Annual Report 2020

Future Focus

RECOGNISING AND SEIZING OPPORTUNITIES

SHW

Key figures 2020

k €	2020	2019	Change %
Sales	392,931	432,421	-9.1%
EBITDA	25,337	41,542	-39.0%
as % of sales	6.4%	9.6%	-
EBIT	-4,729	14,617	-132.4%
as % of sales	-1.2%	3.4%	-
Net profit	-5,059	9,891	-151.1%
Earnings per share [1]	-0.79	1.54	-151.1%
Equity	124,652	131,692	-5.3%
Equity ratio	39.4%	41.0%	-
Operating free cash flow	9,556	-197	-
Total free cash flow	8,934	-597	1596.5%
Net cash / Net financial liabilities[4]	-36,101	-42,612	15.3%
Investments [2]	32,763	52,551	-37.7%
as % of sales	8.3%	12.2%	-
Net working capital	36,497	48,702	-25.1%
as % of sales	9.3%	11.3%	-
ROCE	-2.3%	6.6%	-
Number of employees (average) [3]	1,619	1,594	1.6%

1) Based on an average number of 6,436,209 shares outstanding
2) Additions to property, plant and equipment and intangible assets
3) Excluding trainees and hired temps
4) Including disposal group LHT

Sales
393
€ million

EBITDA
25.3
€ million

Employees
1,619

Contents

THOMAS KARAZMANN

Chief Financial Officer

KLAUS RINNERBERGER

Chairman of the
Supervisory Board

WOLFGANG PLASSER

Chief Executive Officer

Foreword from the Management Board

DEAR SHAREHOLDERS,

Nothing kept us on edge in 2020 like the corona virus. The spread of the virus thrust the global economy into a deep recession. Lockdowns, closed borders and social distancing not only changed working life but also how we live together worldwide.

Naturally, the pandemic also had a massive impact on fiscal year 2020 at SHW. The first effects of the virus were already felt at the beginning of the year at our Chinese location. Based on the first lessons learned here it was possible to take proactive action for the entire SHW Group at extremely short notice. Thanks to our emergency response committee, we set up resilient crisis management to protect the health of our employees yet still be available for our customers and be able to ship our products on time. Other measures that were introduced were geared towards shoring up our liquidity, securing and expanding the lines of finance, communicating actively with the members of the Supervisory Board and employee representatives and drawing on government assistance.

The rapid exchange of information and short decision-making paths allowed us to respond flexibly to the changes in the wider environment and find the optimum approach in close consultation with our customers in the middle of a volatile environment. This ensured that the SHW Group was able to successively raise its production in the second half of the year. A strong fourth quarter enabled us to achieve an acceptable result, which, after taking account of non-recurring expenses, allowed us to break even at an operating level. Group sales of € 392.9 million were generated in fiscal year 2020. This corresponds to a decrease of 9.1 per cent on 2019. At 6.4 per cent the EBITDA margin is likewise below the previous year. Before the backdrop of the extraordinary circumstances in the year, we are satisfied with this development.

However, not only the corona crisis but also the transformation in the automobile industry confronted our sector with a challenge. The successes notched up by our sales team in the strategically important e-pumps segment were particularly pleasing. As a competitive partner, we are well equipped to make a major contribution to this transformation. In future we intend to keep focusing on innovation and change. We have decided to withdraw from the stock exchange. Our shares will be delisted from the m:access at the end of day, 31 March 2021 and withdrawn from trading on the open market of the Munich stock exchange at the end of day on 30 December 2021.

To this end, Pierer Industrie AG will make a public purchase offer of € 19.00 per share. We intend to concentrate fully on our customers and operating business in future.

After such an extraordinary year, we must now look ahead and set the course for the future. We are convinced that with quality, innovation and motivation, we are perfectly equipped for this task.

Many thanks for the faith you have placed in us!

Aalen, March 2021

Wolfgang Plasser
Chief Executive Officer

Thomas Karazmann
Chief Financial Officer

SHW
Trend-setter and role model

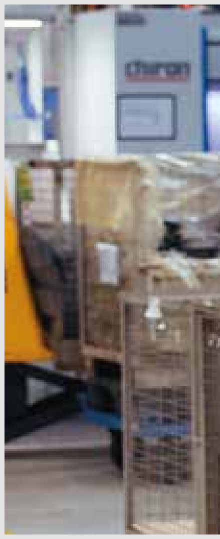
CORPORATE SUCCESS AND RESPONSIBLE ACTION

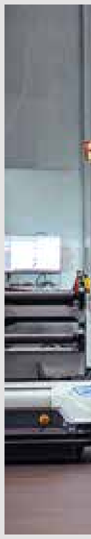
With sales of € 392.9 million, SHW AG is a global leader in the production of CO_2-optimised pumps, engine components for all kinds of powertrains and high-performance brake discs. The team of 1,600 individuals is a trend-setter in the development and production of environmentally-friendly products and a role model in the handling of resources.

Major customers in the automobile industry, the truck and off-highway markets, such as agricultural and construction machines, stationary engines or wind turbines rely on the company with its long history. SHW has been operating since the 14th century and is now a global player with 9 locations spread around the globe.

Shaping the future sustainably while recognising and seizing opportunities. All of that with a focus on developing concepts that conserve energy and reduce emissions, contributing to lowering the carbon footprint – that is the goal of our daily activity.

The success of this strategy is evident in our market strength, innovative power and investments in our own resources, such as our human capital, R&D and daily operating processes. As a result, SHW is exceeding expectations when it comes to meeting the rising demand for environmentally-friendly mobility and the associated responsibility.





Strengthened Team

MAKING A VIRTUE OUT OF NECESSITY

The SHW team is starting the year 2021 in strengthened form. For the pandemic has brought the employees closer together in spite of all physical distancing requirements.

Despite the challenges, SHW mastered the crisis very well. The extraordinary circumstances resulted in even closer networking to our customers and suppliers, more efficient cooperation and greater flexibility on all sides. The latter was necessitated by the constant stream of new rules and regulations or border closures.

With the help of the entire SHW team, we managed to establish perfect crisis management. In addition to the digital cooperation via home office solutions and video conferences, which function brilliantly, we set up our own emergency response team that addressed the need for personal protective equipment ranging from face masks to acrylic shields and social distancing rules as well as a rapid testing station for employees.

1,600

EMPLOYEES AT 9 LOCATIONS

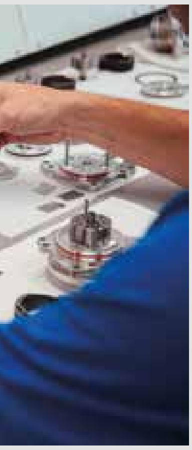
Business segments

STEP-FOR-STEP TOWARDS MORE SUSTAINABLE MOBILITY

Tailored concepts towards a green future, trend-setting innovations and the highest quality standards!

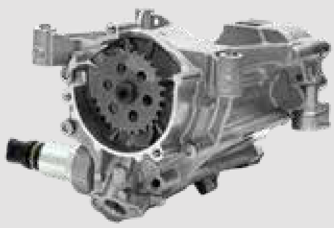
Approx. 1,050
DIFFERENT PRODUCTS

The team is working constantly on shaping mobility towards a more carbon-neutral future and reducing our joint footprint by constantly optimising the consumption of the components used in engines and transmissions.



PUMPS AND ENGINE COMPONENTS

SHW covers the entire range from R&D through to production of high-quality pumps for engines and transmissions – always with a view to functionality, weight reduction and downsizing. In the passenger car segment, the team manufactures engine and transmission oil pumps, electric auxiliary pumps, vacuum pumps, e-pumps for the start-stop function, oil/vacuum pumps with or without balancer shafts, variable water pumps as well as camshaft phasers. For the trucks and off-highway vehicles segment SHW manufactures engine oil pumps, transmission oil pumps and fuel pumps. The company also offers electric transmission oil pumps as auxiliaries for hybrid powertrains and powerpack pumps as well as lubricant pumps for cooling in hybrid driving modes.



POWDER METALLURGY

The focus of SHW powder metallurgy lies on the innovative production of high-precision sintered parts made of steel or aluminium. These high-end components are used in engines, transmissions and vehicle chassis. The spectrum covers gearwheels, camshaft phasers as well as chain wheels and rotors. One of the flagship products of the premium manufacturer are components made of sintered aluminium and the underlying powder metallurgy process. The team combines cost-efficient manufacturing processes with tailored solutions that simultaneously reduce CO_2 emissions and improve profitability.

BRAKE DISCS

SHW brake discs are known for their premium quality – the company develops, engineers and simulates composite brake discs, internally ventilated brake discs and also monobloc brake discs. Its customers are European and American automobile manufacturers – from normal cars through to the premium segment or motor sport. The team also sets the industry benchmark when it comes to lightweight composite brake discs in terms of performance, weight and emissions. In parallel, it works on constantly optimising its processes and products.

Training centre

DIGITALISED
LEARNING 4.0

YOUNG PEOPLE TRAIN
FOR THE FUTURE
USING AN INNOVATIVE
TRAINING CONCEPT

41 apprentices
AT 3 LOCATIONS

With its new training centre 4.0 that opened in September 2020, SHW offers a modern 350 m² training centre and consciously targets young people in their digital world from the very beginning of the recruiting process. Social media channels are selectively applied when searching for the employees of tomorrow.

Within the framework of their apprenticeships, the SHW masters skilfully combine real-life working conditions with the digital world in a blended learning concept using computer-based training. In addition to hands-on training on the machines, each apprentice receives a tablet with intelligent learning software installed.

At the 4.0 training centre at Neuhausen ob Eck, SHW offers apprenticeships in the following fields: industrial mechanics, mechatronics and electronics for operating technologies.

APPROX.
30 million
PARTS SHIPPED
EACH YEAR.

Optimised processes in the new logistics hub

FROM WASSERALFINGEN TO THE ENTIRE WORLD

With an investment sum of € 3.5 million, SHW erected a new logistics hub in Wasseralfingen, the headquarters of the parent company. In a 2,000 m² hall, the employees organise the shipment of parts to the entire world.

The reasoning behind the new building was to optimise production processes. With approximately 30 million parts produced each year, the continuous improvement of processes is key to productivity and competitiveness.

Global network

EXPANSION OF OUR INTERNATIONAL FOOTPRINT

With 9 SHW locations, the team of 1,600 employees across the entire globe is rigorously pursuing our internationalisation strategy. This strategy follows the most important sales markets and the global OEMs.

SHW AG
SCHWÄBISCHE HÜTTENWERKE AUTOMOTIVE GMBH
Aalen-Wasseralfingen, Germany
Headquarters & production location

Products:
- Highly durable sintered parts such as adjustment rings and rotors for variable lubrication oil pumps offering reduced consumption
- Camshaft phasers made of steel and aluminium powder
- Balancer shafts

SCHWÄBISCHE HÜTTENWERKE AUTOMOTIVE GMBH
Bad Schussenried, Germany
Competence centre and production facility

Products:
- Variable engine oil pumps, primary transmission oil pumps, electric transmission oil pumps and oil/vacuum pumps
- Camshaft phasers
- Engine and transmission oil pumps and fuel pumps for the Truck & Off Highway segment

SHW BRAKE SYSTEMS GMBH
Tuttlingen, Germany
Production location

Products:
- Grey casts
- High-alloy, high-strength grey-cast steels e.g. for motor sport

SHW BRAKE SYSTEMS GMBH
Neuhausen ob Eck, Germany
High-end machining location and training centre

Products and services:
- Machining of grey-cast parts
- Processing to create high-performance parts

LUST HYBRID-TECHNIK GMBH
Hermsdorf, Germany
Development, industrialisation and production of high-end miniaturisation

- Complex, miniaturised electronics and micro-systems technology
- Hybrid technology, bare die technologies, adhesive and soldered joints
- Selective passivation, glob-top, moulding
- Precision sensoring, smart power, high-temperature applications

SHW AUTOMOTIVE PUMPS (KUNSHAN) CO. LTD.
Kunshan, China
Assembly location
Certifications: IATF 16949, ISO 14001

Products:
- Pumps for Automotive and Truck & Off Highway segments
- Variable engine oil pumps, primary transmission oil pumps, electric transmission oil pumps and oil/vacuum pumps
- Electric transmission oil pumps

SHW PUMPS & ENGINE COMPONENTS INC.
Toronto, Canada
Assembly location

Products:
- Variable engine oil pumps
- Winning new business
- Applications engineering

SHW BRASIL LTDA.
São Paulo, Brazil
Assembly location

Products:
- Fixed displacement oil pumps
- Variable engine oil pumps

SHW PUMPS & ENGINE COMPONENTS SRL
Timişoara, Romania
Assembly location
Certifications: EN ISO 9001:2015, EN ISO 14001:2015

Products:
- Pumps

APPROX.
100
NEW DEVELOPMENTS
PER ANNUM

Environmentally-friendly powertrains

WITH OUR CUSTOMERS, SHAPING THE FUTURE TOGETHER

SHW customers also continued to develop their powertrain and engine concepts in 2020 – particularly with regard to the CO_2 emission targets set by the EU under its climate policies and the new Euro 7 emissions standard.

Work continued at all levels on diesel engines, gasoline engines, and also on alternative drives, such electric and hybrid solutions. SHW is among the leaders. The company has secured new orders for new engine programmes – from traditional through to alternative powertrains – with European OEMs and prolonged existing ones. As a result, SHW is involved in the forward-looking programmes of its customers.

Together with its customers, SHW develops individual electric pump solutions in both the low and high-power segments. In addition, the team is working on forward-looking system modules, such as oil cooling units and thermal management systems such as electric water pumps, thermal pumps to cool electric drives and batteries.

2020 was also a successful year for the Brake Discs division – it set a new record in sales of its lightweight composite brake discs in the history of SHW. The team was able to develop cheaper lightweight brake discs for electric vehicles, expand the product portfolio to include grey-cast and light-weight brake drums and successfully market its hybrid lightweight drums. One of the main points of focus lay on the development of technical solutions to improve corrosion resistance and wear with a focus on e-mobility.

The power of the team

RESPONSIBLE TRENDSETTER ON THE MARKET

Dealing with employees, customers, suppliers and the environment responsibly and sustainably is the foundation of SHW's success. This requires a strong, motivated and highly-qualified team.

The successful course we have chosen, of balancing sales between markets and customers, will be rigorously pursued in future.
In addition to the expansion of our international locations in China, and North and South America, new fields of applications are emerging. Likewise winning new customers and collaborative developments is also on the agenda. At its location in Romania, SHW is working on optimising its own production network.

The company places great store on conserving resources during production. SHW will pursue such sustainable operations with even more rigour from 2021, using renewable energy sources for power and gas at its energy intensive locations.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REPORT OF THE SUPERVISORY BOARD

General remarks

In the past year our group of companies was forced to cope with the headwinds affecting the market brought about by the COVID-19 pandemic. We mastered this challenge in the best possible way. In spite of the adverse climate, SHW AG performed better than recently expected, with a dent of approximately 9 per cent in our revenue compared to the previous year. We managed to meet the adjusted guidance for Group revenue and our EBITDA margin made necessary by the COVID-19 pandemic, with revenue slightly outperforming the guidance and the EBITDA margin lying at the low end of the guidance range.

At the same time, the Company has continued to consistently work on laying the foundation for its long-term success. The continuous expansion of our range of electrified and CO_2 relevant products along with winning the first major series contracts for e-pumps and brake discs for electric cars are great examples of this. SHW AG remains on course, and this during a period of fundamental change. We are shaping the technological transformation, even in such difficult times, with decisiveness, courage, passion and professional excellence.

In the reporting year 2020, the Supervisory Board fulfilled its duties as required by law, the Articles of Association and the Rules of Procedure. The Supervisory Board addressed the situation of the Company in depth and continuously monitored and advised the Management Board.

The Management Board regularly, promptly and comprehensively informed the Supervisory Board in both writing and orally about all relevant issues related to corporate strategy, planning, business development, the risk position, risk management and compliance, and involved it in all decisions of particular significance. To this end, the Management Board drew up a monthly report containing, among other items, detailed information about the economic and financial position of SHW AG and its subsidiaries (the SHW Group). In addition, we kept up regular informal exchange on the current situation, the expected impacts and the liquidity projections in connection with the COVID-19 pandemic. In addition, comprehensive reports were presented to the regular meetings of the Supervisory Board at which the impacts of the pandemic, the course of business, the planning and the corporate strategy were discussed with the Management Board. The members of the Supervisory Board also remained in contact with the Management Board outside the regular meetings of the board, in particular via the respective chairmen of the two boards. In this way, the Supervisory Board was promptly informed of the latest business developments and any significant transactions at all times.

In those cases where the approval of the Supervisory Board or one of its committees was required by the law, the Articles of Association or the Rules of Procedure, a corresponding resolution was passed. In addition to the information provided orally, written explanations were prepared by the Management Board, where needed, containing the information required for decision-making on those measures requiring the approval of the Supervisory Board.

During the reporting period the Supervisory Board carefully reviewed the reports of the Management Board and the draft resolutions prepared for meetings and discussed these in detail at the meetings. Other than the documents provided to the Supervisory Board, there was no need to inspect other documents of the Company during the reporting period.

Generally, the Supervisory Board only passes resolutions at its meetings. If needed, resolutions are also passed outside of meetings in the course of telephone conferences or in circulation proceedings. Moreover, when needed, the Supervisory Board meets without the Management Board.

Meetings of the Supervisory Board and main issues

There were two ordinary face-to-face meetings of the Supervisory Board during the reporting year, two ordinary meetings held as telephone conferences and one extraordinary meeting held as a telephone conference. Four resolutions were passed by the full Supervisory Board by circularisation in the reporting period.

The Supervisory Board was comprehensively informed about all relevant issues related to the COVID-19 pandemic, liquidity planning, corporate strategy, other planning, business developments, the risk position, risk management and compliance within the SHW Group by the Management Board in the form of both written and oral reports at the ordinary meetings in the year 2020 which were held on 24 March 2020, 24 June 2020, 23 September 2020 and 15 December 2020, and the extraordinary meeting held on 5 May 2020. Among other items, the Management Board explained the latest developments in the general health situation, liquidity, revenue and earnings of the SHW Group and addressed the course of business at the individual divisions in great detail, taking account of the respective competitive environment.

To some extent there was weekly informal exchange between the Management Board and the Supervisory Board on the current situation regarding the COVID-19 pandemic, the related impact on business and liquidity developments.

In other respects, recurring matters discussed at the meetings of the Supervisory Board were the implementation and continued development of the strategic objectives, the planning of the SHW Group and the business development of the Pumps and Engine Components segment and the Brake Discs segment, which has since been spun off into a legally independent entity. The Supervisory Board obtained information on personnel matters at regular intervals. Regular reports were also made on risk management, quality assurance and outstanding customer-related risks. Furthermore, it addressed the status of the plans at the subsidiary in Romania to purchase a property and also other property matters and issued its approval to purchase a property for the Brake Discs segment. Thereafter the Supervisory Board discussed the budget submitted by the Management Board of SHW AG for the year 2021 and addressed the mid-range planning in great detail. In addition, the Supervisory Board prematurely extended the service contracts with Mr. Plasser and Mr. Karazmann, which were due to expire in 2021, by another five years.

At its meeting to discuss the Annual Financial Statements, the Supervisory Board ratified the Annual Financial Statements for the year ended 31 December 2019 and approved the Consolidated Financial Statements and the Group Management Report of SHW AG for the year ended 31 December 2019. Moreover, the Supervisory Board also addressed the proposal for the appropriation of profits made by the Management Board and decided on the proposed resolutions for the agenda of the Annual General Meeting (AGM) on 23 June 2020, which was held virtually, and the report of the Supervisory Board for the financial year 2019. It also passed resolutions granting discharge to the general managers of subsidiaries.

At the extraordinary meeting the Supervisory Board of SHW AG addressed the proposal of the Management Board to hold the 2020 Annual General Meeting online as a virtual AGM without any physical attendance required from the shareholders. The Supervisory Board also set further details and passed resolutions on the proposed resolutions for the agenda of the virtual AGM 2020, including approval of the proposal by the Management Board to transfer all unappropriated profit to the revenue reserves. The Supervisory Board examined and confirmed the market conformity of Management Board remuneration.

Audit of the Annual Financial Statements and the Consolidated Financial Statements

The Annual Financial Statements of SHW AG prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) and the Consolidated Financial Statements prepared in accordance with IFRSs, as endorsed by the European Union, as well as the Group Management Report for the financial year 2020 were audited by the external auditor of the Company, KPMG AG Wirtschaftsprüfungsgesellschaft, 89073 Ulm, who issued an unqualified audit opinion thereon.

In this period, Dr. Katja Faul and Mr. Florian Schaich have taken responsibility as signatories of the audit opinions on the audits of the Annual Financial Statements and Consolidated Financial Statements of SHW AG. The audit firm assigned to audit the Annual Financial Statements and the Consolidated Financial Statements is engaged for the duration of one fiscal year in each case.

The Supervisory Board inspected the above documents in detail. All of the financial reporting documents as well as the audit reports issued by the external auditor were provided to the members of the Supervisory Board in good time. The Annual Financial Statements and Consolidated Financial Statements as well as the Group Management Report were initially discussed in depth by the Audit Committee and thereafter by the entire Supervisory Board, in each case in the presence of the responsible external auditor. The external auditor reported on the key findings of its audit. Moreover, the external auditor described the scope, focus and costs of the audit.

There were no circumstances that indicated the external auditor was biased in any way. The auditor confirmed its independence to the Audit Committee. The external auditor rendered no services to the Company (including its affiliated companies) in addition to its audit services.

The Supervisory Board approved the findings of the external audit and after its own review came to the conclusion that it had no objections to raise. The Annual Financial Statements and Consolidated Financial Statements compiled by the Management Board and audited by the external auditor as well as the Group Management Report were approved by the Supervisory Board. The Annual Financial Statements were thus adopted. Finally, the Supervisory Board reviewed the proposal made by the Management Board for the appropriation of profits and agreed with the proposal, taking the profit for the year, the liquidity and the financial planning of the Company particularly into account.

Review of the Management Board's Report on Relations with Affiliated Companies

Pankl AG, Kapfenberg, Austria – a subsidiary of Pierer Industrie AG, Wels, Austria – held 77.43 per cent of the voting rights in SHW AG and thus a majority of the voting rights, as at 31 December 2020. Pierer Industrie AG itself held another 0.52 per cent of the voting rights, making for a sum total of 77.95 per cent of the voting rights. The Management Board has therefore drawn up a report for the past year on its relations to affiliated companies (dependent company report) in accordance with Section 312 AktG. The external auditor of the Company, KPMG AG Wirtschaftsprüfungsgesellschaft, 89073 Ulm, reviewed the dependent company report of the Management Board and issued an audit report thereon pursuant to Section 313 AktG.

The external auditor issued the following unqualified audit opinion in accordance with Section 313 (3) AktG:

"On the basis of our audit, we have no reservations as defined by Section 313 (4) AktG to the Dependent Company Report of the Management Board. We therefore render the following unqualified independent auditor's report pursuant to Section 313 (3) AktG on the Dependent Company Report of the Management Board of SHW AG, Aalen, for the fiscal year 2020, attached as Exhibit 1:

To SHW AG, Aalen

Based on our duly performed audit and assessment, we confirm that

1. the actual disclosures in the report are accurate, and

2. the consideration made by the Company for the transactions listed in the report were not unreasonably high."

The Supervisory Board reviewed the dependent company report of the Management Board and the associated audit report and approved it in accordance with Section 314 AktG. After concluding its review, the Supervisory Board did not have any objections to the dependent company report and the final declaration of the Management Board it contains, or to the auditor's report.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the 2020 reporting year.

There were no changes to the composition of the Supervisory Board in the reporting period 2020.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and their efforts in a very extraordinary year, as they enabled the business of SHW AG to remain stable despite the circumstances.

Aalen, March 2021

Yours sincerely,

on behalf of the Supervisory Board

Klaus Rinnerberger
Chairman of the Supervisory Board

THE SHW SHARE

Volatile share markets

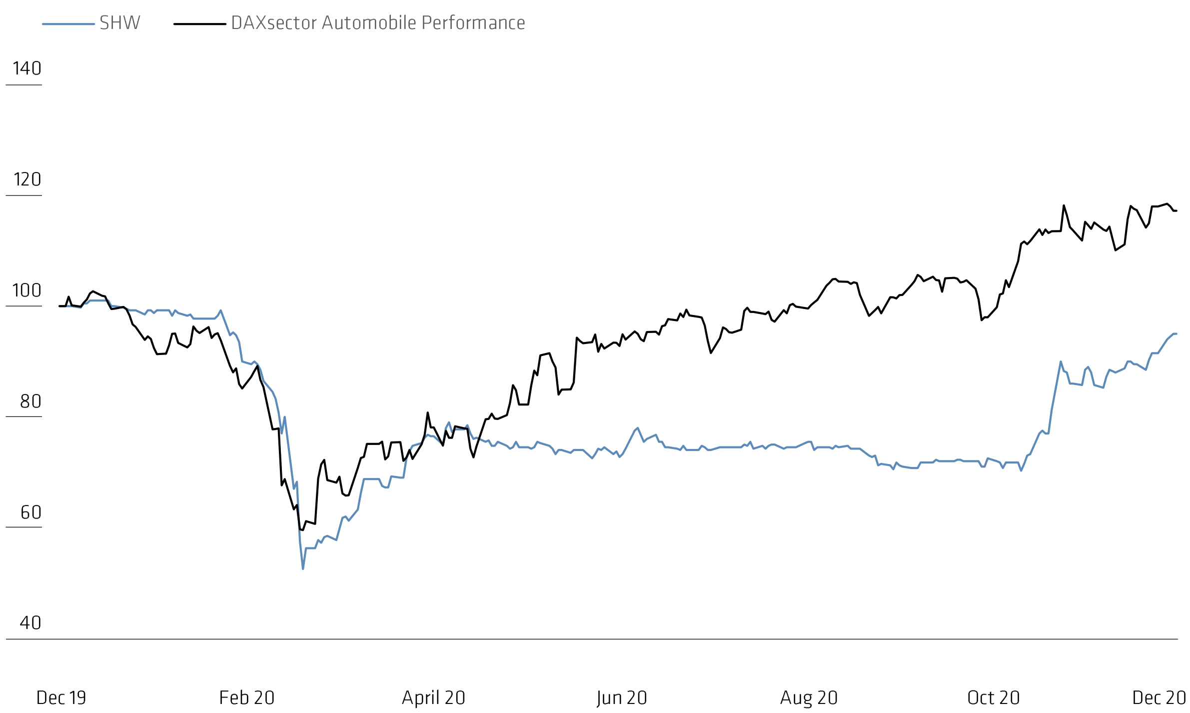
Following a satisfying year in 2019, the year 2020 proved to be volatile for the international stock markets. The underlying cause lay in the uncertainty surrounding the COVID-19 pandemic. The initial reactions of the exchanges were sudden falls in stock prices. The DAX, Germany's leading stock index, lost almost 40 per cent within four weeks to 8,441 points. Extensive support from national governments and central banks had an impact and helped the markets to recover strongly in summer. Worrying developments in the case numbers in late autumn, the US elections in November and the outcome of Brexit burdened the exchanges again. The first official approvals for vaccines at the end of the year helped the economy to recover to almost the level of the previous year. In spite of the temporary slump caused by corona, the DAX posted an annual gain of 3.7 per cent. Likewise, the Dow Jones and the Nikkei index in Japan closed the year up on the previous year. The Chinese Hang Seng and the EuroStoxx 50 closed the year slightly down compared to the previous year.

Benchmark index outperforms the SHW share

The stocks included in the DAXsector Automobile Performance Index (CXPA) saw a slight gain of 0.8 per cent and therefore closed the year at roughly the same level as the previous year. The SHW share ended the year 2020 at a share price of €19.00, thus underperforming the DAXsector Automobile Performance index by 5.8 percentage points.

PRICE TREND FOR SHW SHARE AND DAXSECTOR AUTOMOBILE

PRICE TREND FOR SHW AND DAXSECTOR AUTOMOBILE



Source: Stifel Europe Bank AG

PANKL AG increases its shareholding

Now, with a holding of 77.4 per cent in both the share capital and the voting rights, PANKL AG is the majority shareholder of SHW AG. It is a subsidiary of Pierer Industrie AG, Wels, Austria.

First virtual Annual General Meeting

Due to the COVID-19 pandemic, the Annual General Meeting originally planned as a physical meeting for 5 May 2020 was postponed to a later date. As a result, the first virtual Annual General Meeting of SHW AG was held on 23 June 2020. The Annual General Meeting was therefore broadcast via internet to shareholders in their own rooms. The Management Board reported on the operative and strategic developments of SHW AG. By a large majority, the Annual General Meeting expressed its faith in the Management Board and the Supervisory Board and approved all of the items on the agenda.

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. You can find such information at the new website (www.shw.de). Please do not hesitate to request any further information which you may require. SHW Investor Relations looks forward to hearing from you.

Investor Relations contact:

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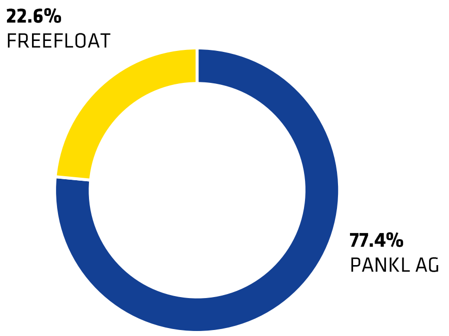
Email: ramona.zettl@shw.de

SHAREHOLDER STRUCTURE



31st December 2020

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

BACKGROUND OF THE SHW GROUP

Business model of the Group

A group focused on reducing CO_2

In its business activities, the SHW Group focuses on the development and manufacturing of products which help to reduce fuel consumption and therefore CO_2 emissions in the automotive industry. Most of the sales comes from the business with renowned manufacturers of automobiles, commercial vehicles, agricultural machines and construction machines as well as with other automotive suppliers. The Group currently has nine facilities in five countries.

Organisational structure of the Group

The operational business is divided into two business segments:

- Pumps and Engine Components
- Brake Discs

As the management holding, SHW AG performs the shared services of the Group. These include finance and accounting, taxes, controlling, legal affairs, human resources, investor relations and corporate communications.

The Pumps and Engine Components business segment

The Pumps and Engine Components business segment is the SHW Group's largest business segment and has production and development facilities in the strategically relevant automobile markets, Europe, China, and the Americas.

The Pumps and Engine Components business segment is organised into three divisions. The Passenger Car division focuses on the production of variable engine oil pumps, transmission oil pumps, oil / vacuum pumps with or without balancer shafts and e-pumps. The second division, Truck & Off-Highway produces engine oil, transmission oil and fuel pumps for trucks, agricultural and construction machinery, stationary engines and wind turbines at the Bad Schussenried facility.

PUMPS & ENGINE COMPONENTS			BRAKE DISCS
BAD SCHUSSENRIED / HERMSDORF / TIMIŞOARA / KUNSHAN / SÃO PAULO / TORONTO		AALEN-WASSERALFINGEN	TUTTLINGEN-LUDWIGSTAL / NEUHAUSEN OB ECK
Passenger Cars	**Truck & Off-Highway**	**Powder Metallurgy**	
Engine oil pumps	Engine oil pumps	Sintered steel or aluminium components for camshaft phasers	Unprocessed monobloc ventilated brake discs
Transmission oil pumps	Transmission oil pumps	Gear sets	Ready-to-install monobloc ventilated brake discs
Oil-/ vacuum pumps with / without balancer shaft	Fuel pumps	Sintered components for engines and transmissions	Composite brake discs
E-pumps	E-pumps		
Electronics & microsystems technology			

The activities at the Hermsdorf facility comprise the development, industrialisation, production and qualification of complex, miniaturised electronics and micro-systems technology. The core competences primarily include thick hybrid technology, bare die technologies and COB processes as well as SMD space-saving electronic assemblies.

The third division, Powder Metallurgy produces sintered engine and transmission components at the Aalen-Wasseralfingen plant. The product portfolio comprises chain wheels and rotors for variable oil pumps offering reduced consumption, camshaft phasers out of steel and aluminium powder and geared balancer shaft systems. The Powder Metallurgy division supplies external customers and also the Bad Schussenried plant.

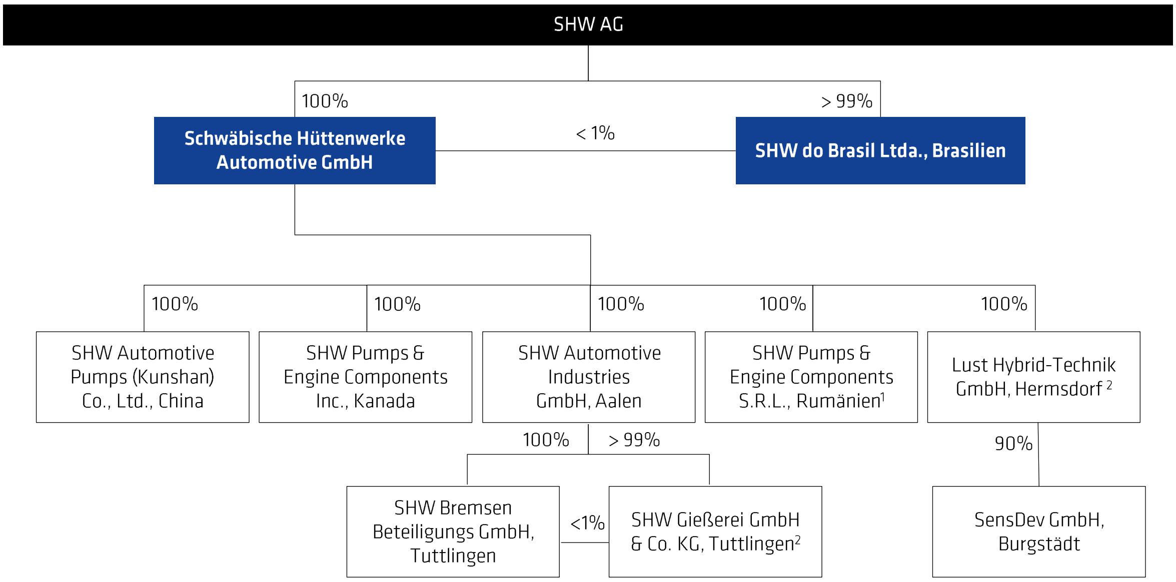
The Brake Discs business segment

The Brake Discs business segment develops and produces monobloc ventilated cast iron brake discs and lightweight brake discs (known as "composite brake discs") which consist of a combination of an iron friction ring and an aluminium pot. The Company's own foundry is situated at Tuttlingen-Ludwigstal, while its brake discs are processed nearby at Neuhausen ob Eck. Legal independence which is intended to create flexibility and independence for the division was successfully concluded in the year 2020.

Legal structure

SHW AG is the parent and holding company of the SHW Group and holds all the shares in SHW Automotive GmbH with its registered offices in Aalen and branches in Aalen-Wasseralfingen and Wilhelmshütte (Bad Schussenried). SHW Brake Systems GmbH in Tuttlingen (Ludwigstal), with its first-tier subsidiaries, SHW Gießerei GmbH & Co. KG and SHW Bremsen Beteiligungs GmbH, is a wholly-owned subsidiary of SHW Automotive GmbH. Its shareholdings are presented in the following chart. The operating activities are conducted by SHW Automotive GmbH and its subsidiaries as well as by SHW do Brasil Ltda.

OVERVIEW OF GROUP SUBSIDIARIES



Sales markets

The business of SHW AG is significantly influenced by the production of light vehicles (vehicles of less than six tonnes) and the related production of engines and transmissions in Europe, China, North and South America. More information can be found in the section on the Industry environment.

External factors

In the European Union, protecting the climate is currently one of the most important political points on the agenda with the goal of limiting the negative impact of climate change.

At the end of 2018 the European Commission laid out its vision for "A Clean Planet for All" – leading the way to a climate neutral EU by 2050.

There are binding CO_2 targets in all major automobile markets, which necessitate substantial reductions from manufacturers and suppliers in the coming years.

Control parameters

The Management Board of SHW AG uses various instruments to assess the Company's current business development and for related future strategic and investment decision-making. Its goal is the optimal utilisation of economic and commercial success potential.

The business activities of the SHW Group focus on the sustainable increase of its enterprise value and on capital-efficient growth. In addition to the development of sales, the most significant financial performance indicators used for the internal management of the SHW Group are EBITDA (defined as consolidated earnings before interest, tax and depreciation (including impairment losses) of property, plant and equipment and amortisation of intangible assets) and the EBITDA margin (EBITDA divided by Group sales). This measures the quality of the Company's sales trend and indicates the level of efficiency achieved in the management of its operating business. The operating result (EBIT) shown in the consolidated income statement is used as the initial value for the calculation of EBITDA. Furthermore, ROCE (return on capital employed) is firmly anchored in internal management. Besides earnings indicators, liquidity-related indicators are highly significant. Consequently, the SHW Group continuously monitors and steers the main factors affecting ROCE (measured as EBIT divided by average capital employed). Particular attention is paid to capital efficiency – especially so, given the challenging market environment.

SHW's control system also includes financial management indicators. In this regard, the group of companies analyses liquidity, capital structure and potential market price risks, primarily interest rates and foreign exchange rates. In addition, the net working capital ratio is also relevant.

As well as financial goals, a series of non-financial goals are also considered for the SHW Group. Customer satisfaction plays a key role in the Company's long-term success. SHW's employees provide the Company's customers with optimal support and offer tailored solutions. The goal is to maintain and to achieve further improvements in the Company's high level of customer satisfaction.

Consistently high quality products and adherence to logistics schedules is a prerequisite for a high level of customer satisfaction. Our quality management system ensures that our pumps and engine components and our brake discs are delivered fault-free to our customers. SHW's objective is to maintain the Company's high level of quality and even realise further improvements. We aim to be the global supplier of choice for current customers and for potential new customers.

Employees

Headcount slightly above previous year's level

As an annual average, the SHW Group had 1,619 employees and thus 25 more employees than in the previous year. This corresponds to an increase of 1.6 per cent.

Securing young talent: our future managers

Wide-ranging opportunities are available to young management talent who seek entry into their vocation. These include internships, work-study activities and dual track courses at cooperative universities. Vocational training is a core element of qualifying employees at SHW. At the end of 2020, we have 41 apprentices training for the following professions spread over our various locations:

- Industrial mechanics
- Mechatronics
- IT specialist for system integration
- Technical product design
- Industrial business administration
- Warehouse logistics

A new training centre was opened at the location in Neuhausen ob Eck with a new digital workshop for the apprentices. The first four apprentices in mechatronics started their apprenticeships in September 2020.

Developing, supporting and accompanying value-based personal and organisational development

To equip ourselves for the present and coming challenges posed by the transformation of the automobile industry, motivated and well-qualified employees will be a key prerequisite.

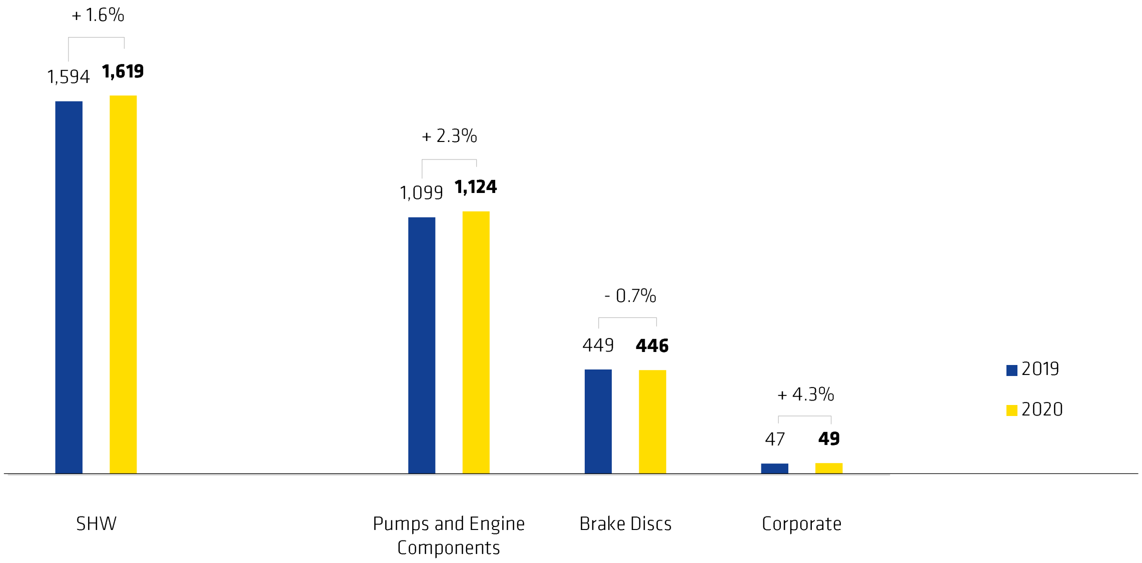
As part of its personal and organisational development strategy, SHW puts special store on supporting those employees who display the potential and the will to pursue their personal development. In autumn 2020, for example, the second round of the SHW young management talent and potential development programme was started with participants from all locations and a wide range of departments. In addition to tapping the potential of the participants and preparing them for possible management tasks, this programme is actively promoted across all locations and departments, thereby filling the SHW vision (which sets the framework for this programme) with more and more life. Within the course of their team's project tasks, the participants of this programme make a valuable contribution to communicating this mission to all employees and anchoring it in the Company for the long term.

Length of service as an indication of identification with the Company

Long-serving employees are a pillar of strength for any company and are a sign of continuity. In 2020 a number of employees were once again awarded for their long service to the Company.

In fiscal 2020 the management congratulated four employees on 40-years of service and 24 additional employees on 25-years of service. In addition, 26 employees celebrated ten years with the Company.

EMPLOYEES IN THE SHW GROUP



Research and development

Electrically driven pumps for engine and transmission applications

Over the past few years, automobile manufacturers have introduced a large number of new CO_2-optimised engine and transmission generations to the market with the support of their automotive suppliers. To improve the conventional internal combustion engine, a series of measures have already been realised in order to optimise both the combustion process and mechanical properties of the engine as well as the level of efficiency of the related pumps. Moreover, considerable progress has been made in optimising the energy use of auxiliaries (alternator, coolant pumps and oil pumps, vacuum pumps for brake boosters, power steering, air conditioning compressors, etc.).

Variable and map-controlled pump systems for engine lubrication are now standard in the new engine generations.

The process of functional integration also continues. SHW was one of the first companies to develop variable oil / vacuum pumps (known as “tandem pumps”) which are installed as a single unit in the engine’s oil pan.

In the future, electrically driven pumps will also be used in electrified powertrains, whether in plug-in hybrid vehicles (PHEV), in vehicles with dedicated hybrid powertrains (DHT) or in purely electrically driven vehicles (BEV). Depending on the powertrain concept, they will be used either for shifting and lubricating the transmission or for cooling and lubricating the electric traction engine. SHW is developing suitable electric pumps for these applications.

Overall, the trend of electrically-driven pumps will enable a further reduction in CO_2 emissions, since this demand-controlled system can switch from “zero” to peak performance regardless of the engine’s speed and condition and the situation of the vehicle.

The innovation of lightweight brake discs

The Brake Discs business segment has been researching lightweight construction for years. As early as 1994 SHW produced the first composite brake disc, for the BMW M5. The idea is to separate the actual brake friction ring from the “pot”, and to produce this pot using aluminium. By using aluminium, a weight reduction of up to 8 kg per vehicle can be achieved. This means a reduction in the unsprung and rotating masses which positively influences the vehicle’s driving dynamics while also reducing fuel consumption and CO_2 emissions and increasing the range of electric vehicles.

Moreover, SHW researches and develops technical solutions within the framework of predevelopment and basic research projects to examine such trends as the growing demands placed on future brake discs from electrification. As in the past, the focus here lies on continuing to reduce weight, improve the corrosion resistance of brake discs and reduce particulates caused by braking.

Intellectual property safeguarded on a long-term basis

The SHW Group protects its intellectual property relating to pumps and engine components, brake discs, alloys and sintered metal parts through a large number of industrial property rights such as patents, utility models and brands and by filing registrations for these industrial property rights. The intellectual property is primarily registered in Europe, North America and Asia. In isolated cases, patents are jointly held with customers but may be unrestrictedly used by both parties.

BUSINESS REPORT

Macroeconomic environment

The global economy at a glance

In the wake of the COVID-19 pandemic in 2020, the global economy was thrust into the deepest recession since the end of the Second World War. The measures introduced to combat the spread of the corona virus affected the production processes of many companies worldwide. Due to the resulting disruptions to international supply chains and falling demand, global GDP slumped. The low point was reached in the second quarter. Extensive monetary and fiscal policy measures taken by states and central banks were able to counteract this, which led to a rebound in economic output during the year. However, the pandemic accelerated again after containment measures were relaxed in response to lower case numbers. Growth slowed noticeably towards the end of the year as a result. However, over the later course of the year, the recession proved to be less severe than the IMF had initially feared in its autumn forecast, with a minus of 3.5 per cent.

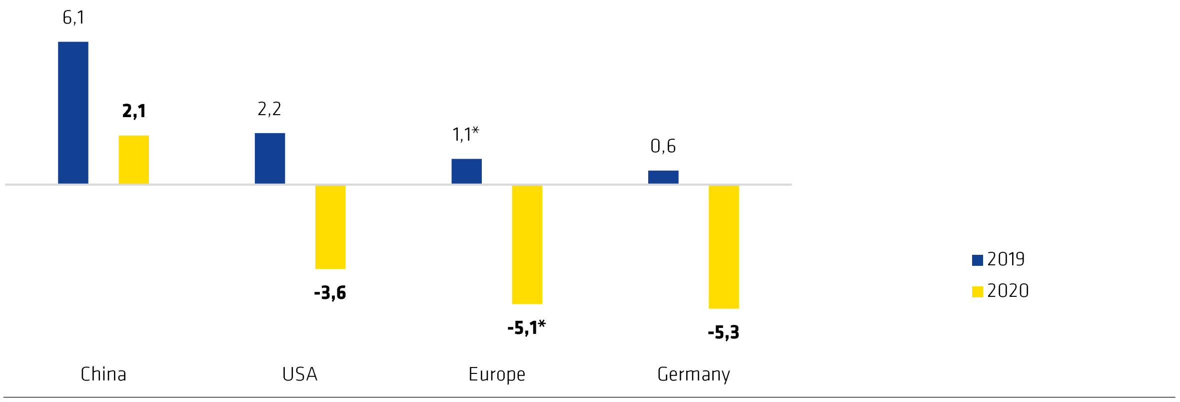
In the **United States**, economic output fell by 3.6 per cent in 2020. The crisis made itself felt through a massive increase in the unemployment rate. Thanks to extensive relief measures, there was a perceptible recovery in the following months, which lost momentum in the second half of the year due to the continued high case rates.

The **euro area** was also in a state of crisis in the first half of the year as a result of the corona pandemic. Tough lockdowns were imposed due to high case rates, which mainly affected the industrial and service sectors. In the south-western states of France, Italy and Spain, GDP fell by up to 11 per cent, due to a high dependence on the tourism industry. A relaxation of the restrictions led to a dynamic recovery in the summer, but this was dampened by a second wave of infections in the third quarter.

In **Germany**, GDP fell by 5.3 per cent in 2020, indicating a significant decline in economic output. However, the German export industry was able to benefit from China's rapid recovery.

China was one of the first countries affected by COVID-19. Although economic output already declined significantly in the first quarter, a clear recovery set in during the second quarter. China was the only major economy to achieve economic growth of 2.1 per cent in 2020.

GDP GROWTH BY REGION IN %



Source: IHS Markit; *Reuters

Industry environment

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

Global automobile production dominated by COVID-19

According to data from the research institute IHS Markit, production of light vehicles (vehicles of less than six tons) decreased by 16.7 per cent worldwide from 88.8 million units in the previous year to 74.1 million units in 2020. In fiscal year 2020 not one single region recorded a positive growth rate.

As the strongest region, **China** generated a production volume of 23.4 million units, which represents a loss of 5.0 per cent in comparison to the previous year.

Europe recorded a significant decrease of 22.1 per cent to 16.5 million units. This reduction in production volume is partly attributable to France, where production fell by 39.3 percentage points to 1.3 million units (previous year -5.4 per cent). In addition to France, production slumped in the UK by 28.2 per cent to 1.0 million units and by 23.1 per cent in Germany to 3.7 million units.

In North America production volume of light vehicles slid from 16.3 million units to 12.9 million units (-20.5 per cent). Comparable figures were posted in South America for 2020, where production volume decreased by 31.3 percentage points to 2.3 million units. Japan and South Korea suffered a decrease in vehicle production of 1.9 million units. Southern Asia also recorded a sharp fall of 28.8 per cent in light vehicle production from 8.4 million units to 6.0 million units.

Diesel engines continue to disappear from the market

The production of power trains for light vehicles (of less than six tonnes) decreased worldwide by 16.7 per cent to 74.1 million units in 2020. Production of gasoline engines decreased by 16.5 per cent to 59.6 million units as compared to the previous year. The production of diesel engines failed to match the level of the previous year by 3.4 million units or 22.0 per cent. By contrast, electric engines enjoyed a growth rate of 22.8 per cent (previous year 28.7 per cent) to 2.2 million units but, due to the low absolute production figures still played a subordinated role.

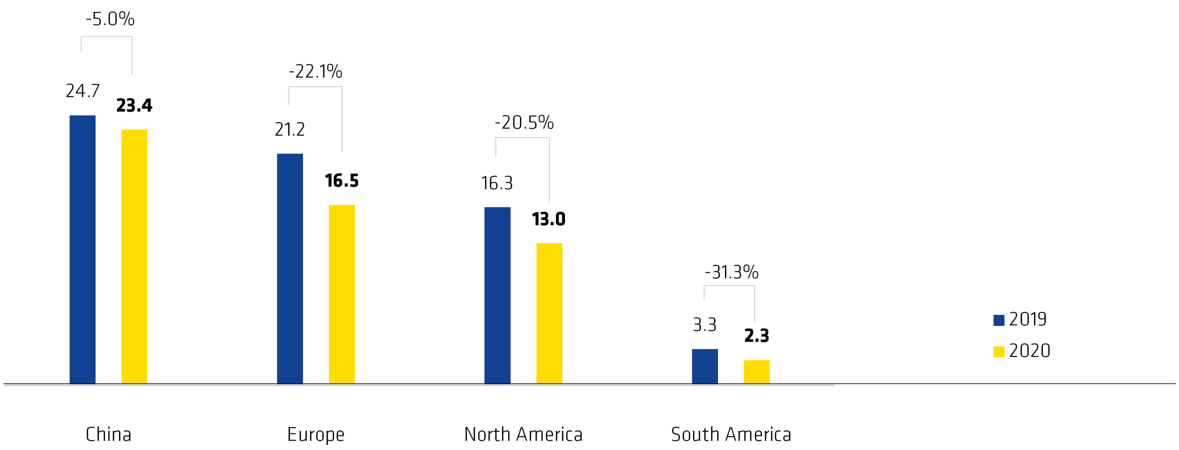
Slight increase in market share for automatic transmissions

In 2020, transmission production decreased worldwide by 16.7 per cent to 74.1 million units. Production of automatic transmissions fell by 14.3 per cent, from 55.9 million units in the previous year to 47.9 million units. Nevertheless, this represents a slight increase in market share from 62.9 per cent in 2019 to 64.7 per cent.

China was the main source of growth here, with 1.3 per cent growth in automatic transmissions to 13.6 million units.

In Europe production of automatic transmissions of 7.6 million units decreased by 15.7 per cent (previous year 9.0 million units). The number of manual transmissions in Europe fell by 31.2 per cent to 7.5 million units.

LIGHT VEHICLE PRODUCTION BY REGION (IN M UNITS)



Source: IHS – January 2021

Goal attainment in 2020

Group sales of € 392.9 million of SHW AG, down 9.1 per cent on the previous year, lay slightly above the guidance issued in an ad hoc announcement of 7 October 2020 of between € 370 million and € 390 million. The original sales forecast had assumed Group sales of between €430 million and €450 million, which had to be adjusted downwards due to the COVID-19 pandemic.

The Group's EBITDA margin of 6.4 per cent lay in the lower third of the corridor of 6.0 per cent to 8.0 per cent announced in the ad hoc announcement of 18 November 2020.

At € 289.2 million, sales of the Pumps and Engine Components business segment fell below the lower end of the targeted corridor of € 310 million to € 320 million. On 7 October 2020 the sales guidance was adjusted at Group level.

With sales of € 103.8 million the Brake Discs business segment also missed the original targeted corridor of between € 120 million and € 130 million. On 7 October 2020 the sales guidance was adjusted at Group level.

The ROCE came to -2.3 per cent (previous year: 6.6 per cent) and is therefore below the range of 6 to 9 per cent set for the short term.

Course of business

Financial performance

Group sales down 9.1 per cent

Group sales amounted to € 392.9 million in 2020, 9.1 per cent below the previous year's figure of €432.4 million.

Cost of sales ratio virtually unchanged

On account of the use of the short-work furlough scheme ("Kurzarbeit") and strict cost management, the cost of sales ratio decreased in proportion to the decline in Group sales to € 344.7 million (previous year € 378.3 million). At 87.7 per cent (previous year 87.5 per cent) the cost of sales ratio is virtually unchanged. The gross margin (defined as gross profit divided by sales) dipped slightly to 12.3 per cent (previous year 12.5 per cent).

International sales and administration equipped for the post-COVID-19 phase

Selling expenses decreased in fiscal year 2020 by € 0.3 million compared to the previous year to € 12.5 million. The ratio of selling expenses to sales of 3.2 per cent lies at roughly the same level as the previous year. General administrative expenses increased by € 3.1 million to € 22.2 million. The ratio of administrative expenses to sales therefore rose slightly from 4.4 per cent to 5.6 per cent.

Research and development costs increased

Research and development costs expensed through profit and loss of € 11.6 million in fiscal year 2020 were slightly above the level of the previous year. In addition, development costs of € 3.5 million (previous year € 4.5 million) were capitalised as intangible assets, as it is more likely than not that they will be amortised in the price of parts that have already gone into serial production or are about to. The ratio of R&D expenses (including capitalised development costs) to sales of 3.8 per cent (previous year 3.7 per cent) remained at the level of the previous year. Amortisation of capitalised development costs amounted to € 1.4 million in fiscal year 2020 (previous year € 1.0 million). Additional development services were billed within the scope of individually contracted customer orders. Electrically-driven transmission oil pumps are the core area of development in the Pumps and Engine Components business segment. The focus of the Brake Discs business segment lay on the continued development of high-quality composite brake discs and additional lightweight concepts, improved corrosion protection and the reduction of particulates released during braking.

Other operating income and expenses

At € -6.6 million, the net balance of other operating income less other operating expenses is € 10.4 million down on the level of the previous year of € 3.8 million. In particular, legal expenses and consulting fees of € 6.8 million and impairment losses of € 1.0 million placed a particular burden on the net balance. In the previous year, the sale of office buildings resulted in a higher level of other operating income.

KEY PERFORMANCE INDICATORS: SHW GROUP

K EUR	2020	2019	Change %
Sales	392.931	432.421	-9.1%
EBITDA	25.337	41.542	-39.0%
as % of sales	6.4%	9.6%	-
EBIT	-4.729	14.617	-132.4%
as % of sales	-1.2%	3.4%	-
Net profit	-5.059	9.891	-151.1%
Equity	124.652	131.692	-5.3%
Equity ratio	39.4%	41.0%	-
Net working capital	36.497	48.702	-25.1%
as % of sales	9.3%	11.3%	-
Investments	32.763	52.551	-37.7%
as % of sales	8.3%	12.2%	-

EBITDA margin of 6.4 per cent

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) (including impairment losses) came to €25.3 million in fiscal year 2020 compared to €41.5 million in the previous year. At 6.4 per cent, the EBITDA margin is below the previous year's figure of 9.6 per cent.

At € 29.0 million, depreciation and amortisation was € 2.1 million or 7.8 per cent above the level of the previous year.

EBIT decreased from €14.6 million to € -4.7 million. The EBIT margin amounts to -1.2 per cent, compared to 3.4 per cent in the previous year. EBIT, after eliminating non-recurring expenses (legal expenses and consulting fees) of EUR 5.1 million, is positive for the past fiscal year.

Higher financial expenses

The net financial result comes to a net expense of €2.5 million (previous year €2.1 million). The increase is a result of higher interest expenses for the debt financing of the Group due to a higher borrowing rate.

Sharp rise in the tax rate

Income taxes amounted to €2.2 million in 2020 (previous year € -2.6 million). The SHW Group's tax rate amounted to 30.4 per cent for fiscal year 2020, compared to 20.8 per cent in the previous year. Reference is made to the tax reconciliation and the notes on income taxes in the notes to the consolidated financial statements (Note 21).

Net profit of the Group down significantly

The net profit of the Group after tax decreased by €15.0 million to € -5.1 million. Earnings per share come to € -0.79 compared to €1.54 in the previous year. The weighted average number of shares used to calculate earnings per share remained unchanged on the previous year at 6,436,209 shares in fiscal year 2020.

Business segments

Pumps and Engine Components

Sales at €289.2 million

The Pumps and Engine Components business segment achieved sales of €289.2 million in fiscal year 2020 (previous year €312.8 million). The growing contribution of foreign operations to sales was countered by a decline in sales in Germany. The latter can be primarily attributed to the impacts of the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS: PUMPS AND ENGINE COMPONENTS

K EUR	2020	2019	Change %
Sales	289.156	312.813	-7.6%
EBITDA	26.009	26.366	-1.4%
as % of sales	9.0%	8.4%	-
EBIT	4.036	7.214	-44.1%
as % of sales	1.4%	2.3%	-
Investments	26.633	38.952	-31.6%
as % of sales	9.2%	12.5%	-

EBITDA margin slightly improved

The business segment's earnings before interest, tax, depreciation and amortisation (EBITDA) (including impairment losses) of €26.0 million is down €0.4 million on the previous year (€26.4 million). The EBITDA margin increased from 8.4 per cent to 9.0 per cent.

Thanks to the start of production on new projects, the Chinese subsidiary was able to record a significant rise in sales and earnings. The development of sales and earnings at the foreign operations in Canada, Brazil and Romania was slightly below budget due to the impacts of the COVID-19 pandemic.

Depreciation and amortisation in the Pumps and Engine Components business segment of €22.0 million is €2.8 million above that of the previous year.

Earnings before interest and tax (EBIT) of the Pumps and Engine Components business segment decreased accordingly by € 3.2 million or 44.4 per cent compared to the previous year to €4.0 million (previous year €7.2 million). The EBIT margin amounts to 1.4 per cent (previous year 2.3 per cent).

Brake Discs

Sales at €103.8 million

In fiscal year 2020, sales in the Brake Discs business segment increased by 13.2 per cent compared with the previous year to €103.8 million (previous year €119.6 million).

KEY PERFORMANCE INDICATORS: BRAKE DISCS

K EUR	2020	2019	Change %
Sales	103.775	119.608	-13.2%
EBITDA	9.021	15.506	-41.8%
as % of sales	8.7%	13.0%	-
EBIT	1.841	8.672	-78.8%
as % of sales	1.8%	7.3%	-
Investments	5.567	12.491	-55.4%
as % of sales	5.4%	10.4%	-

Significant decrease in EBITDA and EBITDA margin

The business segment's earnings before interest, tax, depreciation and amortisation (EBITDA) (including impairment losses) decreased by €6.5 million in fiscal year 2020 to €9.0 million. The EBITDA margin amounts to 8.7 per cent (previous year 13.0 per cent).

In particular, volume effects due to the impacts of the COVID-19 pandemic had a negative impact on the operating result.

Depreciation and amortisation in the Brake Discs business segment of €7.2 million is €0.4 million above that of the previous year (€6.8 million).

Correspondingly, earnings before interest and tax (EBIT) decreased by €6.9 million to €1.8 million (previous year €8.7 million). The EBIT margin, measured against sales, decreased to 1.8 per cent, compared to 7.3 per cent in the previous year.

Financial position

NET ASSET POSITION

K EUR	2020	2019	Change absolute	Change %
Non-current assets	**194.042**	**194.418**	**-376**	**-0.2%**
of which other intangible assets	16.948	15.184	1.764	11.6%
of which property, plant and equipment	150.218	155.763	-5.545	-3.6%
of which deferred tax assets	14.611	11.358	3.253	28.6%
of which other (financial) assets	5.210	3.942	1.268	32.2%
Current assets	**122.289**	**126.516**	**-4.227**	**-3.3%**
of which inventories	49.547	56.165	-6.618	-11.8%
of which trade receivables	40.575	44.425	-3.850	-8.7%
of which liquid funds	14.697	15.321	-624	-4.1%
of which held for sale	8.906	0	8.906	-
Total assets	**316.331**	**320.934**	**-4.603**	**-1.4%**

Total assets decreased by 1.4 per cent

At the end of the fiscal year 2020 total assets were €4.6 million or 1.4 per cent down on the previous year.

Internally generated assets associated with development costs led to an increase of €1.8 million in other intangible assets.

Investments of €28.9 million (see financial assets, investments), the recognition of right-of-use assets of €3.9 million (IFRS 16) and the classification of the property, plant and equipment of LHT of €5.1 million as held for sale led to a reduction of €5.5 million in property, plant and equipment. As at 31 December 2020 investment commitments amounted to €18.1 million.

Inventories decreased by €6.6 million on account of improved stock management. The reduction in trade receivables on the reporting date originates primarily from optimised receivables management and the expansion of the factoring programme as well as a reduction in business volume in comparison to the previous year.

We refer to the cash flow statement for more information on the developments in cash and cash equivalents.

In December 2020 SHW expanded the existing factoring programme (non-recourse factoring). The balance of receivables sold came to €11.9 million as at the reporting date.

Due to the intended sale of Lust Hybrid Technik GmbH (LHT) the assets of this entity were classified as held for sale. Reference is made to the presentation in the notes to consolidated financial statements (note 8).

Cash flows

The measures taken to address a possible cash squeeze arising from the COVID-19 pandemic were implemented successfully. These included taking out a loan of €10 million from the KfW development bank, an investment loan of €4 million and a debt holiday (postponement of debt servicing) of €0.9 million.

On 4 August 2017 SHW AG entered into a new syndicated loan agreement securing credit lines totalling € 80.0 million and providing it a solid cash basis. The syndicated loan agreement has an agreed term of five years and an option for renewal, that was exercised in 2020. Its term ends on 4 August 2024. As at 31 December 2020, the credit promised under the existing syndicated loan agreement was drawn on by an amount of €20.0 million in the form of two short-term loans, overdrafts of €0.5 million and bank guarantees totalling €2.7 million.

SHW uses derivative financial instruments in the form of interest swaps for hedging purposes (cash flow hedge). The effects of this hedge were immaterial as at the reporting date.

FINANCIAL POSITION

K EUR	2020	2019	Change absolute	Change %
Equity	**124.652**	**131.692**	**-7.040**	**-5.3%**
Non-current liabilities and accruals	**78.520**	**69.796**	**8.724**	**12.5%**
of which liabilities to banks	24.433	15.301	9.132	59.7%
of which other financial liabilities	12.142	11.522	620	5.4%
Current liabilities and accruals	**113.159**	**119.446**	**-6.287**	**-5.3%**
of which liabilities to banks	24.845	42.632	-17.787	-41.7%
of which trade payables and contract liabilities	53.625	51.888	1.737	3.3%
of which other provisions	3.162	4.004	-842	-21.0%
of which held for sale	3.000	0	3.000	-
Total assets	**316.331**	**320.934**	**-4.603**	**-1.4%**

Equity ratio at 39.4 per cent

The Group's equity as at 31 December has decreased by the amount of the Group's comprehensive income amounting to € 7.0 million. No profit distribution for fiscal year 2019 was performed. Due to the slight decrease in the balance sheet total, the equity ratio decreased from 41.0 per cent to 39.4 per cent.

Non-current liabilities and provisions increased, largely due to the new KfW loan of €10.0 million and a non-current investment loan for production equipment of €4.0 million.

Under current liabilities, provisions and accruals there was a decrease in liabilities to banks on account of fewer funds being drawn from the syndicated bank loan. The increase in trade payables and contract liabilities mainly results from the slightly higher level of business and investing activity in November and December 2020 in comparison to the last two months of the previous year. The increase in non-current loans was the main factor leading to the reduction of current liabilities to banks.

Net working capital ratio below the target corridor

The net working capital ratio, measured against sales of the last twelve months, decreased from 11.3 per cent to 9.3 per cent on account of targeted working capital management and therefore lies below the mid-term targeted corridor of 11 per cent to 12 per cent.

NET WORKING CAPITAL

K EUR	2020	2019	Change absolute	Change %
Inventories	49.547	56.165	- 6.618	- 11.8%
Trade receivables	40.575	44.425	- 3.850	- 8.7%
Trade payables	- 52.693	- 50.883	- 1.810	3.6%
Contract liabilities	- 932	- 1.005	-73	- 7.3%
Net working capital	**36.497**	**48.702**	**- 12.205**	**- 25.1%**
as % of sales	9.3%	11.3%	-	-

Strong improvement in operating free cash flow despite COVID-19

At € 37.8 million, cash flow from operating activities in fiscal year 2020 was below the previous year's level of €42.4 million.

The cash flow from investing activities related to capital expenditure on property, plant, and equipment and intangible assets of €28.3 million and was approximately € 14.3 million below the figure of the previous year, primarily due to savings made in response to the COVID-19 pandemic.

Operating free cash flow was therefore clearly positive at € 9.6 million, a marked improvement on the previous year (€ -0.2 million).

Total free cash flow of €8.9 million in 2020 (previous year € -0.6 million) resulted from the cash payment of €0.6 million for the second contingent price instalment for LHT.

DERIVATION OF THE CHANGE IN NET LIQUIDITY

K EUR	2020	2019
Cash flow from operating activities	37.807	42.397
Cash flow from investing activities (intangible assets and property, plant and equipment)	- 28.251	- 42.594
Operating free cash flow	**9.556**	**- 197**
Cash flow from investing activities (subsidiaries, financial assets)	- 622	- 400
Total free cash flow	**8.934**	**- 597**
Other items	- 2.423	- 2.935
Change in net liquidity	**6.511**	**- 3.532**

Net financial liabilities of € -34.6 million

The change in net liquidity led to the SHW Group carrying net financial liabilities (defined as the balance of cash and cash equivalents and liabilities to banks) as at 31 December 2020 of € -34.6 million (previous year € -42.6 million).

In addition to the total free cash flow described above (€ 9.0 million), payments for leases (€ -2.2 million) resulted in an improvement of € 10.0 million in net liquidity.

As at 31 December 2020, the SHW Group had cash and cash equivalents of € 14.7 million (previous year € 15.3 million). Liabilities to banks of € 49.3 million (previous year € 57.9 million) consist of two short-term loans amounting to € 20.0 million and overdrafts of € 0.5 million drawn under the syndicated loan agreement as well as six bullet loans amounting to € 18.8 million and a loan of € 10.0 million from the KfW development bank. We refer to Notes (34) and (38) in the notes to the consolidated financial statements for more information.

Capital expenditure at low levels

Additions to property, plant and equipment and intangible assets amounted to € 32.8 million in fiscal year 2020 (of this amount € 3.9 million is due to IFRS 16; previous year of € 52.6 million). The discrepancy between the reported additions from property, plant and equipment and intangible assets and payments made in the consolidated cash flow statement reflects the deferral of payments beyond the reporting date and non-cash asset additions funded by leases.

The Pumps and Engine Components business segment recorded additions of € 26.6 million (€ 2.9 million due to IFRS 16; previous year € 39.0 million), including investments for development amounting to € 3.5 million (previous year € 4.5 million). These investments focused on new assembly lines. The Brake Discs business segment invested a total of € 5.6 million (€ 1.0 million due to IFRS 16; previous year € 12.5 million). The focus here was on composite brake discs and included new machining lines, automation and the renovation of the training area.

In addition to the cash flow from operating activities planned for fiscal year 2021, there are sufficient financing sources available from the syndicated bank loan to finance the investments already commissioned (purchase obligations for non-current assets) and the investments planned for fiscal year 2021.

ROCE significantly below previous year's level

ROCE

K EUR	**2020**	2019
Goodwill	7.055	7.441
Customer base	0	730
Other intangible assets	16.948	15.184
Property, plant and equipment	150.218	155.763
Deferred tax assets	14.611	11.358
Other (financial) assets (non-current)	5,210	3,942
Inventories	49,547	56,165
Trade receivables	40,575	44,425
Income tax assets	452	145
Other (financial) assets	8,112	10,460
Assets held for sale	8,906	0
Capital employed asset item	**301,634**	**305,613**
Deferred tax liabilities	-7,747	-7,129
Other pensions (non-current)	-29	-45
Other financial liabilities (non-current and non-interest bearing)	-744	-1,302
Other liabilities (non-current)	-197	-464
Trade payables	-52,693	-50,883
Contract liabilities	-932	-1,005
Other financial liabilities (current and non-interest bearing)	-15,287	-5,556
Income tax liabilities	-1,004	-1,882
Other provisions (current)	-3,162	-4,004
Other liabilities (current)	-10,053	-10,346
Liabilities associated with held-for-sale assets	-3,000	0
Capital employed liability item	**-94,848**	**-82,616**
Capital employed	206,786	222,997
EBIT	-4,729	14,617
ROCE	**-2.3%**	**6.6%**

The return on capital employed (ROCE) decreased from 6.6 per cent to -2.3 per cent in fiscal year 2020.

The decrease in ROCE is largely attributable to the sharp decrease in EBIT.

Overall statement on the economic position

Given the circumstances, the Management Board of SHW AG considers the Group's business performance in 2020 to be satisfactory on the whole.

In addition to the challenging transformation processes confronting the automobile industry, the development of financial performance, financial position and cash flows was dominated by the burdens placed on the Group by the COVID-19 pandemic.

With the aid of operative and financial countermeasures, we managed to fulfil the adjusted business targets in the reporting year.

As previously announced, the Group's sales of € 392.9 million (previous year €432.4 million) and the EBITDA margin (6.4 per cent) lie below the target range originally set for the fiscal year. In relation to the adjusted forecast, Group sales are slightly above the targeted corridor and the EBITDA margin lies in the lower end of the targeted range. After taking account of the slight increase in depreciation and amortisation, EBIT of € -4.7 million was generated in the year (previous year € 14.6 million).

After deducting financial expenses and taxes on income, the net earnings of the Group come to € -5.1 million (previous year €9.9 million).

The net working capital ratio, measured against sales of the last twelve months, decreased from 11.3 per cent to 9.3 per cent on account of targeted working capital management and therefore lies below the mid-term targeted corridor of 11 per cent to 12 per cent.

ROCE of -2.3 per cent lies significantly below the level of the previous year (6.6 per cent), which can be attributed to the reduction in EBIT.

With an equity ratio of 39.4 per cent and net financial liabilities of € -34.6 million, the Management Board views SHW's financial profile as being adequate in light of the sufficient free credit lines available to it.

At the time of issuing this Group Management Report, the Management Board of SHW AG is satisfied with the economic situation of the SHW Group.

With its innovative product portfolio and its current orders, the Management Board of SHW AG considers the Group to be well positioned to actively shape the transition occurring in the automotive sector despite the challenges. Moreover, the Group has various equity and debt instruments at its disposal to build on its market position in selected fields of business and regions, also via acquisitions and partnerships.

RISK REPORT

Risk management principles

A large number of risks and opportunities arise for the SHW Group within the scope of its business activities which may both positively and negatively affect its results of operations, net assets and financial position.

We understand risk to mean possible future developments or events which could result in a negative divergence from a forecast or target for the Group of companies. We present the most important risks in this risk report, broken down into four risk categories and rated on the basis of their probability and potential financial impact.

To ensure that our risk management system is as effective as possible, we utilise a Group-wide integrated risk management system which identifies, assesses, manages, monitors and systematically reports risks. The risk management system is aligned towards identifying potential risks at an early stage by constantly monitoring the relevant markets, regions, customers and suppliers as well as internal processes in order to take effective counteraction.

The key objective of our risk management system is to safeguard and raise the Company’s enterprise value and balance our cash management (to avoid liquidity bottlenecks).

The SHW Group guidelines on risk management and control instruments are regularly reviewed.

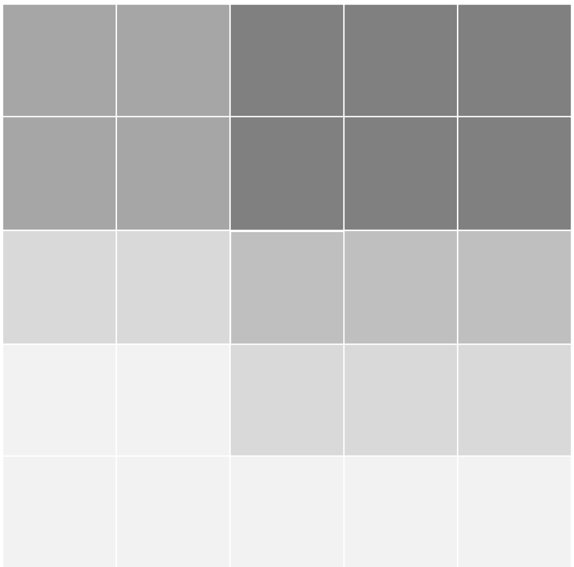
Risks are presented after considering risk mitigation measures (net presentation).

Types of risk	Probability	Financial impact
Strategic risks		
Macroeconomic and industry risks	Medium	High
Market structure risks	High	High
Risks of consolidation in the industry and competition	Medium	Medium
Operating risks		
Market penetration risks	Low	Medium
Customer risks	Low	High
Delivery call-off risks	High	High
New product launches and project risks	Low	High
Cost risks	Medium	Medium
Supplier risks	Medium	High
IT risks	Low	Medium
Acquisition and integration risks	Very low	Medium
Environmental risks	Very low	Medium
Legal and compliance risks		
Legal risks	Low	High
Compliance risks	Very low	High
Tax risks	Low	Low
Financial risks		
Counterparty credit risk	Very low	Low
Financing risks	Very low	High
Currency risks	Low	Medium
Interest risks	Very low	Minimal
Impairment risks	Very low	High

FINANCIAL IMPACT	
Existential Harmful effects on business developments, results of operatins, net assets and financial position	> € 10,0 million
High Considerable effects on business development, results of operations, net assets and financial position	≤ € 10,0 million
Medium Some effects on business development, results of operations, net assets and financial position	≤ € 1,0 million
Low Limited effects on business development, results of operations, net assets and financial position	≤ € 0,25 million
Minimal Minor effects on business development, results of operations, net assets and financial position	< € 0,05 million

PROBABILITY

Very low	Low	Medium	High	Very high
< 10 %	≥ 10 % to < 30 %	≥ 30 % to < 60 %	≥ 60 % to < 80 %	≥ 80 %



Strategic risks

Macroeconomic and industry risks

Future development of the SHW Group' business is heavily dependent on the development of the global economy. In addition, risks can arise from political and social change.

As a supplier to the automobile industry, the business development of the SHW Group is directly and substantially dependent upon the fundamental transition occurring in the automobile industry. This transformation is being driven by such trends as electrification, autonomous driving, digitisation and connectivity as well as mobility services. Risks could arise from the transition in the mobility sector, such as the gathering pace of innovation, increasing complexity of new technologies, increasing competition, high adaptive pressure to meet changes in the sector and more stringent requirements for strategy and management processes.

The Pumps and Engine Components business segment is dependent to a great extent on the production of vehicles, engines and transmissions by its customers in Europe, North and South America, China and on their export activity. The Brake Discs business segment is almost completely dominated by the vehicle production of its customers in Europe. An economic downturn in these sales markets could have a negative impact on consumers' purchasing behaviour and dim the growth outlook of these business segments as a result. An international expansion of this division presents us with both opportunities and risks.

As things currently stand, a sharp decline in the production figures of new vehicles, engines and transmissions in the key automobile markets – North America and Europe – is not considered likely in 2021.

Market structure risks

SHW's customers are exposed to demanding regulatory CO_2 limits for their vehicle fleets on all important automobile markets. At the end of the year 2018, binding ambitious targets were set by the European Union for the years 2025 and 2030 (see Background of the SHW Group, external factors).

The transformation in the automotive sector is towards increasingly powerful and simultaneously more fuel-efficient and less-polluting engines as well as alternative drive solutions, such as hybrid and electrical vehicles. In the short and medium term this will continue to give rise to structural changes on the market for internal combustion engines in Europe, North America and China.

SHW's future success thus depends above all on the group of companies' ability to focus on the right developments and to translate these into new and improved low-carbon products for all drive technologies and to bring these to market rapidly and at high quality.

SHW has placed the correct focus on product development, in order to align the product portfolio to the continuing transformation of the automobile industry.

Demand for lightweight brake discs continues to rise, independent of the powertrain technology in use.

Risks of consolidation in the industry and competition

The SHW Group is exposed to risks associated with the continuing market consolidation in the field of engine and transmission components. A persistently competitive environment in Europe and China – which are currently SHW's key vehicle markets – might jeopardise capital-efficient growth. To reduce this risk, SHW is seeking to broaden its footing through internationalisation as well as through partnerships. Thought is being given to further acquisitions.

Operating risks

Market penetration risks

SHW is driving forward the internationalisation of its business activities in the field of pumps and engine components by means of wholly-owned subsidiaries in Brazil, North America, China and Romania. This entails various risks for SHW. On the one hand, there is a danger of the Company not being awarded follow-up projects in these regions or only being awarded such projects to an inadequate extent. On the other hand, start-up costs may deviate from the budgeted figures, both in terms of timing and volume. Other risks could arise from the local requirements or potential intercultural problems.

To limit these risks, investments in property, plant and equipment are only made – and skilled personnel are only hired – when there is a specific customer contract in place and a commercial feasibility study has been conducted.

Customer risks

Customer risks arise due to SHW's dependence on key customers (key accounts) which are able to exploit their bargaining power. This can put considerable pressure on margins.

In the past fiscal year, the SHW Group generated sales with one customer which exceeded 10 per cent of Group sales. The share of sales realised with SHW's largest customer decreased by 1.8 per cent from 39.6 per cent to 36.8 per cent. To reduce these risks, SHW aims to ensure that its sales are evenly distributed among its customers. In this respect, developing new markets (particularly China, North and South America) and fields of application, as well as winning new customers are on the agenda.

In response to the COVID-19 pandemic audits were conducted within the framework of the risk management system to test the sales limits for customers in regions and industries that were particularly hard hit.

In sum, as things currently stand and based on the existing contracts (which are mainly long-term) and the Company's long-established customer relationships, the complete loss (or even the partial loss) of one of the Company's key customers over the next few years is somewhat unlikely, especially since SHW supplies each individual customer with a large number of wide-ranging products for many different engine, transmission and vehicle types.

Delivery call-off risks

An unexpected and significant short-term reduction in key customers' scheduled call-off volumes – due to economic factors, reputation-related changes in end users' demand or a premature, unscheduled curtailment or end of a customer project, as was recently experienced due to the corona pandemic – which results in deviations from the Company's sales planning, there might be, depending on the duration and scope of the reduction in call-off volumes and/or contractually agreed purchase volumes, a risk to the Company's profitability on account of redundant fixed costs and a corresponding negative impact on its financial performance, financial position and cash flows.

In 2020 the reduction in call-off volumes recorded was due firstly to the lockdown between March and June and, secondly, to the flatter ramp-up curves for a number of projects due to factors affecting our customers.

In order to be able to react flexibly to such changes in levels of demand, the SHW Group takes on temporary workers as needed, as part of its capacity management.

On the other hand, the SHW Group is exposed to risks associated with unforeseeable increases in the volume of calls made on standing orders beyond the contractually agreed volumes. This can create significant problems throughout the supply chain and impose a considerable additional burden. The SHW Group seeks to secure compensation from customers for any resulting cost burdens.

New product launches and project risks

SHW is exposed to risks related to the planning, cost calculation, execution and completion of new product launches and projects. There is a danger of delays, unexpected technical complications, underestimated complexity, capacity problems, bottlenecks, quality problems or higher start-up costs or a failure to meet the budgeted production costs. Delays in obtaining approvals and setting billing dates may also eventuate.

To keep these risks under control, the relevant SHW departments (in particular, production, purchasing, sales, quality assurance and development) and the relevant customer and supplier departments maintain a close process of consultation and coordination during the start-up phase. Although these risks can be mitigated by means of professional project management, project milestones, reviews of the respective project phases, extensive quality management and appropriately structured contracts, they cannot be fully ruled out.

Cost risks

To produce pumps and engine components as well as brake discs, the SHW Group purchases materials including scrap iron, raw aluminium, aluminium and steel powder and coke from raw materials suppliers. Iron, aluminium and coke prices tend to be subject to strong price fluctuations. In many cases, the SHW Group has concluded agreements with the automobile manufacturers it supplies to adjust the sales prices of its products on a monthly, quarterly or semi-annual basis in line with short-term and medium-term fluctuations in raw material prices for raw aluminium, aluminium powder, steel powder and scrap iron. In these cases, in addition to the agreed sales prices, the SHW Group charges material surcharges to the automobile manufacturers.

After material expenses, personnel costs are the second-largest cost item for the SHW Group. In the event that wage and salary increases agreed on within the scope of future collectively bargained industrial agreements significantly exceed productivity gains, this might weaken the relative competitiveness of SHW and negatively affect its ability to reach its earnings goals.

Supplier risks

The SHW Group is dependent upon timely delivery of raw materials and of the components necessary for production from its suppliers. Late deliveries may have a significant impact on the business operations of the SHW Group.

SHW maintains long-lasting business relationships with most of its suppliers. SHW addresses possible risks resulting from delayed deliveries or the loss of key suppliers, particularly due to the transformation process that is sweeping the industry, by means of regular on-site reviews which include a credit assessment. At the same time, SHW maintains close contacts and business relationships worldwide with alternative suppliers for key purchased parts. Possible impacts from the corona pandemic are difficult to assess at present.

IT risks

The growing threats to companies' information security also pose risks for the SHW Group in terms of the integrity of the information systems and networks and the availability and confidentiality of corporate data. An outage or damage to our information systems may disrupt our entire value chain and therefore entail negative cost effects.

The SHW Group has implemented a large number of measures in order to reduce these IT risks as far as possible. Other important corporate data are mirrored in the remote computer centre and therefore backed-up. In addition, we protect ourselves against the risk of data loss using back-up systems. Moreover, the SHW Group has a cross-divisional contingency plan which temporarily safeguards the functionality of its production and logistics operations even without a connection to its IT system.

We steadily invest in security software to protect our IT systems from unauthorised external access. Internally, employee access to confidential corporate data is ensured by the ability to escalate authorisation rights.

Acquisition and integration risks

Acquisitions and possible partnerships are an important element of the growth strategy to improve the market position or to complement existing business and tap new fields of business. Potential targets and cooperations are assessed by means of standardised processes.

However, the objectives pursued by an acquisition or cooperation, namely, to exploit potential synergies and realise cost savings, might not be reached, or not to the extent expected. The integration of technologies, products, processes and employees bears risks. The integration process could prove to be more complicated, take more time and be more cost-intensive than initially assumed.

Environmental risks

The facilities of the SHW Group are subject to a large number of environmental regulations, such as emission limits and standards for the treatment, storage and disposal of waste and hazardous materials. In particular, the foundry of the Brake Discs business segment at the Tuttlingen-Ludwigstal facility is subject to a number of such environmental obligations. Compliance with these environmental regulations and with the mandatory obligations within the scope of the SHW Group's operating permits entails operating costs and requires ongoing investments. Failure to comply with environmental regulations may result in consequences under civil, criminal or public law, in particular fines and claims for damages due to property damage or bodily harm or else a temporary or permanent shutdown.

Legal and compliance risks

Legal risks

One of the main legal risks is products liability: Despite extensive quality checks, the components produced by SHW may be faulty. Defective products may lead to damages or losses for the OEMs' end customers, which may result in them asserting compensation and product-liability claims. It could also culminate in the SHW Group or customers of the SHW Group being obliged to initiate a recall campaign.

The Company has in place appropriate quality assurance systems in order to avoid and reduce these risks. The SHW Group maintains the customary level of insurance coverage – with appropriate deductibles – to protect it against claims for damages due to faulty products. The risk position with regard to product liability has not changed to any material extent compared to the previous year.

Compliance risks

The purpose of the compliance organisation of the SHW Group is to ensure that all Group entities and all employees comply with the law and to ensure an appropriate reaction to any potential or actual breaches of internal or external rules and regulations. It serves to avoid liability risks, prosecution, fines, loss of reputation and other financial losses and disadvantages that could arise for the SHW Group as a result of misconduct or a breach of the law. The financial impact of non-compliance is difficult to estimate as it depends on the circumstances of each particular case, which can vary widely. The risk of illegal conduct by individuals cannot be fully ruled out, despite extensive guidelines and multi-level review and control mechanisms. Suspicious cases are actively examined. In the event that it comes to an official investigation, we cooperate with the applicable authorities. Any evidence of misconduct bears consequences for the persons concerned and entails an adjustment to the organisation.

Tax risks

Tax risks may arise from changes to the legal or tax structures of the SHW Group and from tax periods that have not yet been finally assessed. Tax field audits can result in back-taxes when the fiscal authorities come to a different assessment of the issues. In addition, there is a risk that changes to tax legislation or new court judgements might lead to an additional tax burden for the SHW Group.

Financial risks

Counterparty credit risk

The risk of credit losses on receivables has not increased any further for the globally positioned customers of the SHW Group. Where necessary, the terms of payment and the credit limits are adjusted and regularly monitored. On the supplier side, there has been no significant change in the economic situation. Due to our multiple-supplier strategy, we believe the risk of losing a key supplier is currently low.

Financing risks

The measures taken by the Group to address potential future liquidity bottlenecks arising from the COVID-19 pandemic and the impacts of these measures on the consolidated financial statements consist of the following:

On 30 June 2020 the Group took out a loan of €10 million from the KfW development bank to secure the financing of the Company which was arranged via the syndicate banks.

On 8 June 2020 the Group sought a debt holiday (temporary postponement of debt servicing) for an investment loan of €9.0 million, which was granted to the Group.

On 30 September 2020 the Group took out an investment loan of €4 million from a syndicate bank.

With an equity ratio of 39.4 per cent, net financial liabilities as at 31 December 2020 of € -34.6 million and sufficient free credit lines, the financial base of the SHW Group is robust.

The syndicated financing agreement concluded in fiscal year 2017 for an amount of €80.0 million is presented in the section on the economic situation, financial position and financial strategy. The applicable financial covenants were complied with as at 31 December 2020.

As SHW can fall back on additional debt and equity instruments, sufficient finance has been secured to fund the planned growth of the SHW Group by means of both organic growth and further acquisitions.

Currency risks

The SHW Group is not exposed to any significant currency risks, since its sales and costs are mainly billed in euros on almost all of its production factor and goods markets. In connection with the locations in Romania, Brazil, China and Canada (Pumps and Engine Components business segment), no additional currency translation risks have arisen for the SHW Group since sales and costs are generated primarily in the local currency. Translation risks will primarily arise from the development of the exchange rates of the Brazilian real, the Chinese renminbi, the Canadian dollar and the Romanian leu against the euro.

Interest risks

Changes in market interest rates affect future interest payments for floating rate liabilities. Significant interest rate increases may therefore affect the profitability, liquidity and the financial position of the SHW Group.

To reduce its interest rate risks and to safeguard its financial flexibility, SHW still seeks to finance almost all of its investments from its operating cash flow. In 2020, interest rates in the euro area remained at a very low level. Due to the current zero-interest rate policy of the European Central Bank we do not anticipate any significant interest rate rises in the near future.

Impairment risks

Some of the assets carried by the SHW Group are intangibles, including goodwill. As at 31 December 2020, goodwill reported in the balance sheet of the SHW Group amounted to approximately €7.1 million. Of this amount, €4.3 million related to the Pumps and Engine Components business segment and €2.8 million to the Brake Discs business segment. The goodwill impairment test as at 31 December 2020 was conducted based on the planning for the period from 2021 to 2025, and assumptions made regarding future developments.

As at 31 December 2020 an impairment loss of € 0.4 million needed to be considered on goodwill. It cannot be ruled out that further impairment losses will be required on future reporting dates.

Assessment of the overall risk position

In our view the SHW Group's overall risk situation is well manageable at the present time. There are currently no discernible risks which could, in isolation or in aggregate, lead to a long-term deterioration in the financial position, financial performance and cash position of the Group. Nor are any risks apparent which might jeopardise the SHW Group's continued existence.

Currently, the mutation of the coronavirus is affecting the development of the global economy in 2021 and having a knock-on effect on the financial markets. The impacts of the mutation of the coronavirus on the development of fiscal year 2021 cannot be fully assessed at present.

Unless otherwise indicated in the description of risks, the outlined risks do not specifically refer to the individual business segments.

OPPORTUNITIES

Principles of managing opportunities

We understand opportunities to mean possible future developments or events that may result in a positive deviation from a forecast or target for the SHW Group. Our opportunities management system is based upon the goals and strategies of the two business segments, Pumps and Engine Components and Brake Discs. The operational management of these business segments has direct responsibility for early and regular identification and analysis of opportunities.

Opportunities management is an integral part of SHW's planning and management systems. The market and competition, relevant cost components and key success factors are intensively examined in this regard. Specific goals for the business segments are then derived and set.

The Company's development and sales departments play a key role within the scope of opportunities management. They continuously seek out possibilities for optimising existing pump and engine components and brake discs as well as new areas of application and sales opportunities. Opportunities frequently result from product innovations which arise through the development of new, more efficient and cleaner engine and transmission generations and the expansion of e-mobility and weight-optimised brake discs. SHW thus aims to be involved in the vehicle manufacturer's development process at the earliest possible opportunity.

The key opportunities for SHW are presented below.

Group-wide opportunities

Significant efforts required in order to achieve the ambitious emission targets

The vehicle manufacturers must undertake further considerable efforts in order to achieve the average emission target of 95g CO_2/km set by the European Commission for the year 2021. Even more ambitious targets for 2025 and 2030 were set at the end of 2018 with a reduction of 15 and 30 per cent respectively.

The automobile industry has various means of achieving these targets. The focus is on optimising the conventional combustion engine (direct injection, cooled exhaust gas recirculation, downsizing and turbocharging, variable valve trains, cylinder deactivation, variable compression, combustion processes), transmission optimisation (sailing, hybridisation, optimised power transfer, partial electrification of oil pumps) and reducing vehicle weight.

It is also investing considerable resources in the development of hybrid and fully electric vehicles and adjustments to its product portfolio.

Within the scope of its existing technological methods, the Pumps and Engine Components business segment has developed a large number of success-critical solutions which are making a contribution towards reduced fuel consumption and thus lower CO_2 emissions. SHW's product range strongly reflects the increasing variety of powertrain concepts.

The Brake Discs business segment also helps to reduce CO_2 with its composite brake discs. The resulting weight saving is approximately 2 kg per brake disc or around 8 kg per vehicle.

Based on its innovative product portfolio and its current order book, SHW is well positioned to achieve stronger growth than the market for engines, transmissions and light vehicles. Besides organic growth, the continuing process of consolidation in the engine and transmission components division represents an additional growth opportunity. SHW is financially well placed to expand its market position in selected fields of business and regions.

Opportunities in the business segments

In addition to the growth potential in cooling and lubrication with mechanical and electronic oil pumps, SHW perceives additional opportunities in the field of thermal management using electrical water pumps.

SHW sees the increasing electrification of auxiliaries in combination with the hybridisation of the powertrain and the introduction of the 48V wiring system as an area of development which offers additional market potential.

Another possibility is the insourcing of selected steps in the value chain of the Pumps and Engine Components business segment.

Additional market potential lies in tapping new markets and customer groups such as e-mobility providers and manufacturers who only produce electric vehicles.

The Brake Discs business segment is benefiting from the trend towards lighter vehicle parts. With its composite brake disc, SHW has an innovative product in its portfolio which combines weight reduction with an improvement in braking performance. Through further automation of its production process and ongoing development activities in composite brake discs, the group of companies intends to reduce its production costs and will thus also be able to supply competitive products for upper mid-range and mid-range vehicles in future.

In conclusion, the Management Board of SHW AG has rated the opportunities available to the SHW Group as being of medium significance.

FORECAST

Outlook for the overall economy and for the industry

Global economy: Recovery in sight

After a deep recession in 2020 we believe that the global economy will slowly recover in the year 2021. Although the impacts of the corona pandemic are likely to still be felt in 2021, the approvals granted to various vaccines give cause for hope that the population will be sufficiently protected by the second half of the year and that economic output will return to the level seen prior to the crisis by the end of 2021. Moreover, it can be assumed that the central banks will not deviate from their expansive monetary policies in the near future due to the ongoing crisis.

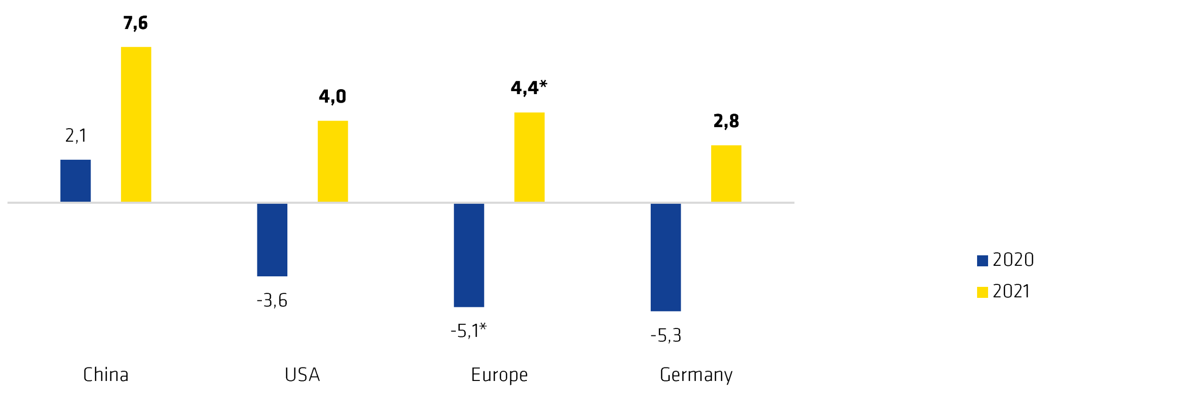
After the slump in the year 2020, a year dominated by corona, GDP growth in the **USA** should improve to 4.0 per cent (previous year -3.6 per cent). It is assumed that the US economy will return to the level seen before the crisis by the end of 2021.

For the **euro area** GDP growth of 4.4 per cent is forecast (previous year -5.1 per cent). The reopening of the economy and fiscal stimulus will be the major growth drivers in 2021. It can be assumed that the ECB will keep its key lending rate at the present low value in 2021 once again. Furthermore, the ECB plans to continue its pandemic emergency purchase programme with a total volume of €1,850 billion.

The assumed recovery of the **German economy** in 2021 is tied to the condition that the current second lockdown will be brought to an end on account of a successful vaccination and testing strategy on the part of the government, preventing a third wave of infections and a repeat of the severe restrictions. Moreover, it is essential for German exports that key trading partners also enjoy similar successes at combating the pandemic. The upcoming elections could also have a major impact on the German economy. GDP growth in the German economy is projected to come to 2.8 per cent in 2021 (previous year -5.3 per cent).

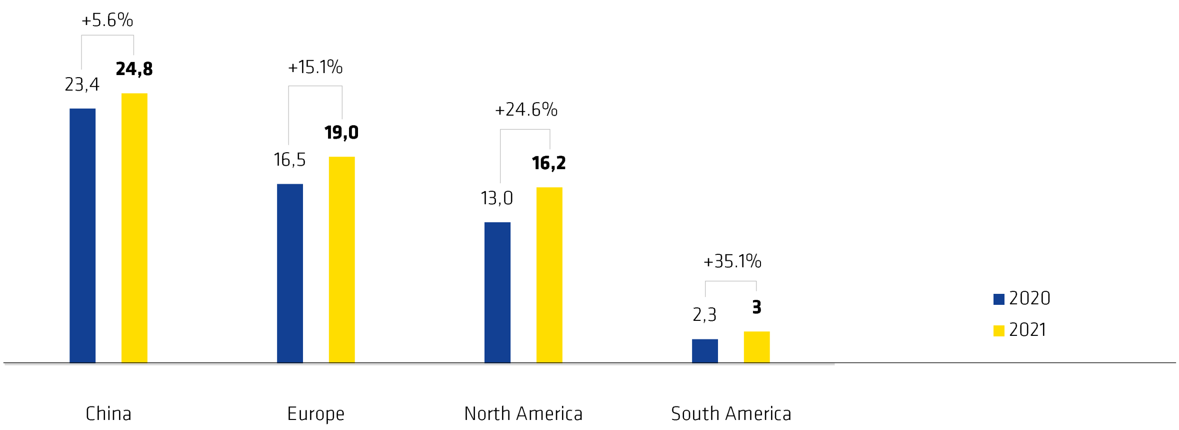
GDP growth in **China** is estimated to come to 7.6 per cent in 2021 (previous year 2.1 per cent). In particular, the creation of the world's largest free trading zone, the Regional Comprehensive Economic Partnership (RCEP) in November 2020 will boost Chinese economic growth. In addition, the upturn will be driven by investment activity by state-owned enterprises, although their high indebtedness could prove critical over the long term.

GDP GROWTH BY REGION IN %



Source: IHS Markit; *Reuters

LIGHT VEHICLE PRODUCTION BY REGION (IN M UNITS)



Source: IHS – January 2021

Vehicle production remains below pre-crisis levels

The IHS market research institute is forecasting growth of 13.7 per cent for global light vehicle production (vehicles of less than six tons) in 2021, which represents production growth of 10.2 million vehicles in comparison to 2020.

For the European region, production is anticipated to increase by 15.1 per cent to 19.0 million vehicles. The share of global production accounted for by Europe should improve only marginally from 22.2 per cent to 22.5 per cent.

IHS forecasts growth of 21.5 per cent in German light vehicle production in comparison to 2020 to 4.5 million units.

Chinese vehicle production is expected to grow moderately at 5.6 per cent. By contrast, much brighter prospects are forecast for light vehicle production in North America (24.6 per cent) and South America (35.1 per cent).

Electric motors and hybrids continue to win greater market share

Analogous to the growth in light vehicle production, IHS expects global engine production to grow by 10.2 million units to 84.3 million engines produced (+13.7 per cent). This will not be enough to reach the level of 2019. The lion's share of engine production in 2021 will still be accounted for by gasoline engines, for which growth of 7.8 million units is forecast (+13.1 per cent). The production volume of diesel engines is estimated to come to 12.8 million units in 2021, representing growth of 6.2 per cent. The most rapid growth is expected to be seen in electric motor and hybrids (+70.4 per cent to 3.8 million units).

It is anticipated that engine production will grow to 24.9 million units in China (+6.1 per cent), to 20.2 million units (+15.9 per cent) in Europe and grow by 28.2 percent and 32.1 per cent in North and South America respectively.

The production of electric motors will continue to exhibit the strongest growth (+70.4 per cent). However, this will only increase their relative market share from 3.0 per cent to 4.5 per cent. Consequently, electric power trains will initially only play a comparatively insignificant role in 2021.

According to IHS, the largest share of engine production in 2021 will continue to be accounted for by gasoline engines at 80.0 per cent, followed by diesel engines at 15.2 per cent, which will lose market share in favour of electric motors (4.5 per cent).

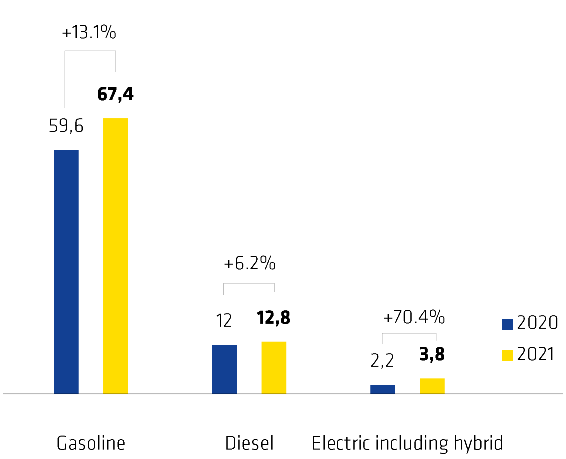
SHW remains well positioned, with its product solutions for internal combustion engines – both diesel and gasoline – as well as electric engines, to exploit any growth opportunities that arise.

Electrification of the drive train will also impact transmission production noticeably

The number of automatic transmissions produced in 2021 is expected to grow by 12.9 per cent to 54.1 million. It is assumed that the production volume of manual transmissions in the year 2021 will also increase by 5.0 per cent (to 22.2 million units). The fastest growth according to IHS will be in dedicated hybrid transmissions (DHT) and reduction gears, which together are forecast to grow by 58.8 per cent. This can be attributed to the higher production of electric cars and hybrids. These types of transmissions are expected to account for 9.4 per cent of the market in 2021 (previous year 6.7 per cent).

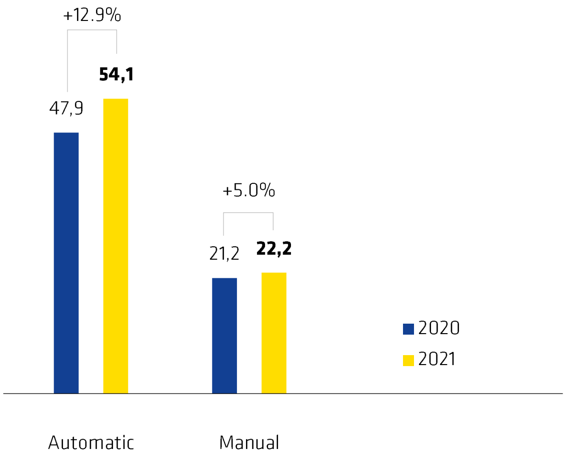
Automatic transmissions are forecast to account for 64.2 per cent of the market in 2021, more or less at the same level as in 2020, falling by just 0.5 percentage points. It is assumed that the share of manual transmissions in the year 2021 will continue to decline to 26.4 per cent (fall of 2.2 percentage points). The decrease in the production volume of manual transmission will be seen primarily in China (-10.7 per cent) and North America (-19.6 per cent).

ENGINE PRODUCTION WORLDWIDE (IN M UNITS)



Source: IHS – January 2021

TRANSMISSION PRODUCTION WORLDWIDE (IN M UNITS)



Source: IHS – January 2021

Outlook for the Group

Sales expected to range between €420 million and €460 million

Based on the economic and industry environment and considering the potential risks and opportunities, the Management Board of SHW AG anticipates Group sales to lie in a range between €420 million to €460 million in the fiscal year 2021.

Of this total, the Pumps and Engine Components business segment is forecast to generate sales of between roughly €300 million and €330 million and the Brake Discs business segment sales of between €120 million and €130 million.

EBITDA margin expected to range between 8 per cent to 11 per cent

SHW anticipates an EBITDA margin in a range between 8 per cent and 11 per cent for the fiscal year 2021. This is based on the steady development of our foreign locations and the headwinds on the European market caused by the COVID-19 pandemic. EBITDA should range between roughly €33.6 million and €50.6 million accordingly.

A significant improvement in both the EBITDA margin and EBITDA is forecast for both the Pumps and Engine Components segment and the Brake Discs segment.

ROCE – further optimisation targeted

Optimising the efficient use of capital remains a further area of focus for the Management Board in fiscal year 2021. The Group-wide activities are bundled in the Cash@SHW project and these will be pursued in future. The long-term goal is to reach a sustainable ROCE of over 10 per cent. The short- to medium-term goal is to lie within a corridor of between 6 per cent and 9 per cent.

COVID-19 pandemic

In the current situation there is still a high level of market uncertainty and significant restrictions on private individuals and companies alike. The specific impact that the various corona mutations will have on the business development in the fiscal year 2021 cannot be conclusively assessed at present. However, we see a risk of a short-term fall in demand with a negative impact on the key performance indicators mentioned.

Aalen, 30 March 2021


Wolfgang Plasser
Chairman of the Management Board

Thomas Karazmann
CFO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CONSOLIDATED FINANCIAL STATEMENTS OF SHW AG

CONSOLIDATED INCOME STATEMENT

for the fiscal year from 1 January to 31 December 2020

K EUR	Note	**2020**	2019
Sales	**(14)**	**392,931**	**432,421**
Cost of sales	(22)	– 344,689	– 378,340
Gross profit		**48,242**	**54,081**
Selling expenses	(15), (22)	– 12,518	– 12,840
General administrative expenses	(16), (22)	– 22,197	– 19,108
Research and development costs	(17), (22)	– 11,621	– 11,353
Other operating income	(18)	4,622	8,063
Other operating expenses	(19)	– 11,257	– 4,226
Earnings before interest and tax		**– 4,729**	**14,617**
Financial income	(20)	36	8
Financial expenses	(20)	– 2,570	– 2,129
Earnings before tax		**– 7,263**	**12,496**
Deferred taxes	(21)	2,985	949
Current income tax	(21)	– 781	– 3,554
Earnings after tax		**– 5,059**	**9,891**
Net profit		**– 5,059**	**9,891**
Earnings per share in € (basic and diluted)*		– 0.79	1.54

* Calculated in relation to an average of 6,436,209 shares (previous year 6,436,209 shares), see Note (31) "Equity".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year from 1 January to 31 December 2020

K EUR	**2020**	2019
Net profit	**– 5,059**	**9,891**
Items that will not be reclassified to profit or loss in future periods		
Actuarial gains / losses from pension provisions and similar obligations before tax	789	– 3,038
Tax effect	– 224	863
Items that may be reclassified to profit or loss in future periods		
Currency translation differences	– 2,419	– 51
Tax effect	0	0
Changes in the fair value of derivates held for hedging purposes recognised in equity	– 127	– 88
Tax effect	0	0
Other comprehensive income after tax	**– 1,981**	**– 2,314**
Total comprehensive income after tax	**– 7,040**	**7,577**
Net profit for the year attributable to		
shareholders of SHW AG	– 5,059	9,891
holders of non-controlling interests	0	0
Total comprehensive income after tax attributable to		
shareholders of SHW AG	– 7,040	7,577
holders of non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

as at 31 December 2020

ASSETS

K EUR	Note	31.12.2020	31.12.2019
Goodwill	(25)	7,055	7,441
Customer base	(25)	0	730
Other intangible assets	(25)	16,948	15,184
Property, plant and equipment	(25)	150,218	155,763
Deferred tax assets	(21)	14,611	11,358
Joint ventures accounted for using the equity method	(7)	0	0
Other financial assets	(26)	232	309
Other assets	(26)	4,978	3,633
Non-current assets		**194,042**	**194,418**
Inventories	(27)	49,547	56,165
Trade receivables	(28)	40,575	44,425
Other financial assets	(29)	682	1,397
Income tax assets	(21)	452	145
Other assets	(29)	7,430	9,063
Cash and cash equivalents	(30)	14,697	15,321
Assets held for sale		8,906	0
Current assets		**122,289**	**126,516**
Total assets		**316,331**	**320,934**

EQUITY AND LIABILITIES

K EUR	Note	31.12.2020	31.12.2019
Subscribed capital	(31)	6,436	6,436
Capital reserves	(31)	38,510	38,510
Revenue reserves	(31)	90,638	95,697
Other reserves	(31)	– 10,932	– 8,951
Equity		**124,652**	**131,692**
Employee benefits	(32)	33,972	35,335
Deferred tax liabilities	(21)	7,747	7,129
Liabilities to banks	(34)	24,433	15,301
Other financial liabilities	(34)	12,142	11,522
Other provisions	(33)	29	45
Other liabilities	(34)	197	464
Non-current liabilities and provisions		**78,520**	**69,796**
Liabilities to banks	(34)	24,845	42,632
Trade payables	(34)	52,693	50,883
Contract liabilities	(14)	932	1,005
Other financial liabilities	(34)	17,470	8,694
Income tax liabilities	(21)	1,004	1,882
Other provisions	(33)	3,162	4,004
Other liabilities	(34)	10,053	10,346
Liabilities associated with held-for-sale assets		3,000	
Current liabilities, provisions and accruals		**113,159**	**119,446**
Total equity and liabilities		**316,331**	**320,934**

CONSOLIDATED CASH FLOW STATEMENT

for the fiscal year from 1 January to 31 December 2020

K EUR	Note	2020	2019
1. Cash flow from operating activities			
Net profit		– 5,059	9,891
Depreciation / amortisation (+) of fixed assets	(25)	29,046	26,925
Impairment losses on intangible assets and goodwill	(25)	1,020	0
Income tax expenses through profit or loss (+)	(21)	782	3,554
Income taxes paid (-)		– 1,967	– 490
Financing costs through profit or loss (+)	(20)	2,629	2,129
Interest paid (-)		– 1,796	– 893
Financial investment income through profit or loss (-)	(20)	– 36	– 8
Interest received (+)		37	7
Increase (+) / decrease (-) in provisions	(32), (33)	– 1,871	– 2,393
Change in deferred taxes		– 3,056	– 992
Other non-cash expenses (+) / income (-)		624	1,007
Gain (-) / loss (+) from the disposal of assets		615	– 570
Increase (-) / decrease (+) in inventories, trade receivables and other assets	(27), (28), (29)	5,248	2,877
Increase (+) / decrease (-) in trade payables and other liabilities	(34)	11,591	1,353
Cash flow from operating activities		**37,807**	**42,397**

K EUR	Note	2020	2019
2. Cash flow from investing activities			
Cash received (+) from the disposal of property, plant and equipment		656	1.669
Cash paid (-) for investments in property, plant and equipment		– 24.348	– 38.136
Cash paid (-) for investments in intangible assets		– 4.559	– 6.127
Cash paid (-) for the acquisition of subsidiaries		0	0
Cash received (+) from disposal of financial assets		0	0
Cash paid (-) for investments in financial assets		– 622	– 400
Cash flow from investing activities		**– 28.873**	**– 42.994**
3. Cash flow from financing activities			
Cash received (+) from the assumption of financial liabilities	(34), VI.	14.000	14.988
Cash paid (-) for the redemption of financial liabilities	(34), VI.	– 21.008	– 1.138
Dividends paid (-) to shareholders	(31)	0	– 257
Cash paid (-) for leases	VI., VIII.	– 2.169	– 2.626
Cash flow from financing activities		**– 9.177**	**10.967**
4. Cash and cash equivalents at the end of the period			
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)		– 243	10.370
Exchange rate-related changes in cash and cash equivalents		– 254	– 52
Cash and cash equivalents at the beginning of the period	(30)	15.321	5.003
Cash and cash equivalents at the end of the period	**(30)**	**14.824**	**15.321**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from 1 January to 31 December 2020

K EUR	Subscribed capital (Note 31)	Capital reserves (Note 31)	Revenue reserves (Note 31)	Other reserves (Note 31)	**Total equity**
As at 1. January 2019	**6,436**	**38,510**	**86,063**	**– 6,637**	**124,372**
Changes from actuarial gains and losses	0	0	0	– 2,175	– 2,175
Changes in the fair value of derivates held for hedging purposes recognised in equity	0	0	0	– 88	– 88
Foreign currency translation differences	0	0	0	– 51	– 51
Other comprehensive income	**0**	**0**	**0**	**– 2,314**	**– 2,314**
Net profit for 2019	0	0	9,891	0	9,891
Total comprehensive income for the period	**0**	**0**	**9,891**	**– 2,314**	**7,577**
Dividends paid *)	0	0	– 257	0	– 257
As at 31.December 2019	**6,436**	**38,510**	**95,697**	**– 8,951**	**131,692**

*) €0.04 per share

K EUR	Subscribed capital (Note 31)	Capital reserves (Note 31)	Revenue reserves (Note 31)	Other reserves (Note 31)	**Total equity**
As at 1. January 2020	**6,436**	**38,510**	**95,697**	**– 8,951**	**131,692**
Changes from actuarial gains and losses	0	0	0	565	565
Changes in the fair value of derivates held for hedging purposes recognised in equity	0	0	0	– 127	– 127
Foreign currency translation differences	0	0	0	– 2,419	– 2,419
Other comprehensive income	**0**	**0**	**0**	**– 1,981**	**– 1,981**
Net profit for 2020	0	0	– 5,059	0	– 5,059
Total comprehensive income for the period	**0**	**0**	**– 5,059**	**– 1,981**	**– 7,040**
Dividends paid	0	0	0	0	0
As at 31.December 2020	**6,436**	**38,510**	**90,638**	**– 10,932**	**124,652**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. General background

1. The Company

SHW AG with registered offices at Wilhelmstrasse 111, Aalen, Germany, was created in 2011 by a change of legal form and recorded in the commercial register on 8 June 2011 (under the commercial register no. HRB 726621 held by the Ulm district court).

The SHW Group's principal activity is the production and sale of hydraulic pumps, powder metallurgy parts and brake discs.

2. Accounting polices

SHW AG's consolidated financial statements as at 31 December 2020 were approved by the Management Board on 24 March 2021 for submission to the Supervisory Board. The consolidated financial statements presented conform to the applicable International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB) in London. The authoritative version of IFRS is that as at 31 December 2020 as to be applied in the EU. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) relevant for fiscal year 2020, as well as previous interpretations of the Standing Interpretations Committee (SIC), have been applied.

The consolidated financial statements are generally prepared in accordance with the historical cost principle. Deviations from this are specified under the accounting and valuation principles.

The consolidated financial statements have been prepared in euros. Unless indicated otherwise, the figures shown in the consolidated financial statements are stated in thousand euros (€ thousand). We draw attention to the fact that there may be rounding differences to the mathematically exact figures (monetary units, percentages, etc.)

By resolution dated 11 January 2021, the shareholders of Lust Hybrid-Technik GmbH, Hermsdorf ("LHT"), Schwäbische Hüttenwerke Automotive GmbH, SHW Brake Systems GmbH, and of SHW Bremsen Beteiligungs GmbH passed a unanimous resolution to apply the exemption from reporting duties afforded by Section 264 (3) HGB and therefore did not compile their own management report or notes to the financial statements or publish their financial statements. The resolutions were published in the Federal Gazette (Bundesanzeiger) on 2 February and 5 February 2021. According to Section 264b No. 3 HGB, SHW Gießerei GmbH & Co. KG is also exempted from the duty to compile financial statements pursuant to German commercial law or a management report pursuant to the laws applying to stock corporations and have these audited and published.

4. New and amended standards and interpretations applicable in the year 2020

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations, which have been adopted into European law by the EU and must be applied to reporting periods beginning on 01 January 2020:

Standard/ Interpretation		Status	Applicable from
Amendments to IFRS 3	Definition of a Business	revised	01.01.2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	revised	01.01.2020
Amendments to IAS 1 and IAS 8	Definition of Materiality	revised	01.01.2020
	Conceptual Framework for Financial Reporting	revised	01.01.2020

5. Standards, interpretations and amendments to published standards not yet mandatory in 2020 and not adopted early by the SHW Group

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

Standard/ Interpretation		Status	To be applied from
Amendments to IAS 1	Definition of 'material'	revised	01.01.2023
Amendments to IFRS 3	Business combinations	revised	01.01.2022
IFRS 17	Insurance contracts	new	01.01.2023
Amendments IFRS 1	Subsidiary as a First-time Adopter	revised	01.01.2022
Amendments to IAS 16	Proceeds before Intended Use	revised	01.01.2022
Amendments to IAS 37	Onerous Contracts	revised	01.01.2022
Amendments to IFRS 9	Financial instruments	revised	01.01.2022

We expect that future application of the new standards and amendments will not have any effect, or will not have any significant effect, on the consolidated financial statements of SHW AG.

6. Estimates and uncertainties associated with discretionary judgements and assumptions

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

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

Goodwill impairment

The SHW Group tests goodwill for impairment at least once a year or when there is an indication that the goodwill of € 7,055 thousand (previous year € 7,441 thousand) may be impaired. This involves an estimate of the recoverable amount of those cash-generating units (CGUs) to which the goodwill is allocated. In order to calculate the recoverable amount of the CGU, the SHW Group must estimate the fair value, less the cost of sale, based on the EBIT forecasts and, in addition, select an interest rate in order to calculate the present value of cash flows. Further details may be found in Note (25) "Statement of changes in intangible assets and property, plant and equipment".

Development costs

Development costs are capitalised according to the accounting and valuation methods presented. The initial capitalisation of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. Generally, this is the case when a product development project has achieved a certain degree of maturity within an existing project management model. In order to determine the capitalisable amounts, assumptions and estimates were included for expected cash flows from assets, the applicable discount rates and the period of expected future cash flows which the assets generate. As at 31 December 2020, the capitalised development costs amount to € 13,446 thousand (previous year €11,681 thousand).

Pensions and similar obligations

Expenses for defined benefit plans and other post-employment benefits are determined based on actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future wage and salary increases, mortality rates and future pension increases. Such estimates are subject to considerable uncertainty due to the long-term nature of these plans.

As at 31 December 2020, the provision for pensions and similar obligations amounted to € 28,788 thousand (previous year €29,779 thousand). More details on this can be found in Note (32) "Employee benefit obligations".

Deferred tax assets

Deferred tax assets are recognised on all unused tax-loss carry-forwards to the extent that it is probable that taxable income will be available in future against which the tax-loss carry-forwards can actually be used. Changes in the ownership structure of SHW AG or changes in the tax legislation of the respective countries could have an impact on the ability to utilise unused tax losses. A considerable degree of discretionary judgement on the part of the management is required to determine the amount of deferred tax assets that can be recognised, based on the expected timing and level of taxable income in the future together with future tax planning strategies. For further details, please see Note (21) "Income taxes".

Estimates used in the application of accounting principles

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

This particularly applies to the following types of situations:

- Determination of the fair value of assets and liabilities acquired as part of a business combination, as well as these assets' period of useful life, based on assessments by the management.

- In the case of assets that are to be sold, management must determine whether these can be sold in their present condition and whether their sale is very probable.

- When recognising provisions for warranties, customer project and product-related obligations, the main parameters (ratio of the expected utilisation and the average amount) are defined by management.

- According to IFRS 9, financial assets must be classified into assets that are "held", "held and sold" or "held for trading", depending on the business model. Depending on this classification, financial assets are measured at amortised cost ("held"), or (a) at fair value through other comprehensive income ("held and sold") or (b) at fair value through profit or loss ("held for trading").

- When determining whether the exercise of any options to extend the lease is reasonably certain in the sense of IFRS 16.

II. Consolidation methods and basis of consolidation

7. Consolidation principles and methods

The consolidated financial statements comprise the financial statements of SHW AG and all of its subsidiaries (with the exception of SensDev GmbH, Burgstädt, which is not included on grounds of immateriality) over which it exercises control as defined by IFRS 10, as at 31 December of the respective fiscal year. The financial statements of the subsidiaries are prepared as at the same reporting date as those of the parent company using uniform accounting and valuation principles.

A full list of the shareholdings of the SHW Group is attached as an integral part of these notes to the consolidated financial statements.

Capital consolidation is carried out in accordance with the purchase method. Subsidiaries are fully consolidated from their date of acquisition, i.e. from the date as at 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 removed from the consolidated financial statements as soon as the parent company ceases to control the subsidiary. Upon first-time consolidation, the entity's acquisition cost is allocated to the identifiable assets, liabilities and contingent liabilities of the entity acquired. The assets acquired, particularly the intangible assets, are reassessed in terms of their accounting treatment and subsequently recognised at fair value. Where the acquisition costs for the acquired entity exceed the proportional fair value of the net assets, goodwill is recognised and an impairment test is carried out once a year or when there is good cause. If the impairment test reveals a loss in value an impairment loss is recognised.

All intra-group balances, transactions, income, expenditures, profits and losses from intra-group transactions that are recognised in the separate financial statements of consolidated companies are eliminated.

8. Scope of consolidation

The scope of consolidation has changed due to the first-time consolidation of SHW Gießerei GmbH & Co. KG, Tuttlingen and SHW Bremsen Beteiligungs GmbH, Tuttlingen, as at 1 January 2020. These entities were founded in the course of a carve-out from Schwäbischen Hüttenwerke GmbH. Aalen. Consequently, there are no significant changes in the consolidated financial statements as at 31 December 2020 in comparison to the previous year.

Disposal group classified as held for sale

As an electronic manufacturing service unit, LHT is a niche provider in the small to medium-sized series assembly business. For this reason, SHW has decided to reposition LHT on the basis of a "best owner strategy". In the second half of the fiscal year, the Supervisory Board of SHW approved the plan of the Management Board to divest of LHT. An active programme to locate a buyer was initiated. Correspondingly, LHT was as presented as a disposal group and classified as held-for-sale. The efforts to sell the disposal group have begun and a sale is expected in 2021.

A. Impairment loss on the disposal group

The impairment losses recorded on the disposal group to write them down to the lower of their carrying amount or fair value less the costs to sell amount to € 1,020 thousand and are posted under "other operating expenses". The impairment losses reduced the carrying amount of the non-current assets in the disposal group.

B. Assets and liabilities of the disposal group classified as held for sale

On 31 December 2020 the disposal group was measured at fair value less the costs to sell and comprises the following assets and liabilities:

AKTIVA

K EUR	31.12.2020
Other intangible assets	19
Property, plant and equipment	5,087
Deferred tax assets	39
Receivables from affiliated companies	479
Inventories	2,064
Trade receivables	956
Other assets	135
Cash and cash equivalents	127
Assets held for sale	**8,906**

EQUITY AND LIABILITIES

K EUR	31.12.2020
Employee benefits	82
Deferred tax liabilities	24
Liabilities to banks	1,647
Trade payables	367
Other provisions	102
Other liabilities	778
Held-for-sale liabilities	**3,000**

Cumulative income and expenses posted to other comprehensive income

No cumulative income and expenses associated with the disposal group have been posted to other comprehensive income.

LHT is allocated to the Pumps and Engine Components segment. Reference is made to Note (25).

9. Currency translation

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

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

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

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

		Closing rate 31.12		Average rate	
	€1	**2020**	2019	**2020**	2019
Brazil	BRL	6.3735	4.5157	5.9988	4.4175
Canada	CAD	1.5633	1.4598	1.5380	1.4822
China	RMB	8.0225	7.8205	7.8975	7.7237
Romania	RON	4.8683	4.783	4.8425	4.7501

III. Notes to the income statement

14. Sales

The sales presented in the consolidated income statement include revenue from contracts with customers (IFRS 15).

Sales are measured on the consideration agreed on in a contract with a customer. The SHW Group basically recognises revenue on the date on which control over the good or service is transferred to the customer, which is always at a point in time as the criteria for revenue recognition over time are not met. Although the goods or services passed to the customer are generally without any alternative use, the Company is not fundamentally entitled at all times to compensation for the performance obligations it has already satisfied. Consequently, the revenue is recognised at a point in time when control over the good or service passes to the customer.

The Pumps and Engine Components business segment achieved sales of € 289,156 thousand in fiscal year 2020 (previous year € 312,813 thousand). The Brake Discs business segment achieved sales of € 103,775 thousand in fiscal year 2020 (previous year € 119,608 thousand).

The geographic information of the SHW Group is based on sales with customers headquartered in the various countries.

GEOGRAPHICAL SEGMENTATION

1. January till 31. December	Germany		Rest of Europe		America		Asia		Other		Total	
K EUR	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue from contracts with customers	185,074	215,203	120,329	145,301	30,203	12,996	57,296	48,032	29	10,889	392,931	432,421

As at 31 December 2020 contract liabilities amounted to € 932 thousand (previous year € 1,005 thousand). Contract liabilities mainly consist of the advance payments received from customers for preparatory work prior to the commencement of serial production. Revenue of € 558 thousand (previous year € 1,449 thousand) was realised in the course of fiscal year 2020 from the net balance of contract liabilities carried at the beginning of fiscal year 2020.

As in the previous year, the incremental costs of obtaining contracts of € 4,701 thousand (previous year € 3,391 thousand) are presented under non-current other assets and € 1,019 thousand (previous year € 787 thousand) under current other assets as at 31 December 2020. Incremental costs of obtaining contracts are when payments are made that can be directly associated with a probable customer contract without which the contract would not have been obtained and are expected to be recovered from the customer in future. Incremental costs of obtaining contracts are amortised in accordance with the later calls for the delivery of series products and came to € 846 thousand in the fiscal year (previous year € 764 thousand). No impairment losses were recorded on recognised the incremental costs of obtaining contracts as at 31 December 2020. We refer to Notes (26) and (29).

Reference is made to Note (28) for more information on the impairments recorded on trade receivables.

15. Selling expenses

Selling expenses are expenses incurred by the sales function. This primarily includes expenses incurred by the sales departments and all of the overheads that can be allocated to these functions or activities. Direct selling expenses also include freight costs, commission and shipping costs.

16. General administrative expenses

Administrative costs include all administrative expenses which cannot be directly allocated to other functions. This includes expenses for general administration, management and other higher-level departments (see also the explanations on the results of operations in the Group Management Report). In the 2020 reporting year it was mostly expenses of € 685 thousand (previous year € 0 thousand) incurred for internal restructuring within the Group.

17. Research and development costs

Research and development costs include personnel and non-personnel costs (e.g. depreciation of machinery used in research and development). In fiscal year 2020, the additionally capitalised development costs amounted to € 3,487 thousand (previous year € 4,531 thousand). Additional development services were billed within the scope of customer orders.

18. Other operating income

Other operating income comprises, in particular, income from the reversals of provisions and other liabilities of € 1,117 thousand (previous year € 3,733 thousand), non-recurring income from exchange rate differences of € 1,839 thousand (previous year € 586 thousand) and income from compensation payments and insurance indemnification of € 856 thousand (previous year € 1,360 thousand).

19. Other operating expenses

Other operating expenses comprise, in particular, expenses from litigation (including the associated legal expenses and advisory costs) of € 6,803 thousand (previous year € 1,225 thousand) and exchange losses of € 2,325 thousand (previous year € 558 thousand). In addition, impairment losses amounted to € 1,020 thousand (previous year € 0 thousand) and losses on disposal of non-current assets came to € 649 thousand (previous year €929 thousand).

20. Financial result

The financial result breaks down as follows:

K EUR	2020	2019
Financial income	36	8
Financial expenses		
Interest and similar expenses	– 1,957	– 1,308
Interest in the addition to pension provisions	– 321	– 501
Interest expense from leases	– 292	– 320
	– 2,570	**– 2,129**
Financial result	**– 2,534**	**– 2,121**

Financial income mainly results from interest on non-current assets and interest income from fixed-term deposits.

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

Other interest and similar expenses refer in particular to interest and borrowing costs from the syndicated loan of € 1,541 thousand (previous year € 889 thousand) determined using the effective interest rate method, see also Note (34) "Liabilities".

The following table shows the net results for financial instruments by valuation category:

K EUR	Net results		of which impairment losses / reinstatements	
	2020	2019	2020	2019
Loans and receivables (AC)	– 292	– 252	– 328	– 260
Other non-current financial assets (AC)	– 17	– 24	– 17	– 24
Financial liabilities (AC)	– 2,249	– 1,376	0	0
Total	**– 2,558**	**– 1,652**	**– 345**	**– 284**

21. Income taxes

Actual tax refund claims and tax liabilities

The actual tax refund claims and tax liabilities for the current period and for previous periods are carried at the amount of the expected refund by the tax authorities or the expected payment to the tax authorities. The calculation of this amount is based on the tax rates and tax laws applicable on the balance sheet date.

Income tax assets and income tax liabilities

Tax assets of € 452 thousand (previous year € 145 thousand) relate to rights to reimbursement of corporate income tax and withholding tax. Income tax liabilities of € 1,004 thousand (previous year € 1,882 thousand) relate to tax periods that have not yet been finally assessed.

Deferred taxes

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

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which the deferred tax assets can be at least partially offset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised insofar as it is now probable that future taxable income will enable the realisation of the deferred tax asset.

Deferred tax assets are reported as a separate item under non-current assets, while deferred tax liabilities comprise a separate item under non-current liabilities and provisions.

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

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

a) Tax recognised in profit or loss

K EUR	2020	2019
Current taxes	**– 781**	**– 3,554**
Current year	– 1,694	– 3,359
Adjustments for previous years	913	– 195
Deferred taxes	**2,985**	**949**
Recognition / reversal of temporary differences	– 450	– 560
Effect of tax loss recognised	2,773	1,509
Recognition of previously unrecognised tax losses	662	0
Total	**2,204**	**– 2,605**

The deferred tax expenses recognised directly in equity resulted from the revaluation of defined benefit obligations by an amount of € 224 thousand (previous year deferred tax income of €863 thousand).

b) Reconciliation of effective tax rate

K EUR	2020	2019
Earnings before tax	– 7,263	12,496
Expected income tax (28.4 [previous year 28.4] per cent)	– 2,063	3,549
Tax-free income, non-deductible expenses	32	88
Tax effect of joint ventures accounted for using the equity method	0	0
Taxes from previous years	– 122	195
Reduction in assessed value	– 15	– 14
Add backs (pursuant to Section 8 of the German Trade Tax Act- GewStG)	68	52
Unrecognised deferred tax assets from loss carryforwards	0	0
Impairment losses on deferred tax assets from loss carryforwards	419	0
Recognition of the tax effects arising from unused tax loss carryforwards not recognised to date	-662	-1.220
Deviating foreign tax rates	-91	89
Non-deductible withholding tax	106	0
Tax effect from the impairment of goodwill	116	0
Other	8	-134
Income taxes	**-2.204**	**2.605**
Effective tax rate	30,4%	20,8%

In Germany, corporate income tax (including the solidarity surcharge) totalled 15.8 per cent in 2020. Trade tax amounts to 12.5 per cent, with an average assessment rate of 358.0 per cent.

This resulted in a total statutory tax burden of 28.4 per cent.

Deferred taxes are based on differences in recognition and measurement in the tax balance sheet; in each case it is assumed that the actual domestic tax rate of 28.4 per cent is used.

No deferred taxes were calculated on outside basis differences amounting to €4,736 thousand (previous year €3,986 thousand) since SHW is able to control the timing of their release, and it is likely that the temporary difference will not reverse in the foreseeable future.

The distribution of dividends to shareholders of SHW AG did not have an impact on income tax in previous years and will not have an income tax impact in 2021.

c) Composition of deferred taxes

K EUR	Consolidated balance sheet 31.12.2020	31.12.2019
Deferred income tax assets		
Property, plant and equipment	0	13
Inventories	894	709
Other current assets	0	5
Employee benefits	4,674	4,975
Non-current liabilities and provisions	3,335	2,942
Current liabilities, provisions and accruals	364	587
Unused tax losses	5,344	2,127
Total	**14,611**	**11,358**
Deferred income tax liabilities		
Intangible assets	3,821	3,540
Property, plant and equipment	3,469	3,221
Other non-current assets	23	50
Other current assets	317	114
Non-current liabilities and provisions	91	177
Current liabilities, provisions and accruals	26	27
Total	**7,747**	**7,129**

Of the total deferred tax assets recognised on unused tax losses, an amount of €3,001 thousand (previous year €0 thousand) is attributable to SHW AG.

The Canadian subsidiary, SHW Pumps & Engine Components Inc. carried deferred tax assets of €945 thousand on unused tax losses (previous year €1,245 thousand) as at 31 December 2020.

Of the total deferred tax assets recognised on unused tax losses an amount of €705 thousand (previous year €114 thousand) is attributable to the Brazilian subsidiary, SHW do Brasil Ltda.

At LHT the deferred tax assets on unused tax losses were written down to €0 thousand (previous year €299 thousand) due to the plans to divest of LHT.

Deferred tax assets of € 693 thousand (previous year € 470 thousand) on unused tax losses are carried by the Romanian subsidiary, SHW Pumps & Engine Components SRL in fiscal year 2020.

d) Deferred taxes directly recognised in equity

K EUR	Before tax	Tax income / expense	After tax
2020			
Actuarial gains / losses from pension provisions and similar obligations	791	– 226	565
Currency translation differences	– 2,419	0	– 2,419
derivatives	– 178	51	– 127
Total	**– 1,806**	**– 175**	**– 1,981**
2019			
Actuarial gains / losses from pension provisions and similar obligations	– 3,038	863	– 2,175
Currency translation differences	– 51	0	– 51
derivatives	– 123	35	– 88
Total	**– 3,212**	**898**	**– 2,314**

The balance of deferred taxes carried in other comprehensive income amounted to €2,863 thousand as at 31 December 2020.

e) Unrecognised deferred tax assets

As at 31 December 2020 there are no deferred tax assets that have not been recognised. Deferred tax assets were recognised on all unused tax losses at German and foreign group entities as at 31 December 2020.

The Management Board is of the opinion that it is probable that there will be taxable income in future against which these entities will be able to offset the unused tax losses.

22. Cost of materials, personnel expenses, depreciation and amortisation

The cost of sales and other functional costs contain the cost of materials, personnel expenses and depreciation and amortisation, as follows:

COST OF MATERIALS

K EUR	2020	2019
Cost of raw materials and supplies	217,675	236,257
Cost of purchased services	11,506	13,510
Total cost of materials	**229,181**	**249,767**

PERSONNEL EXPENSES

K EUR	2020	2019
Wages and salaries	83,869	92,694
Social security contributions and pension expenses	16,373	18,031
Total personnel expenses	**100,242**	**110,725**

Social security contributions and pension expenses include pension expenses of € 7,748 thousand (previous year: € 8,181 thousand). Pension expenses comprise the addition to pension provisions (excluding the interest component) of € 806 thousand (previous year € 545 thousand). Statutory pension insurance expenses totalled € 6,674 thousand (previous year € 7,368 thousand).

Depreciation and amortisation

Depreciation and amortisation of intangible assets and property, plant and equipment totalled € 30,066 thousand (previous year € 26,925 thousand), of which € 2,407 thousand (previous year € 1,427 thousand) is due to IFRS 16 and € 1,020 thousand due to impairment (previous year € 0 thousand). For a breakdown of depreciation and amortisation to the individual line items of non-current assets for the fiscal year and the previous year, please see the "Statement of changes in intangible assets and property, plant and equipment" in Note (25).

23. Auditor's fee

K EUR	2020	2019
Auditing services	238	208
of which for previous years	0	0
of which other audit services	0	0
Other assurance services	3	13
Tax advisory services	0	0
Other services	0	4

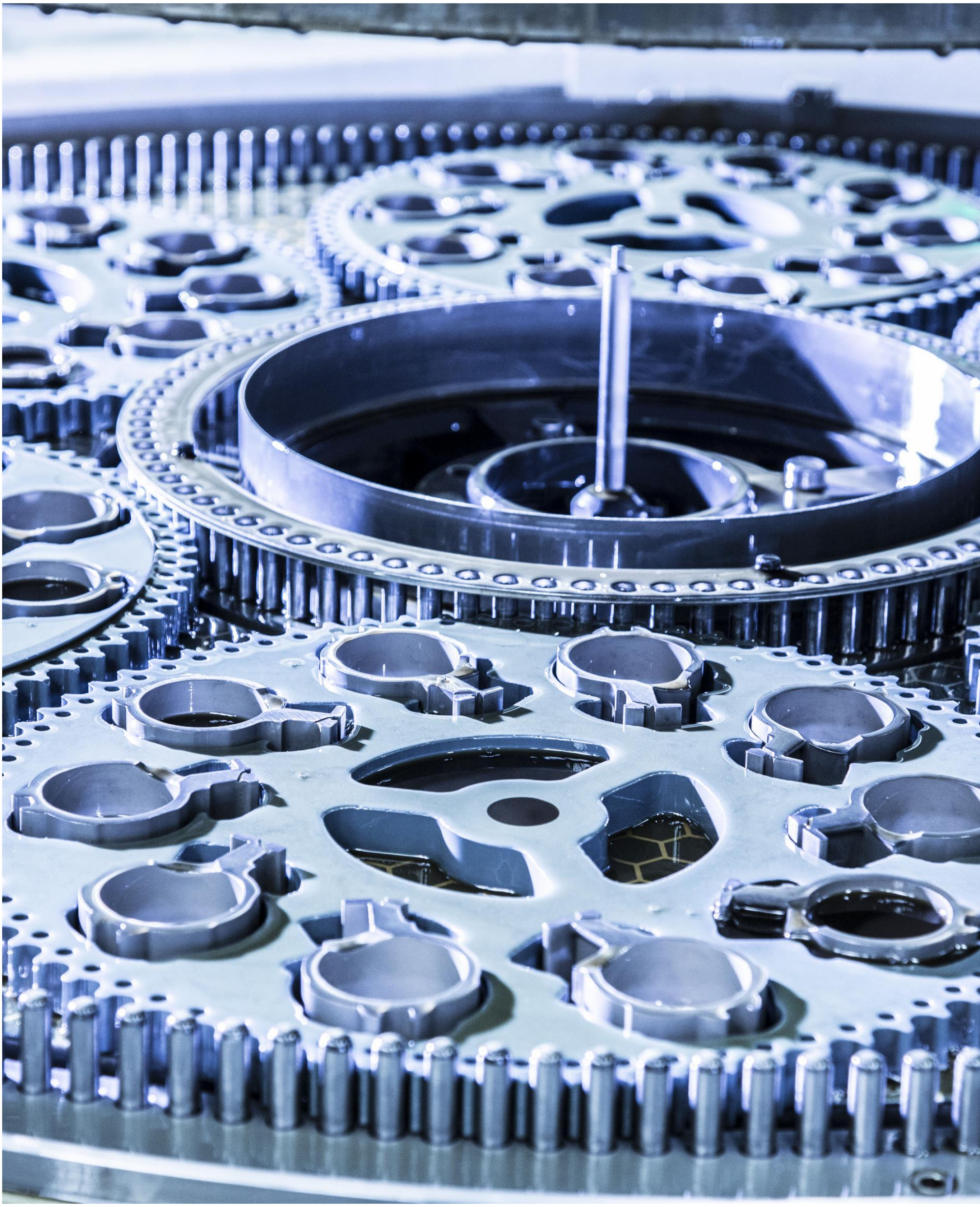
24. Employees

Annual average number of employees:

EMPLOYEES

	2020	2019
Pumps and Engine Components business segment		
direct employees	519	518
indirect employees	605	580
Brake Discs business segment		
direct employees	282	287
indirect employees	164	162
Corporate		
indirect employees	49	47
	1,619	**1,594**

Directly employed staff perform a primary task, the costs of which can be directly allocated to a product. Indirectly employed staff perform tasks that support the primary task by which the costs cannot therefore be directly allocated to a product.



IV. Notes to the consolidated balance sheet

25. Statement of changes in intangible assets and property, plant and equipment

	Acquisition and production costs						
K EUR	As at 1.1.2020	Additions	Reclassi fications	Disposals	Exchange rate differences	Reclassificat ion to "held-for-sale"	As at 31.12.2020
Intangible assets							
Goodwill	7,441	0	0	0	0	0	7,441
Customer base	963	0	0	0	0	– 963	0
Internally generated assets	20,685	3,487	0	– 287	0	0	23,885
Other intangible assets	12,695	1,072	0	– 19	– 43	– 92	13,613
	41,784	**4,559**	**0**	**– 306**	**– 43**	**– 1,055**	**44,939**
Property, plant and equipment							
Land, land rights and buildings	70,661	3,932	2,375	– 113	– 323	– 3,094	73,438
Technical equipment and machinery	197,541	9,221	10,792	– 2,959	– 1,265	– 3,516	209,814
Other equipment, operating and office equipment	43,222	3,960	489	– 1,090	– 82	– 369	46,130
Advance payments and assets under construction	13,684	11,091	– 13,656	– 1	– 145	0	10,973
	325,108	**28,204**	**0**	**– 4,163**	**– 1,815**	**– 6,979**	**340,355**
Total	**366,892**	**32,763**	**0**	**– 4,469**	**– 1,858**	**– 8,034**	**385,294**

	Acquisition and production costs						
K EUR	As at 1.1.2019	Additions from first-time consolidation	Additions	Reclassi fications	Disposals	Exchange rate differences	As at 31.12.2019
Intangible assets							
Goodwill	7,441	0	0	0	0	0	7,441
Customer base	963	0	0	0	0	0	963
Internally generated assets	16,483	0	4,531	0	– 329	0	20,685
Other intangible assets	11,135	0	1,596	– 38	0	2	12,695
	36,022	**0**	**6,127**	**– 38**	**– 329**	**2**	**41,784**
Property, plant and equipment							
Land, land rights and buildings	58,130	0	12,722	513	– 584	– 120	70,661
Technical equipment and machinery	169,981	0	13,154	15,291	– 1,043	158	197,541
Other equipment, operating and office equipment	34,455	0	8,912	820	– 960	– 5	43,222
Advance payments and assets under construction	18,793	0	11,636	– 16,586	– 282	123	13,684
	281,359	**0**	**46,424**	**38**	**– 2,869**	**156**	**325,108**
Total	**317,381**	**0**	**52,551**	**0**	**– 3,198**	**158**	**366,892**

	Depreciation and amortisation								Net carrying amounts	
	As at 1.1.2020	Additions	Reclassi fications	Disposals	Impairment	Exchange rate differences	Reclassificati on to "held-for-sale"	As at 31.12.2020	31.12.2020	1.1.2020
	0	0	0	0	386	0	0	386	7,055	7,441
	233	96	0	0	634	0	– 963	0	0	730
	9,004	1,435	0	0	0	0	0	10,439	13,446	11,681
	9,192	1,010	0	– 3	0	– 14	– 74	10,111	3,502	3,503
	18,429	**2,541**	**0**	**– 3**	**1,020**	**– 14**	**– 1,037**	**20,936**	**24,003**	**23,355**
	18,740	3,825	0	– 61	0	– 98	– 469	21,937	51,501	51,921
	125,758	17,527	0	– 2,096	0	– 493	– 1,176	139,520	70,294	71,783
	24,847	5,153	0	– 1,038	0	– 36	– 246	28,680	17,450	18,375
	0	0	0	0	0	0	0	0	10,973	13,684
	169,345	**26,505**	**0**	**– 3,195**	**0**	**– 627**	**– 1,891**	**190,137**	**150,218**	**155,763**
	187,774	**29,046**	**0**	**– 3,198**	**1,020**	**– 641**	**– 2,928**	**211,073**	**174,221**	**179,118**

	Depreciation and amortisation							Net carrying amounts	
	As at 1.1.2019	Additions	Reclassi fications	Disposals	Write-ups	Exchange rate differences	As at 31.12.2019	31.12.2019	1.1.2019
	0	0	0	0	0	0	0	7,441	7,441
	137	96	0	0	0	0	233	730	826
	7,990	1,014	0	0	0	0	9,004	11,681	8,493
	8,248	942	0	0	0	2	9,192	3,503	2,887
	16,375	**2,052**	**0**	**0**	**0**	**2**	**18,429**	**23,355**	**19,647**
	15,437	3,568	0	– 245	0	– 20	18,740	51,921	42,693
	110,739	16,029	0	– 982	0	– 28	125,758	71,783	59,242
	20,441	5,276	0	– 872	0	2	24,847	18,375	14,014
	0	0	0	0	0	0	0	13,684	18,793
	146,617	**24,873**	**0**	**– 2,099**	**0**	**– 46**	**169,345**	**155,763**	**134,742**
	162,992	**26,925**	**0**	**– 2,099**	**0**	**– 44**	**187,774**	**179,118**	**154,389**

Intangible assets

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

Intangible assets with limited useful lives are amortised using the straight-line method over their economic useful life of two to ten years. The useful life and amortisation methods are reviewed at the end of each fiscal year and adjusted if necessary.

The customer base acquired in the course of the acquisition of LHT was measured at its residual value (net present value of future net cash flows that the customer relationships are expected to generate). The recoverable amount of this asset is measured on its fair value less the costs to sell. Due to the adjustments to the sales forecasts with key customers, the carrying amount of the customer base was higher than its recoverable amount of € 0 thousand, resulting in a need to record an impairment loss of €634 thousand on the customer base. The carrying amount as at 31 December 2020 is €0 thousand (previous year €730 thousand).

Research costs are recognised in the period incurred. Project development costs are only capitalised as intangible assets when the SHW Group can verify the technical feasibility of completing the intangible asset which would allow for the internal use or sale of the asset, as well as the intention of completing the intangible asset and the intention to use or to sell the asset. Furthermore, the SHW Group must provide proof of the establishment of the asset's future economic use, the availability of resources for the purposes of completing the asset, and be able to reliably identify the expenses incurred which can be attributed to the development of this intangible asset. Development costs include directly attributable costs, as well as a proportionate share of overhead expenses. Selling expenses and administrative expenses are not included. For development projects not yet completed, tests will be carried out at the end of each fiscal year to ascertain whether there is objective evidence of impairment.

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

In the reporting year, there were no borrowing costs, as defined by IAS 23, recorded under intangible assets and property, plant and equipment.

Intangible right-of-use assets from leases are not recognised in keeping with IFRS 16 (practical expedient).

Additions to internally generated assets mainly resulted from capitalised development costs of €3,487 thousand (previous year €4,531 thousand).

Other intangible assets mainly consist of software and licenses.

Depreciation and amortisation of intangible assets and property, plant and equipment are included in functional costs and particularly in the cost of sales. Impairment is reported under other operating expenses.

Purchase commitments for intangible assets and property, plant and equipment amount to € 18,137 thousand (previous year €17,865 thousand).

Goodwill

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

Goodwill is subject to an impairment test once a year or when needed and is impaired if necessary. To test for impairment, the goodwill is allocated as at the acquisition date to cash-generating units in the SHW Group that are expected to benefit from the synergies of the business combination.

This occurs regardless of whether other assets or liabilities of the acquired business are allocated to these cash-generating units. If the recoverable amount of a cash-generating unit is less than the unit's carrying amount, the impairment loss is first allocated to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis and in accordance with the carrying amount of each asset in the unit. Any recognised impairment loss on goodwill may not be reversed in subsequent periods.

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

- Pumps and Engine Components CGU
- Brake discs CGU
- LHT CGU

The recoverable amount of the three (previous year two) CGUs was calculated on the basis of their fair value less costs to sell. This calculation was made using EBIT forecasts that are based on the financial plan for the years from 2021 to 2025 approved by management. The determination of fair value is carried out according to level 3 of the valuation hierarchy as defined by IFRS 13. Calculation of the terminal value is based on an inflation/growth discount of 0.5 per cent (previous year 0.5 per cent).

For the EBIT forecasts a 8.2 per cent discount rate was used (previous year 9.4 per cent). This represents the risk-adjusted weighted average cost of capital (WACC) before taxes.

SHW has decided to reposition LHT and plans to sell it on the basis of a "best owner strategy". As a result, a separate LHT CGU was established. The LHT CGU is allocated to the Pumps & Engine Components segment

The recoverable amount of the LHT CGU is measured on its fair value less the costs to sell. Due to its adjusted sales forecasts, the carrying amount of the LHT CGU was found to be higher than its recoverable amount of € 6,738 thousand, resulting in an impairment loss of €386 thousand (previous year €0 thousand). The impairment loss was allocated entirely to goodwill and posted to other operating expenses. The carrying amount of the goodwill in the LHT CGU therefore amounts to €0 thousand (previous year €386 thousand). In the previous year it was still allocated to the Pumps and Engine Components CGU.

It is not possible to reverse this impairment loss in future accounting periods.

The remaining goodwill was allocated to the relevant CGUs as follows:

CARRYING AMOUNT OF GOODWILL

K EUR	**31.12.2020**	31.12.2019
Pumps and Engine Components	4,233	4,619
Brake Discs	2,822	2,822
Total	**7,055**	**7,441**

Apart from the customer base and the goodwill carried in LHT, no other assets were impaired.

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

Planned gross margins

The gross margins in the planning period were determined on the basis of standard cost estimates and empirical values. During the planning period, sales were calculated mainly on the basis of already existing customer orders and the potential from specific customer projects

Planned EBIT margin

EBIT forecasts are based on averages from previous years' experience as well as on estimates of future developments and show a trend for rising margins overall. The fundamental assumptions made coincide with those from external sources of information. The planned EBIT margin of the CGUs within the planning horizon lie in a range between 2.9 and 6.8 per cent.

Discount rates

The discount rate was derived from a base interest rate after tax of 0.04 per cent and an after-tax market risk premium of 7.5 per cent. The beta factor, capital structure and cost of debt were derived from the data for a peer group of comparable companies.

The recoverable amount is compared with the corresponding carrying amount of the relevant CGU. An impairment of goodwill is recognised if the recoverable amount is less than the carrying amount of the CGU. The annual impairment test of goodwill came to the conclusion that there was a need to record an impairment of €0.4 million on the LHT CGU. If there was an increase of 0.5 percentage points in the discount rate or a change in the EBIT forecasts of 10.0 per cent there would not be a need to record an impairment loss in the Pumps and Engine Components CGU nor in the Brake Discs CGU.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The production costs of property, plant and equipment produced internally comprise the direct and overhead costs of production directly attributable to the asset, including depreciation.

Property, plant and equipment are depreciated using the straight-line method over their expected useful lives. The carrying amount of property, plant and equipment is tested for impairment when there is an indication that the asset's carrying amount exceeds its recoverable amount.

Depreciation is based on the following useful lives:

Asset category	Useful life
Buildings	14 to 40 years
Land improvements	8 to 20 years
Technical equipment and machinery	5 to 15 years
Operating and office equipment	3 to 14 years

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

Impairment of property, plant and equipment and intangible assets

At the end of each fiscal year, the SHW Group reviews the carrying amounts of property, plant and equipment and intangible assets in order to determine if there are any indications of impairment. If there are such indications, then the asset's recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount of the asset's cash-generating unit is estimated when the recoverable amount of an individual asset cannot be determined because the cash flows it generates are not essentially independent of the cash flows of other assets or groups of assets. If a reasonable and consistent basis can be identified for allocating cash flows, the shared assets are allocated to the respective cash generating units. Otherwise, they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.

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

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

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

Borrowing costs

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

26. Other non-current financial assets and other assets

The non-current other financial assets break down as follows:

K EUR	**31.12.2020**	31.12.2019
Cash surrender value of pension insurance policies	232	249
Loan to a non-consolidated subsidiary (SensDev GmbH, Burgstädt)	0	60
Total	**232**	**309**

Of the other non-current assets, a total of € 4,978 thousand (previous year €3,604 thousand) are prepaid expenses, of which € 4,701 thousand (previous year € 3,391 thousand) are incremental costs of obtaining contracts.

27. Inventories

K EUR	**31.12.2020**	31.12.2019
Raw materials and supplies	21,255	22,841
Unfinished products	15,167	15,093
Finished products	13,125	18,231
Total	**49,547**	**56,165**

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

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

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

Impairments of inventories in fiscal year 2020 amounted to €7,353 thousand (previous year €6,925 thousand). The change compared to the previous year is included in the cost of sales.

The acquisition and production costs of inventories, which are recognised as an expense under the cost of sales, amounted to €227,481 thousand (previous year €253,739 thousand).

The net realisable value totalled €49,547 thousand (previous year €56,165 thousand).

28. Trade receivables

K EUR	31.12.2020	31.12.2019
Receivables from customers	41,672	45,340
Impairment losses	- 38	- 184
Allowance for doubtful debt	- 1,059	- 731
Total	**40,575**	**44,425**

Trade receivables of €413 thousand are carried against SensDev GmbH, Burgstädt, a non-consolidated subsidiary.

To improve its liquidity, SHW entered into a factoring agreement with Oberbank AG on 13 December 2019 (non-recourse factoring) which was extended on 17 December 2020. As at 31 December 2020 the net balance of sold receivables came to €11,928 thousand (previous year €5,580 thousand).

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

With regard to trade receivables that are not impaired or past due, there are no indications as at the balance sheet date that any debtor is not able to meet its payment obligations. The impairment model applied by the SHW Group for its trade receivables is presented in Note (38).

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

K EUR	2020	2019
Allowance for impairment losses as at 1 January*	**893**	**655**
Additions (expenses from impairment losses)	1	116
Utilisation	- 124	0
Reversals (other operating income)	- 1	- 166
Change in sales adjustment for items not yet clarified	328	310
Allowance for impairment losses as at 31 December	**1,097**	**915**
*in fiscal year 2020 excluding LHT (€22 thousand)		

29. Current other financial assets and other assets

Current other financial assets mainly consist of the amounts blocked by the factor for security of €343 thousand (previous year €304 thousand).

Current other assets mainly consist of VAT assets of € 1,632 thousand (previous year € 4,125 thousand), advance payments on inventories of € 2,086 thousand (previous year €1,557 thousand) and outstanding reimbursements of electricity and energy tax of €1,737 thousand (previous year €777 thousand) and current deferred incremental costs of obtaining contracts of €1,019 thousand (previous year €787 thousand).

30. Cash and cash equivalents

K EUR	31.12.2020	31.12.2019
Cash in banks, cheques, cash in hand	14,697	15,321
Total	**14,697**	**15,321**

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

Cash in banks earns variable interest rates for deposits subject to notice of up to three months.

31. Equity

The changes in equity are shown in the “Consolidated statement of changes in equity”.

Subscribed capital and capital reserves

The subscribed capital of SHW AG comprises 6,436,209 (previous year 6,436,209) no-par value shares each allotted a share of €1.00 in share capital per no-par value share. The shares are fully paid up.

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

Revenue reserves and other reserves

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

Other reserves include value changes recognised directly in equity and break down as follows:

Other reserves decreased in the fiscal year 2020 due to the effects of foreign currency translation of €2,419 thousand. By contrast, other reserves increased by €565 thousand due to a change in the actuarial assumptions used to measure pension obligations. The actuarial gains and losses less the related deferred taxes are recorded in other comprehensive income pursuant to IAS 19.

Authorised capital

Section 4 (4) of the Articles of Association was revised following a resolution passed by the Annual General Meeting on 23 June 2020. With the consent of the Supervisory Board, the Articles of Association thus authorise the Management Board to increase the Company’s share capital once or several times, until 22 June 2025, by up to €3,218,104.00 by issuing new no-par value shares against contributions in cash and / or in kind (Authorised Capital 2020). Moreover, the Management Board is entitled to determine the further details and execution of a capital increase with the consent of the Supervisory Board. The shareholders have a basic right to subscribe to shares. The new shares could be underwritten by one or more banks or equivalent institutes as defined by Section 186 (5) sentence 1 AktG with the obligation to offer them to the shareholders for subscription. However, the Management Board is authorised, with consent from the Supervisory Board, to fully or partially exclude the subscription rights of shareholders in certain cases and determine the further details of a capital increase and its execution.

K EUR	Pension liabilities	Derivatives	Foreign currency translation	**Total other reserves**
As at 1. January 2019	– 4,856	0	– 1,781	– 6,637
Other comprehensive income	– 2,175	– 88	– 51	– 2,314
As at 31.December 2019	**– 7,031**	**– 88**	**– 1,832**	**– 8,951**
Other comprehensive income	565	– 127	– 2,419	– 1,981
As at 31.December 2020	**– 6,466**	**– 215**	**– 4,251**	**– 10,932**

Contingent capital

Section 4 (5) of the Articles of Association was revised following a resolution passed by the Annual General Meeting on 23 June 2020. The Articles of Association authorise the Management Board, with the consent of the Supervisory Board, to issue bearer and / or registered convertible and / or warrant bonds on one or more occasions until 22 June 2025 (inclusive) for a total nominal amount of up to €60,000,000.00 with a limited or unlimited term to maturity. It will also be authorised to grant conversion or warrant rights to the bearers / creditors of bonds entitling them to subscribe to up to 3,000,000 new bearer or – if the existing shares in the Company are registered at the time that the new shares are issued – registered no-par value shares accounting for share capital of up to €3,000,000.00 in total in accordance with the more detailed provisions of the terms and conditions of the convertible / warrant bonds and / or afford the Company corresponding conversion rights (Contingent Capital 2020).

Appropriation of earnings

The Management Board recommends that the Supervisory Board propose to the Annual General Meeting to transfer the retained earnings of €257,448.36 for fiscal year 2020 to new account.

After carefully reviewing distributable reserves, the capital base of the Group and the fluctuations in earnings due to the COVID-19 pandemic, the Supervisory Board decided to suspend distributing a dividend on qualifying common shares and non-redeemable preference shares for fiscal year 2019 in 2020. The Supervisory Board is of the opinion that the capital buffer provided by this decision is appropriate in light of the uncertainties arising from the COVID-19 pandemic.

32. Employee benefit obligations

Non-current obligations for employee benefits break down as follows:

K EUR	31.12.2020	31.12.2019
Pension provisions and similar obligations	28,788	29,779
Provisions for semi-retirement obligations	2,480	2,761
Provisions for service anniversary bonuses	2,704	2,795
Total	**33,972**	**35,335**

Pension provisions and similar obligations

The SHW Group has two defined benefit plans in Germany with essentially uniform conditions. They are measured on the basis of actuarial principles using the projected unit credit method and take into account the future development of salaries and pensions as well as the 2018 G reference tables ("RICHTTAFELN") published by Klaus Heubeck on 4 October 2018, which are applicable in Germany for the measurement of occupational pension obligations for fiscal years ending after the date of their publication. The actuarial interest rate is based on first-class, fixed-interest corporate bonds with an AA rating.

The company pension plan is largely based on direct defined benefit plans. As a rule, the benefits are measured in accordance with the employee's duration of service. The previous company pension plan is not available for new employees starting on or after 1 January 1999. In contrast to this earlier plan, employees now must pay half of the plan contributions themselves.

The pension plans are funded by recognising pension provisions, and in some cases liability insurance policies were concluded. Insofar as this concerns qualifying insurance policies that should be considered as plan assets, these were offset against the pension provisions, as outlined below. Insofar as this does not concern qualifying insurance policies, the corresponding plan assets were reported under "other non-current financial assets" (see Note (26)).

Actuarial gains and losses, which arise from changes in actuarial assumptions and deviations between earlier actuarial assumptions and the actual development, are recorded directly in equity under other reserves at the time they arise and in consideration of deferred tax. The actuarial gains and losses recognised under other reserves and the resulting deferred taxes are not reversed in the income statement in subsequent periods. The actuarial gains and losses recognised in the respective period and the related deferred taxes are shown separately in the statement of comprehensive income.

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

Expenses from unwinding the discount on pension provisions discounted to net present value are recorded under financial expenses. The remaining components of net pension expenses are included in the income statement under the respective functions.

Pension provisions and similar obligations include pension provisions of €28,788 thousand (previous year €29,779 thousand), including death benefits of € 173 thousand (previous year €180 thousand).

For defined contribution plans, the SHW Group has no further obligations above and beyond the payment of contributions and pension insurance contributions and social contributions to a special purpose fund. These contributions are recognised as expenses for the relevant functions.

In the reporting year, employer contributions of approximately € 6.7 million were paid to the statutory pension scheme in Germany (previous year €7.4 million). In addition, contributions of approximately €0.3 million (previous year €0.3 million) were paid into special-purpose funds.

The following assumptions have been made:

per cent	31.12.2020	31.12.2019
Interest rate	1.1	1.1
Pension trend	1.6	1.8

A pension trend of 1.25 per cent was assumed for one vested entitlement (previous year one).

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

In accordance with IAS 19, provisions for pension obligations also take actuarial gains and losses into account. They are shown in other comprehensive income within equity. Actuarial gains (previous year actuarial losses) resulting from a change in actuarial assumptions and demographic factors or from experience-based adjustments amounted to €789 thousand in the fiscal year (previous year €3,038 thousand).

The pension provisions recognised in the consolidated balance sheet contain the following:

K EUR	31.12.2020	31.12.2019
Defined benefit obligation (funded)	310	305
Defined benefit obligation (unfunded)	28,633	29,625
Total defined benefit obligation (DBO)	**28,943**	**29,930**
Fair value of plan assets	– 155	– 151
Pension provisions	**28,788**	**29,779**

The pension provision developed as follows:

K EUR	
Provision as at 1 January 2019	**27,057**
Current service cost	545
Interest cost	501
Pension payments	– 1,358
Actuarial gains and losses from the change in actuarial assumptions	3,721
Actuarial gains and losses from the change in demographic factors	0
Actuarial gains and losses from experience adjustments	– 683
Other	0
Compensation	– 4
Reversal	0
Provision as at 31 December 2019	**29,779**
Current service cost	806
Interest cost	321
Pension payments	– 1,329
Actuarial gains and losses from the change in actuarial assumptions	– 646
Actuarial gains and losses from the change in demographic factors	0
Actuarial gains and losses from experience adjustments	– 143
Compensation	0
Reversal	0
Provision as at 31 December 2020	**28,788**

The defined benefit obligation (DBO) developed as follows:

K EUR	2020	2019
Defined benefit obligation (DBO) 1 January	**29,930**	**27,204**
Current service cost	806	545
Interest cost	325	505
Pension payments	– 1,329	– 1,358
Actuarial gains and losses from the change in actuarial assumptions	– 646	3,721
Actuarial gains and losses from the change in demographic factors	0	0
Actuarial gains and losses from experience adjustments	– 143	– 683
Compensation	0	– 4
Reversal	0	0
Defined benefit obligation (DBO) 31 December	**28,943**	**29,930**

Plan assets developed as follows:

K EUR	2020	2019
Fair value of plan assets as at 1 January	**151**	**147**
Interest income	4	4
Plan assets as at 31 December	**155**	**151**

The plan assets are composed of two (pledged) reinsurance policies (life insurance). The plan assets do not include separate financial instruments or assets used by the Company. There will be no employer contribution to the plan assets in 2021.

The net pension expenses for defined benefit obligations break down as follows:

K EUR	2020	2019
Current service cost	806	545
Net interest cost	321	501
Net pension cost	**1,127**	**1,046**

Liabilities from defined benefit plans are as follows:

K EUR	31.12.2020	31.12.2019
Active employees	11,559	11,720
Former employees with vested rights	2,207	2,024
Pensioners / other	15,022	16,035
Pension provisions	**28,788**	**29,779**

The current service costs are included in the cost of sales, selling expenses, general administrative expenses, and research and development costs. Interest is recognised under interest expenses. Pension payments are expected to amount to € 1,298 thousand in fiscal year 2021. Pension payments of this amount are also expected for the years to come. The pension plan costs in 2021 are expected to amount to € 1,065 thousand.

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

Sensitivity analysis

An increase or decrease in the key actuarial assumptions (as at 31 December 2020 interest rate of 1.1 per cent, inflation rate of 1.6 per cent) would have the following impact on the present value of the Defined Benefit Obligation (DBO):

K EUR		DBO
Change in interest rate 0.6% (-0,5%)	31.548	28.943
Change in interest rate 1.6% (+0,5%)	26.428	28.943
Change in inflation rate 1.1% (-0.5%)	27.277	28.943
Change in inflation rate 2.1% (+0.5%)	30.451	28.943
Change in life expectancy +1 year	30.237	28.943

The weighted duration of pension provisions as at 31 December 2020 remains unchanged at 17.4 years (previous year 17.3 years).

Provisions for anniversary bonuses and semi-retirement obligations

Other non-current employee benefits are likewise measured using the projected unit credit method.

The provisions for anniversary bonuses and semi-retirement obligations developed in the fiscal year and the previous year as follows:

K EUR	
Provision as at 1 January 2019	**5,142**
Additions from first-time consolidation	0
Additions	1,245
Utilised	– 831
Provision as at 31 December 2019	**5,556**
Additions	750
Utilised	– 1,049
Provision as at 31 December 2020	**5,257**

33. Other provisions

K EUR	As at 31.12.2019	Utilised	Reversals	Reclass-ification	Additions	As at 31.12.2020
Warranties	1,170	- 290	- 62	- 27	107	898
Other business-related obligations	2,799	- 427	- 26	- 1,304	1,110	2,152
Other provisions	80	- 11	- 19	29	62	141
Total	**4,049**	**- 728**	**- 107**	**- 1,302**	**1,279**	**3,191**
of which non-current provisions	45	0	0	- 16	0	29

K EUR	As at 31.12.2018	Utilised	Reversals	Reclass-ification	Additions	As at 31.12.2019
Warranties	1,648	- 149	- 329	0	0	1,170
Other business-related obligations	3,835	- 698	- 2,483	0	2,145	2,799
Other provisions	225	- 131	- 22	0	8	80
Total	**5,708**	**- 978**	**- 2,834**	**0**	**2,153**	**4,049**
of which non-current provisions	45	0	0	0	0	45

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

Non-current other provisions of € 29 thousand (previous year € 45 thousand) comprise obligations to archive business documents.

Warranties

A provision was established for warranty obligations from the sale of products sold in the last three years. The measurement of the provision is based on past experience of repairs and customer complaints. In existing warranty cases, the amount is based on the expected result of the negotiations.

Other business-related obligations

Other business-related obligations primarily comprise customer project and product-related provisions of € 1,804 thousand (previous year €2,643 thousand).

34. Liabilities

K EUR	31.12.2020	31.12.2019
Non-current liabilities to banks	24,433	15,301
Other non-current financial liabilities	12,142	11,522
Other non-current liabilities	197	464
Non-current liabilities	**36,772**	**27,287**
Current liabilities to banks	24,845	42,632
Trade payables	52,693	50,883
Other current financial liabilities	17,470	8,694
Income tax liabilities	1,004	1,882
Other liabilities	10,053	10,346
Current liabilities	**106,065**	**114,437**
Total	**142,837**	**141,724**

Liabilities to banks

A financing agreement was entered into on 4 August 2017 with a syndicate of banks led by Landesbank Baden-Württemberg and UniCredit Bank AG as joint lead arrangers. The financing agreement has a total volume of €80.0 million and a term of five years with an option to prolong the agreement which was exercised in 2020. Its term ends on 4 August 2024. The syndicated financing arrangement is not secured. The interest rate under the arrangement is variable and pegged to the EURIBOR plus an interest margin of between 0.7 per cent and 3.3 per cent per annum, depending on the new covenants. The covenants relate to (a) net gearing (ratio of net debt to EBITDA) and (b) the equity ratio. Both covenants were complied with as at 31 December 2020. The Group does not hedge its interest risk under the syndicated loan agreement with banks. The Management Board is informed of interest positions on a regular basis.

At the end of the year an amount of € 20,783 thousand had been drawn from the syndicated loan (previous year € 42,283 thousand) and € 2,748 thousand (previous year € 2,000 thousand) for bank guarantees. In addition, the SHW Group took out three long-term loans in fiscal year 2020 of a total amount of € 14,000 thousand. The interest paid on the loans lies in the range of the interest paid under the syndicated loan agreement. As a measure to address any potential liquidity bottlenecks arising from the COVID-19 pandemic, a temporary debt holiday on two investment loans of € 912 thousand was granted, of which € 840 thousand relates to fiscal year 2020. The other non-current loans were repaid on schedule by an amount of € 1,546 thousand. Of this amount € 143 thousand relates to loans (€ 2,550 thousand) at Lust Hybrid Technik GmbH, Hermsdorf. Reference is made to Note (35). On 30 June 2020 the Group took out a loan of € 10,000 thousand from the KfW development bank to secure the financing of the Company which was arranged via the syndicate banks.

Trade payables

Of total trade payables, an amount of € 90 thousand (previous year € 107 thousand) are towards the affiliated companies in the Pierer group of companies.

The payment obligations for purchased materials are secured by retention of title, as is customary in the industry.

Other financial liabilities

Other financial liabilities mainly consist of liabilities from leases of which € 11,098 thousand (previous year € 10,097 thousand) are non-current and € 2,183 thousand (previous year € 2,516 thousand) are current. Reference is made to Note (39) for more information.

In addition, current other financial liabilities mainly consist of liabilities for litigation-related expenses and expenses for goods and services received in fiscal year 2020 already but for which the invoice was not recorded until fiscal year 2021.

Other liabilities

As in the previous year, other liabilities mainly consist of obligations towards employees. Current other liabilities towards employees consist of liabilities for overtime and work-time credits (€ 3,138 thousand, previous year € 2,868 thousand), bonuses/management incentives (€ 1,131 thousand, previous year € 867 thousand) severance payments (€ 927 thousand, previous year € 1,724 thousand) and vacation accrued (€ 1,847 thousand, previous year € 800 thousand).

Furthermore, liabilities from wage and church tax (€ 1,162 thousand, previous year € 1,288 thousand) and employers' liability insurance (€ 935 thousand, previous year € 949 thousand) are reported under current other liabilities.

Moreover, other liabilities also include a sum of € 440 thousand (previous year € 490 thousand) in deferred government grants for projects and capital expenditures (non-current portion € 405 thousand (previous year € 440 thousand), current portion € 34 thousand (previous year € 50 thousand)). Government grants are deferred in accordance with the underlying expenses and released over the economic life of the asset.

Government grants

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

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

Government grants used to subsidise investments are not deducted from the associated assets but are posted to the corresponding line items under non-current or current other liabilities in agreement with the useful life of the asset.

35. Contingent liabilities and other financial obligations

There were no contingent liabilities in fiscal years 2020 or 2019.

As at 31 December 2020 the contractual purchase obligations for intangible assets and property, plant and equipment amount to € 18,137 thousand (previous year € 17,865 thousand).

V. Notes to the cash flow statement

The cash flows shown in the cash flow statement are divided into three categories: operating activities, investing activities and financing activities. As at the balance sheet date, investments of €3,950 thousand in property, plant and equipment assets were capitalised for which no cash outflows had occurred during the fiscal year. In contrast, in the fiscal year cash outflows for investments in property, plant and equipment in the previous year amounted to €3,957 thousand. Furthermore, there were no cash outflows from the capitalisation of property, plant and equipment within the scope of leases pursuant to IFRS 16 of €3,863 thousand (previous year €9,117 thousand).

The amount of cash and cash equivalents shown in the cash flow statement is comprised of the cash and cash equivalents presented in the consolidated balance sheet.

As at the reporting date, short-term loans (money market loans) came to € 20,000 thousand (previous year € 40,000) and overdrafts to €444 thousand (previous year €2,283 thousand).

A reconciliation of the movements from liabilities from financing activities to the cash flows from financing activities for the fiscal year and the previous year is shown below:

K EUR	Non-current liabilities to banks	Current liabilities to banks	Liabilities from leases	Sundry other financial liabilities	**Total liabilities from financing activities**
As at 1. January 2020	**15,301**	**42,632**	**12,613**	**0**	**70,546**
Change due to disposals of held-for-sale liabilities	– 482	– 1,165	0	0	– 1,647
Changes in due term (non-current to current)	9.614	-9.614	0	0	0
Cash received (+) from the assumption of financial liabilities	0	14.000	0	0	14.000
Cash paid (-) for the redemption of financial liabilities	0	-21.008	0	0	-21.008
Non-cash changes	0	0	0	0	0
New leases	0	0	2.545	0	2.545
Interest expense from leases	0	0	292	0	292
Cash paid (-) for leases	0	0	-2.169	0	-2.169
Fair value adjustments	0	0	0	0	0
As at 31.December 2020	**24.433**	**24.845**	**13.281**	**0**	**62.559**

K EUR	Non-current liabilities to banks	Current liabilities to banks	Liabilities from leases	Sundry other financial liabilities	**Total liabilities from financing activities**
As at 1. January 2019	**5,409**	**38,674**	**5,802**	**0**	**49,885**
Changes from the acquisition of subsidiaries	0	0	0	0	0
Changes in due term (non-current to current)	9.892	-9.892	0	0	0
Cash received (+) from the assumption of financial liabilities	0	14.988	0	0	14.988
Cash paid (-) for the redemption of financial liabilities	0	-1.138	0	0	-1.138
Non-cash changes	0	0	0	0	0
New leases	0	0	9.117	0	9.117
Interest expense from leases	0	0	320	0	320
Cash paid (-) for leases	0	0	-2.626	0	-2.626
Fair value adjustments	0	0	0	0	0
As at 31.December 2019	**15.301**	**42.632**	**12.613**	**0**	**70.546**

The current account loans used for cash management purposes are presented at the amount at which they changed over the year.

Reference is made to the separate "Consolidated statement of changes in equity" for the cash flows from financing activities associated with the owners.

VI. Financial instruments and capital management

36. Background

Financial assets in the sense of IFRS 9 are classified in terms of how the assets are treated depending on the business model. Financial assets are measured correspondingly either at amortised cost (“held”), or (a) at fair value through other comprehensive income (“held and sold”) or (b) at fair value through profit or loss (“held for trading”). The SHW Group intends to hold its financial assets until maturity.

Financial liabilities are measured at either amortised cost or at fair value through profit or loss.

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

Financial instruments are recognised once the SHW Group becomes the counterparty to the financial instrument. In the case of standard purchases or sales within the scope of a contract whose terms stipulate delivery of the asset within a given period which is normally prescribed by regulations or conventions on the respective market, the date of fulfilment – i.e. the date as at which the asset is delivered to or by the SHW Group – will be relevant for its initial balance sheet recognition and for its retirement from the balance sheet.

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

Trade receivables

Trade receivables are the amounts owed by customers for regular-way trades of goods and services. They are generally payable within 30 to 90 days and are therefore classified as current. Upon initial recognition, trade receivables are recognised at the amount of non-conditional consideration to be paid. They do not contain any material financing component.

The SHW Group holds trade receivables in order to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details on the methods for testing impairment in the SHW Group and recognising loss allowances are presented in Notes (38) and (28).

Other financial assets measured at amortised cost

The SHW Group measures other financial assets at amortised cost when the following two criteria are satisfied:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest-bearing loans / borrowings

Upon initial recognition, interest-bearing borrowings are recognised at fair value less transaction costs associated with the borrowing. Following their initial recognition, interest-bearing borrowings are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or amortised. With regard to loans, fair value does not differ materially from the carrying amounts as the interest payments on these loans either very nearly match the market rates or the borrowings are short-term by nature.

Derivative financial instruments and hedging transactions

A derivative financial instrument is a financial instrument whose value changes based on a reference value which generally does not require any acquisition costs or only requires minor acquisition costs and which is settled as at a later date.

At present the SHW Group carries derivative financial instruments in the form of interest swaps that are measured at fair value and used in a designated cash flow hedge.

37. Classification and fair values

The Company has the following types of financial instruments:

K EUR	Measurement category acc. to IFRS 9	**Carrying amount as at 31.12.2020**	**Fair value as at 31.12.2020**	Valuation: Amortised cost	Valuation: Fair value through OCI	Valuation: Fair value through profit or loss
ASSETS						
Other non-current financial assets	AC	232	232	232	–	–
Trade receivables	AC	40,575	*)	40,575	–	–
Other financial assets	AC	682	*)	682	–	–
Cash and cash equivalents	AC	14,697	*)	14,697	–	–

*) 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 other non-current financial assets recorded as at 31 December 2020.

K EUR	Measurement category acc. to IFRS 9	**Carrying amount as at 31.12.2019**	**Fair value as at 31.12.2019**	Valuation: Amortised cost	Valuation: Fair value through OCI	Valuation: Fair value through profit or loss
ASSETS						
Other non-current financial assets	AC	309	309	309	–	–
Trade receivables	AC	44,425	*)	44,425	–	–
Other financial assets	AC	1,397	*)	1,397	–	–
Cash and cash equivalents	AC	15,321	*)	15,321	–	–

*) The fair value approximately equals the carrying amount

AC: Amortized cost

K EUR	Measurement category acc. to IFRS 9	**Carrying amount as at 31.12.2020**	**Fair value as at 31.12.2020**	Valuation		
				Amortised cost	Fair value through OCI	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	AC	49,278	49,278	49,278	–	–
Trade payables	AC	52,693	52,693	52,693	–	–
Other non-current financial liabilities						
Other interest-bearing liabilities	AC	0	0	0	–	–
Interest swaps used for hedging purposes	FVOCI	300	300	–	300	–
Other non-interest-bearing liabilities	AC	744	744	744	–	–
Liabilities from leases	AC	11,098	11,098	11,098	–	–
Other current financial liabilities						
Other interest-bearing liabilities	AC	0	0	0	–	–
Other non-interest-bearing liabilities	AC	15,287	15,287	15,287	–	–
Liabilities from leases	AC	2,183	2,183	2,183	–	–

K EUR	Measurement category acc. to IFRS 9	**Carrying amount as at 31.12.2019**	**Fair value as at 31.12.2019**	Valuation		
				Amortised cost	Fair value through OCI	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	AC	57,933	57,933	57,933	–	–
Trade payables	AC	50,883	50,883	50,883	–	–
Other non-current financial liabilities						
Other interest-bearing liabilities	AC	0	0	0	–	–
Interest swaps used for hedging purposes	FVOCI	123	123	–	123	–
Other non-interest-bearing liabilities	AC	1,302	1,302	1,302	–	–
Liabilities from leases	AC	10,097	10,097	10,097	–	–
Other current financial liabilities						
Other interest-bearing liabilities	AC	622	622	622	–	–
Other non-interest-bearing liabilities	AC	5,556	5,556	5,556	–	–
Liabilities from leases	AC	2,516	2,516	2,516	–	–

AC: Amortized cost

0

The following overview of maturities illustrates how the cash flows from liabilities (not discounted) affect the Group's liquidity situation as at 31 December 2020:

K EUR	Total	2021	2022	2023	2024	2025 et seq.
Non-current liabilities						
Liabilities to banks	24,433	0	6,808	6,808	5,377	5,440
Other financial liabilities	12,142	0	2,749	2,328	2,105	4,960
Current liabilities						
Trade payables	52,693	52,693	0	0	0	0
Liabilities to banks	24,845	24,845	0	0	0	0
Other financial liabilities	17,470	17,470	0	0	0	0
Total	**131,583**	**95,008**	**9,557**	**9,136**	**7,482**	**10,400**

The situation as at 31 December 2019 was as follows:

K EUR	Total	2020	2021	2022	2023	2024 et seq.
Non-current liabilities						
Liabilities to banks	15,301	0	2,642	2,610	2,599	7,450
Other financial liabilities	11,522	0	2,511	2,021	1,876	5,114
Current liabilities						
Trade payables	50,883	50,751	132	0	0	0
Liabilities to banks	42,632	42,632	0	0	0	0
Other financial liabilities	8,694	8,694	0	0	0	0
Total	**129,032**	**102,077**	**5,285**	**4,631**	**4,475**	**12,564**

38. Capital management

The primary objective of capital management is to ensure that the Group maintains a strong credit rating and a healthy equity ratio in order to support its business activity. The Group manages its capital structure and adjusts it to the respective economic conditions. There is no externally set target for its net financial debt. The Group monitors its capital structure on the basis of its net financial debt and its target ratios in accordance with the covenants. A monthly report is prepared in this regard and discussed at the Management Board meetings. The Group's equity is managed and controlled through a targeted retention of earnings, which is defined by the resolution of the Annual General Meeting. The following table shows the composition of the net financial debt as at the respective balance sheet dates.

K EUR	31.12.2020	31.12.2019
Liabilities to banks	49,278	57,933
Trade payables	52,693	50,883
Cash and cash equivalents	– 14,697	– 15,321
Net financial liabilities	**87,274**	**93,495**

Credit risk

On the reporting date, trade receivables display the following age structure and loss allowances for expected credit losses using the simplified approach of IFRS 9:

					of which not impaired and overdue in the following time bands					
K EUR	**Carrying amount**	of which neither impaired nor overdue	of which impaired and not overdue	of which impaired and overdue	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
Trade receivables										
As at 31.12.2020	**41,672**	**36,855**	**0**	**1,097**	**2,232**	**317**	**154**	**231**	**604**	**182**
As at 31.12.2019	45,340	36,955	0	915	4,711	1,130	760	120	103	646

Credit risk results from the possibility of the full or partial default of a counterparty and also exists in the context of cash investments. The SHW Group mainly delivers to renowned automotive manufacturers and automotive suppliers. There are no significant risks of default in terms of trade receivables due to the customer structure. High levels of bad debt losses have not been recorded in recent years.

The trade receivables carried by the SHW Group do not include any material financing component as they are payable within the terms of payment agreed on individually with the customer (generally between 30 and 90 days). For this reason, the SHW Group applies the simplified approach provided by IFRS 9. The calculation of expected credit losses is based on the defaults observed in the past, adjusted for any forward-looking estimates. Each reporting date the observed historical defaults are updated and any changes to the forward-looking estimates are analysed. Significant measurement inputs include certain past-due items among receivables as well as qualitative criteria to rate the credit-worthiness of debtors. Furthermore, any objective indications of impairment (e.g. insolvency of a customer) are also considered. The impairment losses that are recognised on the basis of the uniform policies applied by the Group cover all discernible credit risks.

In response to the COVID-19 pandemic audits were conducted within the framework of the risk management system to test the sales limits for customers in regions and industries that were particularly hard hit.

The maximum risk incurred upon the default of the counterparty for receivables and for other financial assets is limited by the carrying amount of the respective assets of € 44,078 thousand (previous year € 42,568 thousand). The composition and development of other financial assets are presented in Notes (26) and (29).

Liquidity risk

Liquidity risk represents the risk of not being able to meet present or future payment commitments or only being able to do so at unfavourable conditions. The SHW Group monitors the liquidity risk with the assistance of monthly financial plans for cash inflows and cash outflows of the forthcoming months. The SHW Group strives to be in a position to meet its financial obligations at all times and seeks the optimum balance of short-term investments and borrowings. This means that the SHW Group seeks a minimum level of liquidity, which is derived from the monthly financial plans, whereby it should be ensured that the SHW Group's liquidity requirements for current business and planned investments are sufficiently secured in the most cost-effective manner possible. Readily available funds not required in the near term are invested, e.g. in overnight money. A further aim of the Group is to keep its level of working capital as low as possible. A syndicated line of € 80 million is available to the Group for borrowings. As at the reporting date, this facility has been drawn down by € 23.5 million (of which € 2.7 million through guarantees). For further information on the maturities of liabilities, please refer to our comments under Note (34) "Liabilities".

Interest and currency risk

The Group is mainly exposed to foreign exchange risks and changes in interest rates. Risks from exchange rate fluctuations originate from capital investments, financing measures and operating activities in regions using a foreign currency. Interest risks arise from financial instruments bearing a variable interest rate, which have an impact on the Group's interest expenses when the interest rate changes. The management of market price risks is tasked with mitigating the impact of fluctuations in foreign exchange rates and interest rates.

The Group's interest rate risk largely results from the loan agreement concluded on 4 August 2017. The SHW Group has decided not to hedge its interest rate risk. The interest rate risk for the Group in the fiscal year was not material.

The interest rate profile of interest-bearing financial instruments is as follows:

	nominal value	
K EUR	**2020**	2019
Fixed-interest instruments		
Financial liabilities	– 29,687	– 21,368
Effects from interest swaps	0	0
	– 29,687	**– 21,368**
Variable-interest instruments		
Financial liabilities	– 32,872	– 49,797
Effects from interest swaps	– 225	– 123
	– 33,097	**– 49,920**

Foreign exchange risks exist with regards to the foreign subsidiaries and were not material for the Group in the past fiscal year.

Collateral issued

Collateral of €28,834 thousand has been issued in the form of limited guarantees and joint and several liability arrangements to secure the loans borrowed by the operative subsidiaries in addition to the collateral assignment of machines. The loans carried by Lust Hybrid-Technik GmbH (outstanding principal as at 31 December 2020: €1,307 thousand) are completely secured by land charges, collateral assignment of machines and a global assignment of the trade receivables carried by the entity. Reference is made to Note (34).

VII. Leases

39. Leases

The practical expedients allowed by IFRS 16 for the transition were applied when assessing leases. Consequently, IFRS 16 is only applied to contracts that qualified as leases beforehand. Contracts that did not qualify as leases under the definitions of IAS 17 and IFRIC 4 were not reassessed. IFRS 16 was only applied to contracts that were entered into or amended on or after 1 January 2019.

The change in the definition of a lease mainly relates to the concept of control. According to IFRS 16 whether a contract contains a lease or not is decided on the basis of whether the lessee obtains control over an identified asset from the lessor for a fixed period and whether the lessor receives consideration from the lessee in return.

Generally, the SHW Group recognises a right-of-use asset and a corresponding lease liability for operating leases that were previously not recognised in the balance sheet. The historical cost of the right-of-use asset is measured at the present value of future lease payments plus any lease payments made on or before the commencement date, any initial direct costs and the estimated costs of dismantling, removing or restoring the leased asset. Any lease incentives received are deducted from cost. When measuring the right-of-use asset upon first-time application, initial direct costs are ignored. SHW AG applies the practical expedient of not making any distinction between non-leasing and leasing components in the contract.

The following elements are considered in the measurement of lease liabilities:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or (interest) rate, which are initially measured at the index or (interest) rate applicable on the commencement date
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase option, if it is reasonably certain that the SHW Group will exercise this option
- payments of penalties for prematurely terminating the lease, unless the Group is reasonably certain it will not terminate the lease prematurely

The SHW Group also applies the practical expedients provided by IFRS 16 to not recognise right-of-use assets and lease liabilities for short-term leases (with a term of twelve months or less) and low-value assets. These lease payments are expensed on a straight-line basis over the term of the lease or some other systematic basis. Leases that terminate on or before 31 December 2020 are accounted for as short-term leases, regardless of their original term.

Subsequent measurement involves depreciating the right-of-use asset on a straight-line basis over the expected residual term of the lease. If title to the underlying asset passes to the SHW Group at the end of the lease or if the cost of the right-of-use asset considers a purchase option for the SHW Group, the right-of-use asset is depreciated over the economic life of the underlying asset. In addition, right-of-use assets are subject to regular impairment testing, if necessary, and adjusted to reflect certain remeasurements of the lease liability. No impairment testing was conducted on the date of transition. The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured if future lease payments that depend on a change in an index or (interest) rate change, or if the SHW Group changes its assessment of the prospective payments under a residual value guarantee, or if the SHW Group changes its assessment of whether any options to buy the asset or extend or terminate the lease will be exercised or not, or if there is a change to an in-substance fixed lease payment.

Depreciation of right-of-use assets is allocated to the expenses of the respective function, in accordance with IFRS 16. Lease liabilities are written up to record the time value of money by charging interest expenses. To date, all lease expenses of operating leases as defined by IAS 17 have been posted to the costs of the respective function.

With regard to leases which qualified as finance leases to date, the carrying amounts of the leased asset and the lease liability pursuant to IAS 17 were rolled over to the carrying amount of the right-of-use asset and lease liability as at 1 January 2020, unless the SHW Group applied the practical expedient for low-value assets which exempts it from the need to recognise the lease in the balance sheet.

If the fundamental opportunities and risks related to the ownership of the asset lay with the SHW Group, the lease was treated as a finance lease. At the inception of the lease, the leased asset was recognised at the lower of fair value or the present value of the minimum lease payments. The corresponding liability to the lessor was recorded in the consolidated balance sheet as a financial lease obligation. The lease payments were divided into an interest component and a repayment component, with the interest expenses being directly reported through profit or loss unless it could be unambiguously allocated to a qualifying asset.

The SHW Group leases a number of different assets. These mainly consist of halls, machinery, motor vehicles and office hardware.

31 DECEMBER 2020

K EUR	Minimum lease payments	Interest included in lease payments	**Liabilities from leases**
Within one year	2,452	269	2,183
Between one and five years	8,408	612	7,796
More than five years	3,362	60	3,302
Total	**14,222**	**941**	**13,281**

31 DECEMBER 2019

K EUR	Minimum lease payments	Interest included in lease payments	**Liabilities from leases**
Within one year	2,809	293	2,516
Between one and five years	7,326	757	6,569
More than five years	3,685	157	3,528
Total	**13,820**	**1,207**	**12,613**

Information on leases where the SHW Group acts as lessee:

RIGHT OF USE ASSETS

K EUR	As at 01.01.2019	Amortisation of right-of-use assets	Additions to right-of-use assets	Disposals of right-of-use assets	**As at 31.12.2019**
Land, land rights and buildings	9,463	– 1,281	1,094	0	9,276
Technical equipment and machinery	1,494	– 322	554	0	1,726
Other equipment, operating and office equipment	1,521	– 557	499	– 5	1,458
Total	**12,478**	**– 2,160**	**2,147**	**– 5**	**12,460**

The figures as at 31 December 2019 include the residual book values from the original finance lease. The line item of land, land rights and buildings of €3,550 thousand, technical equipment and machinery €1,210 thousand.

RIGHT-OF-USE ASSETS

K EUR	As at 01.01. 2020	Depreciation of right-of-use assets	Additions to right-of-use assets	Disposals of right-of-use assets	**As at 31.12.2020**
Land, land rights and buildings	9,276	– 1,388	2,683	– 208	10,363
Technical equipment and machinery	1,726	– 405	601	– 440	1,482
Other equipment, furniture and fixtures	1,458	– 614	579	– 310	1,113
Total	**12,460**	**– 2,407**	**3,863**	**– 958**	**12,958**

The total cash outflow from leases amounts to €2,169 thousand. Leases where the SHW Group acts as the lessor did not play any relevant role in the reporting period.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

K EUR	**2020**
Amortisation of right-of-use assets	– 2,407
Interest expense on lease liabilities	– 292
Expenses from short-term leases	– 1,121
Expenses from leases for low-value assets	0
Expenses from variable lease payments not included in the measurement of lease liabilities	– 176

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

K EUR	**2019**
Amortisation of right-of-use assets	– 2,160
Interest expense on lease liabilities	– 320
Expenses from short-term leases	– 1,240
Expenses from leases for low-value assets	0
Expenses from variable lease payments not included in the measurement of lease liabilities	– 192

Depreciation of right-of-use assets as at 31 December 2019 includes €733 thousand originating from finance leases.

VIII. Related party disclosures and company boards

41. Business relationships with related parties

Pankl AG (formerly Pankl SHW Industries AG), Kapfenberg, Austria, – a subsidiary of Pierer Industrie AG, Wels, Austria, – informed the Company in a securities notification pursuant to Section 20 (1) and (4) AktG, dated 26 July 2019, that it directly held more than one quarter of the shares and simultaneously had a majority holding in SHW AG, thereby providing it with the majority vote at the Annual General Meeting. Pierer Industrie AG, Wels, Austria, is a subsidiary of Pierer Konzerngesellschaft mbH, Wels, Austria. The "ultimate controlling party" is Mr. Stefan Pierer, Wels, Austria.

SHW AG is included in the consolidated financial statements of Pierer Industrie AG, Wels, Austria, and in the consolidated financial statements of Pierer Konzerngesellschaft mbH, Wels, Austria. The ultimate parent company preparing consolidated financial statements is Pierer Konzerngesellschaft mbH, Wels, Austria. These consolidated financial statements are filed with the commercial register of the State Court of Wels, Austria, under the number FN 134766 k. SHW AG prepares consolidated financial statements for the smallest group of companies.

Transfers of goods and services with other entities in the Pierer group of companies amounted to €873 thousand in fiscal year 2020 (previous year €869 thousand). As at the reporting date, liabilities to affiliated companies amounted to € 90 thousand (previous year €107 thousand) and receivables to €56 thousand (previous year €0 thousand).

The consolidated financial statements of SHW AG, Aalen, include all major subsidiaries of SHW AG, Aalen.

42. Boards of SHW AG

In fiscal year 2020, the Management Board of SHW AG comprised the following members:

Wolfgang Plasser, Kaltenleutgeben, Austria

- Chief Executive Officer
- Managing Director of SHW Automotive GmbH, SHW Brake Systems GmbH, SHW Gießerei GmbH & Co.KG, SHW Bremsen Beteiligungs GmbH
- Member of the Management Board of Pierer Industrie AG, Wels, Austria
- Member of the Management Board of Pankl AG, Kapfenberg, Austria
- Chairman of the Management Board of Pankl Racing Systems AG, Kapfenberg, Austria

Thomas Karazmann, Vienna, Austria

- Chief Financial Officer
- Managing Director of SHW Automotive GmbH, SHW Brake Systems GmbH, SHW Gießerei GmbH & Co.KG, SHW Bremsen Beteiligungs GmbH
- Member of the Management Board of Pankl AG, Kapfenberg, Austria
- Chief Financial Officer of Pankl Racing Systems AG, Kapfenberg, Austria

The Supervisory Board members in fiscal year 2020 were:

Klaus Rinnerberger, Gießhübl, Austria, Chairman

- Member of the Management Board of Pierer Industrie AG, Wels, Austria
- Member of the Management Board until 30 June 2020 – Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria, since 1 July 2020

Further mandates:

- Chairman of the Supervisory Board of SHW Automotive GmbH
- Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Head of the Advisory Board of Schachinger Logistik Holding GmbH, Hörsching, Austria

Alfred Hörtenhuber, Wels, Austria, Deputy Chairman

Further mandates:

- Chairman of the Supervisory Board of SHW Automotive GmbH
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Member of the Supervisory Board of Pierer Mobility AG, Wels,
Austria

Stefan Pierer, Wels, Austria

- Chairman of the Management Board of Pierer Industrie AG, Wels, Austria
- Chairman of the Management Board of Pierer Mobility AG, Wels, Austria

Further mandates:

- Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Member of the Supervisory Board of SHW Automotive GmbH
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Chairman of the Supervisory Board of Westpark Wels AG, Wels, Austria
- Member of the Board of Directors of Pierer Swiss AG, Zürich, Switzerland
- Member of the Board of Directors of Swisspartners Group AG, Zürich, Switzerland

Josef Blazicek, Limassol, Cyprus

Further mandates:

- Deputy Chairman of the Supervisory Board of Pierer Industrie AG, Wels, Austria
- Deputy Chairman of the Supervisory Board until 30 June 2020 – member of the Supervisory Board of Pankl AG, Kapfenberg, Austria, since 1 July 2020
- Deputy Chairman of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Chairman of the Supervisory Board of Pierer Mobility AG, Wels, Austria
- Chairman of the Supervisory Board of All for One Steeb AG, Filderstadt

Friedrich Roithner, Linz, Austria

- Chief Financial Officer of Pierer Industrie AG, Wels, Austria
- Chief Financial Officer of Pierer Mobility AG, Wels, Austria

Further mandates:

- Managing Director of PIERER Immoreal GmbH, Wels, Austria
- Member of the Supervisory Board of Pankl AG, Kapfenberg, Austria
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Chairman of the Supervisory Board of KTM AG, Mattighofen, Austria
- Chairman of the Supervisory Board of KTM Components GmbH, Munderfing, Austria
- Member of the Supervisory Board of Westpark Wels AG, Wels, Austria
- Chairman of the Supervisory Board of abatec group AG, Regau, Austria

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

- Holder of the Chair of the Institute for Factory Automation and Production Systems at the Friedrich-Alexander University of Erlangen-Nuremberg

Further mandates:

- Member of the Supervisory Board of SHW Automotive GmbH

Edgar Kühn, Aalen

Eugen Maucher, Ingoldingen-Winterstettendorf

- Chairman of the Full Works Council and Chairman of the Works Council of the Wilhelmshütte plant (Bad Schussenried) of SHW Automotive GmbH

Frank-Michael Meißner, Tuttlingen

- Member of the Full Works Council of SHW Automotive GmbH and member of the Works Council of SHW Automotive GmbH, Ludwigstal plant (Tuttlingen)

43. Total remuneration of the members of the Management Board and Supervisory Board

K EUR	**2020**	2019
Benefits due in the short term (remuneration)	553	628
Benefits due in the long term (remuneration)	64	23
Post-employment benefits	0	4
Other benefits due and benefits upon termination of the employment relationship	0	0

A total of €244 thousand has been recognised as provisions for pension obligations to former members of the Management Board (previous year €249 thousand).

The total remuneration of the Supervisory Board amounted to €210 thousand during the fiscal year (excluding the reimbursement of expenses, previous year €221 thousand). No payments were made to former members of the Supervisory Board.

IX. Events after the reporting period (significant events after the balance sheet date)

On 5 March 2021 the Management Board decided to delist the SHW share from the "m:access" free trade segment of the Munich stock exchange and to withdraw SHW shares from free trade on the Munich stock exchange. On 11 March 2021, the Munich stock exchange approved the application made by the Management Board of SHW AG on 5 March 2021 to delist the shares of SHW AG from the m:access (free trade) segment of the Munich stock exchange and withdraw the shares from free-trade on the open market of the Munich stock exchange. The shares will be delisted from the m:access segment effective 31 March 2021 and withdrawn from free trade on the open market of the Munich stock exchange at the end of day, 30 December 2021.

The indirect majority shareholder, Pierer Industrie AG, will issue a voluntary purchase offer to accompany this move. The purchase price offered for a SHW share has been set at €19.00 and should allow minority shareholders, in particular, the possibility to cash in their SHW shares at the terms of the purchase offer for a certain period after trade has completely discontinued on the stock exchange. The details of the purchase offer are expected to be published by Pierer Industrie AG after the Munich stock exchange has made a decision on the delisting of SHW shares in the m:access segment and their removal from free trade. The information will be published on the website of Pierer Industrie AG at https://www.piererindustrie.at under the "capital markets" tab as well as in the Federal Gazette.

In the current situation there is still a high level of market uncertainty and significant restrictions on private individuals and companies alike. The specific impact that the various corona mutations will have on the business development in the fiscal year 2021 cannot be conclusively assessed at present. However, we see a risk of a short-term fall in demand with a negative impact on the key performance indicators. The key performance indicators concerned would be development of sales, EBITDA and EBITDA margin.

Apart from the above events, there have not been any particularly significant events since the reporting date which would require disclosure here.

X. Schedule of shareholdings

as at 31 December 2020 according to Section 313 (2) HGB

Company name and location	Share in capital (per cent)
Schwäbische Hüttenwerke Automotive GmbH, Aalen, Germany	100
SHW Brake Systems GmbH, Tuttlingen (formerly SHW Automotive Industries GmbH, Aalen)	100
SHW do Brasil Ltda., São Paulo, Brazil	100
SHW Pumps & Engine Components Inc., Brampton/Ontario, Canada	100
SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan/Shanghai, China	100
SHW Pumps & Engine Components S.r.l., Ghiroda/Timişoara, Romania	100
Lust Hybrid-Technik GmbH, Hermsdorf, Germany	100
SHW Bremsen Beteiligungs GmbH, Tuttlingen	100
SHW Gießerei GmbH & Co. KG, Tuttlingen	100
SensDev GmbH, Burgstädt *)	90

*) Not consolidated on grounds of immateriality (total assets of SensDev as at 31 December 2019: €497 thousand, net loss for 2019: €99 thousand)

Aalen, 30 March 2021

Wolfgang Plasser — *Chairman of the Management Board*

Thomas Karazmann — *CFO*

INDEPENDENT AUDITORS' REPORT

To SHW AG, Aalen

Audit Opinions

We have audited the consolidated financial statements of SHW AG, Aalen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2020 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SHW AG for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the information in the annual report with the exception of the audited consolidated financial statements and the audited group management report as well as our audit opinion.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ulm, 30 March 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

signed, Dr. Katja Faul	signed, Florian Schaich
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

FIVE-YEAR SUMMARY

K EUR	**2020**	2019	2018	2017	2016
Sales	392,931	432,421	420,936	400,584	405,770
EBITDA	25,337	41,542	31,342	41,271	43,553
as % of sales	6.4%	9.6%	7.4%	10.3%	10.7%
EBIT	– 4,729	14,617	7,314	17,501	18,938
as % of sales	– 1.2%	3.4%	1.7%	4.4%	4.7%
Net profit	– 5,059	9,891	3,131	10,159	12,805
Earnings per share [1]	– 0.79	1.54	0.49	1.58	1.99
Equity	124,652	131,692	124,372	124,904	121,349
Equity ratio	39.4%	41.0%	43.4%	48.8%	53.2%
Operating free cash flow	9,556	– 197	– 32,970	– 757	– 4,030
as % of sales	2.4%	0.0%	– 7.8%	– 0.2%	– 1.0%
Total free cash flow	8,934	– 597	– 16,751	– 9,875	– 4,030
as % of sales	2.3%	– 0.1%	– 4.0%	– 2.5%	– 1.0%
Net cash / Net financial liabilities [4]	– 36,101	– 42,612	– 39,080	– 18,170	1,633
Investments [2]	32,763	52,551	48,671	34,550	24,684
as % of sales	8.3%	12.2%	11.6%	8.6%	6.1%
Net working capital	36,497	48,702	53,789	43,890	48,278
as % of sales	9.3%	11.3%	12.8%	11.0%	11.9%
ROCE	– 2.3%	6.6%	3.6%	9.1%	12.9%
Number of employees (average) [3]	1,619	1,594	1,572	1,347	1,287

1) Average number of shares: 6,359,263 shares

2) Additions to property, plant and equipment and intangible assets.

3) Excluding trainees and temporary workers.

4) Including disposal group LHT

Financial Calendar

April 1, 2021	Annual Report 2020
May 11, 2021	Annual General Meeting 2021
August 28, 2021	Half-year issuer Report 2021

Imprint

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SHW archive
Lucas Gundigraber

Production System
firesys GmbH
www.firesys.de

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

Annual Report 2020