Interim Report 1 January to 30 June 2016

FOCUS ON EFFICIENCY

SHW

Contents

Company profile

The Company was established in 1365, making it one of the oldest industrial companies in Germany. Today, SHW AG is a leading automotive supplier, providing products that make a substantial contribution to reducing fuel consumption and, consequently, to lowering CO_2 emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and industry applications (e.g. trucks, agricultural and construction vehicles, stationary engines and wind farms) as well as engine components. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automobile manufacturers, manufacturers of commercial, agricultural and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has four production sites in Germany located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, one site in Brazil (São Paulo) and China (Kunshan) and has a sales and development centre in Toronto, Canada. In addition, SHW Automotive GmbH holds a 51 per cent interest in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in Longkou, China. With just over 1,250 employees, the Company generated Group sales of € 463 million in fiscal year 2015. Further information is available at: www.shw.de

Highlights

- EBITDA margin increased to 10.1 per cent in first half of 2016
- New orders safeguard 2020 growth strategy
- Promising applications for electric vehicles developed

Key performance indicators for the SHW Group

	Q2			H1		
K EUR	2016	2015	Change	2016	2015	Change
Sales	108,659	123,122	-11.7%	215,263	240,111	-10.3%
EBITDA adjusted	10,995	11,933	-7.9%	21,755	22,971	-5.3%
as % of sales	10.1%	9.7%	-	10.1%	9.6%	-
EBIT adjusted	4,746	6,425	-26.1%	9,559	12,476	-23.4%
as % of sales	4.4%	5.2%	-	4.4%	5.2%	-
ROCE	-	-	-	11.9%	16.0%	-
Net income for the period	3,228	5,531	-41.6%	6,536	9,616	-32.0%
Earnings per share (EUR)	0.50	0.86	-41.6%	1.02	1.53	-33.7%
Investments	4,879	8,121	-39.9%	9,878	14,337	-31.1%
as % of sales	4.5%	6.6%	-	4.6%	6.0%	-
Working capital as % of sales	-	-	-	12.3%	10.4%	-
Equity ratio	-	-	-	50.7%	45.8%	-
Operating free cash flow	-3,257	6,478	-	-9,963	-3,468	187.3%
Net financial debt	-	-	-	-4,220	-8,860	-52.4%

The SHW share

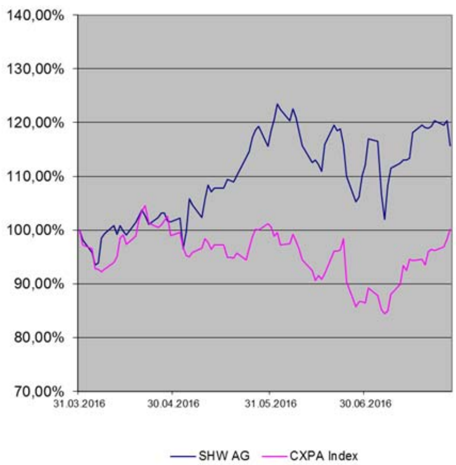
Brexit shock triggers significant stock market losses

The unexpected outcome of the UK's referendum regarding EU membership held on 23 June 2016 ("Brexit") resulted in dramatic losses on stock exchanges around the world. The stock markets were further depressed in the second quarter by renewed concerns about the Italian banking sector, weaker economic data in China, a disappointing US labour market report and the Japanese central bank's decision not to ease its monetary policy further. Positive factors such as a recovery in the price of oil, improved eurozone economic data, the Eurogroup's agreement on a new debt deal for Greece and the dwindling likelihood of the US Federal Reserve effecting another interest rate change were only able to buoy the stock markets temporarily.

In view of this situation, with the exception of the leading American index, the Dow Jones, the key international market indices suffered further losses. Japan's Nikkei index came in last with a downturn of 7.1 per cent.

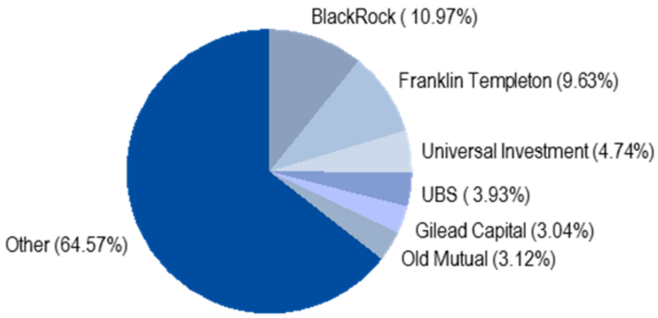
Automobile shares were placed under pressure by fears about an imminent end to the global automotive cycle, continued speculation concerning the involvement of additional automobile manufacturers in emissions scandals and the UK's Brexit decision. Overall, the stock prices of the constituents of the DAXsector Automobile Performance index (CXPA) fell by 13.5 per cent to 1,191 points. In contrast, the SHW share performed much better than the benchmark index in the second quarter of 2016, finishing the quarter on a share price of € 26.79, thus outperforming the DAXsector Automobile Performance index by 21.4 percentage points. The SHW share is currently pricing at € 25.36 (as at 28 July 2016).

Price trend for SHW share and DAXsector Automobile Performance index (CXPA) in the period from April 2016 to July 2016



Shareholder structure: unchanged free float amounting to 100 per cent

In line with Deutsche Börse AG’s definition, 100 per cent of SHW’s shares continue to be held in free float. 10.97 per cent of these shares – on the basis of the latest voting rights notifications – are held by the world’s largest asset manager, BlackRock (USA). The second-largest individual shareholder, with a stake of 9.63 per cent of the voting rights, is the American investment firm Franklin Templeton. Between 3 and 5 per cent of SHW’s shares are held by Universal Investment (Germany), UBS (Switzerland), Gilead Capital (USA) and Old Mutual (UK).



Significantly higher interest on the part of value-oriented investors

SHW Investor Relations aims to ensure a fair evaluation of the SHW share by the capital market. It does so on the basis of a continuous and open dialogue with all market participants and by providing precise and valuation-relevant information.

As a capital market-oriented industrial firm quoted in the Frankfurt Stock Exchange’s Prime Standard segment, SHW AG mainly satisfies market participants’ information requirements by means of its quarterly financial reports published three times a year and by actively participating in investor conferences and roadshows.

In the second quarter of 2016, the Management Board and the Investor Relations team at SHW AG once again provided detailed responses to questions from institutional investors by participating in Bankhaus Lampe’s Germany Conference in Baden-Baden on 14 April, Berenberg Bank’s Energy Efficiency & Construction Conference in Zurich on 7 June and a management roadshow held in London and Edinburgh on 6 and 7 July. SHW also recorded a further significant increase in the amount of interest in individual talks and plant visits shown by value-oriented investors.

In the second half of 2016, SHW AG will participate in Commerzbank’s Sector Conference Week in Frankfurt on 31 August, the Berenberg and Goldman Sachs German Corporate Conference in Munich on 21 September and the Berenberg European Conference in Pennyhill Park (south-west of London) on 5 December. Additional management and investor relations roadshows are currently in the very early planning stages.

The Company's Investor Relations team will be pleased to assist you with any questions you may have in relation to SHW AG. The Company's IR website offers initial guidance (www.shw.de/cms/en/investor_relations). Please feel free to request any further information which you may require. SHW Investor Relations looks forward to hearing from you!

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Interim Group Management Report

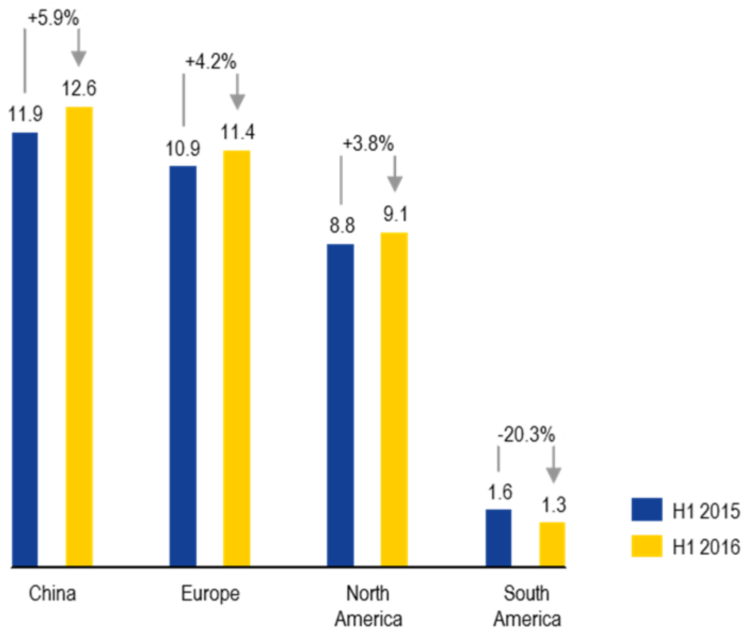
Industry environment

The key factor for any assessment of the industry environment is the production of light vehicles (vehicles < 6 tonnes) and related production of engines and transmissions in Europe, China and North America.

Continued growth in automobile production

According to the most recent surveys conducted by the research firm IHS, in the first half of 2016, production of light vehicles (vehicles < 6 tonnes) increased worldwide by 2.2 per cent, from 44.9 million units to 45.9 million units. The trend continued to vary considerably in the world's key regions.

Production of light vehicles by region (millions of units)



Source: IHS

Production figures in China increased by 5.9 per cent to 12.6 million vehicles due to the VAT rate for compact cars with displacement of up to 1.6 litres being halved, initially until the end of 2016.

In Europe (including Russia), production figures increased by 4.2 per cent, from 10.9 million vehicles to 11.4 million vehicles. The main sources of this volume growth were Spain (+10.1 per cent to 1.6 million units), Germany (+4.8 per cent to 3.2 million units) and the UK (+12.3 per cent to 0.9 million units). The production figures for Russia continued to slump (-18.5 per cent to 0.6 million vehicles).

Based on relatively robust consumer demand, North America recorded a production increase from

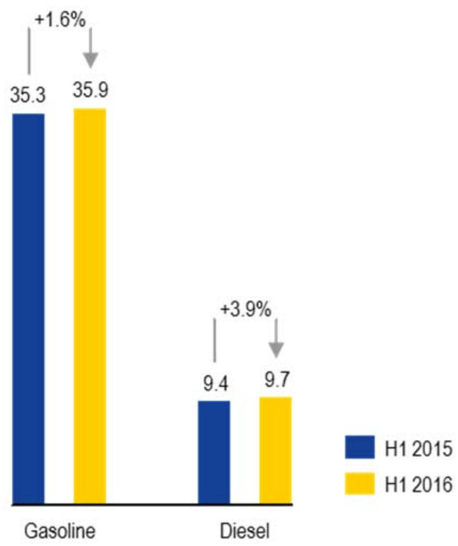
8.8 million to 9.1 million vehicles (+3.8 per cent).

Vehicle production in South America continued to decline significantly. Light vehicle production fell by 20.3 per cent to 1.3 million units, particularly in the context of an ongoing serious recession in Brazil.

Demand for diesel engines remains stable

In the first half of 2016, the production of gasoline engines for light vehicles (< 6 tonnes) increased worldwide by 1.6 per cent to 35.9 million units. Diesel engine production increased by 3.9 per cent to 9.7 million units, with particularly strong growth in Europe, in spite of the ongoing debate surrounding emissions. With 0.2 million units, electric motors continued to play a very minor role.

Engine production worldwide (millions of units)



Source: IHS

Engine production in China increased by a total of 5.4 per cent to 12.5 million units between January and June 2016. 11.5 million of these were gasoline engines (+5.6 per cent) and 0.9 million were diesel engines (–1.4 per cent).

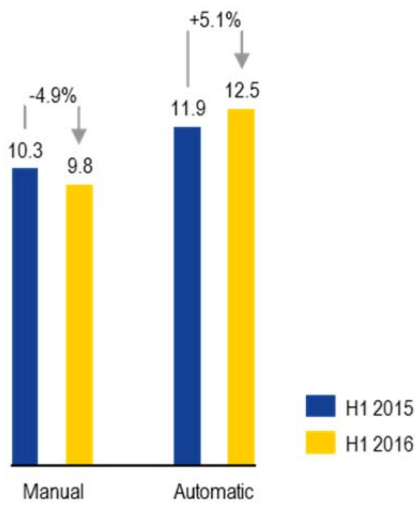
In Europe (including Russia), a total of 12.2 million engines were manufactured (+3.4 per cent on the previous year). Production of diesel engines increased by 5.8 per cent to 5.9 million units, while production of gasoline engines was up by 0.9 per cent to 6.2 million units.

North America, which has always been a gasoline market, recorded a 7.1 per cent increase in production to 8.3 engines in the first half of 2016. Production of gasoline engines reached 7.9 million units (+7.2 per cent), while production of diesel engines stagnated at the previous year’s level of 0.3 million units.

Automatic transmissions continue to gain ground

In the first half of 2016, transmission production increased worldwide by 2.2 per cent to 45.9 million units. Production of automatic transmissions increased at an above-average rate of 5.2 per cent, from 23.8 million units to 25.1 million units. Their share of overall production therefore rose from 53.1 per cent to 54.6 per cent. China continued to be the main growth driver, with a 16.6 per cent increase in automatic transmissions to 3.9 million units. North America and Europe likewise recorded increases in automatic transmission production. Production in Europe rose by 6.0 per cent to 4.4 million units – these transmissions' share of overall production increased by 100 basis points from 36.3 per cent to 37.3 per cent. In North America, 7.4 million automatic transmission units were manufactured, 6.9 per cent more than in the first half of 2015. The share of overall production amounts to 97.3 per cent.

Transmission production worldwide (millions of units)



Source: IHS

Business performance and results of operations, net assets and financial position of the SHW Group

Key performance indicators for the SHW Group

	Q2			H1		
K EUR	2016	2015	Change	2016	2015	Change
Sales	108,659	123,122	-11.7%	215,263	240,111	-10.3%
EBITDA adjusted	10,995	11,933	-7.9%	21,755	22,971	-5.3%
as % of sales	10.1%	9.7%	-	10.1%	9.6%	-
Depreciation (excl. PPA)	6,249	5,508	13.5%	12,196	10,495	16.2%
as % of sales	5.8%	4.5%	-	5.7%	4.4%	-
EBIT adjusted	4,746	6,425	-26.1%	9,559	12,476	-23.4%
as % of sales	4.4%	5.2%	-	4.4%	5.2%	-
ROCE	-	-	-	11.9%	16.0%	-
Net income for the period	3,228	5,531	-41.6%	6,536	9,616	-32.0%

Results of operations

Decline in sales in the first six months

In the first half of 2016, SHW AG reported Group sales of € 215.3 million (previous year € 240.1 million). As well as the expected decline in sales in the Pumps and Engine Components business segment, sales in the Brake Discs business segment were depressed by weaker unit sales and lower scrap prices on account of reduced material surcharges.

Cost of sales ratio slightly down year-on-year

In the reporting period, the cost of sales decreased by 10.6 per cent, from € 216.1 million to € 193.2 million. The cost of sales ratio thus declined from 90.0 per cent to 89.7 per cent.

The negative effects of the lower total output were entirely made up for through productivity gains achieved through the efficiency measures implemented in Powder Metallurgy at the Company’s Aalen-Wasseralfingen plant and the associated elimination of operational and logistical bottlenecks in pump assembly at its Bad Schussenried plant.

Selling and administrative expenses influenced by internationalisation

In the first six months of the fiscal year 2016, general selling and administrative expenses increased from € 8.9 million to € 9.4 million. In particular, this increase reflects the establishment and expansion of the Company’s international sites.

Research and development costs stable

At € 3.4 million, research and development costs in the first six months of 2016 were € 0.2 million higher than in the previous year. In addition, development costs of € 0.5 million (previous year € 0.6 million) were capitalised. Further development services were billed within the scope of customer orders. The R&D ratio (including capitalised development costs) accordingly amounts to 1.8 per cent of sales (previous year 1.6 per cent). Transmission oil pumps and the electrification of pumps were the core areas of development in the Pumps and Engine Components business segment. The Brake Discs business segment is focusing on the ongoing development of high-quality composite brake discs and other lightweight concepts.

Other operating income and expenses

The balance of other operating income and other operating expenses in the first six months of 2016 was just below the previous year’s level at € 0.3 million.

EBITDA margin increased to 10.1 per cent

In the first six months of the fiscal year 2016, adjusted consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA adjusted) amounted to € 21.8 million (previous year € 23.0 million). The operating margin increased accordingly from 9.6 per cent to 10.1 per cent.

The Pumps and Engine Components business segment recorded adjusted earnings of € 18.8 million (previous year € 18.2 million). Adjusted earnings in the Brake Discs business segment amounted to € 3.8 million (previous year € 5.1 million).

Adjusted EBIT declined due to significant increase in depreciation

Due to the 16.2 per cent investment-related increase in depreciation from € 10.5 million to € 12.2 million, adjusted income before interest and tax (EBIT adjusted) decreased from € 12.5 million to € 9.6 million. The adjusted EBIT margin accordingly decreased to 4.4 per cent, compared to 5.2 per cent in the previous year.

Of the adjusted EBIT figure, € 8.9 million (previous year € 9.9 million) relates to the Pumps and Engine Components business segment and € 1.5 million (previous year € 3.0 million) to the Brake Discs business segment.

ROCE influenced by internationalisation, working capital and high level of depreciation

The return on capital employed (ROCE) decreased from 16.0 per cent to 11.9 per cent in the first half-year of 2016.

K EUR	30.06.2016	30.06.2015
Goodwill	7,055	7,055
Other intangible assets	9,781	11,906
Property, plant and equipment	93,946	97,145
Deferred tax assets	4,848	4,447
Joint ventures accounted for according to the equity method	16,118	17,110
Other (financial) assets (non-current)	1,279	1,157
Inventories	42,377	40,476
Trade receivables	49,457	60,813
Other (financial) assets (current)	3,395	2,164
Capital employed asset item	228,256	242,273
Deferred tax liabilities	-3,078	-3,180
Other accruals (non-current)	-4,048	-3,652
Other financial liabilities (non-current)	-117	-118
Trade payables	-37,905	-53,761
Other financial liabilities (current)	-9,094	-5,677
Income tax liabilities	-1,329	-1,147
Other accruals (current)	-8,534	-8,254
Other liabilities (current)	-9,927	-11,371
Capital employed liability item	-74,032	-87,160
Capital employed	154,224	155,113
EBIT adjusted (12 months)	18,111	23,479
Net income from joint ventures accounted for according to the equity method (12 months)	191	1,322
EBIT adjusted including net income from joint ventures accounted for according to the equity method (12 months)	18,302	24,801
ROCE	11.9%	16.0%

Financial result and income from investments

In the period from January to June 2016, the balance of financial income and expenses – excluding income from investments – was slightly higher than in the previous year. In particular, this reflects a lower average level of financial debt compared to the previous year.

Net income from joint ventures accounted for according to the equity method exclusively relates to the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., which has been included in the consolidated financial statements of SHW AG since 1 April 2015. Of the previous year’s figure of € 1.3 million, € 1.2 million relates to the recording through profit or loss of negative goodwill from the company’s initial recognition in the second quarter of 2015.

Income taxes

Income taxes decreased by € 0.7 million to € 2.6 million, due to the lower pre-tax earnings in the first six months of the fiscal year 2016. At 28.6 per cent, the Group's tax ratio is clearly above the previous year's level of 25.7 per cent. In the previous year, the effective tax rate was significantly influenced by the one-off effect of the first-time recognition of the equity-accounted joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in the Consolidated Financial Statements of SHW AG.

Net income for the period

Earnings after tax decreased accordingly by € 3.1 million to € 6.5 million in the first half of the fiscal year 2016. In the first six months of 2016, earnings per share reached € 1.02, compared with € 1.53 in the previous year.

Development of the business segments

Pumps and Engine Components business segment

Key performance indicators – Pumps and Engine Components

	Q2			H1		
K EUR	2016	2015	Change	2016	2015	Change
Sales	84,659	98,222	-13.8%	170,605	190,759	-10.6%
EBITDA adjusted	9,205	8,951	2.8%	18,753	18,223	2.9%
as % of sales	10.9%	9.1%	-	11.0%	9.6%	-
Depreciation (excl. PPA)	5,042	4,406	14.4%	9,811	8,312	18.0%
as % of sales	6.0%	4.5%	-	5.8%	4.4%	-
EBIT adjusted	4,163	4,545	-8.4%	8,942	9,911	-9.8%
as % of sales	4.9%	4.6%	-	5.2%	5.2%	-
ROCE	-	-	-	17.3%	20.1%	-

Declining sales trend in line with expectations

The Pumps and Engine Components business segment reported sales of € 170.6 million in the first six months of 2016 (previous year € 190.8 million). Sales in the Passenger Car division declined from € 159.5 million to € 141.8 million. The anticipated decline in sales is due in particular to the termination of a contract for camshaft phasers for diesel vehicles as part of a customer's changeover to the urea injection system (SCR technology).

The Industry division contributed € 14.6 million to sales (previous year € 15.2 million).

The Powder Metallurgy division closed the first half of 2016 with consolidated sales of € 14.2 million (previous year € 16.1 million).

EBITDA margin increased to 11.0 per cent

Despite the decline in sales, the Pumps and Engine Components business segment recorded improved adjusted EBITDA of € 18.8 million in the period under review (previous year € 18.2 million). The corresponding EBITDA margin increased from 9.6 per cent to 11.0 per cent.

Following the timely conclusion of measures to boost powder metallurgy productivity at the plant in Aalen-Wasseralfingen at the end of the first quarter of 2016, the operational and logistical bottlenecks in pump production in Bad Schussenried were likewise eliminated. Considerably lower costs for external processing, finishing and special shipments have made a significant contribution to the improved EBITDA margin.

The business of the foreign subsidiaries in Canada and China developed as planned. The operating segment earnings were negatively impacted by the costs for the establishment and expansion of these two foreign plants, as well as to the weak Brazilian automobile market.

EBIT influenced by significantly higher depreciation

Due to the 18.0 per cent investment-related increase in depreciation to € 9.8 million, the segment's adjusted earnings before interest and tax (EBIT adjusted) decreased from € 9.9 million to € 8.9 million. The adjusted EBIT margin of 5.2 per cent was at the previous year's level.

Development of the Brake Discs business segment

Key performance indicators – Brake Discs

	Q2			H1		
K EUR	2016	2015	Change	2016	2015	Change
Sales	24,000	24,900	-3.6%	44,658	49,352	-9.5%
EBITDA adjusted	2,171	2,968	-26.9%	3,762	5,095	-26.2%
as % of sales	9.0%	11.9%	-	8.4%	10.3%	-
Depreciation (excl. PPA)	1,132	1,043	8.5%	2,234	2,053	8.8%
as % of sales	4.7%	4.2%	-	5.0%	4.2%	-
EBIT adjusted	1,039	1,925	-46.0%	1,528	3,042	-49.8%
as % of sales	4.3%	7.7%	-	3.4%	6.2%	-
ROCE	-	-	-	7.2%	12.0%	-

Sales influenced by falling unit sales and lower material surcharges

In the Brake Discs business segment, sales declined by 9.5 per cent to € 44.7 million in the first six months of the 2016 fiscal year. This was due to the clear decline in sales of single-piece brake discs, in contrast to a strong increase in sales of composite brake discs.

Lower cost prices for scrap during much of the first six months of the year likewise contributed to the decline in sales. These prices are passed on to customers as a variable price component in the form of reduced material surcharges.

EBITDA margin of 8.4 per cent

Thanks to positive product mix effects, the lower capacity utilisation was largely made up for. Adjusted EBITDA in the Brake Discs business segment declined by € 1.3 million in the first half-year to € 3.8 million. The corresponding EBITDA margin fell from 10.3 per cent to 8.4 per cent. There was briefly an unexpected significant spike in cost prices for scrap in the second quarter of 2016. This price increase cannot be passed on to the customers until the third quarter of 2016 and therefore had a negative impact on earnings in the second quarter of 2016.

EBIT adjusted influenced by higher depreciation

Due to a further 8.8 per cent increase in depreciation to € 2.2 million, adjusted earnings before interest and tax (EBIT adjusted) decreased from € 3.0 million to € 1.5 million. The adjusted EBIT margin accordingly decreased to 3.4 per cent, compared to 6.2 per cent in the previous year.

Net asset position

Fixed assets

Other intangible assets and property, plant and equipment totalled € 103.7 million as at 30 June 2016, € 5.3 million below the previous year's level. Depreciation therefore considerably outstripped asset additions in the past twelve months.

Working capital ratio slightly above target

K EUR	30.06.2016	30.06.2015	Change in absolute terms	Change as %
Inventories	42,377	40,476	1,901	4.7%
Trade receivables	49,457	60,813	-11,356	-18.7%
Trade payables	-37,905	-53,761	15,856	-29.5%
Working capital	53,929	47,528	6,401	13.5%
as % of sales	12.3%	10.4%	-	-

As at 30 June 2016, working capital increased by € 6.4 million compared to the previous year and amounted to € 53.9 million. At 12.3 per cent, the working capital ratio – referring to the Group sales over the past twelve months – was 1.9 percentage points above the previous year's level and therefore also slightly above the long-term target of 11.0 per cent.

As of the end of the first half of 2016, inventories increased by € 1.9 million compared to their volume as at 30 June 2015. This rise is largely attributable to an increase in inventories of finished goods resulting from a reduction in delivery backlogs and the corresponding improvement in delivery readiness.

The 18.7 per cent decrease in trade receivables to € 49.5 million compared to 30 June 2015 is disproportionately higher than the 10.3 per cent decline in sales and is mainly attributable to a targeted accounts receivable management system.

Trade payables decreased by € 15.9 million on the same quarter in the previous year to € 37.9 million. In addition to the lower business volume in the first six months of 2016, this development is in particular attributable to comparatively low asset additions.

Equity ratio above 50 per cent

Equity increased by € 4.9 million to € 116.3 million compared to 30 June 2015. In particular, net income over the past twelve months with a total volume of € 11.4 million boosted the Company's equity. This contrasts with a dividend payment of € 6.4 million. A reduction in the balance sheet total of € 13.9 million to € 229.5 million led the equity ratio to increase from 45.8 per cent as at 30 June 2015 to 50.7 per cent as at 30 June 2016.

Other liabilities

The increase in other current financial liabilities relates to the second purchase price instalment still outstanding for the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in the amount of € 6.6 million.

Financial position

Free cash flow in the first half-year of 2016 influenced by increase in working capital and lower investments

	Q2		H1	
K EUR	2016	2015	2016	2015
Cash flow from operating activities	1,427	14,599	-280	13,172
Cash flow from investing activities (intangible assets and property, plant and equipment)	-4,684	-8,121	-9,683	-16,640
Free operating cash flow	-3,257	6,478	-9,963	-3,468
Cash flow from investing activities (financial assets)	0	-37	0	-8,931
Total free cash flow	-3,257	6,441	-9,963	-12,399
Other items (in particular, capital increase/dividend payments)	-6,539	-6,438	-6,585	17,895
Change in net liquidity	-9,796	3	-16,548	5,496

Over the first six months of the fiscal year 2016, the SHW Group generated cash flow from operating activities in the amount of € -0.3 million (previous year € -13.2 million). On the basis of a € 3.1 million decrease in net income for the period, higher depreciation (€ +1.6 million) and other non-cash effective expenses and income (€ +1.7 million), had a particularly positive influence on the operating cash flow. This was in particular offset by cash-effective changes in inventories, receivables, other assets and liabilities (€ -7.7 million) and a decline in provisions (€ -5.3 million).

Since the beginning of the year, the business-related increase in working capital at € 21.4 million in the first half-year of 2016 was € 4.7 million above the same period in the previous year and was thus the major cause of the negative operating cash flow.

In the first six months of 2016, cash flow from investing activities relating to intangible assets and property, plant and equipment was significantly lower than the previous year's figure of € -16.6 million at € -9.7 million. Of the fixed asset additions in the first six months of the reporting year, € 7.1 million related to the Pumps and Engine Components business segment and € 2.7 million to the Brake Discs business segment.

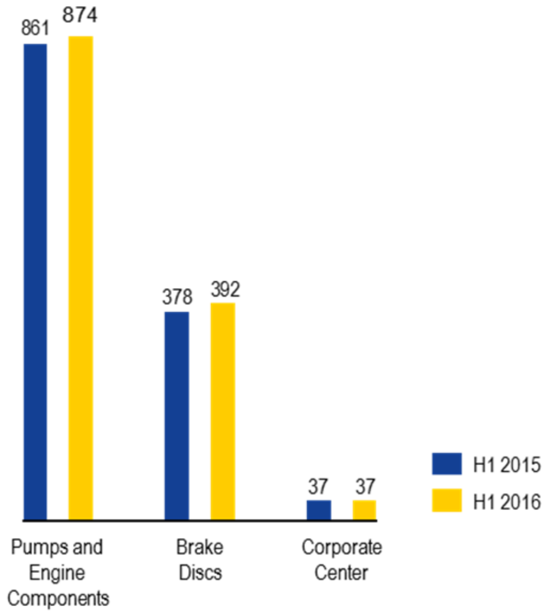
Net financial liabilities reduced by € 4.6 million

Net financial liabilities amounted to € 4.2 million at the end of the first half-year. This represents an improvement of € 4.6 million on the previous year's figure. In particular, this is due to an operating free cash flow in the amount of € 11.6 million, which was generated over the past twelve months.

Employees

In the first six months of the fiscal year 2016, the Group's average number of employees increased on the previous year from 1,276 to 1,303. The majority of this increase in the Group's workforce related to the Pumps and Engine Components business segment and also affected its international locations, at which the number of employees grew from 16 to 24.

Average number of employees



Report on risks and opportunities

No significant changes have resulted in the assessment of the risks and opportunities for the SHW Group compared to the comments on risks and opportunities provided in the Company's Annual Report for 2015 (pages 63 to 70 and 73 to 74).

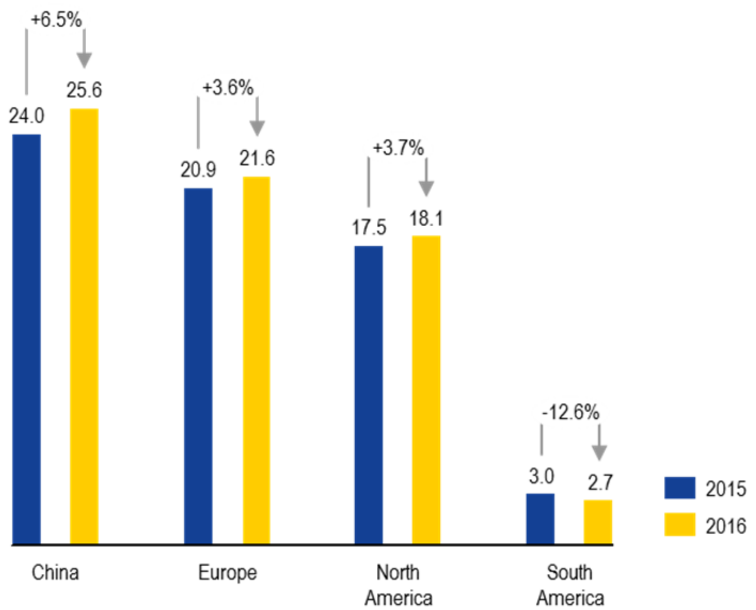
Forecast

Outlook for the industry

Moderate growth rates anticipated for 2016

Based on the most recent forecasts, the IHS market research institute expects global light vehicle production (vehicles < 6 tonnes) to increase by 3.2 per cent in 2016, from 88.7 million vehicles to 91.6 million vehicles. The key growth drivers here are the increases in production in China and Europe (including Russia). IHS assumes growth of 6.5 per cent to 25.6 million vehicles for China, and for Europe an increase of 3.4 per cent to 21.6 million vehicles. IHS still expects to see a significant downturn in production of 12.6 per cent to 2.7 million vehicles in South America.

Production of light vehicles by region (millions of units)



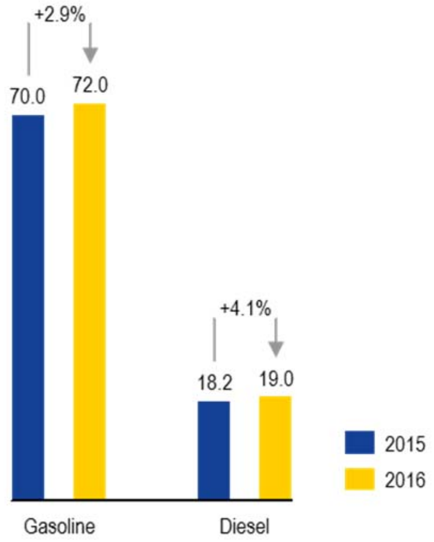
Source: IHS

IHS's experts are anticipating a 3.4 per cent increase in production in Europe in 2016. This growth will mainly be supported by increases in production in Spain (+7.2 per cent to 2.9 million vehicles), Germany (+3.2 per cent to 6.1 million vehicles), the UK (+8.6 per cent to 1.8 million vehicles) and France (+5.9 per cent to 2.1 million vehicles).

Further growth in combustion engines

Based on the IHS research institute's analyses, the assumption is that global engine production will increase by 3.2 per cent to 91.6 million units in 2016. The gasoline engine remains the leading engine type, with a global market share of 78.6 per cent (previous year 78.9 per cent). The industry experts predict slight growth of 4.1 per cent for diesel engines worldwide in 2016, to 19.0 million units. This would represent a market share of 20.7 per cent (previous year 78.6 per cent). Electric motors continue to play a subordinate role, accounting for 0.5 per cent of global engine production.

Engine production worldwide (millions of units)



Source: IHS

China's volume growth of 6.2 per cent to 25.5 million units mainly relates to the production of gasoline engines (+6.0 per cent). Diesel engines will remain a long way behind, with a market share of 6.8 per cent.

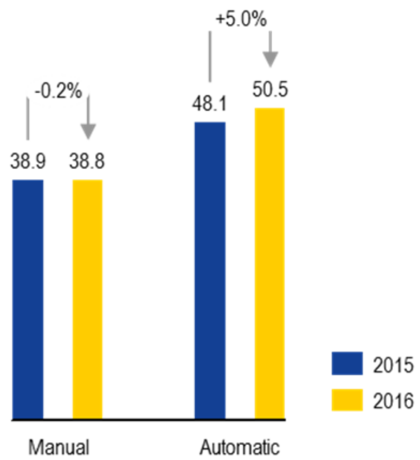
In Europe, diesel engines are expected to register slightly increased production figures, with 11.3 million units (+4.4 per cent). Gasoline engines are expected to account for 11.8 million units (+1.6 per cent).

North America remains a gasoline market and the production of gasoline engines there is expected to realise above-average growth of 5.7 per cent, amounting to 15.7 million units. In North America, the diesel engine will remain a peripheral phenomenon in 2016, with a market share of 3.2 per cent.

Global increase of 5.0 per cent expected for automatic transmissions

For 2016, IHS predicts global transmission production growth of 3.2 per cent to 91.6 million units. This volume growth is exclusively attributable to the automatic transmission segment, whose share of global production is expected to increase by a further 100 basis points, from 54.2 per cent to 55.2 per cent. The growth drivers here are the production plants in China (+16.7 per cent to 8.4 million units) and North America (+4.4 per cent to 14.5 million units). Automatic transmission production is also forecast to increase in Europe, by 3.7 per cent to 8.4 million units.

Transmission production worldwide (millions of units)



Source: IHS

Outlook for the Group

To reflect the reticence currently shown by individual customers SHW is adjusting its sales forecast for 2016 and 2017 by around € 30 million each. The Company now expects Group sales of between € 410 million and € 430 million for 2016 and 2017 (previously € 440 million to € 460 million each). It is forecasting sales for 2016 of between € 320 million and € 340 million in the Pumps and Engine Components business segment (previously € 340 million to € 360 million) and sales of around € 90 million in the Brake Discs business segment (previous year € 98 million), taking into account the lower material surcharges.

Despite the reduced sales forecast, the Company continues to expect a year-on-year improvement in the operating profit margin and adjusted EBITDA at the lower end of the € 43 million to € 47 million range in 2016. In particular, this reflects the positive effects of the implementation of the efficiency-boosting measures to improve business processes in both business segments.

Aalen, 29 July 2016

The Management Board of SHW AG

Dr Frank Boshoff
Chief Executive Officer

Andreas Rydzewski
Member of the Management Board

Interim Consolidated Financial Statements in accordance with IFRS as at 30 June 2016

Consolidated Income Statement (unaudited) for the period from 1 January to 30 June 2016

	Q2		H1	
K EUR	2016	2015	2016	2015
Sales	108.659	123.122	215.263	240.111
Cost of sales	-97.922	-111.649	-193.151	-216.066
Gross profit	10.737	11.473	22.112	24.045
Selling expenses	-1.639	-1.553	-3.442	-2.980
General administrative expenses	-2.936	-3.114	-6.007	-5.952
Research and development costs	-1.751	-1.240	-3.416	-3.239
Other operating income	1.183	1.220	1.585	1.424
Other operating expenses	-848	-567	-1.273	-1.065
Operating result (EBIT)	4.746	6.219	9.559	12.233
Financial income	4	4	10	5
Financial expenses	-277	-301	-551	-620
Net income from joint ventures accounted for according to the equity method	46	1.322	130	1.322
Earnings before tax	4.519	7.244	9.148	12.940
Deferred taxes	113	180	339	-174
Current income tax	-1.404	-1.893	-2.951	-3.150
Earnings after tax	3.228	5.531	6.536	9.616
Net income for the period	3.228	5.531	6.536	9.616
Earnings per share in EUR (basic and diluted)	0,50	0,86	1,02	1,53

Consolidated Statement of Comprehensive Income (unaudited) for the period from 1 January to 30 June 2016

	Q2		H1	
K EUR	2016	2015	2016	2015
Net income for the period	3,228	5,531	6,536	9,616
Items that will not be reclassified to the income statement in future periods				
Actuarial gains/losses from pension accruals and similar obligations before tax	0	0	0	0
Tax effect	0	0	0	0
Items that may be reclassified to the income statement in future periods				
Currency translation differences	366	125	621	82
Tax effect	0	0	0	0
Unrealised gains/losses from currency translation for joint ventures accounted for according to the equity method	-24	-421	-681	-421
Tax effect	0	0	0	0
Other earnings after tax	342	-296	-60	-339
Total comprehensive income after tax	3,570	5,235	6,476	9,277
Net income for the period attributable to				
- shareholders of SHW AG	3,228	5,531	6,536	9,616
- holders of non-controlling interests	0	0	0	0
Total comprehensive income attributable to				
- shareholders of SHW AG	3,570	5,235	6,476	9,277
- holders of non-controlling interests	0	0	0	0

Consolidated Balance Sheet (unaudited) as at 30 June 2016

ASSETS

K EUR	30.06.2016	31.12.2015	30.06.2015
Goodwill	7,055	7,055	7,055
Other intangible assets	9,781	11,346	11,906
Property, plant and equipment	93,946	94,810	97,145
Deferred tax assets	4,848	4,668	4,447
Joint ventures accounted for according to the equity method	16,118	16,669	17,110
Other financial assets	341	341	362
Other assets	938	577	795
Non-current assets	133,027	135,466	138,820
Inventories	42,377	41,630	40,476
Trade receivables	49,457	34,388	60,813
Other financial assets	513	401	86
Other assets	2,882	3,764	2,078
Cash and cash equivalents	1,232	14,814	1,142
Current assets	96,461	94,997	104,595
Total assets	229,488	230,463	243,415

EQUITY AND LIABILITIES

K EUR	30.06.2016	31.12.2015	30.06.2015
Subscribed capital	6,436	6,436	6,436
Capital reserves	38,510	38,510	38,510
Revenue reserves	76,158	76,058	71,323
Other reserves	-4,824	-4,764	-4,887
Equity	116,280	116,240	111,382
Pension accruals and similar obligations	26,145	26,274	27,814
Deferred tax liabilities	3,078	3,237	3,180
Other accruals	4,048	3,972	3,652
Other financial liabilities	972	7,855	7175
Liabilities to banks	702	1,297	1,891
Non-current liabilities and accruals	34,945	42,635	43,712
Liabilities to banks	4,750	1,189	8,111
Trade payables	37,905	43,484	53,761
Other financial liabilities	15,818	7,088	5,677
Income tax liabilities	1,329	2,013	1,147
Other accruals	8,534	9,984	8,254
Other liabilities	9,927	7,830	11,371
Current liabilities and accruals	78,263	71,588	88,321
Total equity and liabilities	229,488	230,463	243,415

Consolidated Cash Flow Statement (unaudited)
for the period from 1 January to 30 June 2016

K EUR	H1 2016	H1 2015
1. Cash flow from operating activities		
Net income for the period	6,536	9,616
Depreciation / amortisation (+) of fixed assets	12,196	10,570
Income tax expenses through profit or loss (+)	2,951	3,150
Income taxes paid (-)	-3,712	-2,413
Financing costs through profit or loss (+)	551	620
Interest paid (-)	-146	-250
Financial investment income through profit or loss (-)	-10	-5
Interest received (+)	10	5
Increase (+) / decrease (-) in accruals	-1,794	3,535
Change in deferred taxes	-339	72
Other non-cash effective expenses (+) / income (-)	1,384	-267
Gain (-) / loss (+) from the disposal of assets	47	28
Net income from joint ventures accounted for according to the equity method	-130	-1,322
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-16,862	-12,990
Increase (-) / decrease (+) in trade payables and other liabilities	-962	2,823
Cash flow from operating activities	-280	13,172
2. Cash flow from investing activities		
Cash received (+) from the disposal of tangible assets	195	0
Cash paid (-) for investments in tangible assets	-9,273	-15,808
Cash paid (-) for investments in intangible assets	-605	-832
Cash paid (-) for investments in financial assets	0	-8,931
Cash flow from investing activities	-9,683	-25,571

K EUR	H1 2016	H1 2015
3. Cash flow from financing activities		
Cash received (+) from the assumption of financial liabilities	3.561	0
Cash paid (-) for the redemption of financial liabilities	-595	-4.646
Cash received (+) from the issue of shares	0	24.315
Dividends paid (-) to shareholders	-6.436	-6.436
Cash paid (-) for finance leasing	-66	0
Cash flow from financing activities	-3.536	13.233
4. Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (sum of positions 1–3)	-13.499	834
Exchange rate-related changes in cash and cash equivalents	-83	-13
Cash and cash equivalents at the beginning of the period	14.814	292
Changes in cash from scope of consolidation related changes	0	29
Cash and cash equivalents at the end of the period	1.232	1.142

Statement of Changes in Group Equity (unaudited) as at 30 June 2016

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
Position as at 1 January 2015	5,851	14,780	68,424	-4,548	84,507
Changes from actuarial gains and losses	0	0	0	0	0
Unrealised gains/losses from currency translation for joint ventures accounted for according to the equity method	0	0	0	-421	-421
Foreign currency translation differences	0	0	0	82	82
Income recognised directly in equity	0	0	0	-339	-339
Net income for the period – half year of 2015	0	0	9,616	0	9,616
Total comprehensive income for the period	0	0	9,616	-339	9,277
First-time consolidation of subsidiaries previously non-consolidated for reasons of materiality	0	0	-281	0	-281
Issue of shares	585	23,730	0	0	24,315
Dividends paid	0	0	-6,436	0	-6,436
Position as at 30 June 2015	6,436	38,510	71,323	-4,887	111,382

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
Position as at 1 January 2016	6,436	38,510	76,058	-4,764	116,240
Changes from actuarial gains and losses	0	0	0	0	0
Unrealised gains/losses from currency translation for joint ventures accounted for according to the equity method	0	0	0	-681	-681
Foreign currency translation differences	0	0	0	621	621
Income recognised directly in equity	0	0	0	-60	-60
Net income for the period – half year of 2016	0	0	6,536	0	6,536
Total comprehensive income for the period	0	0	6,536	-60	6,476
Dividends paid	0	0	-6,436	0	-6,436
Position as at 30 June 2016	6,436	38,510	76,158	-4,824	116,280

Notes to the Interim Consolidated Financial Statements (unaudited) for the period from 1 January to 30 June 2016

Principles and methods applied in the Interim Consolidated Financial Statements

These abridged, unaudited Interim Consolidated Financial Statements of SHW AG, Wilhelmstrasse 67, 73433 Aalen, as at 30 June 2016 have been prepared in compliance with the provisions of the International Accounting Standards on interim reporting (IAS 34) and in application of Section 315a of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU) as at the reporting date for the interim financial statements.

In accordance with IAS 34, the Interim Consolidated Financial Statements do not include all of the disclosures which are required in Consolidated Financial Statements as at the end of the fiscal year. Accordingly, these financial statements should be read in conjunction with the Consolidated Financial Statements for the fiscal year 2015.

SHW AG is a public limited company under German law and has been entered in the German commercial register under the no. HRB 726621. The Group’s main activities are the manufacturing and sale of pumps and engine components as well as brake discs. Its customers mainly comprise manufacturers and suppliers in the automotive industry.

The Management Board forwarded these Interim Consolidated Financial Statements to the Audit Committee of the Supervisory Board on 22 July 2016. They cover the period from 1 January to 30 June 2016 compared to the same period in the previous year. The Interim Consolidated Financial Statements have been prepared in euros. Unless indicated otherwise, the figures shown in the Interim Consolidated Financial Statements are stated in thousand euros.

In the view of the Management Board, the Interim Consolidated Financial Statements include all of the standard, regular adjustments and accruals which are required for appropriate presentation of the results of operations, net assets and financial position of the Group. The accounting and valuation principles applied in the Interim Consolidated Financial Statements for the first half of 2016 are essentially consistent with those applied in the Consolidated Financial Statements as at 31 December 2015. These principles are described in detail in the Notes to the Consolidated Financial Statements as at 31 December 2015.

Within the scope of the preparation of the Interim Consolidated Financial Statements in accordance with the IFRS, to a certain degree estimates and assessments must be made which relate to the assets and liabilities accounted for, the disclosures concerning contingent assets and liabilities as at the reporting date and the income and expenses indicated for the reporting period. The actual amounts may differ from the estimates.

In each interim period, income tax expense is recognised on the basis of the best estimate of the weighted average annual income tax rate which is expected for the fiscal year as a whole.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations, which have been transposed by the EU into European law and were applied for the first time at the start of the fiscal year 2016.

Standard/Interpretation		To be applied from
AIP 2010–2012	Annual Improvements Project (2010–2012)	01.02.2015
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	01.02.2015
Amendments to IAS 16/IAS 41	Agriculture: Bearer Plants	01.01.2016
Amendments to IFRS 11	Acquisition of an Interest in a Joint Operation	01.01.2016
AIP 2012–2014	Annual Improvements Project (2012–2014)	01.01.2016
Amendments to IFRS 10/IAS 28	Sales or Contributions of Assets between an Investor and its Associate/Joint Venture	01.01.2016
Amendments to IAS 1	Disclosure Initiative	01.01.2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	01.01.2016
Amendments to IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016
Amend. IFRS 10, IFRS 12, IAS 28	Investment Entities Applying the Consolidation Exception	01.01.2016
IFRS 14	Regulatory Deferral Accounts	01.01.2016

The adoption of these new regulations and amendments did not have any effect, or else did not have any significant effect, on the Consolidated Financial Statements.

Scope of consolidation

Subsidiaries

Subsidiaries are fully consolidated from their date of acquisition, i.e. from the date as of which the Group directly or indirectly controls the entity as defined by IFRS 10. An entity is controlled if SHW AG is able to decide on the relevant activities of the subsidiary due to voting rights or other rights, if it receives the positive or negative variable returns generated by this subsidiary and if it may influence these returns by virtue of its decision-making authority. Subsidiaries are no longer included in the Consolidated Financial Statements as soon as the parent company ceases to control the subsidiary.

As well as SHW AG, the Interim Consolidated Financial Statements as at 30 June 2016 incorporate the financial statements of the German company SHW Automotive GmbH, Aalen, as well as the financial statements of SHW do Brasil Ltda., São Paulo, Brazil, SHW Pumps & Engine Components Inc., Ontario, Canada, and SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan, China.

SHW Automotive Industries GmbH, Aalen, is not currently operational and has not been included in the Consolidated Financial Statements on grounds of materiality.

Joint ventures accounted for according to the equity method

Joint ventures as defined by IFRS 11 are accounted for according to the equity method in accordance with IAS 28. In the case of joint ventures, SHW AG pursues economic activities subject to joint control together with other parties. The controlling parties are entitled to the net assets surplus but not the assets and liabilities. Joint ventures are included in the Consolidated Financial Statements in accordance with the equity method from the date as at which joint control becomes applicable. On the basis of the acquisition costs for the shares in the jointly controlled entity, changes in equity recognised in income or equity for the investment measured using the equity method will be added to or subtracted from the carrying amount of the investment insofar as these changes relate to the shares attributable to SHW AG.

Joint ventures accounted for according to the equity method exclusively relate to SHW Automotive GmbH's investment in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. This joint venture launched its operating activities on 1 April 2015.

Exchange rates

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

		Closing rate		Average rate	
Country	Abbreviation	30.06.2016	31.12.2015	01.01.–30.6.2016	01.01.–30.6.2015
Brazil	BRL	3.5878	4.3198	4.1206	3.3025
Canada	CAD	1.4388	1.5128	1.4840	1.3776
China	RMB	7.3784	7.0804	7.2940	6.8353

Sales

The following overview shows the sales of the SHW Group by region. This is determined on the basis of where the recipient of the delivery or service in question is headquartered.

	Q2		H1	
K EUR	2016	2015	2016	2015
Germany	60,314	72,994	121,111	144,390
Rest of Europe	45,283	47,167	89,010	90,450
America	2,066	2,275	3,644	4,315
Other	996	686	1,498	956
Group	108,659	123,122	215,263	240,111

Cost of materials

The cost of sales and the other functional costs comprise the following material expenses:

	Q2		H1	
K EUR	2016	2015	2016	2015
Cost of raw materials and supplies and of goods purchased	66,192	75,757	128,119	144,088
Cost of purchased services	3,353	4,217	7,009	8,718
Total cost of materials	69,545	79,974	135,128	152,806

Personnel expenses

The cost of sales and the other functional costs comprise the following personnel expenses:

	Q2		H1	
K EUR	2016	2015	2016	2015
Wages and salaries	19,672	19,102	39,289	38,678
Social security contributions and pension expenses	3,541	3,587	7,056	7,027
Total personnel expenses	23,213	22,689	46,345	45,705

Other operating income

Other operating income comprises, in particular, reversals of accruals and other liabilities in the amount of € 1,254 thousand (previous year € 948 thousand).

Other operating expenses

Other operating expenses include Annual Financial Statements costs and consulting fees of € 174 thousand (previous year € 129 thousand), € 144 thousand for the remuneration of Supervisory Board members (previous year € 156 thousand) and € 208 thousand for employee severance payments (previous year € 360 thousand).

Financial result

The financial result is comprised as follows:

	Q2		H1	
K EUR	2016	2015	2016	2015
Financial income	4	4	10	5
Financial expenses				
Interest and similar expenses	-122	-146	-240	-303
Interest portion in the addition to pension accruals	-145	-144	-291	-299
Interest expense from finance leases	-10	-11	-20	-18
	-277	-301	-551	-620
Financial result	-273	-297	-541	-615

Income taxes

Income taxes for the first half of 2016 in the amount of € 2,612 thousand (previous year € 3,324 thousand) include current tax expenses in the amount of € 2,951 thousand (previous year € 3,150 thousand) as well as deferred tax benefits in the amount of € 339 thousand (previous year deferred tax expenses of € 174 thousand). Deferred tax benefits and expenses have occurred in particular due to changes in valuation differences for fixed assets and other accruals, and changes in deferred taxes on loss carryforwards. The Group's tax ratio amounts to 28.6 per cent (previous year 25.7 per cent). The effective tax rate was significantly lowered in the previous year by the first-time recognition of the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. according to the equity method.

Earnings per share

Earnings per share are determined in accordance with IAS 33.19 by dividing consolidated income by the weighted number of ordinary shares in circulation in the fiscal year. No dilutive effects were applicable in the first six months of 2016 and 2015.

	Q2		H1	
K EUR	2016	2015	2016	2015
Net income for the year attributable to shareholders of SHW AG	3,228	5,531	6,536	9,616
Average number of shares issued	6,436,209	6,436,209	6,436,209	6,281,042
Earnings per share (basic and diluted) in EUR	0.50	0.86	1.02	1.53

Intangible assets

The carrying amounts of intangible assets are comprised as follows:

K EUR	30.06.2016	31.12.2015
Goodwill	7,055	7,055
Internally generated assets	7,343	8,241
Other intangible assets	2,438	3,105
Total	16,836	18,401

Internally generated intangible assets relate to development costs in particular.

Property, plant and equipment

The carrying amounts of property, plant and equipment are comprised as follows:

K EUR	30.06.2016	31.12.2015
Land, land rights, and buildings	27,480	27,170
Technical equipment and machinery	48,939	53,536
Other equipment, operating and office equipment	9,115	9,528
Advance payments and assets under construction	8,412	4,576
Total	93,946	94,810

Joint ventures accounted for according to the equity method

Joint ventures accounted for according to the equity method in the amount of € 16.1 million exclusively comprise the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. Since 1 April 2015, this joint venture has been included in the consolidated financial statements of SHW AG in accordance with the equity method. The still outstanding second purchase price instalment in the amount of € 6.6 million is included in the other current financial liabilities. This is to be paid by February 2017 at the latest.

K EUR	30.06.2016	31.12.2015
Share in %	51.0	51.0
Joint ventures accounted for according to the equity method (carrying amount)	16,118	16,669

K EUR	2016	2015
Net income from joint ventures accounted for according to the equity method Q2	46	1,322
Net income from joint ventures accounted for according to the equity method H1	130	1,322

Inventories

Inventories are comprised as follows:

K EUR	30.06.2016	31.12.2015
Raw materials and supplies	16,842	16,430
Unfinished products	15,454	12,979
Finished products	9,991	12,093
Advance payments	90	128
Total	42,377	41,630

As at 30 June 2016, impairments of inventories amounted to € 3,541 thousand (31 December 2015: € 3,304 thousand).

Trade receivables

Trade receivables are comprised as follows:

K EUR	30.06.2016	31.12.2015
Receivables from customers	53,834	37,618
Impairments	-83	-83
Impairments for uncleared items in process	-4,294	-3,147
Total	49,457	34,388

Financing of the Group

The debt financing of the SHW Group is mainly provided by means of a syndicated loan agreement with a volume of over € 60.0 million. The loan agreement has 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 at 30 June 2016.

As at 30 June 2016, € 4,634 thousand of this working capital line of credit had been utilised. In addition, the Group has taken out two amortising loans with a total volume of € 4,758 thousand, of which € 1,892 thousand had been utilised as at 30 June 2016.

Financial instruments

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. This hierarchy reflects the significance of the input data used for measurement and can be divided up as follows:

a) (Unadjusted) prices that are quoted in active markets for identical assets or liabilities (Level 1);

b) Input data that are observable either directly (as prices) or indirectly (derived from prices) for the asset or liability, whereby the input data does 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 the associated company SHW Industries GmbH are carried at amortised cost since they are not traded on an active market.

The following tables provide an overview of the carrying amounts (CA) and the fair values (FV) of the financial assets and financial liabilities:

30 June 2016		CA	FV	Valuation		
K EUR	Valua-tion category			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	316	*)	316	–	–
Shares in associated companies	AfS	25	*)	25	–	–
Trade receivables	LaR	49,457	*)	49,457	–	–
Other financial assets	LaR	513	*)	513	–	–
Cash and cash equivalents	LaR	1,232	*)	1,232	–	–

*) The fair value approximately equals the carrying amount

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 at 30 June 2016.

31 December 2015		CA	FV	Valuation		
K EUR	Valua-tion category			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	316	316	316	–	–
Shares in associated companies	AfS	25	*)	25	–	–
Trade receivables	LaR	34,388	*)	34,388	–	–
Other financial assets	LaR	401	*)	401	–	–
Cash and cash equivalents	LaR	14,814	*)	14,814	–	–

*) The fair value approximately equals the carrying amount

30 June 2016		CA	FV	Valuation		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	FLAC	5,452	5,452	5,452	–	–
Trade payables	FLAC	37,905	37,905	37,905	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	118	118	118	–	–
Liabilities from finance leases	FLAC	854	854	854	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	15,724	15,724	15,724	–	–
Liabilities from finance leases	FLAC	94	94	94	–	–

31 December 2015		CA	FV	Valuation		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	FLAC	2,486	2,486	2,486	–	–
Trade payables	FLAC	43,484	43,484	43,484	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	6,914	6,914	6,914	–	–
Liabilities from finance leases	FLAC	994	994	994	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	7,088	7,088	7,088	–	–

AfS Available for Sale
LaR Loans and Receivables
FLAC Financial Liabilities measured at Amortised Cost

Other accruals

The other accruals are comprised as follows:

K EUR	30.06.2016	31.12.2015
Warranties	1,941	3,391
Other business-related obligations	6,585	6,585
Obligations to employees	4,048	3,972
Other accruals	8	8
Total	12,582	13,956
Of which non-current accruals	4,048	3,972

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 to 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 are derived by taking into account the respective depreciation/amortisation. The assets of each segment are also established on the basis of IFRS. With the exception of net income from joint ventures accounted for according to the equity method – which is directly allocated to the Brake Discs segment – financial expenses, financial income and income taxes are managed at Group level. The Pumps and Engine Components segment manufactures pumps and engine components as well as sintered metallurgy products for the automotive industry. The Brake Discs segment produces unprocessed and processed brake discs for the automotive industry. Transactions between the business segments are essentially based on market conditions identical to those that apply to transactions with third parties.

Segment information for the period from 1 January to 30 June

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2016	2015	2016	2015	2016	2015	2016	2015
Segment sales	170,605	190,759	44,658	49,352	0	0	215,263	240,111
Segment EBIT	8,942	9,891	1,528	2,987	-911	-645	9,559	12,233
Segment EBITDA	18,753	18,223	3,762	5,095	-760	-515	21,755	22,803
Financial result	0	0	0	0	-541	-615	-541	-615
Net income from joint ventures accounted for according to the equity method	0	0	130	1,322	0	0	130	1,322
Period result before tax	8,942	9,891	1,658	4,309	-1,452	-1,260	9,148	12,940
Segment depreciation/amortisation	9,811	8,332	2,234	2,108	151	130	12,196	10,570
Segment capital investments	7,135	10,346	2,699	3,765	44	226	9,878	14,337
Material segment expenses	0	0	0	0	0	168 [1]	0	168
Number of customers with sales > 10% of total sales	2	2		1			2	2
VW Group	64,108	79,880	24,761	25,493			88,869	105,373
Daimler Group	33,022	41,489	90	100			33,112	41,589

[1] Change in the Management Board

Segment information for the period from 1 April to 30 June

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2016	2015	2016	2015	2016	2015	2016	2015
Segment sales	84,659	98,222	24,000	24,900	0	0	108,659	123,122
Segment EBIT	4,163	4,535	1,039	1,897	-456	-213	4,746	6,219
Segment EBITDA	9,205	8,951	2,171	2,968	-381	-154	10,995	11,765
Financial result	0	0	0	0	-273	-297	-273	-297
Net income from joint ventures accounted for according to the equity method	0	0	46	1,322	0	0	46	1,322
Period result before tax	4,163	4,535	1,085	3,219	-729	-510	4,519	7,244
Segment depreciation/amortisation	5,042	4,416	1,132	1,071	75	59	6,249	5,546
Segment capital investments	3,632	6,714	1,229	1,236	18	171	4,879	8,121
Material segment expenses	0	0	0	0	0	168 [1]	0	168
Number of customers with sales > 10% of total sales	3	2	2	1			3	2
VW Group	33,002	42,657	13,519	13,130			46,521	55,787
BMW Group	9,524	7,681	1,502	1,228			11,026	8,909
Daimler Group	15,300	19,784	82	91			15,382	19,875

[1] Change in the Management Board

Relationships with related parties

Related parties include persons in key positions as well as their close relatives. The members of the Management Board and Supervisory Board of SHW AG active during the fiscal year are persons in key positions.

Related companies comprise the subsidiary SHW Automotive Industries GmbH, Aalen – which has not been included in the scope of consolidation, on grounds of materiality – and the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. Supplier and service provider relationships with related companies were only of minor significance in the first half of 2016 and in the previous year.

Collateral granted and other financial obligations

The collateral granted and other financial obligations shown in the Consolidated Financial Statements as at 31 December 2015 did not change significantly in the period from January to June 2016.

Events after the balance sheet date

No significant events have occurred since the reporting date for the Interim Financial Statements which require additional explanatory disclosures.

Assurance of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the Interim Consolidated Financial Statements give a true and fair view of the results of operations, net assets and financial position of the Group, and the Interim Group Management Report represents a fair view of the development and performance of the business and the position of the Group, together with a description of the key risks and opportunities associated with the expected development of the Group in the remainder of the fiscal year.

Aalen, 29 July 2016

The Management Board of SHW AG

Dr Frank Boshoff	Andreas Rydzewski
Chief Executive Officer	Member of the Management Board

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The English version of the Interim Financial Report is a translation of the German version of the Interim Financial Report. The German version of this Interim Financial Report is legally binding.

Date of publication

29 July 2016

Financial calendar

26 October 2016	Interim Financial Report for the third quarter of 2016