange rates used for the translation of the Group's key currencies are shown the following table:

1 Euro		Closing rate		Average rate	
		30 June 2015	30 June 2014	H1 2015	H1 2014
Brazil	BRL	3.4819	3.2268	3.3025	3.1447
Canada	CAD	1.3895	1.4085	1.3776	1.5029
China	RMB	6.8292	7.4655	6.8353	-

Consolidated statement of comprehensive income and balance sheet

In an environment of continued high customer call orders, Group sales increased by € 28.0 million to € 240.1 million in the first half of the 2015 fiscal year compared to the same period of the previous year. The Pumps and Engine Components business segment grew sales by € 27.6 million year-on-year to € 190.8 million and the Brake Discs business segment improved its sales by € 0.4 million to € 49.4 million.

Earnings before taxes in the reporting period were € 12.9 million, or € 3.0 million higher than in the comparable period of the prior year. The tax rate in the first six months of the 2015 fiscal year declined year-on-year from 27.3 percent to 25.7 per cent.

The decline in the tax rate is related to the first-time inclusion of the profit of entities accounted for using the equity method.

The calculation of earnings per share is carried out according to IAS 33.19 by dividing the Group's net income for the period by the weighted average number of shares outstanding in the fiscal year. The weighted average number of shares outstanding in the reporting period is derived as follows:

	H1 2015
Number of shares outstanding as of 1 January 2015	5,851,100
Number of shares issued on 18 February 2015	585,109
Number of shares outstanding as of 30 June 2015	6,436,209
Average number of shares outstanding	6,281,042

Companies accounted for using the equity method in the amount of € 17.1 million exclusively concern the Chinese joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou, China. In the first quarter of 2015, SHW Automotive GmbH made a € 8.9 million payment into the joint venture's share capital, which was reported under other non-current financial assets. Since 1 April 2015, the joint venture has been recognised in SHW AG's consolidated financial statements using the equity method. The second instalment of the purchase price of € 7.1 million that is still outstanding has been recognised under other non-current financial liabilities.

Summarised financial information for the SHW Longji Brake Discs (LongKou) Co., Ltd. joint venture based on 100 per cent:

K EUR	SHW Longji Brake Discs (LongKou) Co., Ltd.
Equity Interest (in %)	51%
Balance Sheet as of 30 June 2015	
Noncurrent assets	14,536
Current assets	13,036
thereof Cash and cash equivalents	6,796
Current liabilities	3,027
thereof financial liabilities	981
Net assets	24,545
Income Statement 1 April to 30 June 2015	
Sales	5,054
EBITDA	555
Scheduled depreciation / amortisation	288
EBIT	267
Earnings before tax	457
Income taxes	114
Earnings after tax	343
Comprehensive income	343

In the context of the initial measurement, prorated hidden reserves on an order backlog amounting to € 1.6 million and prorated hidden liabilities on a land use right, a building and tangible assets totalling € 0.2 million have been identified.

The difference between the cost of acquisition of the investment and the prorated net assets acquired resulted in prorated badwill of € 1.2 million, which was recognised through profit and loss under income from investments.

Reconciliation of the summarised financial information to the carrying amount in the consolidated financial statements:

K EUR	SHW Longji Brake Discs (LongKou) Co., Ltd.
Carrying amount of equity-accounted in investments as of 1 January 2015	0
Acquisition costs of investment	16,209
Negative difference from first time consolidation	1,192
Proportionate comprehensive income	175
Effects of foreign exchange differences	-421
Other adjustments / eliminations	-45
Carrying amount of equity-accounted in investments as of 30 June 2015	17,110

As a result of the strong sales growth in the first six months of 2015, trade receivables were € 16.2 million higher as of 30 June 2015 compared to 31 December 2014. It should be taken into consideration that the level of receivables is generally low at the year's end due to seasonality. In addition, several customer projects were invoiced in the second quarter of 2015, which also contributed to an increase in trade receivables as of the end of the first half of 2015.

Trade receivables include impairments of € 2.9 million for disputed items that were reported under other current provisions in the previous year. The previous year's figures were adjusted accordingly (€ 1.4 million).

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 as part of a private placement by way of an accelerated bookbuilding process at an issue price of € 42.00 per share. 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 were excluded. The new shares are fully entitled to dividends as of 1 January 2014.

Transaction costs that are directly attributable to the capital increase were recorded as a deduction from the issue proceeds in the capital reserves, taking into account the corresponding deferred taxes. Including deferred taxes, transaction costs amounted to € 0.3 million.

The € 26.9 million increase in equity to € 111.4 million compared to 31 December 2014 concerns € 24.3 million from the capital increase and € 9.6 million of net income for the first six months of the reporting year. This development was partially offset by a dividend payment of € 6.4 million. Despite the 16.2 per cent rise in total assets, the equity ratio increased to 45.8 per cent compared with 40.3 per cent at the end of fiscal year 2014.

As of 30 June 2015, net bank liabilities of the SHW Group amounted to € 8.9 million, or € 5.5 million lower than their value as of 31 December 2014. The positive cash flows from operating and financing activities, which more than compensated for the negative cash flow from investing activities, made it possible to repay bank liabilities in the total amount of € 4.6 million. Bank liabilities in the amount of € 10.0 million are comprised of two loans totalling € 3.1 million and an operating credit line of € 6.9 million. As of 30 June 2015, this credit line was utilised by guarantees amounting to € 1.1 million.

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

A detailed overview of the financial instruments held by the Group was given in the 2014 consolidated financial statements. In accordance with IFRS 7, assets and liabilities carried at fair value in the balance sheet are to be categorised according to the three levels of the fair value hierarchy:

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

The investments listed in the consolidated financial statements have been allocated to Level 3 since there is no active market for these investments.

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 used regularly by the Chief Operation Decision Maker to decide on the distribution of resources and assess profitability. The profitability of individual segments is established on the basis of the operating result (EBIT) and EBITDA. The EBIT of the segments and the operating result of the Group are determined in accordance with IFRS. The EBITDA of the segments and of the Group includes the respective depreciation/amortisation. Financial expenses, financial income and income taxes are administered at the Group level, with the exception of the result of equity investments, which are directly allocated to the Brake Discs business segment. The Pumps and Engine Components segment manufactures pumps and engine components as well as sintered metallurgy products for the automotive industry. The Brake Discs segment produces unprocessed and processed brake discs for the automotive industry. Transactions between the segments are generally based on market conditions identical to those applying to transactions with third parties.

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

K EUR	Pumps and Engine Components 2015	Pumps and Engine Components 2014	Brake Discs 2015	Brake Discs 2014	Other / eliminations / consolidation effects 2015	Other / eliminations / consolidation effects 2014	Group 2015	Group 2014
Segment sales	190,759	163,129	49,352	48,943	-	-	240,111	212,072
Segment EBIT	9,891	9,203	2,987	2,246	-645	-932	12,233	10,517
Segment EBITDA	18,223	15,550	5,095	4,252	-515	-792	22,803	19,010
Financial result	-	-	1,322	-	-615	-624	707	-624
Earnings before taxes	9,891	9,203	4,309	2,246	-1,260	-1,556	12,940	9,893
Scheduled segment depreciation / amortisation	8,332	6,347	2,108	2,006	130	140	10,570	8,493
Segment capital investments	10,346	11,790	3,765	6,128	226	83	14,337	18,001
Material segment expenses	-	900 [1]	-	-	168 [2]	-	168	900
Number of customers with sales > 10 % of total sales	2	2	1	1	-	-	2	2
VW Group	79,880	63,707	25,493	25,572	-	-	105,373	89,279
Daimler Group	41,489	37,994	100	47	-	-	41,589	38,041

[1] Additional start-up costs for a large series product
[2] Changes in the Board

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

K EUR	Pumps and Engine Components 2015	Pumps and Engine Components 2014	Brake Discs 2015	Brake Discs 2014	Other / eliminations / consolidation effects 2015	Other / eliminations / consolidation effects 2014	Group 2015	Group 2014
Segment sales	98,222	82,562	24,900	24,731	-	-	123,122	107,293
Segment EBIT	4,535	4,730	1,897	1,445	-213	-476	6,219	5,699
Segment EBITDA	8,951	8,075	2,968	2,507	-154	-412	11,765	10,170
Financial result	-	-	1,322	-	-297	-345	1,025	-345
Earnings before taxes	4,535	4,730	3,219	1,445	-510	-821	7,244	5,354
Scheduled segment depreciation / amortisation	4,416	3,345	1,071	1,062	59	64	5,546	4,471
Segment capital investments	6,714	5,933	1,236	2,775	171	72	8,121	8,780
Material segment expenses	-	900 [1]	-	-	168 [2]	-	168	900
Number of customers with sales > 10 % of total sales	2	2	1	1	-	-	2	2
VW Group	42,657	31,663	13,130	12,926	-	-	55,787	44,589
Daimler Group	19,784	20,484	91	37	-	-	19,875	20,521

[1] Additional start-up costs for a large series product
[2] Changes in the Board

Development of Group sales by region

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

	Q2 2015	Q2 2014	H1 2015	H1 2014
K EUR				
Germany	72,994	67,295	144,390	134,074
Rest of Europe	47,167	37,804	90,450	74,178
America	2,275	1,925	4,315	3,318
Other	686	269	956	502
Group	123,122	107,293	240,111	212,072

Events after the balance sheet date

There were no events after the interim balance sheet date that required additional disclosure.

Governing bodies, relationships with related parties

The following persons comprise the members of the Supervisory Board:

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

Christian Brand, Karlsruhe, Deputy Chairman
Previously Chairman of the Chairman of the Management Board of L-Bank

Kirstin Hegner-Cordes, Munich
Independent Consultant

Prof. Dr.-Ing. Jörg Ernst Franke, Marloffstein
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

Frank-Michael Meißner, Tuttlingen
Chairman of the Works Committee at SHW Automotive GmbH, Tuttlingen facility

Collateral issued and other financial obligations

Collateral issued and other financial obligations reported in the consolidated financial statements as of 31 December 2014 have not changed materially in the January to June 2015 period.

Assurance of the legal representatives

We assure to the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, that the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the interim group management report represents a fair view of the performance of the business and the position of the Group as well as the principal opportunities and risks associated with the expected development of the Group for the remainder of the fiscal year.

Aalen, 29 July 2015

The SHW AG Management Board

Dr.-Ing. Frank Boshoff
Chief Executive Officer

Sascha Rosengart
Chief Financial Officer

Andreas Rydzewski
Member of the Management Board

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

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