Annual Report 2023

Focus Responsibility.

INNOVATION, SPEED, QUALITY.

Key figures 2023

K EUR	2023	2022
Sales	532,860	472,504
EBITDA	42,878	36,278
as % of sales	8.0 %	7.7 %
EBIT	10,364	3,035
as % of sales	1.9 %	0.6 %
Net profit of the Group	– 886	-6,746
Earnings per share [1]	– 0.14	-1.05
Equity	123,944	127,465
Equity ratio	33.0 %	34.8 %
Operating free cash flow	3,874	-18,039
as % of sales	0.7 %	-3.8 %
Total free cash flow	3,874	-18,039
as % of sales	0.7 %	-3.8 %
Net liquidity / Net financial debt	– 82,395	-87,946
Capital expenditures [2]	37,127	45,978
as % of sales	7.0 %	9.7 %
Net working capital	64,837	66,870
as % of sales	12.2 %	14.2 %
ROCE	4.1 %	1.2 %
Average headcount [3]	1,826	1,667

1) Average number of shares: 6,436,209 shares
2) Additions to property, plant and equipment and intangible assets
3) Excluding trainees and hired temps

Sales
532.9
€ million

EBITDA
42.9
€ million

Employees
1,826

Contents

SEBASTIAN ROTERMANN
Chief Operating Officer

WOLFGANG PLASSER
Chief Executive Officer

THOMAS KARAZMANN
Chief Financial Officer

Foreword of the Management Board

DEAR SHAREHOLDERS,

Conflicts, crises, flat consumption: global uncertainty continued unabated over the reporting year. The resulting geopolitical unrest has dimmed the prospects for global growth and led to continuing market volatility.

However, for us at SHW the year 2023 also brought with it some significant milestones and successes. In spite of the prevailing crises, we were able to defend our position in a challenging market environment. In light of the circumstances, this is not something to be taken for granted. In fiscal year 2023 we recorded sales growth of 12.8 per cent to € 532.9 million. Consolidated EBITDA (including impairment losses) also rose by 18.2 per cent to € 42.9 million. At 8.0 per cent, the EBITDA margin lay above the previous year's figure of 7.7 per cent.

It is particularly pleasing that our Management Board has been expanded with the addition of Mr. Sebastian Rotermann, whose expertise and experience make a valuable contribution to our leadership team. Another high point in the year was the positive development of our Powder Metallurgy division, where we made great progress and realised productivity gains. We managed to expand our international footprint with locations in China and Canada. The close and effective collaboration between our global facilities, with both headquarters and between each other, was a decisive factor for this success. Together, we have managed to master the challenges facing us by sharing knowledge and resources across the group.

The new year will see a number of exciting new projects and opportunities that will drive forward our business. Continuous adaptation to meet the challenges that arise in future has been deeply anchored in our corporate culture since 1365.

Regardless of whether a vehicle is powered by an internal combustion engine, electric motors or some other kind of powertrain, mobility remains a basic need of mankind, which will never disappear. At SHW we possess excellent products and enormous expertise. We will not just witness the future of mobility, we will actively help to shape it. We are particularly proud of our newly developed thermal management module, a trend-setting systems solution for electromobility. This innovative product underscores our commitment to cutting edge technologies and our ability to react to changing market needs.

We are confident that we will continue to be a winning team in future and would be very happy if you accompanied us on this journey.

Aalen, 22 March 2024

Wolfgang Plasser Chief Executive Officer	Thomas Karazmann Chief Financial Officer	Sebastian Rotermann Chief Operating Officer


INNOVATION
COST
EFFICIENCY
TOP QUALITY
SUSTAINABILITY

The company.

GLOBAL DRIVER OF INNOVATION IN SUSTAINABLE MOBILITY.

Driving responsibly into the future – that is the credo of SHW Schwäbische Hüttenwerke that stands above everything we do in our daily work. As a driver of innovative solutions for sustainable mobility, we, as a global player, develop innovative, high-quality solutions for all kinds of conventional, hybrid or electric powertrains.

Our Strategy SHW 2030 charts the course we intend to follow to electrify and transform the product range to reduce carbon emissions, expand our systems competence, increase our depth on the aftermarket, enhance our production expertise and drive forward our internationalisation.

As a systems supplier to the automobile industry, from passenger cars through to high performance cars and commercial vehicles, SHW develops and manufactures everything from individual components through to complete systems. Our team of 1,826 employees spread across 9 locations around the world generated sales of approximately € 533 million in 2023.

Customers in the automobile industry, the truck and off-highway market, and manufacturers of agricultural and construction machines and wind turbines from all over the world hold the product portfolio from SHW in high esteem. This portfolio comprises the Pumps and Engine Components , Brake Discs and Power Metallurgy divisions and reaches from high-tech mechanical or electric pumps through to high-precision sintered parts and high-performance brake discs and integrated modules for cooling and lubrication.

Innovative power is key to mastering the challenges of electrification and defending our position on the market. In 2023, the SHW Team once again managed to create innovative product solutions that meet both customer needs and the regulatory requirements, and take the technology one step further.

Another milestone in the reporting year was the establishment of a new facility in Haimen, China, marking the continuation of our internationalisation strategy.

FACILITIES.

GLOBAL NETWORK, REGIONAL ROOTS.

All 9 locations around the world create, develop and manufacture SHW solutions for responsible mobility – our regional roots are just as important as our global network of employees and customers. SHW combines tradition with modernity and the expertise gathered over centuries with the latest trends and future needs.

Aalen-Wasseralfingen / Germany, founded 1365

PRODUCTS: Adjustment rings and rotors for variable lubrication oil pumps, camshaft phasers and balancer shafts

Tuttlingen / Germany, founded 1950

PRODUCTS: Integrated brake discs, lightweight pin-mounted brake discs, highly-durable coated brake discs, lightweight drum brakes

Bad Schussenried / Germany, founded 1978

PRODUCTS: mechanical oil pumps for engines and transmissions, combined oil/vacuum tandem pumps, electrical oil and water pumps, balancing modules, off-highway oil pumps, thermo management modules, battery cooling modules, fuel pumps, oil management modules with electrical oil pumps and heat exchangers

Neuhausen ob Eck / Germany, founded 2001

PRODUCTS: Integrated brake discs, lightweight pin-mounted brake discs, highly-durable coated brake discs, lightweight drum brakes

São Paulo / Brazil, founded 2012

PRODUCTS: oil pumps, engine components

Toronto / Canada, founded 2014

PRODUCTS: oil pumps, engine components

Kunshan / China, founded 2014

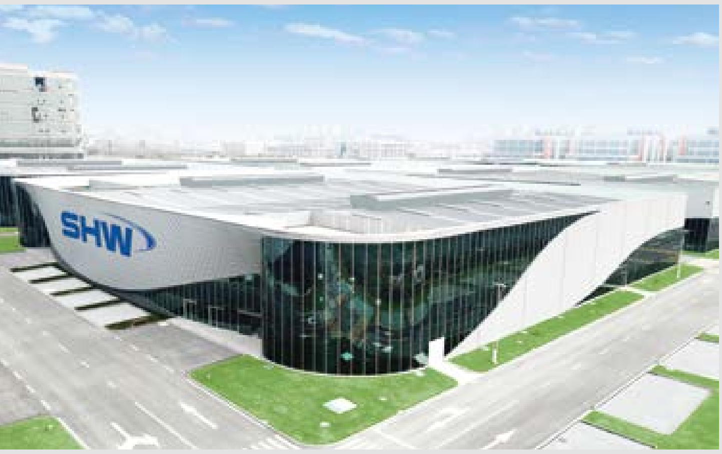
PRODUCTS: mechanical and electrical oil pumps, truck and off-highway oil pumps, electric water pumps, thermal-management modules

Timişoara / Romania, founded 2017

PRODUCTS: oil pumps, engine components

Haimen / China, founded 2022

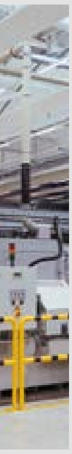
PRODUCTS: Lightweight pin-mounted brake discs

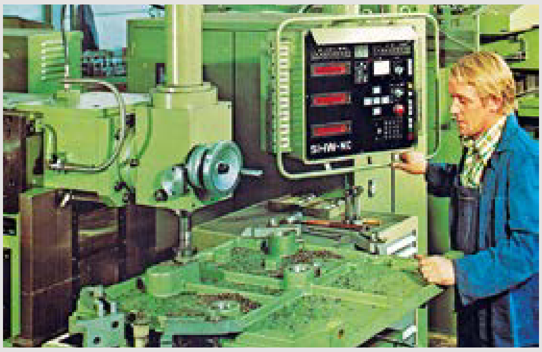


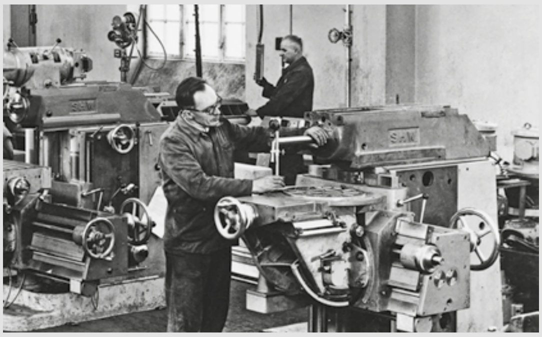
History.

SHW WRITES HISTORY.

Schwäbische Hüttenwerke looks back on more than 650 years of history – and on over one hundred years of accumulating far-reaching technological expertise. As one of the oldest industrial companies in Germany, SHW has weathered all kinds of – sometimes radical – political, legal, economic and technological change to emerge successfully and set its own course for the future, helping to shape this in the process. Over the last six centuries, SHW has actively helped write the history of human mobility.







1365 First deeds mentioning the mining of iron ore and iron processing in the region of Königsbronn – marking the origins of SHW

1921 Foundation of SHW GmbH by the State of Württemberg and GHH Gutehoffnungshütte – its business activities included mining, foundry operations and trading in raw materials

1925 SHW develops a prototype for the car of the future – with an aluminium body, single-wheel suspension and numerous technical features that later go into serial production

1927 Relocation of the SHW headquarters from Stuttgart to Wasseralfingen

1950 Start of production at the brake discs plant in Tuttlingen-Ludwigstal

1963 Start of production on sintered parts – at first in Friedrichstal near Baiersbronn then in Aalen-Wasseralfingen from 1968

1978 Production of hydraulic pumps commences at the new factory in Bad Schussenried

2005 Privatisation of SHW GmbH – carve-out of the non-automotive operations from the SHW Group, with the automotive operations since trading under the name of Schwäbische Hüttenwerke Automotive GmbH

2011 Legal reorganisation of the parent company as a German stock corporation – SHW AG – with the IPO held on 7 July and its shares trading under the SW1 ticker symbol on the Prime Standard of the Frankfurt Stock Exchange.

2018 Pierer Industrie AG becomes the anchor shareholder of SHW AG

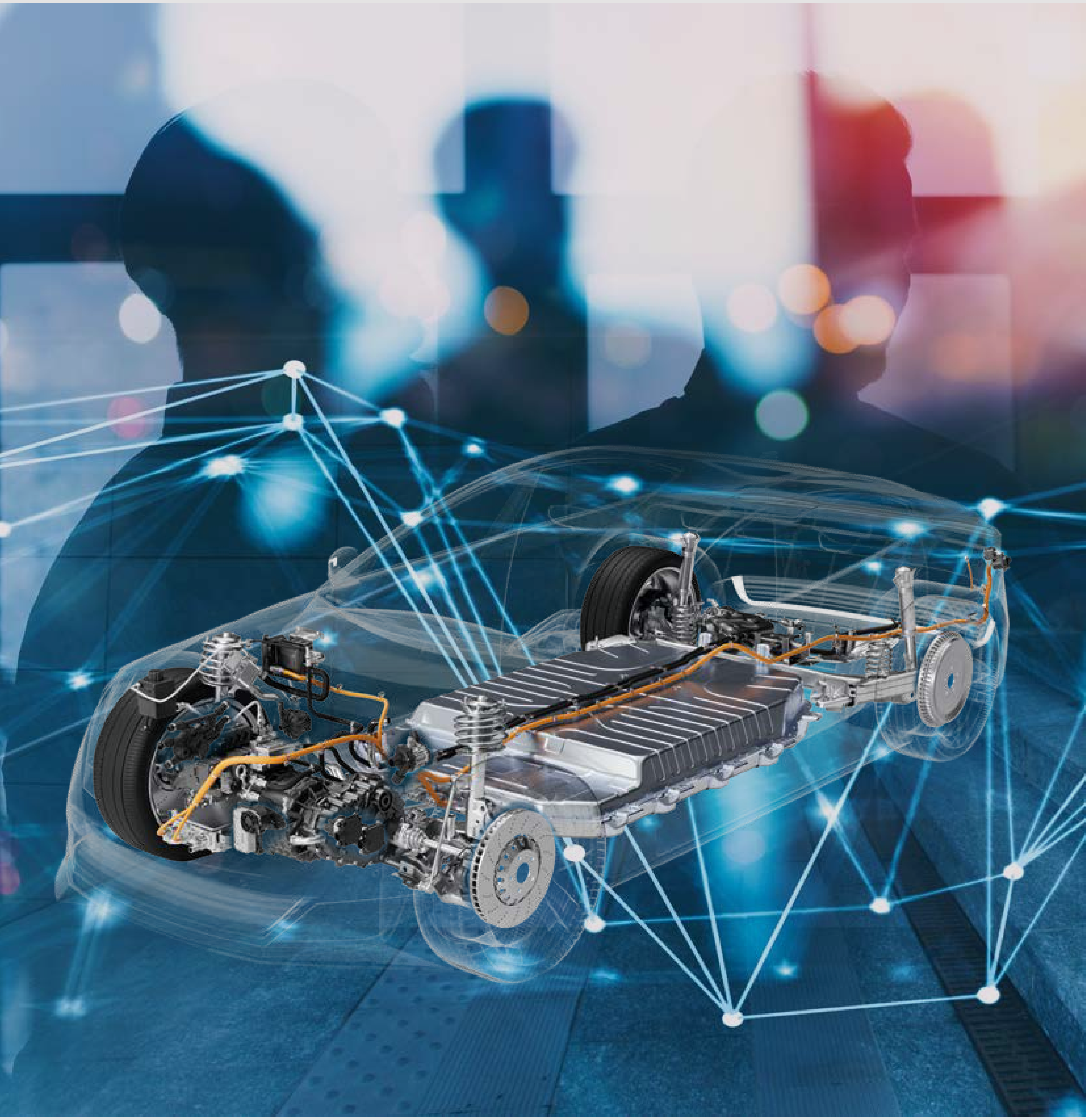
2020 Carve-out of the Brake Discs division with the founding of SHW Brake Systems GmbH, introduction of the SHW Performance brand to break into the international independent spare parts business

2021 100 years of SHW Automotive GmbH

2021 Strategy SHW 2030 – setting the strategic guidelines for the future

2022 Internationalisation of the Brake Discs division with the foundation of SHW Brake Systems Co. Ltd. in Haimen

2023 Carve-out of the Powder Metallurgy division with the foundation of SHW Powder Systems GmbH



Components.

SYSTEMS SUPPLIER, FROM THE FIRST CONCEPT THROUGH TO THE FINAL PRODUCT.

The changes and requirements placed on the automobile sector in the move towards hybrid and electro-mobility are far-reaching and both technologically and commercially challenging. As a company with system competencies and a high degree of value-added, SHW is happy to face these challenges.

As a result, the company has already analysed all those components that are in particular demand from automobile manufacturers when it comes to developing more environmentally-friendly vehicles. This enables us to develop solutions for all kinds of powertrains and therefore drive forward sustainable mobility across the board.

From development through to manufacture, automation and integration of electronics and software and the ensuing product tests and customer support – SHW covers the entire range from its inhouse resources:

INHOUSE SOFTWARE DEVELOPMENT
At its own R&D centre, SHW develops all software and PCBAs (printed circuit board assemblies) in keeping with customer specifications and the functional safety requirements.

INHOUSE HARDWARE DEVELOPMENT
The company manufactures all kinds of mechanical and electrical oil pumps, oil modules, electrical water pumps, thermal management components, thermal management modules and battery cooling modules and possesses the corresponding depth of production.

INHOUSE PRODUCTION OF ELECTRIC MOTORS
SHW is deepening its value chain and will manufacture rotors and stators in future.

INTERNAL TESTING AND VALIDATION
At its internal test centre, SHW develops, tests and validates electric pumps and electric modules.

GLOBAL PRODUCTION
SHW delivers its products from its facilities in Europe, North America, South America and China to major customers worldwide.

PUMPS AND ENGINE COMPONENTS

Tailored concepts right though to a green future is the claim made by the Pumps & Engine Components division of SHW. This division ranges from electrically-powered oil and water pumps through to integrated system solutions with a focus on cooling, thermal management and lubrication for all kinds of powertrains – from hybrid vehicles through to applications in battery-electric vehicles.

Recognised worldwide as a top supplier of high-quality pumps and engine components for the automotive and off-highway industry, SHW places its focus on quality and functionality.

POWDER METALLURGY

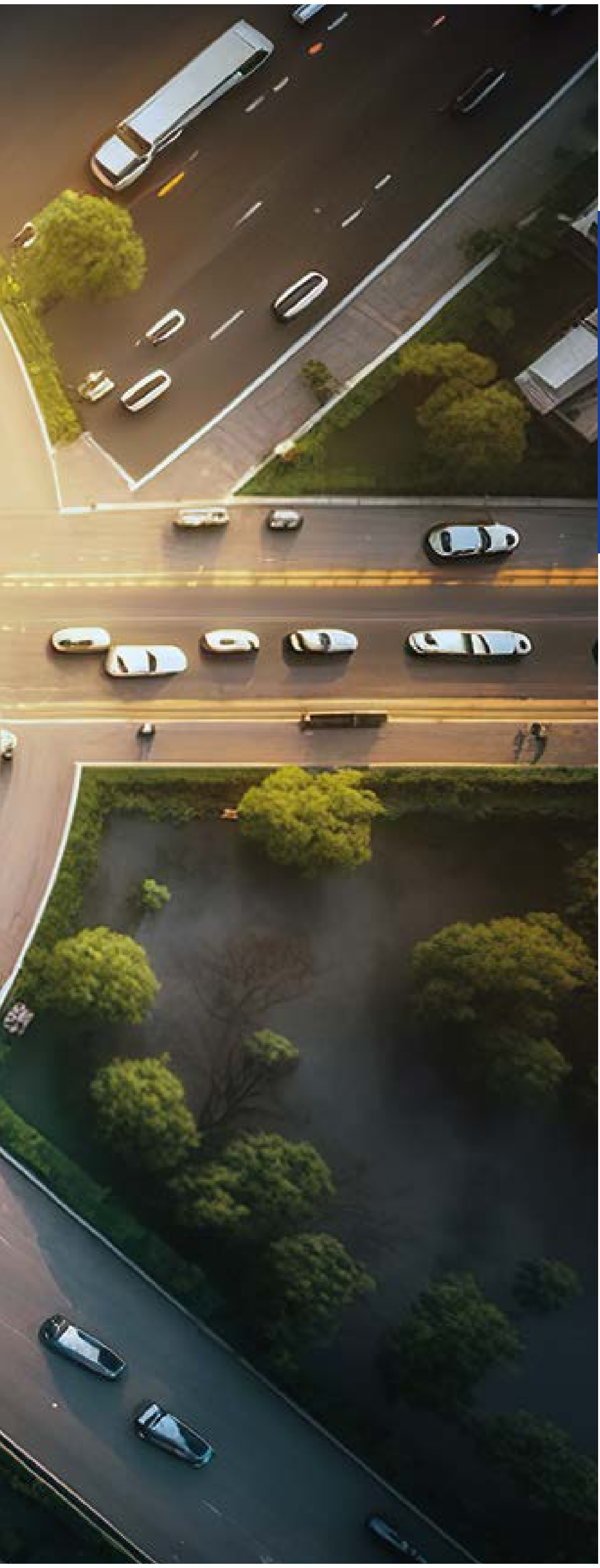
The team in the Powder Metallurgy division realises trend-setting innovations, creating high-strength engine components from powder. The high-precision and high-strength sintered components are used in engines, transmissions and automobile chassis. Using innovative forming and joining solutions, the products range from adjustment rings and rotors through to oil pumps for engines and transmissions as well as high-density gear wheels or components for camshaft phasers.

As an established technology leader in the field with many years of experience in standardised production and quality assurance processes, SHW delivers sintered parts that reduce CO_2 emissions and simultaneously improve vehicle economy.

BRAKE DISCS

High performance brake discs are produced by the master blacksmiths at SHW to meet the highest quality standards. As a top international supplier to motor sport, makers of luxury vehicles or the series production of OEMs, the Company leaves nothing to be desired when it comes to performance, weight, design and braking comfort. To reduce CO_2 emissions, SHW set the benchmark in lightweight construction back in 1993 already.

The product range of this segment is extensive and ranges from monobloc to composite brake discs, advanced composite brake discs and hybrid brake drums and from grey casts through to high-alloy, processed brake discs.



Outlook.

THE FUTURE OF MOBILITY.

The automobile sector is changing due to the combined forces of new regulations, more stringent emission standards for vehicle fleets, calls for cost efficiency and the need to reduce the ecological footprint of vehicles for environmental reasons. The market share of hybrid drives and electric vehicles is rising constantly. By 2035, these powertrains will account for more than 80 per cent of all light vehicles manufactured worldwide.

The SHW Strategy 2030 is fully aligned towards this trend and constitutes a roadmap for driving responsibly into the future. In it, the company bundles its core competences and corporate synergies to generate innovative product solutions for low-carbon electrified mobility. With its innovative strengths, speed and quality, SHW is actively helping to shape the future of motorised mobility.

Its high competence level with components, enormous depth of production and ability to cover everything from R&D through to programming, production, simulations and testing inhouse make SHW a unique enterprise with a history that goes back centuries.

The continued internationalization of the group remains strategically vital. SHW is positioning itself on new markets, with the latest example being the construction of a brake discs production facility in Haimen, China.

REPORT OF THE SUPERVISORY BOARD

General remarks

The year 2023 again presented the automobile industry with massive challenges. Our group of companies once again had to assert itself in a market environment that was swept by numerous headwinds: the ongoing conflict in Ukraine, major developments on the energy and commodities markets, drastic price rises accompanied by high inflation and rising interest rates all combined to dampen our growth.

The Supervisory Board advises and monitors the Management Board with regard to its management of the operating business and especially the continuous implementation of the strategy to consistently focus on creating a foundation for long-term success. We continue to expand our portfolio of electric and low-carbon products and accompany our customers as they navigate the transformation process. SHW AG remains on track, even in times of fundamental change. We are shaping the technological transformation, even in difficult times, with decisiveness, courage, passion and professional excellence.

In the reporting year 2023, the Supervisory Board fulfilled its duties as required by law, the Articles of Association and the Rules of Procedure. In the process it addressed the position of the Company, monitored the Management Board on a day-to-day basis and stood at its side in an advisory capacity.

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. In addition, the Management Board reported extensively to the regular meetings of the Supervisory Board where such matters as the impacts of the energy crisis, the course of business, the planning and the corporate strategy were discussed in joint session. The members of the Supervisory Board also remained in contact with the Management Board outside the regular meetings of the board. 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 and/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 video conferences or in circulation proceedings. Moreover, when needed, the Supervisory Board meets without the Management Board in attendance.

Meetings of the Supervisory Board and main points on the agenda

Four ordinary meetings of the Supervisory Board were held in the reporting year as hybrid events and three resolutions were passed by the Supervisory Board by means of written circulation proceedings. In addition, the founding meeting of the new Supervisory Board was convened as a hybrid (virtual/face-to-face) meeting.

The Supervisory Board was comprehensively informed about all relevant issues related to e-mobility, price trends and interest rates, 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 2023 which were held on 22 March, 17 May, 18 July and 12 December 2023. Among other items, the Management Board explained the sales and earnings trends of the SHW Group and detailed the business development of the individual divisions taking account of the respective competitive environment.

Other recurring matters discussed at the meetings of the Supervisory Board were the implementation and further development of the strategic objectives, the planning of the SHW Group and the business development of the Pumps and Engine Components, Brake Discs and Powder Metallurgy divisions. In particular, the Supervisory Board inquired about the status of the strategic realignment of the Powder Metallurgy division and agreed to its carve-out from Schwäbische Hüttenwerke Automotive GmbH into a new legal entity, SHW Powder Systems GmbH. Furthermore, it regularly obtained reports on personnel matters and agreed to the organisational changes in the Management Board of SHW AG and the appointment of an authorised signatory. Regular reports were also made on risk management, quality assurance and outstanding customer-related risks. Thereafter the Supervisory Board discussed the budget submitted by the Management Board for the year 2024 and addressed the mid-range planning in great detail. It addressed the refinancing of the SHW Group and passed a resolution entering into a new syndicated lending agreement at the recommendation of the Management Board. It gave its approval to the establishment of SHW Import & Export Trading (Kunshan) Co. Ltd., a subsidiary of SHW Automotive Pumps (Kunshan) Co., Ltd. in China. In addition, the Supervisory Board addressed the proposal of the Management Board to conduct the Annual General Meeting for 2023 as a face-to-face meeting with the physical attendance of the participants and voted on the proposals for its agenda. The Supervisory Board addressed the motion to amend the Articles of Association about reducing the size of the Supervisory Board from nine to six members and passed a resolution on the proposal to be submitted to the Annual General Meeting.

At its meeting to discuss the annual financial statements, the Supervisory Board adopted the annual financial statements, the consolidated financial statements and the group management report of SHW AG for the year ended 31 December 2022. Moreover, it drew up proposed resolutions for the agenda of the Annual General Meeting (AGM) on 17 May 2023 and passed a resolution on the report of the Supervisory Board for the fiscal year 2022. It also passed resolutions granting discharge to the general managers of the subsidiaries.

Audit of the financial statements

The consolidated financial statements prepared in accordance with IFRSs, as endorsed by the European Union, as well as the group management report for the fiscal year 2023 were audited by the external auditor, KPMG AG Wirtschaftsprüfungs-gesellschaft, 89073 Ulm, who issued an unqualified audit opinion thereon.

As the signatories of the independent auditors' reports, Dr. Katja Faul and Ms. Nadine Baur bear responsibility for the audits on the consolidated financial statements of SHW AG for this period. The audit firm assigned to audit the consolidated financial statements is engaged for the duration of one fiscal year in each case.

The Supervisory Board examined in detail the separate financial statements of SHW AG for the financial year 2023, prepared in accordance with HGB, and the consolidated financial statements and the group management report. 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 consolidated financial statements and the separate financial statements of SHW AG as well as the group management report were discussed in depth, at first in the Audit Committee and thereafter by the full Supervisory Board. The external auditors attended the meetings of the Audit Committee and the meetings of the full Supervisory board. They reported on the significant results of their audit. Moreover, the external auditors described the scope, focus and costs of the audit.

There were no circumstances that indicated the external auditor was biased in any way. The external auditor confirmed its independence in a declaration made to the Audit Committee.

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 separate financial statements of SHW AG compiled by the Management Board were approved by the Supervisory Board. Likewise, the Supervisory Board approved the consolidated financial statements and group management report audited by the independent auditor. The annual financial statements were thus adopted. The financial statements of SHW AG for the financial year 2023 report a net loss for the year. Consequently, the Management Board did not make any proposal for the appropriation of profits.

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 89.0 per cent of the voting rights in SHW AG and thus a majority of the voting rights, as at 31 December 2023. Pierer Industrie AG itself held another 4.6 per cent of the voting rights, making for a sum total of 93.6 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 Supervisory Board reviewed the dependent company report of the Management Board 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.

Composition of the Management Board and Supervisory Board

Changes to the composition of the Management Board in the reporting period 2023 were as follows:

Mr. Sebastian Rotermann was appointed as an additional member of the Management Board effective 1 September 2023.

Likewise, the composition of the Supervisory Board changed in the reporting year 2023:

Alfred Hörtenhuber, Josef Blazicek and Karl Holzner stepped down from the Supervisory Board effective 17 May 2023. Mr. Alfred Hörtenhuber was the Deputy Chairman of the Supervisory Board until 17 May 2023. Mr. Eugen Maucher was appointed as his successor with immediate effect at the meeting to constitute the new Supervisory Board on 17 May 2023, thereby becoming the new Deputy Chairman of the Supervisory Board. Mr. Maucher was already a member of the Supervisory Board of the Company prior to this appointment. The Supervisory Board now has six members and the Articles of Association have been amended accordingly.

The Supervisory Board would like to thank all the members of the Management Board and Supervisory Board as well as 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, 22 March 2024

Yours sincerely,

On behalf of the Supervisory Board

Klaus Rinnerberger
Chairman of the Supervisory Board

THE SHW SHARE

With a stake of 89.0 per cent in issued capital and the voting rights, Pankl AG is the majority shareholder for SHW AG. It is a subsidiary of Pierer Industrie AG. Pierer Industrie AG itself directly holds 4.6 per cent of the subscribed capital with the associated voting rights.

Please do not hesitate to request any further information which you may require. SHW Investor Relations looks forward to hearing from you.

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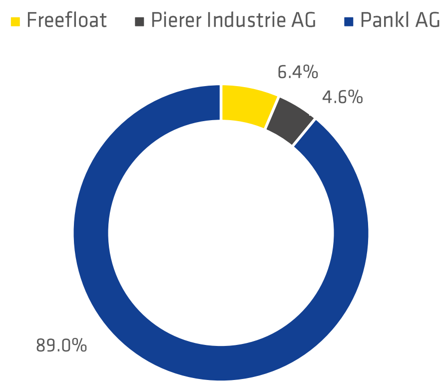


31st December 2023

GROUP MANAGEMENT REPORT OF SHW AG

GROUP MANAGEMENT REPORT

BACKGROUND OF THE SHW GROUP

Business model of the Group

The SHW Group focuses its business on developing and manufacturing products which help to reduce fuel consumption and therefore CO_2 emissions in the automotive sector. Most of its sales[1] are generated in business with major manufacturers of passenger cars, 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 organisational structure of the Group was expanded at the beginning of the fiscal year 2023 by the addition of one further operating division, with the goal of enhancing the flexibility and independence of the Powder Metallurgy profit centre. Prior to this move, the Group consisted of the divisions of Pumps and Engine Components and Brake Discs. With the creation of the new Powder Metallurgy division, which was carved out of the Pumps and Engine Components division, the Group now has the following structure:

- Pumps and Engine Components
- Powder Metallurgy
- 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 and investor relations.

Pumps and Engine Components

Pumps and Engine Components is the SHW Group's largest division and has production and development facilities in the strategically relevant automobile markets of Europe, China, North America and South America.

Pumps and Engine Components breaks down into two divisions: The Passenger Car division focuses on the production of variable engine oil pumps, transmission oil pumps, oil and vacuum pumps with or without balancing shafts, e-pumps for cooling and lubrication applications and thermal management systems. The second, Truck & Off-Highway, based at the Bad Schussenried facility, produces engine oil, transmission oil and fuel pumps for trucks, agricultural and construction machinery, stationary engines and wind turbines.

PUMPS & ENGINE COMPONENTS		POWDER METALLURGY	BRAKE DISCS
BAD SCHUSSENRIED / TIMIŞOARA / KUNSHAN / SÃO PAULO / TORONTO		AALEN-WASSERALFINGEN	TUTTLINGEN-LUDWIGSTAL / NEUHAUSEN / HAIMEN
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		

[1]The terms "sales" and "revenue" are used synonymously.

Powder Metallurgy

The Powder Metallurgy division at the Aalen-Wasseralfingen facility produces sintered engine and transmission components. 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. Powder Metallurgy supplies both external customers as well as the Pumps and Engine Components division.

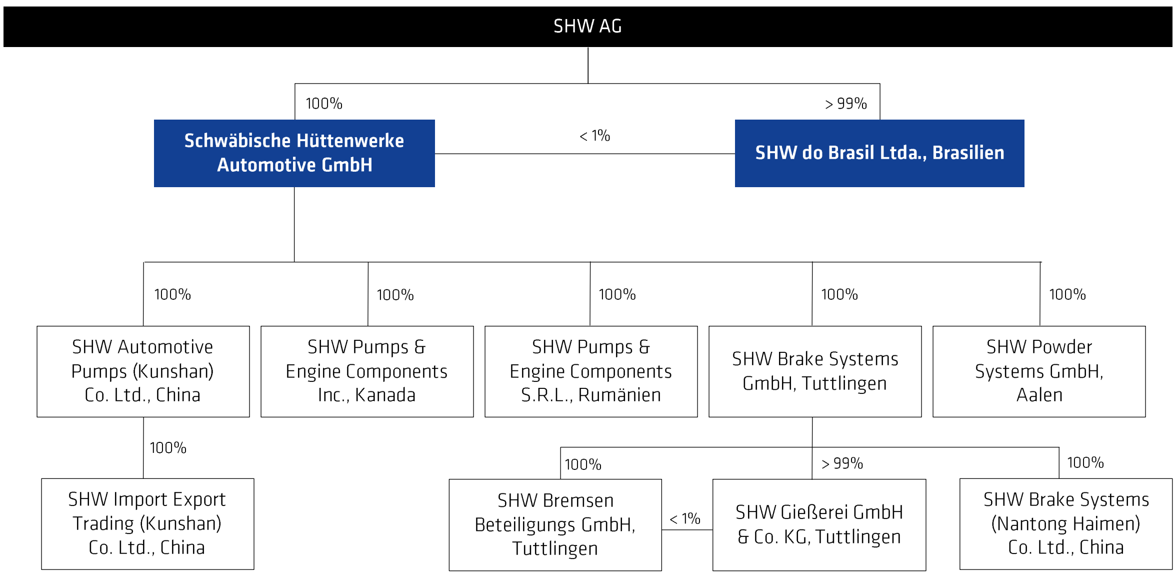
Brake Discs

The Brake Discs division 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. SHW Brake Systems (Nantong Haimen) Co. Ltd., China was founded in the year 2022. In future, brake discs will be produced in Haimen for the Asian market. This company had not yet commenced operations in the year 2023.

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 a branch in Wilhelmshütte (Bad Schussenried). SHW Brake Systems GmbH in Tuttlingen (Ludwigstal), with its second-tier subsidiaries, SHW Gießerei GmbH & Co. KG, SHW Bremsen Beteiligungs GmbH and SHW Brake Systems (Nantong Haimen) Co. Ltd. (hereinafter referred to as "Haimen"), is a wholly-owned subsidiary of SHW Automotive GmbH. The Powder Metallurgy division was spun off into its own legal entity in the year 2023 effective 1 January 2023. The newly founded SHW Powder Systems GmbH is a wholly-owned subsidiary of SHW Automotive GmbH. Likewise, SHW Import & Export Trading (Kunshan) Co., Ltd. (China) was founded on 1 June 2023 as a wholly-owned subsidiary of SHW Automotive Pumps (Kunshan) Co. Ltd., China. The Group's 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

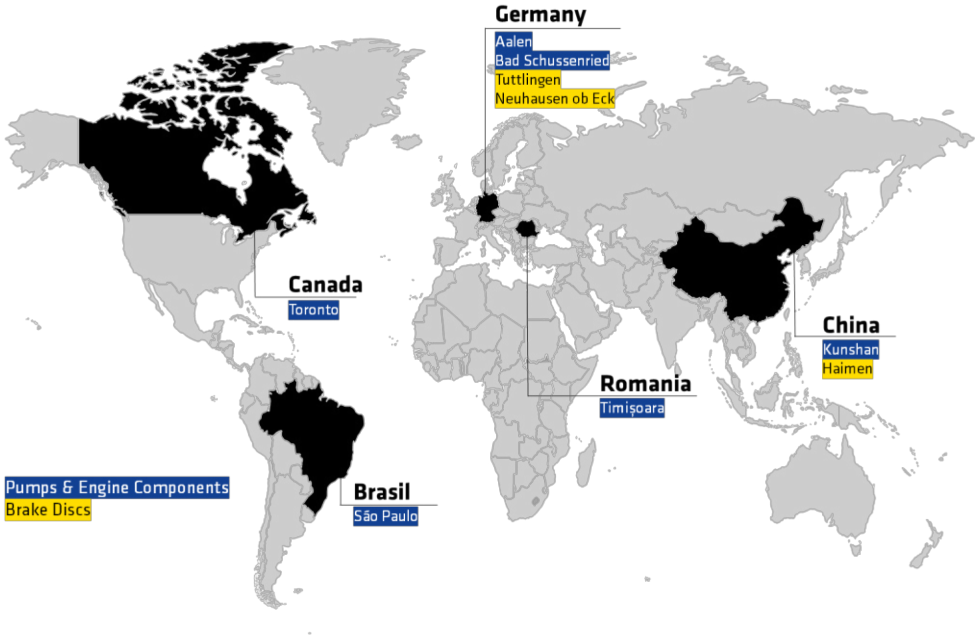


Sales markets

The business of SHW AG is significantly influenced by the production of light vehicles (vehicles of less than 6 tonnes) and the related production of engines and transmissions in Europe, China, North America and South America. More information can be found in the section on the Industry environment.

External factors

In the European Union, climate protection is currently one of the most important points on the political agenda. The goal is to mitigate the effects of climate change. At the end of 2018, the European Commission laid out its vision of "a cleaner planet for all" and set a goal of climate neutrality by 2050. There are binding CO_2 targets in all important automobile markets, which require manufacturers to take substantial action to reduce their carbon footprint in the coming years.



Control parameters

The Management Board of SHW AG uses various instruments to assess the latest business developments and to derive the related strategic and investment decisions for the future. The goal is to exploit economic and commercial potential to the greatest extent possible.

The business activities of the SHW Group focus on the sustainable increase of its enterprise value and on capital-efficient growth. In addition to 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 of property, plant and equipment and amortisation of intangible assets including any impairments) and the EBITDA margin (EBITDA divided by Group sales). This measures the quality of sales trends and indicates the level of efficiency achieved in the management of the 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. Consequently, the SHW Group constantly monitors and steers the key factors affecting ROCE (defined as EBIT in relationship to average capital employed). Besides earnings indicators, liquidity-related indicators are highly significant. Furthermore, SHW's control system also includes financial management indicators. The net working capital ratio is of particular relevance for the Group.

As well as financial goals, the SHW Group also considers a series of non-financial goals. Customer satisfaction plays a key role in the Group'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 keep improving 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, our sintered parts 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 up on previous year's level

Our workforce is the foundation of our success, both today and tomorrow.

The human resources strategy derived from our corporate goals places the focus on our employees. Correspondingly, we offer interesting jobs that will remain viable in future, giving the employees a secure perspective and the opportunity to help shape the future of the company.

We offer a broad portfolio of basic and advanced training to all employees to facilitate their personal development.

At 1,826, the average headcount of the SHW Group in the fiscal year was up 159 on the level of the previous year (1,667).

Winning new talent

Winning new talent and promoting it is a key feature of our HR strategy for addressing the impact of demographic change.

SHW advertises itself as a great place for apprenticeships at regional career fairs, offering young talent the opportunity to familiarise themselves with the company in internships or student traineeships. In addition, we offer students the opportunity to write their Bachelor's or Master's theses at our German or international locations within the framework of our university recruiting program.

School-leavers can choose from a wide variety of trades, technical careers or commercial occupations when it comes to an apprenticeship. As an annual average, 55 apprentices completed their vocational training at SHW in the year, 7 more than in the previous year.

Personal and organisational development adds an international aspect to management training

In addition to the established group-wide management and personal development programs, the plans to roll out a joint international leadership program with our affiliate Pankl Racing Systems AG, Kapfenberg, Austria are gathering pace. The goal is to communicate values across the entire group and drive the creation of a global network.

We implemented a learning management system in the course of driving forward the digital transformation of HR processes. Numerous e-Learning sessions have already been created internally and provided to the employees.

The annual performance review is a fixed item of our corporate culture. In order to provide maximum transparency, we document these interviews in digital form in Talentsoft.

Employee retention

SHW offers its employees attractive working conditions. Our involvement in the collective bargaining agreements already ensures that our employees receive attractive compensation and a range of social benefits. Moreover, by offering mobile working solutions, individual part-time models and the use of flexitime, we have laid the foundation for a work-life balance.

In addition to the company bike leasing program, employees have the opportunity to participate in the corporate benefits program and join sports clubs or use childcare facilities, depending on their location.

Employee satisfaction can be measured on the high number of long-service awards we have the honour of presenting to employees each year for their many year's of loyalty to the firm.

Research and development

Electrically driven pumps and modules for engine and transmission applications as well as electrically powered axles

Two trends have emerged in powertrain development for automobiles and commercial vehicles:

The first is the development of new purely electrically-powered axles for battery electric vehicles (BEV) and, to a lesser extent, fuel-cell electric vehicles (FCEV).

The second is the optimisation of traditional ICE powertrains, primarily for use in plug-in hybrids and in internal combustion engines that use hydrogen as a fuel.

In addition to developing the existing product portfolio, which consists of oil pumps, low-pressure pumps and fuel pumps for internal combustion engines, automatic transmissions and hybrid powertrains, SHW is focussing its activities on the development of electrically-powered oil and water pumps as well as complete thermal management modules that can be used in electric and hybrid powertrains.

The performance of electric pumps can be regulated, depending on engine speed, vehicle velocity or operating conditions. It therefore constitutes an additional element in the suite of tools used to optimise the overall efficiency of the powertrain. In addition to electrically powered oil and water pumps, thermal management modules can also include such elements as filter elements, heat exchangers and sensors and perform the cooling and lubrication function of electrical axles and battery systems.

High-performance sintered components for new applications

The evolution of vehicle powertrains necessitates both the refinement of existing products but also newly developed sintered components. The Powder Metallurgy division researches and improves the processes used for local surface densification to create high-strength gearwheels and highly durable components. SHW is working on tailoring its materials and finding efficient methods and innovative lightweight solutions to address new challenges.

Innovation in lightweight and low-emission brake discs

The Brake Discs division has been researching lightweight construction for years. As early as 1994, SHW produced the first composite brake disc, which was built into the BMW M5. The idea behind the composite brake disc is to separate the actual brake friction ring from the “pot”, and to produce the pot using aluminium, which affords a weight reduction of up to eight kilogrammes per vehicle. 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 as well as increasing the range of electric vehicles. The focus of development activities lies on the development of cheaper lightweight brake disc concepts to counter the cost pressure on the market.

Meeting the expected legal requirements in terms of particulate emissions generated during braking has been in the focus of the research and development activities conducted by the Brake Discs division for a number of years. By coating brake discs to create a durable friction surface, it is possible to significantly reduce emissions in future.

In addition, 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.

Intellectual property safeguarded on a long-term basis

The SHW Group protects its intellectual property relating to pump components, brake discs, alloys and sintered metal parts by maintaining numerous IP rights, such as patents, utility models and design patents, as well as filing for new ones. The intellectual property is primarily registered in Europe, North America and Asia. In isolated cases, the IP rights are held jointly with the customer, but in these cases the rights can be used by either party without restriction.

BUSINESS REPORT

Macroeconomic environment

The global economy at a glance

Global uncertainty did not abate in any shape or form over the past year. On the contrary, the continuing war between Russia and Ukraine as well as Hamas's attack on Israel and the associated regional turbulence dimmed global growth prospects and resulted in continuing market volatility. The United States and, at some delay, the EU managed to dampen inflation by raising interest rates, but this led to a simultaneous decline in consumption. The restrictive monetary policy pursued by the central banks raised the cost of loans and dampened investment activity.

However, over the course of the year, global growth of 3.1 per cent on the previous year was reached, with great differences seen between the regions.

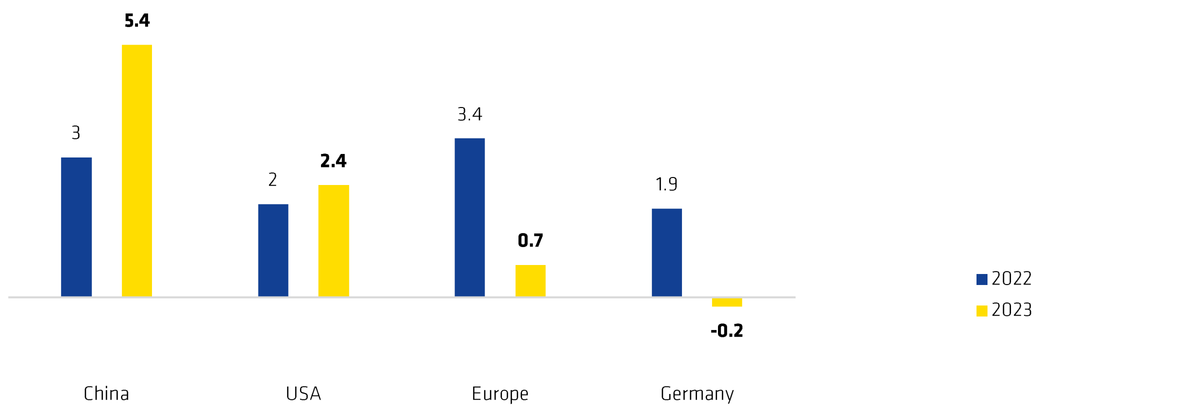
In spite of high inflation and rising interest rates, the economy in the **United States** recorded moderate growth of 2.4 per cent in 2023.

In the **euro area**, economic momentum weakened due to the rising cost of living, lower demand for exports and tighter monetary policy. Low growth of just 0.7 per cent was recorded in the year 2023.

Economic output in **Germany** declined in the year 2023, with GDP down 0.2 per cent on the prior year. This can be primarily attributed to subdued levels of consumption in the wake of higher inflation. The German economy has been in a sustained crisis now for almost four years. The Russian attack on Ukraine followed on the heels of the corona crisis and resulted in extreme hikes in the prices of energy and food. The conflict in the Middle East has created a new wave of uncertainty and the latest budget crisis hit Germany at a time of economic weakness.

China generated the fasted GDP growth in 2023 from a global perspective, rising by 5.4 per cent. However, from China's perspective, this represents the weakest growth in the last 30 years (excluding the years of the corona pandemic). The sluggish property sector and the insolvency of a number of major property companies increasingly led to deflation of the economy and very high unemployment.

GDP GROWTH BY REGION IN %



Source: IHS – Februar 2024

Industry environment

The business of SHW AG is significantly influenced by the production of light vehicles (vehicles of less than 6 tonnes) and the related production of engines and transmissions in Europe, China, North America and South America.

Global automobile production up on the previous year

According to data from S&P Global (IHS Markit), an information service provider, production of light vehicles of less than 6 tonnes grew by 9.8 per cent worldwide in 2023, rising from 82.0 million in the previous year to 90.1 million.

China recorded a production volume of 28.9 million vehicles, representing growth of 9.7 per cent on the previous year.

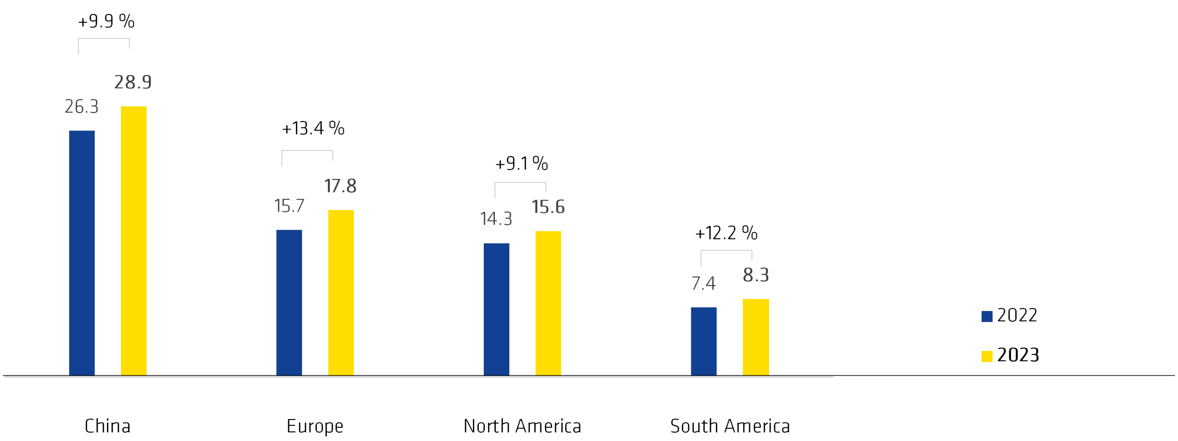
In **Europe**, production came to 17.8 million, a rise of 13.5 per cent. The increase in production volume is a result of German production, which increased by 18.5 per cent to 4.3 million units and French production, which rose by 10.7 per cent to 1.5 million units. Romanian production remained flat, by contrast, with no significant change, declining just 0.2 per cent to 0.6 million units.

In **North America** the production volume of light vehicles rose from 14.3 million units to 15.6 million units (9.1 per cent). Growth was also seen in **South America**, mostly generated in Argentina (13.1 per cent) and, to some extent in Brazil (1.2 per cent). In Asia, both **Japan and South Korea** recorded significant growth of 14.5 per cent. This represents an increase of 1.6 million units in vehicle production to a total of 12.7 million units. Production in **Southeast Asia** was in freefall in the year 2023, dropping by 54.3 per cent to roughly 4.3 million units.

Production of diesel engines stagnating – hybrid/electric vehicles continue to enjoy the highest growth rates

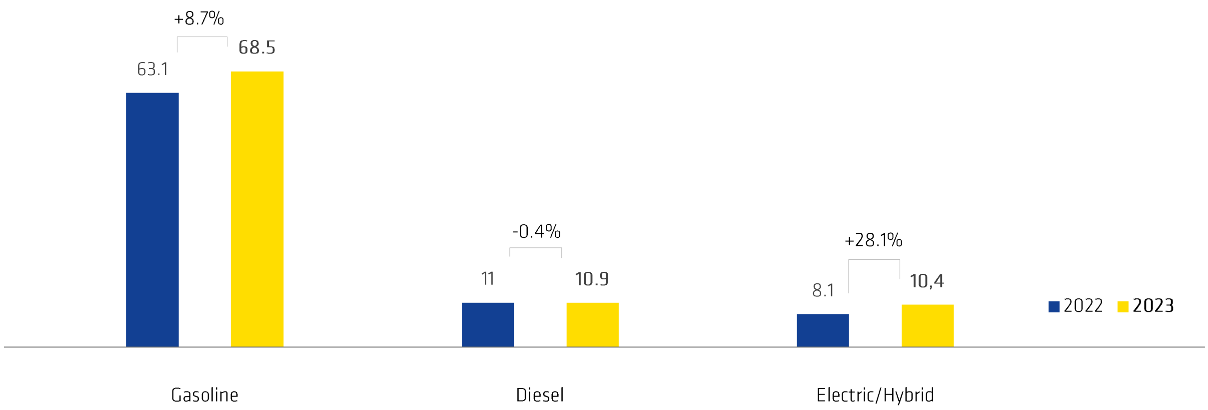
Production of gasoline engines continued to grow, rising by 8.7 per cent to 68.6 million units. Production of diesel engines, on the other hand, decreased by 0.4 per cent. Hybrid and electric engines, by contrast, grew once again by 28.1 per cent to 10.4 million units, coming ever close to the production volume of diesel engines. As a result, their market share rose from 9.9 per cent to 12.7 per cent in the year 2023.

LIGHT VEHICLE PRODUCTION BY REGION (IN M UNITS)



Source: IHS – February 2024

ENGINE PRODUCTION WORLDWIDE (IN M UNITS)



Source: IHS – February 2024

Goal attainment in 2023

The organisational structure of the Group was expanded at the beginning of the fiscal year 2023 by the addition of one further operating division, with the goal of enhancing the flexibility and independence of the Powder Metallurgy profit centre. Prior to this move, the Group consisted of the divisions of Pumps and Engine Components and Brake Discs. To allow comparison to the previous year, the figures of the previous year for sales, EBITDA, and EBITDA margin were adjusted to reflect the new organisational structure, i.e. the figures of the Pumps and Engine Components division for the previous year are presented below after eliminating the Powder Metallurgy profit centre. The Brake Discs division was unaffected by the change.

A significant increase in sales was anticipated for financial year 2023, both for the SHW Group as a whole, the Pumps and Engine Components division and also the Brake Discs division.

With sales of € 532.9 million, the revenue of the SHW Group lay 12.8 per cent above the previous year. The Pumps and Engine Components segment generated sales of € 319.8 million in 2023, up 11.3 per cent on the sales of the previous year. If the effects of the carve-out of the Powder Metallurgy division from the Pumps and Engine Components division are eliminated, the Pumps and Engine Components division would have generated sales of € 366.0 million, up 14.9 per cent on the previous year. In the Brake Discs division, sales rose by 8.5 per cent to € 166.8 million.

In the 2022 group management report, EBITDA and the EBITDA margin were forecast to rise rapidly in fiscal year 2023, both for the SHW Group as a whole and also for the Pumps and Engine Components division.

The EBITDA of the SHW Group in fiscal year 2023 rose by 18.2 per cent on the previous year. The EBITDA margin of 8.0 per cent generally matches the level of the previous year of 7.7 per cent. The Pumps and Engine Components division generated an EBITDA of € 21.3 million, down on the previous year figure of € 23.2 million. The EBITDA margin sank from 8.1 per cent (previous year) to 6.7 per cent in fiscal year 2023. If the effects of the carve-out of the Powder Metallurgy division from the Pumps and Engine Components division are eliminated, the Pumps and Engine Components division would have generated an EBITDA of € 32.3 million, up 18.2 per cent on the previous year. The EBITDA margin would have increased from 6.5 per cent to 8.8 per cent.

A significant improvement in EBITDA and the EBITDA margin was forecast for the Brake Discs division for fiscal year 2023. The division’s EBITDA came to € 12.7 million in 2023, which is below the previous year, with the EBITDA margin sinking from 10.8 per cent in the previous year to 7.6 per cent.

Course of business

Financial performance

Sales up 12.8 per cent on the previous year

Sales amounted to € 532.9 million in 2023, 12.8 per cent above the previous year's figure of € 472.5 million. This increase is primarily due to volume effects.

Cost of sales ratio down on the previous year

The cost of sales increased to € 459.7 million (previous year € 429.8 million). At 86.3 per cent (previous year 91.0 per cent) the cost of sales ratio is down on the previous year. The gross margin (defined as gross profit in relation to sales) improved to 13.7 per cent (previous year 9.0 per cent). The quality of the margin has been improved by focusing on a stringent cost controlling.

Higher selling expenses and general administrative expenses in comparison to the previous year

Selling expenses increased by € 3.8 million in fiscal year 2023 compared to € 18.3 million in the previous year. The ratio of selling expenses to sales comes to 3.4 per cent, roughly at the same level as the previous year (3.1 per cent). General administrative expenses rose by € 10.4 million to € 30.7 million, chiefly on account of the costs incurred for the carve-out of the Powder Metallurgy division. The ratio of general administrative expenses to sales increased from 4.3 per cent to 5.8 per cent.

R&D ratio down on the previous year

Research and development costs expensed through profit and loss came to € 13.4 million in fiscal year 2023, up € 1.5 million on the level of the previous year. In addition, development costs of € 5.1 million (previous year € 5.4 million) were capitalised as fixed assets. This includes project costs that are likely to be amortised because series production is likely to start in the near term. They also include the costs of basic product developments. The ratio of R&D expenses (including capitalised development costs) to sales of 3.5 per cent (previous year 3.7 per cent) remained at the level of the previous year. Amortisation of capitalised development costs amounted to € 2.5 million in fiscal year 2023 (previous year € 2.2 million). No impairment losses were recorded in fiscal year 2023 (previous year: € 0.3 million). Additional development services were billed within the scope of individually contracted customer orders. The core area of development in the Pumps and Engine Components division consists of electrically-driven oil and water pumps and complete thermal management modules.

Other operating income and expenses

At € -0.4 million, the net balance of other operating income less other operating expenses is negative and down on the level of the previous year of € 7.0 million. The main factors in the net operating income of the previous year were non-recurring effects in other operating income of € 16.2 million and other operating expenses of € 9.5 million.

KEY PERFORMANCE INDICATORS: SHW GROUP

K EUR	2023	2022	Change %
Sales	532,860	472,504	12.8%
EBITDA	42,878	36,278	18.2%
as % of sales	8.0%	7.7%	-
Operating result (EBIT)	10,364	3,035	241.5%
as % of sales	1.9%	0.6%	-
Net profit	–886	–6,746	86.9%
Equity	123,944	127,465	–2.8%
Equity ratio	33.0%	34.8%	-
Net working capital	64,837	66,870	–3.0%
as % of sales	12.2%	14.2%	-
Investments	37,127	45,978	–19.3%
as % of sales	7.0%	9.7%	

EBITDA above the figure of the previous year

Consolidated EBITDA (including impairment losses) came to € 42.9 million in fiscal year 2023 (previous year € 36.3 million). At 8.0 per cent, the EBITDA margin is above the previous year's figure of 7.7 per cent. The quality of the margin has been improved by focusing on a stringent cost controlling.

At € 32.5 million, depreciation and amortisation was € 0.7 million or 2.2 per cent lower than in the same period in the previous year.

EBIT of € 10.4 million is up € 7.3 million on the level of the previous year. The EBIT margin amounts to 1.9 per cent, compared to 0.6 per cent in the previous year.

Higher financial expenses

The net financial result comes to a net expense of € 7.9 million (previous year a net expense of 3.1 million). The increase of € 4.8 million is chiefly attributable to higher interest expenses on account of the rise in interest rates.

Tax rate at 136.5 per cent

Income taxes amounted to € 3.3 million in fiscal 2023 (previous year € 6.6 million). The SHW Group's tax rate amounted to 136.5 per cent for fiscal year 2023. The tax rate is materially affected by the impairment losses recorded on deferred tax assets recognised on unused tax losses, unrecognised deferred tax assets on unused tax losses of € 0.7 million and the tax expense from previous years of € 0.7 million.

Group's net profit improved on the previous year

The net result of the Group for the year improved by € 5.9 million to a loss of € -0.9 million (previous year a loss of € -6.7 million). Earnings per share come to € -0.14 compared to € -1.05 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.

Business divisions

The organisational structure of the Group was expanded at the beginning of the fiscal year 2023 by the addition of one further operating division, with the goal of enhancing the flexibility and independence of the Powder Metallurgy profit centre. Prior to this move, the Group consisted of the divisions of Pumps and Engine Components and Brake Discs. With the creation of the new Powder Metallurgy division, which was carved out of the Pumps and Engine Components division, the Group now has the following structure:

- Pumps and Engine Components
- Powder Metallurgy
- Brake Discs

To allow comparison to the previous year, the previous-year figures of the Pumps and Engine Components division for sales, EBITDA, and EBITDA margin were adjusted to reflect the new organisational structure, i.e. the figures of the Pumps and Engine Components division for the previous year have been presented after eliminating the Powder Metallurgy profit centre. The previous-year figures of the new Powder Metallurgy division correspond to the previous-year figures of the (former) Powder Metallurgy profit centre. The Brake Discs division was not affected by the change in the organisational structure.

Pumps and Engine Components

Sales at € 319.8 million

The Pumps and Engine Components segment generated sales of € 319.8 million in 2023, up 11.3 per cent on the sales of the previous year (€ 287.4 million).

If the effects of the carve-out of the Powder Metallurgy division from the Pumps and Engine Components division were eliminated, the Pumps and Engine Components division would have generated sales of € 366.0 million up 14.9 per cent on the previous year (€ 318.7 million).

At € 21.3 million, EBITDA is significantly below the previous year's figure of € 23.3 million. The EBITDA margin sank from 8.1 per cent (previous year) to 6.7 per cent in fiscal year 2023.

If the effects of the carve-out of the Powder Metallurgy division from the Pumps and Engine Components division were eliminated, the Pumps and Engine Components division would have generated an EBITDA of € 32.3 million up € 11.5 million on the previous year figure of € 20.8 million. The EBITDA margin would have increased from 6.5 per cent to 8.8 per cent.

Powder Metallurgy

Sales at € 81.6 million

The Powder Metallurgy division generated sales of € 81.6 million in 2023 (of which € 46.2 million was generated from sales to external customers and € 35.4 million in internal sales), and is therefore up 30.4 per cent on its sales of the previous year (€ 62.6 million).

At € 11.0 million, EBITDA is significantly above the previous year's figure of € -2.5 million. The EBITDA margin improved from -4.0 per cent (previous year) to 13.5 per cent in fiscal year 2023.

Optimisation of the production process and the product portfolio was the most significant factor in the positive development of the Powder Metallurgy division.

Brake Discs

Sales at € 166.8 million

In the Brake Discs division, sales rose by 8.5 per cent to € 166.8 million (previous year € 153.8 million).

EBITDA decreased from € 16.5 million in the previous year to € 12.7 million. The EBITDA margin decreased from 10.8 per cent to 7.6 per cent due to the need to navigate a bottleneck.

The EBITDA of central shared services that cannot be allocated to any of the operating divisions came to € -2.1 million (previous year € -1.1 million).

Financial position

NET ASSET POSITION

K EUR	2023	2022	Change absolute	Change %
Non-current assets	**211,747**	**209,965**	**1,782**	**0.8%**
of which other intangible assets	22,154	20,137	2,017	10.0%
of which property, plant and equipment	167,562	166,435	1,127	0.7%
thereof deferred tax assets	10,490	10,782	-292	-2.7%
of which other (financial) assets	4,486	5,556	-1,070	-19.3%
Current assets	**164,112**	**156,001**	**8,111**	**5.2%**
of which inventories	79,654	78,586	1,068	1.4%
of which trade receivables	54,920	46,233	8,687	18.8%
of which cash and cash equivalents	15,621	12,883	2,738	21.2%
Total assets	**375,859**	**365,966**	**9,893**	**2.7%**

Total assets increased by 2.7 per cent

At the end of the fiscal year 2023 total assets were 2.7 per cent up on the previous year, a rise of € 9.9 million.

In particular, the increase in development costs capitalised as internally-generated intangible assets, which rose to € 19.3 million from € 16.9 million in the previous year, led to an increase in sundry other intangible assets of € 2.0 million in sum. This was countered by the regular amortisation of these assets.

Capital expenditure of € 37.1 million (see the section on cash flows, capital expenditure) and the recognition of right-of-use assets of € 1.5 million (under IFRS 16) resulted in an increase in property, plant and equipment of € 1.1 million net of depreciation.

Deferred tax assets generally match the level of the previous year.

Other financial assets decreased by € 1.1 million, declining from € 5.6 million to € 4.5 million.

Inventories rose slightly by € 1.1 million to € 79.7 million and therefore remained more or less at the level of the previous year (€ 78.6 million).

The increase of € 8.7 million in trade receivables as at the reporting date mainly results from higher sales in November and December 2023 in comparison to the two months of the previous year. The net balance of factored receivables came to € 11.9 million (previous year: € 11.9 million).

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

Cash flows

The syndicated loan agreement entered into in November 2023 that replaced the previous syndicated loan agreement, provides credit totalling € 130.0 million and creates a solid foundation for the Group's liquidity. The syndicated loan agreement has an agreed term of three years and contains two renewal options, the first of which can be applied for at the end of the first year and the second at the end of the second year. The basic term of the loan expires in November 2026. As at 31 December 2023, the credit provided under the existing syndicated loan agreement was drawn on to the tune of € 62.5 million in the form of seven loans and overdraft facilities totalling € 12.4 million. In addition, ten amortising loans totalling € 21.4 million and one loan from the KfW development bank of € 1.7 million were also carried on the reporting date. The seven loans totalling € 62.5 million are all short-term loans that mature in three to six months. Under the terms of the syndicated loan agreement it is possible to unilaterally exercise an option to revolve the credit beyond this term. In light of the fact that we intend to exercise this option, the liabilities to banks have been presented under non-current liabilities. According to the syndicated loan agreement, the overdrafts only need to be repaid at the end of the term of the agreement. Therefore these are also classified as non-current.

In sum, SHW has a credit line of € 130 million available as at the reporting date (previous year € 100.0 million). Of this total, € 74.9 million (previous year € 73.6 million) had been drawn down on the reporting date.

SHW uses interest swaps to hedge its interest exposures under this arrangement (cash flow hedges). Their impact as at the reporting date is immaterial (€ 0.3 million; previous year € 0.6 million).

Non-current liabilities and provisions decreased by a total of € 3.7 million. This is mainly due to the fact that fewer funds were drawn on amortising loans.

Pension provisions and similar obligations presented under employee benefit obligations increased to € 19.3 million (previous year € 18.4 million), mainly on account of a change in the discount rate.

With regard to current liabilities and provisions, trade payables increased 20.4 per cent from € 57.1 million to € 69.1 million. This is generally due to the measures taken to optimise net working capital.

Other provisions have generally remained unchanged on the previous year.

FINANCIAL POSITION

K EUR	**2023**	2022	Change absolute	Change %
Equity	**123,944**	**127,465**	**–3,521**	**–2.8%**
Non-current liabilities and accruals	**133,077**	**136,741**	**–3,664**	**–2.7%**
of which liabilities to banks	87,582	91,471	–3,889	–4.3%
of which other financial liabilities	11,246	12,171	–925	–7.6%
of which obligations for employee benefits	24,281	22,869	1,412	6.2%
Current liabilities and accruals	**118,838**	**101,760**	**17,078**	**16.8%**
of which liabilities to banks	10,434	9,358	1,076	11.5%
of which trade payables and contract liabilities	69,736	57,949	11,787	20.3%
of which other pensions	3,005	3,106	–101	–3.3%
Total assets	**375,859**	**365,966**	**9,893**	**2.7%**

Equity ratio at 33.0 per cent

The equity of the Group as of 31 December 2023 was affected primarily by exchange losses (€ -1.6 million) posted directly to other comprehensive income, actuarial losses (€ 0.8 million), the Group's net loss for the year of € -0.9 million and actuarial losses (€ -0.8 million). No profits were distributed for fiscal year 2022. Due to the slight rise in the balance sheet total and with equity remaining more or less unchanged, the equity ratio decreased from 34.8 per cent to 33.0 per cent.

Net working capital ratio above the mid-range target corridor

The net working capital ratio, measured against sales of the last twelve months, decreased from 14.2 per cent to 12.2 per cent and therefore still lies above the targeted mid-term corridor of 11 per cent to 12 per cent. The main factors in this development were the measures taken to optimise net working capital.

NET WORKING CAPITAL

K EUR	2023	2022	Change absolute	Change %
Inventories	79,654	78,586	1,068	1.4%
Trade receivables	54,920	46,233	8,687	18.8%
Trade payables	-69,466	-57,702	-11,764	20.4%
Contract liabilities	-270	-247	-23	9.3%
Net working capital	**64,837**	**66,870**	**-2,033**	**-3.0%**
as % of sales	12.2%	14.2%	-	-

Cash flow from operating activities up on the previous year

At € 41.3 million, cash flow from operating activities in fiscal year 2023 is above the previous year's level of € 18.0 million. Cash flow from operating activities was positively affected by the change in net working capital on the reporting date.

At € 37.4 million, cash flow from investing activities relating to intangible assets and property, plant and equipment was € 1.4 million higher than the previous year's figure.

Operative free cash flow improved to € 3.9 million and is therefore € 21.9 million above the figure of the previous year (€ -18.0 million).

For fiscal year 2023, the Group's total free cash flow thus amounted to € 3.9 million (previous year € -18.0 million).

DERIVATION OF THE CHANGE IN NET LIQUIDITY

K EUR	2023	2022
Cash flow from operating activities	41,308	17,988
Cash flow from investing activities (intangible assets and property, plant and equipment)	-37,434	-36,026
Operating free cash flow	**3,874**	**-18,039**
Cash flow from investing activities (subsidiaries, financial assets)	0	0
Total free cash flow	**3,874**	**-18,039**
Other	1,676	-775
Change in net liquidity	**5,550**	**-18,813**

Net financial liabilities of € -82.4 million

The change in net liquidity led to the SHW Group reporting net financial liabilities (defined as the balance of cash and cash equivalents and liabilities to banks) of € -82.4 million as at 31 December 2023 (previous year € -87.9 million).

In addition to the total free cash flow described above (€ 3.9 million), cash received in the form of investment loans from Pierer Immoreal Deutschland GmbH (€ 5.0 million) also contributed to the improvement of € 5.6 million in net liquidity. These cash inflows were countered by cash outflows for leases of € 3.9 million, compared to € 2.7 million in the previous year.

As at 31 December 2023, SHW reports cash and cash equivalents of € 15.6 million (previous year € 12.9 million), most of which is carried by the subsidiaries in China and Canada. Liabilities to banks of € 98.0 million (previous year € 100.8 million) consist of seven short-term loans amounting to € 62.5 million and overdrafts of € 12.4 million drawn under the syndicated loan agreement as well as ten amortising loans amounting to € 21.4 million and a loan of € 1.7 million from the KfW development bank. We refer to Notes (29) and (33) in the notes to the consolidated financial statements for more information.

Decrease in capital expenditure on property, plant and equipment and intangible assets

Additions to property, plant and equipment and intangible assets totalled € 37.1 million in fiscal year 2023 compared to € 46.0 in the previous year (of this amount € 1.5 million is due to IFRS 16; previous year 4.3 million). The additions to property, plant and equipment and intangible assets reported in the cash flow are € 8.2 million and € 0.7 million respectively below the figures of the previous year. The discrepancy between the reported additions of property, plant and equipment and intangible assets and the associated 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.

Capital expenditure in the Pumps and Engine Components division dropped by 34.7 per cent from € 20.5 million to € 13.4 million (of which € 0.6 million is due to IFRS 16; previous year € 0.5 million). The main focus of investment lay on new product developments and new assembly lines.

Had the Powder Metallurgy division not been carved out of the Pumps and Engine Components division, the Pumps and Engine Components division would have invested € 16.0 million (previous year: € 27.4 million), of which € 0.6 million is due to IFRS 16 (prior year: € 0.6 million).

Capital expenditure in the Powder Metallurgy division dropped by 62.3 per cent from € 6.9 million to € 2.6 million (of which € 0.0 million is due to IFRS 16; previous year € 0.1 million).

Capital expenditure in the Brake Discs division increased by 16.1 per cent from € 18.1 million to a total of € 21.0 million (of which € 0.9 million is due to IFRS 16; previous year € 3.7 million). The focus lay mainly on investments in plant and machinery to expand capacity and improve productivity.

In addition to the cash flow from operating activities budgeted for fiscal 2024, there is sufficient financing available from the new syndicated bank loan to finance the investments already commissioned (purchase obligations for non-current assets) and the investments planned for fiscal year 2024.

ROCE improved in comparison to the previous year

ROCE

K EUR	**2023**	2022
Goodwill	7,055	7,055
Other intangible assets	22,154	20,137
Property, plant and equipment	167,562	166,435
Deferred tax assets	10,490	10,782
Other (financial) assets (non-current)	4,486	5,556
Inventories	79,654	78,586
Trade receivables	54,920	46,233
Other (financial) assets (current)	13,918	18,299
Capital employed asset item	**360,238**	**353,083**
Deferred tax liabilities	-9,939	-10,201
Other pensions (non-current)	-29	-29
Other financial liabilities (non-current and non-interest bearing)	-1,755	-572
Trade payables	-69,466	-57,702
Contract liabilities	-270	-247
Other financial liabilities (current and non-interest bearing)	-12,294	-13,804
Income tax liabilities	-528	-462
Other pensions (current)	-3,005	-3,106
Other liabilities (current)	-12,597	-12,240
Capital employed liability item	**-109,883**	**-98,363**
Capital employed	250,355	254,720
EBIT	10,364	3,035
ROCE	**4.1%**	**1.2%**

The return on capital employed (ROCE) improved in comparison to the previous year. The main factors in this improvement were the measures taken to optimise net working capital.

Overall statement on the economic position

Given the circumstances, the Management Board of SHW AG considers the group's business performance in 2023 to be satisfactory on the whole.

With the aid of the organisational and financial measures taken, the SHW organisation managed to master the challenges posed by the fiscal year 2023.

At the time this management report was prepared, the Management Board believes that the SHW Group, with its innovative and broad product portfolio is in a good position to actively master the challenges posed by the transformation of the automobile sector.

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. 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.

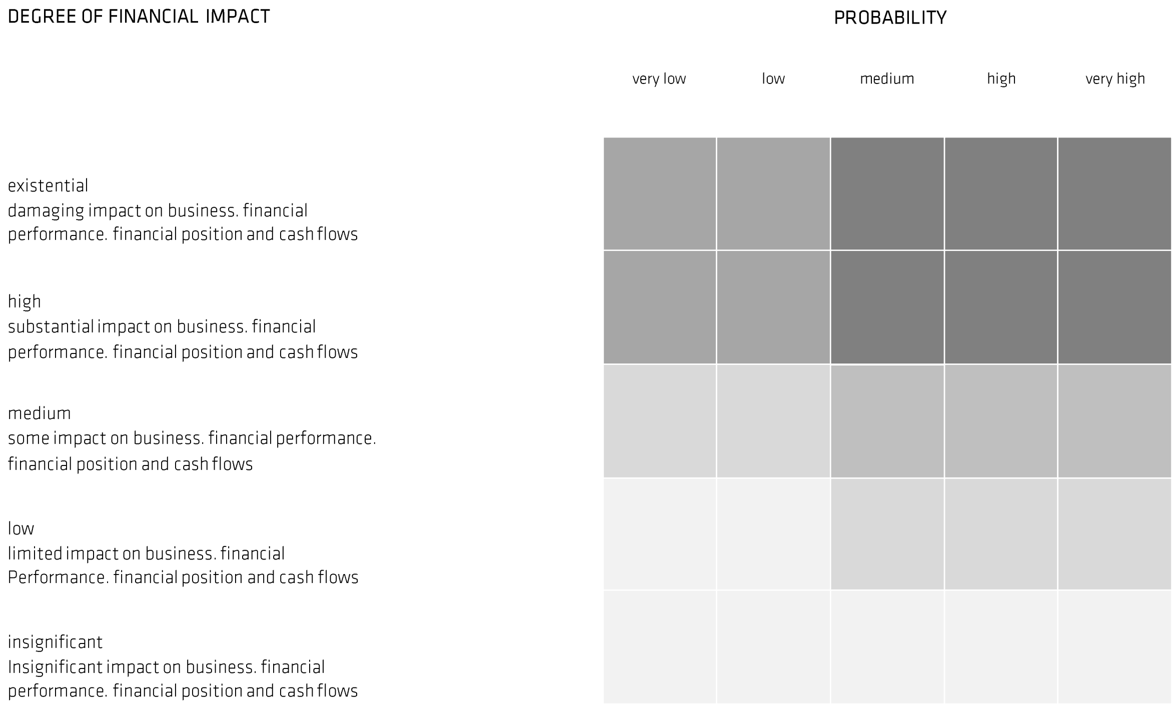
To ensure that our risk management system is as effective as possible, we utilise a Group-wide integrated risk management system which identifies, assesses, manages, monitors and systematically reports risks. The risk management system is aligned towards the early identification of potential risks by constantly monitoring the relevant markets, regions, customers and suppliers, in addition to internal processes, to allow effective countermeasures to be taken.

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 reviewed at regular intervals.

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	Medium	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	Medium	High
Cost risks	High	Medium
Supplier risks	Medium	High
IT risks	Low	Medium
Acquisition and integration risks	Very low	Medium
Environmental risks	Very low	Medium
Legal und compliance risks		
Legal risks	Low	Medium
Compliance risks	Very low	High
Tax risks	Low	Low
Financial risks		
Counterparty credit risks	Very low	Low
Financing risks	Low	High
Currency risks	Low	Medium
Interest risks	Medium	Medium
Impairment risks	Very low	High



Strategic risks

Macroeconomic and industry risks

The business performance of the SHW Group is heavily dependent on developments in the global economy. In addition, risks can arise from political and social changes.

The economy has been in a sustained crisis now for almost four years. The Russian attack on Ukraine followed on the heels of the corona crisis and resulted in extreme hikes in prices, especially of energy. The conflict in the Middle East has created additional uncertainties and the latest budget crisis in Germany comes at a time of pending recession that is accentuating the challenges posed by the economic environment.

As a supplier to the automobile industry, the business performance of the SHW Group materially depends on the fundamental transformation in the automobile industry. This transformation process is being driven by such trends as electrification and digitalisation.

The Pumps and Engine Components division and the Powder Metallurgy division are heavily dependent on the production of vehicles, engines and transmissions by their customers in Europe, China, North America and South America and their export activities. The speed of implementation and the focal points chosen by customers in the field of electromobility are affecting demand for our product portfolio and our development focus.

The Brake Discs division is almost completely dominated by the vehicle production of its customers in Europe. The subsidiary in Haimen in China will create an offering for the Asian market in future.

The growing fears of a pending recession could have a negative impact on consumer spending and dampen the growth prospects of all divisions accordingly.

Market structure risks

The transformation in the automobile 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, China, North America and South America. It is still assumed that sales of hybrid and electric vehicles will grow in future. However, the objective of establishing e-mobility as rapidly as possible appears to be facing challenges due to the limited range of the vehicles and the lack of charging infrastructure.

SHW's future success primarily depends on the Group's ability to focus on the right developments and to translate these at an early stage into new and improved low-carbon products for all kinds of powetrain technologies and to bring these to market in good time and at high quality.

In the opinion of the Management Board, SHW has set the right development focus with its SHW Strategy 2030 to align the product portfolio to the transformation of the automotive industry. Among other items, the main thrust of the SHW Strategy 2030 is on the electrification and transformation of the product portfolio, expanding systems competence and further internationalisation.

Risks of consolidation in the industry and competition

The pressure on automotive suppliers to consolidate their resources in response to the transformation of the automobile industry remains as high as ever. SHW is endeavouring to be perceived as a reliable supplier by pursuing a pro-active portfolio strategy.

Operating risks

Market penetration risks

SHW is driving forward the internationalisation of its business activities in the fields of brake discs and 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 can arise from local peculiarities.

Thanks to the years spent internationalising the Group, SHW has built up expertise in these areas and reviews the potential project risks associated with the start of production of new models by our customers and launching products on new markets, such as establishing a foothold for the Brake Discs segment on the Asian market.

Customer risks

Customer risks arise due to SHW's dependence on key customers 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 two customers that each exceeded 10 per cent of group sales. The share of sales allocable to the major customer rose minimally from 41 per cent to 42 per cent. This can be attributed to the focus of SHW on brake discs, which are independent of the choice of powertrain, and, in light of the restrictive market, were installed disproportionately in the premium and high-margin car models of our biggest customer over the past year. To reduce these risks, SHW aims to ensure that its sales are evenly distributed among its customers. In this regard, our strategic focus is on winning new customers and expanding our product portfolio in the Truck & Off Highway segment.

In this regard, SHW has managed to expand its business activities on the independent aftermarket (IAM) and the associated sale of brake discs to international wholesalers under the house brand of "SHW Performance". Most of all, SHW sees further growth potential in the portfolio of dual-component (lightweight) brake discs and was able to significantly increase its total sales in this field in the third year since its launch.

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

The SHW Group is also exposed to risks associated with unforeseeable decreases or increases in the volume of calls made on standing orders in comparison to the contractually agreed corridors. In order to be able to react flexibly to such changes in call-off volumes, the SHW Group takes on temporary workers as needed, as part of its capacity management.

Fluctuations in call-offs create significant problems throughout the supply chain and impose a considerable additional burden. The SHW Group attempts to pass on the associated extraordinary costs and the costs of the current high inflation rate to its customers as best it can.

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, sintered parts and 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.

The year 2023 was dominated by a wave of rising prices in the wake of inflationary pressure and persistent shortages. In this context, SHW strives to pass on any prices increases to its customers as part of its risk management. This situation was exacerbated by high costs for materials and other individual price adjustments. In addition, 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, scrap iron and energy. 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. Wages and salaries rose by 5.2 per cent in 2023 in the wake of the collectively bargained industrial agreements. There will be another pay rise of 3.3 per cent in May 2024. 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 counters the potential risk of late deliveries or the loss of key suppliers, particularly due to the transformation process in the sector, by making regular on-site reviews. In parallel, SHW pursues a policy of setting up alternative suppliers for key purchased parts.

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 information systems may disrupt our entire value chain and therefore entail negative cost effects.

The current threat scenarios in the field of cyber security demand extensive countermeasures in planning, implementation and the operation of the organisation's networks. Within the course of introducing its Information Security Management System (ISMS), the SHW Group defined the roles and responsibilities, identified IT risks and taken the corresponding risk-mitigation measures. The IT department is working continuously on refining the security concepts and rolling them out to operations. The key points of focus are currently on the segmentation of the network, secure access to production machinery and other measures to better protect against remote access. The measures to protect against ransomware are being continuously improved and expanded. User behaviour plays a key role in cyber security. Regular training and measures aimed at raising awareness, coupled with a reporting system for security incidents, minimises the risk of a successful cyberattack.

The critical IT systems are located in data centres situated either on the premises of the SHW Group or at an external hosting service provider. These are physically protected against unauthorised access and are equipped with additional security components, such as fire alarms. Regular back-ups and protection measures are in place to protect against data loss caused by ransomware encrypting or deleting data. Moreover, the SHW Group has a contingency plan which temporarily safeguards the functionality of its logistics operations even without a connection to its IT system.

The SHW Group invests in new security software on a constant basis to protect its IT systems from unauthorised access. Internally, employee access to confidential corporate data is ensured by the ability to escalate authorisation rights.

Acquisition and integration risks

Acquiring or establishing new companies and entering into possible collaborations are important elements of the growth strategy to improve the market position or to complement existing business and tap new fields of business. Potential targets for acquisition or joint ventures are evaluated using standardised processes.

However, the objectives pursued by an acquisition, foundation or cooperation, of exploiting potential synergies and realising cost savings, might not be reached 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

In addition to environmental regulations, which include limits on emissions and standards for the handling, storage and management of waste and hazardous substances, the locations of SHW are being increasingly confronted by the expectations of their business partners, suppliers and customers that go beyond the standards required by the law. In particular, the foundry of the Brake Discs division at the Tuttlingen-Ludwigstal facility is subject to a number of 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. Furthermore, there is a risk that any failure to comply with the environmental demands of customers will result in not being considered in any strategically important projects in future. For this reason, SHW constantly endeavours to harmonise the environmental demands of customers, and thus our own environmental goals, with our commercial objectives.

Legal and compliance risks

Legal risks

One of the main legal risks is products liability. The components manufactured by SHW might be defective, in spite of the comprehensive quality controls conducted. Defective products may lead to damages or losses for the OEMs' end customers, which may result in them asserting compensation and product-liability claims in turn. In such cases, it is possible in certain circumstances that the SHW Group or its customers may be forced to conduct a product 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, SHW cooperates with the applicable authorities. Any evidence of misconduct bears consequences for the respective persons concerned and entails an adjustment to the organisation. In addition, the SHW Group has a whistle-blowing system in place with which concerns of suspicious activity can be reported.

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. In addition, there could be risks relating to the recoverability of deferred tax assets, depending on the earnings situation and future financial performance.

Financial risks

Counterparty credit risk

The risk of counterparty default has not changed among the globally positioned customers of the SHW Group. Where necessary, the terms of payment and the credit limits are adjusted and regularly monitored. The economic situation for our suppliers remains tight. SHW continues to pursue a multiple-sourcing policy with the goal of reducing the risk of a loss of key suppliers.

Financing risks

A new syndicated loan of € 130 million was arranged in fiscal year 2023. The financial covenants agreed on under the syndicated loan agreement were observed as at 31 December 2023.

Cash management is based on a weekly cash flow projection that takes account of all matters affecting cash. Overall, the SHW Group has sufficient cash and cash equivalents to ensure its solvency at all times over the forecast period.

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 inputs and goods markets. No additional currency translation risks have arisen for the Group with regard to the locations in Romania, Brazil, China and Canada as sales and costs are generally denominated in the local currency to the greatest extent possible. Translation risks will therefore mainly arise from changes in the exchange rates of the Brazilian real, the Chinese renminbi, the Canadian dollar and the Romanian leu against the euro.

Interest risks

Our focus remains on the interest policy and the current rise in key lending rates. Changes in market interest rates could affect future interest payments for floating rate liabilities. An environment of rising interest rates can negatively affect cash flow. Significant interest rate increases may therefore have a knock-on affect on the profitability, liquidity and the financial position of the SHW Group. To counter interest risks and create planning certainty, SHW closely monitors developments in interest rates and enters into hedging instruments where necessary.

Impairment risks

Some of the assets carried by the SHW Group are intangibles, including goodwill. As at 31 December 2023, the SHW Group reported goodwill of € 7.1 million in the balance sheet, as in the previous year. Of this amount, € 4.3 million related to the Pumps and Engine Components division and € 2.8 million to the Brake Discs division. The carrying amount of internally generated intangible assets, that are not yet eligible for amortisation, comes to € 8.6 million. The business planning for the years 2024 to 2028 and market potentials were used as the foundation for the impairment testing of goodwill and internally-generated intangible assets not yet subject to amortisation as at 31 December 2023. This also entailed assumptions about future developments.

Assessment of the overall risk position

At the present time, SHW considers the Group's overall risk situation to be very manageable. 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 there currently any apparent risks which might jeopardise the SHW Group's continued existence.

At present, geopolitical tensions are affecting the momentum of the global economy. The effects of high interest rates and the pending recession are radiating across the financial markets. The impacts of these macroeconomic factors on the development of fiscal year 2024 cannot be fully assessed at present.

Unless otherwise indicated in the description of risks, the outlined risks do not specifically refer to the three divisions.

OPPORTUNITIES

Principles of managing opportunities

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

Opportunities management is an integral part of the SHW Group'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 divisions 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, sintered parts and brake discs as well as new areas of application and sales opportunities. Opportunities frequently arise 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 to achieve ambitious emission targets

The more stringent regulations on CO_2 limits and climate-neutral production within the automobile industry are driving the transformation of the sector. The framework conditions and CO_2 reductions expected of car fleets are presenting the OEMs with new challenges with regard to the development of alternative powertrains and, ultimately, the electrification of the existing product spectrum.

These challenges also apply to the automotive suppliers of the leading OEMs. The supplier industry is not only affected by the consequences of the transformation. It is also called upon as a competence centre and source of expertise to help shape the transformation process.

The rising demand from OEMs for mechatronic, electrical and software-managed products to be used in the major e-mobility platforms requires a complete overhaul and revision of the existing value chains in the automotive supply sector. This new alignment demands that we extend our core competencies, develop new standards, create competitive terms and conditions and define new production processes.

Taking account of these market expectations, SHW, as an automotive supplier, accepts the challenges of the transformation process and has, with the "SHW Strategy 2030" approved a corresponding strategy for the future.

Opportunities within the divisions

Due to the rising share of hybrid and electric vehicles on the market, the Pumps and Engine Components division and the Powder Metallurgy division will concentrate more strongly on e-pumps and complex modules for the cooling and lubrication of electric engines, electric axles, batteries and performance electronics as well as highly durable sintered gears. At an early stage, SHW created the framework conditions to develop and manufacture new products and systems that address the advancing electrification of OEM powertrains. For instance, we have built up our development expertise with regard to software, hardware and electronics and created new functions. Furthermore, investments were made in an experimental laboratory for electrical applications with the corresponding infrastructure and test beds. New standards and processes were also implemented for the production of electrical products.

The Brake Discs division is benefiting from the trend towards lighter vehicle parts. With its lightweight 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 intends to reduce its production costs and will thus also be able to keep supplying competitive products for upper mid-range and mid-range vehicles in future. For SHW, the introduction of the Euro-7 emissions standard opens up new opportunities for growth. The standard not only limits tailpipe emissions, but also concerns the emissions of brakes and tyres. For the SHW Group this creates an opportunity to increase the depth of its value chain. By developing the “Low Emission Brake”, we will be able to expand our portfolio and simultaneously contribute to reducing the environmental impact.

Additional growth potential in the Brake Discs segment is perceived in the independent aftermarket and the “SHW Performance” house brand. Under this brand top quality brake discs are delivered to dealers worldwide for the spare parts aftermarket. The many years of experience and skills that we have established in the development and series production of premium-quality brake discs has created a foundation for the sustained growth that is projected for the future.

Additional opportunities arise in connection with the commissioning of the new brake discs plant in Haimen. From this base we intend to serve the Asian market with SHW brake discs in future.

Based on its innovative product portfolio and its current order book, the Management Board believes that SHW is well positioned to achieve stronger growth than the market for light vehicles, engines and transmissions.

In sum, the Management Board of SHW AG assigns the opportunities available to the SHW Group to be of moderate relevance.

FORECAST

Outlook for the overall economy and for the industry

Global economy: uncertainties continue to dominate

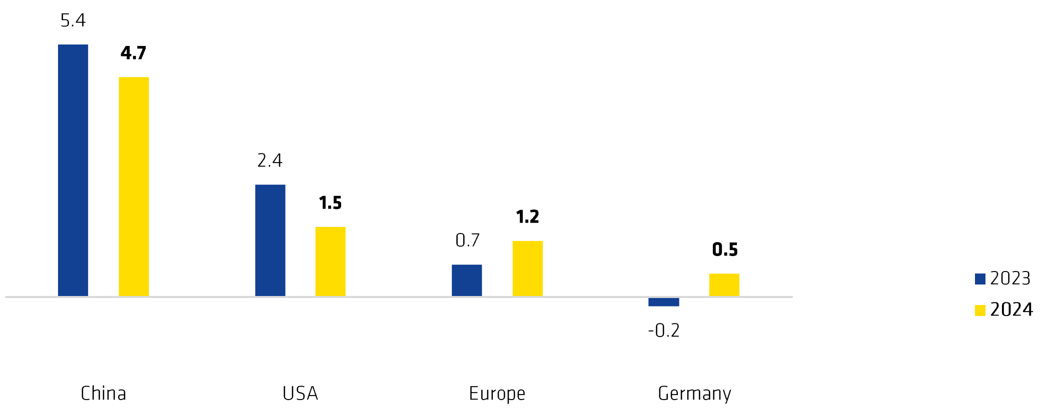
The factors affecting the global economy are dimming the prospects for economic growth and bear the risk that economic developments may go off in unexpected tangents.

In the **USA** the economy is expected to weaken in the year 2024, partly due to the hesitation of the Federal Reserve to reduce lending rates rapidly, coupled with the increasing impact of monetary tightening. However, the intensity of the cooling will be primarily determined by US fiscal policy. It is expected that the government will tend towards an expansive policy during an election year rather than pursue any fiscal belt-tightening. The currently high interest rates are dampening demand and increasing the debt burden of many US citizens. As a result, GDP growth of just 1.5 per cent is forecast for 2024 (previous year 2.4 per cent).

For the **euro area** GDP growth of 1.2 per cent is forecast for the year 2024 (previous year 0.7 per cent). According to the forecasts, growth in **Germany** in the year 2024 will be very slow at just 0.5 per cent (previous year -0.2 per cent). The reasons for the sluggish growth lie in the continuing instability in Ukraine. Likewise, how the trade dispute between the United States and China develops could have a negative impact on Europe. High interest rates are having a negative affect on corporate borrowing costs, which is reflected in the lower level of capital expenditure. However, according to the forecasts, the first reduction in the key lending rates can be hoped for in the year 2024. The ruling of the Federal Constitutional Court on the federal budget has restricted the ability of the state to provide subsidies, which will also dampen the level of investment spending.

China, too, remains a risk factor with regard to global economic growth. In light of persistent challenges facing its economy, such as high private debt levels and problems on its property market, prospects for growth are viewed critically. China is currently aiming to generate more value-added within the country and establish “Made in China” as a brand. The focus is shifting away from a lower price strategy to other competitive factors. This concerns major sectors of the economy, such as mechanical engineering and the automobile industry, where China is driving forward the transformation to electromobility. Low growth of just 4.7 per cent appears realistic for the year 2024.

GDP GROWTH BY REGION IN %



Source: IHS – February 2024

Automobile production: small dip in production expected

For the year 2024, S&P Global (IHS Markit) is forecasting a slight dip of 0.5 per cent in the global production of light vehicles (less than six tonnes) to 87.8 million units.

For the European region, production is anticipated to decrease by 2.2 per cent to 17.4 million vehicles. Europe's share of the global market is also expected to wane by 0.3 per cent.

IHS Markit forecasts growth of 3.5 per cent in German light vehicle production in the year 2024 to 4.4 million units in comparison to 2023.

Chinese automobile production is anticipated to flat line at 28.9 million units.

By contrast, brighter prospects are forecast for light vehicle production in North America (+1.3 per cent) and South America (+3.6 per cent).

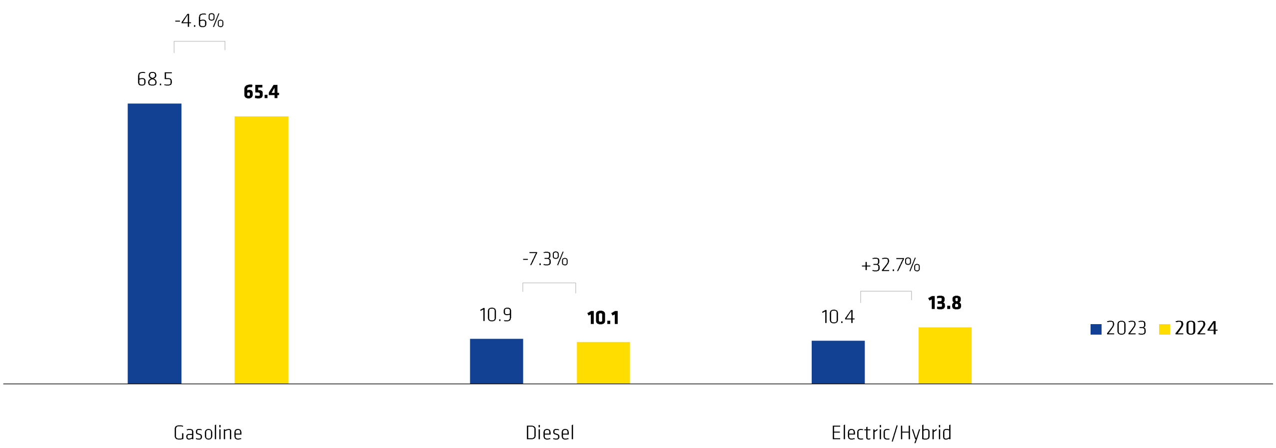
Electric motors and hybrids continue to win greater market share

In comparison to the decline in the production of ICE-powered vehicles (diesel: -7.3 per cent; gasoline: -4.6 per cent), IHS Markit projects global production of electric vehicles of 32.7 per cent to almost 13.9 million units. This represents an increase in their market share from 11.6 per cent to 15.5 per cent.

According to IHS Markit, gasoline engines will still account for the lion's share of the market with 73.0 per cent, followed by electric and hybrid motors with 15.5 per cent and diesel engines with 11.3 per cent. This latter category is expected to contract by 0.9 per cent.

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

ENGINE PRODUCTION WORLDWIDE (IN M UNITS)



Source: IHS – February 2024

Outlook for the Group

Slight growth expected in sales and significant growth in EBITDA and the EBITDA margin

Based on the anticipated development of the macroeconomic environment and the sector-specific conditions, and after weighing up the potential risks and opportunities for the SHW Group for fiscal year 2024, the Management Board of SHW AG forecasts slight growth in sales and a significant rise in EBITDA and the EBITDA margin in comparison to fiscal year 2023.

A slight decline in the sales of the Pumps and Engine Components division is anticipated but its EBITDA and EBITDA margin are expected to rise moderately. The Powder Metallurgy division is forecast to also see a slight fall in sales and a sharp reduction in its EBITDA, with its EBITDA margin decreasing moderately. By contrast, strong growth is expected in the sales, EBITDA and EBITDA margin of the Brake Discs division.

Aalen, 22 March 2024

Wolfgang Plasser	***Thomas Karazmann***	***Sebastian Rotermann***
Chief Executive Officer	*Chief Financial Officer*	*Chief Operating Officer*

CONSOLIDATED FINANCIAL STATEMENTS OF SHW AG

CONSOLIDATED INCOME STATEMENT

For the fiscal year from 1 January to 31 December 2023

K EUR	Note	2023	2022
Sales	**(9)**	**532.860**	**472.504**
Cost of sales	(17)	-459.718	-429.793
Gross profit		**73.143**	**42.711**
Selling expenses	(10), (17)	-18.293	-14.500
General administrative expenses	(11), (17)	-30.745	-20.329
Research and development costs	(12), (17)	-13.360	-11.872
Other operating income	(13)	9.063	20.934
Other operating expenses	(14)	-9.443	-13.909
Earnings before interest and tax		**10.364**	**3.035**
Financial income	(15)	311	178
Financial expenses	(15)	-8.246	-3.313
Earnings before tax		**2.428**	**-100**
Deferred taxes	(16)	-424	-4.415
Current income tax	(16)	-2.890	-2.231
Earnings after tax		**-886**	**-6.746**
Net profit		**-886**	**-6.746**
Earnings per share in € (basic and diluted)*		-0,14	-1,05

* Calculated in relation to an average of 6.436.209 shares (previous year 6.436.209 shares), see Note (26) "Equity".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fiscal year from 1 January to 31 December 2023

K EUR	**2023**	2022
Net profit	**–886**	**–6.746**
Items that will not be reclassified to profit or loss in future periods		
Actuarial gains / losses from pension provisions and similar obligations before tax	–1.153	8.901
Tax effect	327	–2.437
Items that may be reclassified to profit or loss in future periods		
Currency translation differences	–1.620	–107
Changes in the fair value of derivates held for hedging purposes recognised in equity	–265	677
Tax effect	76	–194
Other comprehensive income after tax	**–2.635**	**6.840**
Total comprehensive income after tax	**–3.521**	**94**
Net profit for the year attributable to		
shareholders of SHW AG	–886	–6.746
holders of non-controlling interests	0	0
Total comprehensive income after tax attributable to		
shareholders of SHW AG	–3.521	94
holders of non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

as of 31 December 2023

ASSETS

K EUR	Note	**31.12.2023**	31.12.2022
Goodwill	(20)	7.055	7.055
Other intangible assets	(20)	22.154	20.137
Property, plant and equipment	(20)	167.562	166.435
Deferred tax assets	(16)	10.490	10.782
Other financial assets	(21)	490	773
Other assets	(21)	3.996	4.783
Non-current assets		**211.747**	**209.965**
Inventories	(22)	79.654	78.586
Trade receivables	(23)	54.920	46.233
Other financial assets	(24)	1.248	5.735
Other assets	(24)	12.670	12.564
Cash and cash equivalents	(25)	15.621	12.883
Current assets		**164.112**	**156.001**
Total assets		**375.859**	**365.966**

EQUITY AND LIABILITIES

K EUR	Note	31.12.2023	31.12.2022
Subscribed capital	(26)	6.436	6.436
Capital reserves	(26)	38.510	38.510
Revenue reserves	(26)	82.257	83.143
Other reserves	(26)	-3.259	-624
Equity		**123.944**	**127.465**
Employee benefits	(27)	24.281	22.869
Deferred tax liabilities	(16)	9.939	10.201
Liabilities to banks	(29)	87.582	91.471
Other financial liabilities	(29)	11.246	12.171
Other provisions	(28)	29	29
Non-current liabilities and provisions		**133.077**	**136.741**
Liabilities to banks	(29)	10.434	9.358
Trade payables	(29)	69.466	57.702
Contract liabilities	(9)	270	247
Other financial liabilities	(29)	22.538	18.645
Income tax liabilities	(16)	528	462
Other provisions	(28)	3.005	3.106
Other liabilities	(29)	12.597	12.240
Current liabilities, provisions and accruals		**118.838**	**101.760**
Total equity and liabilities		**375.859**	**365.966**

CONSOLIDATED CASH FLOW STATEMENT

For the fiscal year from 1 January to 31 December 2023

K EUR	Note	**2023**	2022
1. Cash flow from operating activities			
Net profit		-886	-6.746
Depreciation / amortisation (+) of fixed assets	(20)	32.514	33.243
Income tax expenses through profit or loss (+)	(16)	2.890	2.231
Income taxes paid (-)		-2.813	-705
Financing costs through profit or loss (+)	(15)	8.246	3.331
Interest paid (-)		-7.623	-2.566
Financial investment income through profit or loss (-)	(15)	-311	-178
Interest received (+)		311	178
Increase (+) / decrease (-) in provisions	(27), (28)	-988	-1.128
Change in deferred taxes		447	4.415
Other non-cash expenses (+) / income (-)		-2.570	1.581
Gain (-) / loss (+) from the disposal of assets		196	-621
Increase (-) / decrease (+) in inventories, trade receivables and other assets	(22), (23), (24)	-2.336	-28.268
Increase (+) / decrease (-) in trade payables and other liabilities	(29)	14.231	13.220
Cash flow from operating activities		**41.308**	**17.988**

K EUR	Note	2023	2022
2. Cash flow from investing activities			
Cash received (+) from the disposal of property, plant and equipment		84	5.470
Cash paid (-) for investments in property, plant and equipment		-31.912	-35.220
Cash paid (-) for investments in intangible assets		-5.606	-6.276
Cash flow from investing activities		**-37.434**	**-36.026**
3. Cash flow from financing activities			
Cash received (+) from the assumption of financial liabilities	(29), VI.	15.182	33.354
Cash paid (-) for the redemption of financial liabilities	(29), VI.	-13.025	-8.496
Cash received (+) from other financial liabilities		1.067	0
Cash paid (-) for leases	VI., VII.	-3.926	-2.735
Cash flow from financing activities		**-702**	**22.123**
4. Cash and cash equivalents at the end of the period			
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)		3.172	4.085
Exchange rate-related changes in cash and cash equivalents		-434	-40
Cash and cash equivalents at the beginning of the period	(25)	12.883	8.838
Cash and cash equivalents at the end of the period	**(25)**	**15.621**	**12.883**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fiscal year from 1 January to 31 December 2023

K EUR	Subscribed capital (Note 26)	Capital reserves (Note 26)	Revenue reserves (Note 26)	Other reserves (Note 26)	**Total equity**
As at 1. January 2022	**6.436**	**38.510**	**89.889**	**-7.464**	**127.371**
Changes from actuarial gains and losses	0	0	0	6.464	6.464
Changes in the fair value of derivates held for hedging purposes recognised in equity	0	0	0	483	483
Foreign currency translation differences	0	0	0	-107	-107
Other comprehensive income	**0**	**0**	**0**	**6.840**	**6.840**
Net profit for 2022	0	0	-6.746	0	-6.746
Total comprehensive income for the period	**0**	**0**	**-6.746**	**6.840**	**94**
As at 31. December 2022	**6.436**	**38.510**	**83.143**	**-624**	**127.465**

K EUR	Subscribed capital (Note 26)	Capital reserves (Note 26)	Revenue reserves (Note 26)	Other reserves (Note 26)	**Total equity**
As at 1. January 2023	**6.436**	**38.510**	**83.143**	**-624**	**127.465**
Changes from actuarial gains and losses	0	0	0	-826	-826
Changes in the fair value of derivates held for hedging purposes recognised in equity	0	0	0	-189	-189
Foreign currency translation differences	0	0	0	-1.620	-1.620
Other comprehensive income	**0**	**0**	**0**	**-2.635**	**-2.635**
Net profit for 2023	0	0	-886	0	-886
Total comprehensive income for the period	**0**	**0**	**-886**	**-2.635**	**-3.521**
As at 31. December 2023	**6.436**	**38.510**	**82.257**	**-3.259**	**123.944**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SHW AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. General background

1. The Company

SHW AG with registered offices at Stiewingstr. 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.

The Powder Metallurgy division was spun off into its own legal entity in the year 2023 effective 1 January 2023. The newly founded SHW Powder Systems GmbH is a wholly-owned subsidiary of SHW Automotive GmbH.

2. Accounting polices

SHW AG's consolidated financial statements as at 31 December 2023 were approved by the Management Board on 22 March 2024 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 2023 as to be applied in the EU. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) relevant for fiscal year 2023, 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 principle 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 16 January 2024, the shareholders of Schwäbische Hüttenwerke Automotive GmbH, the shareholders of SHW Brake Systems GmbH, the shareholders of Powder Systems GmbH and the shareholders 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 reports or notes to the financial statements or publish their financial statements and management reports. The resolutions were published in the Company Register on 23 February 2024. According to Section 264b 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.

3. New and amended standards and interpretations applicable in the year 2023

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 1 January 2023:

Standard/ Interpretation		Status	Applicable from
Amendment IAS 12	Income taxes - deferred taxes that relate to assets and liabilities arising from a single transaction	revised	01.01.2023
IFRS 17	Insurance contracts	new	01.01.2023
Amendment IAS 1 und IFRS Practice Statement 2	Presentation of the financial statements - disclosures on accounting policies	revised	01.01.2023
Amendment IAS 8	Definition of accounting estimates	revised	01.01.2023

4. Standards, interpretations and amendments to published standards not yet mandatory in 2023 and not early-adopted by the SHW Group

The IASB and IFRIC have adopted further standards and interpretations. These regulations have not been applied in fiscal 2023 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	Classification of debt as current or non-current	revised	01.01.2024
	Long-term debt with ancillary conditions	revised	01.01.2024
Amendments to IFRS 16	Leases - lease liabilities from a sale and leaseback transaction	revised	01.01.2024
Amendments to IAS 7 and IFRS 7	Cash flow statement and financial instruments - Supplier financing agreements	revised	01.01.2024
Amendments to IAS 21	Income taxes - lack of exchangeability	revised	01.01.2025

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.

5. 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 estimation uncertainty 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 € 7,055 thousand) may be impaired. This involves an estimate of the recoverable amount of those cash-generating units (CGUs) to which the goodwill is allocated. In order to calculate the recoverable amount of the CGU, the SHW Group must estimate the fair value, less the costs of disposal, 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 (20) “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. First-time recognition is only permitted when all of the following criteria are met. Firstly, completion of the intangible asset must be technically feasible. This is based on the management’s assessment that technical and economic feasibility has been demonstrated. Generally, this is the case when a development project has achieved a certain degree of maturity. Secondly, it must be possible to demonstrate that the intangible asset will generate future economic benefits, either from using the asset internally or by selling it, and that the development costs can be reliably measured. In order to determine the capitalisable amounts of such assets, assumptions and estimates regarding the expected cash flows from the assets and their market potential are included in the calculation, along with the applicable discount rates and the period of expected future cash flows which the assets generate. Thirdly, there must be an intention to complete the intangible asset and to use or sell it thereafter. Fourthly, the entity must have the ability to use or sell the intangible asset. Finally, the entity must have adequate technical and financial resources available to complete the development. As at 31 December 2023, capitalised development costs amount to € 19,303 thousand (previous year: € 16,896 thousand), of which € 8,634 thousand (previous year: € 9,586 thousand) are projects in progress. Projects in progress are impairment tested once a year, analogous to goodwill or whenever there are indications of an impairment.

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 2023, the provision for pensions and similar obligations amounted to € 19,287 thousand (previous year € 18,368 thousand). More details can be found in Note (27) “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 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 (16) “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

6. Consolidation principles and methods

The consolidated financial statements are based on the separate financial statements of SHW AG and all of its subsidiaries over which it exercises control in the sense of IFRS 10 on 31 December of each reporting 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 acquisition method. Subsidiaries are fully consolidated from the date on which they are established or acquired, 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.

7. Scope of consolidation

The consolidation basis changed on 31 March 2023 and again on 31 August 2023, due to the new entities founded in fiscal year 2023: SHW Import & Export Trading (Kunshan) Co., Ltd, Kunshan, China and SHW Powder Systems GmbH, Aalen, Germany. SHW Import & Export Trading (Kunshan) Co., Ltd. Is a wholly-owned subsidiary of SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan, China. SHW Powder Systems GmbH originated from a carve-out from SHW Automotive GmbH.

8. 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 exchange rate between the functional currency and the foreign currency on 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 their fair value was determined.

The assets and liabilities of foreign subsidiaries that use 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 currency translation 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 are thus 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	**2023**	2022	**2023**	2022
Brazil	BRL	5,3618	5,6386	5,3940	5,4051
Canada	CAD	1,4642	1,4440	1,4620	1,3704
China	RMB	7,8509	7,3582	7,6839	7,0744
Romania	RON	4,9756	4,9495	4,9514	4,9340

III. Notes to the income statement

9. Sales

The revenue[1] presented under "Sales" in the consolidated income statement includes revenue from contract with customers (IFRS 15).

Revenue is measured on the basis of the consideration defined in the customer contract. The SHW Group only recognises revenue upon passing control over the goods and services it supplies at a point in time as the criteria for revenue recognition over time (i.e. as the identified performance obligations are fulfilled) 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 division achieved sales of € 319,847 thousand in fiscal year 2023 (previous year € 287,393 thousand). The Powder Metallurgy division generated revenue of € 81,631 thousand in fiscal year 2023, of which € 46,172 thousand was generated from sales to external third-party customers and € 35,459 thousand with intercompany sales (previous year: € 62,592 thousand in external sales and € 31,301 thousand in intercompany sales). If the effects of the carve-out of the Powder Metallurgy division from the Pumps and Engine Components division are eliminated, the Pumps and Engine Components division would have generated sales of € 366,019 thousand, up 14.9 per cent on the previous year (€ 318,684 thousand). The Brake Discs division achieved sales of € 166,841 thousand in fiscal year 2023 (previous year € 153,820 thousand).

The geographic information of the SHW Group is based on sales with customers that maintain their headquarters in the respective regions.

GEOGRAPHICAL SEGMENTATION

1. January till 31. December	Germany		Rest of Europe		America		Asia		Other		Total	
K EUR	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenue from contracts with customers	267.183	252.487	164.979	135.479	54.650	47.017	33.987	37.494	35	27	520.835	472.504

As at 31 December 2023 contract liabilities amounted to € 270 thousand (previous year: € 247 thousand). Contract liabilities mainly consist of the advance payments received from customers for preparatory work prior to the commencement of serial production. Revenue of € 247 thousand was realised in the course of fiscal year 2023 from the net balance of contract liabilities carried at the beginning of fiscal year 2023 (previous year revenue of € 370 thousand).

As in the previous year, the incremental costs of obtaining contracts of € 3,429 thousand (previous year € 4,633 thousand) are presented under non-current other assets and € 1,553 thousand (previous year € 1,170 thousand) under current other assets as at 31 December 2023. 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 line with the later call-offs for the delivery of series products and came to € 1,138 thousand in the fiscal year 2023 (previous year € 1,042 thousand). As at 31 December 2023, the impairment losses on contract assets amounted to € 0 thousand (previous year: € 970 thousand). We refer to Notes (21) and (24).

Reference is made to Note (23) for more information on the impairments recorded on trade receivables.

10. 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 contain freight and shipping costs.

[1] The terms "sales" and "revenue" are used synonymously

11. General administrative expenses

Administrative costs include all administrative expenses which cannot be directly allocated to other functions. This includes the cost of general administration, management and other central shared services.

12. 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 2023, additionally capitalised development costs amounted to € 5,073 thousand (previous year € 5,373 thousand). Additional development services were billed within the scope of customer orders.

13. Other operating income

Other operating income includes non-recurring effects in connection with insurance indemnification received of € 4,830 thousand (previous year non-recurring effects from the project/product business and insurance indemnification of € 16,200 thousand). In addition, other operating income includes income from exchange gains of € 1,790 thousand (previous year € 2,154 thousand) and the release of provisions and other liabilities of € 920 thousand (previous year € 869 thousand).

14. Other operating expenses

Other operating expenses mainly comprise non-recurring effects in the project/product business and expenses related to insurance indemnification of € 5,964 thousand (previous year € 9,462 thousand). In addition, other operating expenses include exchange losses of € 2,172 thousand (previous year € 1,815 thousand).

15. Financial result

The financial result breaks down as follows:

K EUR	**2023**	2022
Financial income	311	178
Financial expenses		
Interest and similar expenses	-7.262	-2.632
Interest in the addition to pension provisions	-748	-375
Interest expense from leases	-236	-306
	-8.246	**-3.313**
Financial result	**-7.936**	**-3.135**

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

Interest and similar expenses refer in particular to interest and borrowing costs from the syndicated loan of € 5,360 thousand (previous year € 1,904 thousand) determined using the effective interest rate method (see Note (29) “Liabilities”).

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

K EUR	Net results		of which impairment losses / reinstatements	
	2023	2022	**2023**	2022
Loans and receivables (AC)	265	-1.666	-46	-1.844
Other non-current financial assets (AC)	-16	-16	-16	-16
Financial liabilities (AC)	-7.498	-2.938	0	0
Total	**-7.250**	**-4.620**	**-62**	**-1.860**

16. Income taxes

Current tax refund claims and tax liabilities

The current 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 € 577 thousand (previous year € 570 thousand) relate to rights to receive tax refunds of provisional tax payments during the year 2023. Tax liabilities in fiscal year 2023 amount to € 1,106 thousand (previous year € 1,032 thousand). Income tax assets and income tax liabilities are presented net in the balance sheet.

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 the tax base; deferred tax assets are only recognised to the extent that the related tax refunds or tax relief 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 each balance sheet date and recognised if it is more likely than not 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	**2023**	2022
Current taxes	**-2.890**	**-2.231**
Current year	-2.226	-2.231
Adjustments for previous years	-664	0
Deferred taxes	**-424**	**-4.415**
Recognition / reversal of temporary differences	589	-644
Value adjustment of tax loss carryforwards	-1.013	-3.771
Total	**-3.314**	**-6.646**

Deferred tax income posted directly to other comprehensive income comes to € 403 thousand (previous year € 2,631 thousand) arising from the remeasurement of the defined benefit obligation and derivatives.

b) Reconciliation of the effective tax rate

K EUR	**2023**	2022
Earnings before tax	2.428	-100
Expected income tax (28,4 [previous year 28,4] per cent)	690	-28
Tax-free income, non-deductible expenses	105	-6
Taxes from previous years	615	68
Reduction in assessed value	-15	-15
Add backs (pursuant to Section 8 of the German Trade Tax Act- GewStG)	196	89
Unrecognised deferred tax assets from loss carryforwards	268	3.002
Impairment losses on deferred tax assets from loss carryforwards	424	3.336
Deviating foreign tax rates	-7	-197
Non-creditable withholding tax	550	373
Other	488	24
Income taxes	**3.314**	**6.646**
Effective tax rate	136,5%	-6.646,0%

In Germany, corporate income tax (including the solidarity surcharge) totalled 15.8 per cent in 2023. Trade tax amounts to 12.5 per cent, with an average assessment rate of 355.9 per cent.

This resulted in a total statutory tax burden of 28.3 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 28.3 per cent applies.

No deferred taxes were calculated on outside basis differences amounting to € 12,281 thousand (previous year € 15,448 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 2024.

c) Composition of deferred taxes

K EUR	31.12.2023	31.12.2022
Deferred income tax assets		
Property, plant and equipment	545	0
Inventories	1.096	489
Employee benefits	1.854	1.791
Non-current liabilities and provisions	3.047	3.993
Current liabilities, provisions and accruals	832	395
Unused tax losses	3.116	4.114
Total	**10.490**	**10.782**
Deferred income tax liabilities		
Intangible assets	5.571	4.870
Property, plant and equipment	3.996	4.517
Other non-current assets	30	71
Inventories	43	393
Other current assets	150	123
Non-current liabilities and provisions	124	201
Current liabilities, provisions and accruals	25	26
Total	**9.939**	**10.201**

Of the total deferred tax assets recognised on unused tax losses, an amount of € 2,463 thousand (previous year € 2,888 thousand) is attributable to SHW AG. It can be assumed that these deferred tax assets recognised on unused tax losses are recoverable to the extent that, after taking account of the minimum taxation rule, taxable temporary differences exceed deductible temporary differences. In the fiscal year SHW AG recognised impairment losses of € 424 thousand (previous year € 2,043 thousand) on deferred tax assets recognised on unused tax losses.

The Canadian subsidiary, SHW Pumps & Engine Components Inc. carried deferred tax assets of € 220 thousand on unused tax losses (previous year € 721 thousand) as of 31 December 2023. In the opinion of SHW, it can still be assumed as at 31 December 2023 that the deferred tax assets are recoverable because it will be able to offset the unused tax losses against taxable income in the near future due to the measures taken and the improvement in earnings.

Of the total deferred tax assets recognised on unused tax losses, an amount of € 433 thousand (previous year € 505 thousand) is attributable to the subsidiary, SHW do Brasil Ltda. After being severely impacted by the corona pandemic (including temporary plant closures), a profit was once again generated in Brazil in fiscal year 2023. Due to the measures taken, SHW anticipates sustained profits to be made in the coming years.

No deferred tax assets have been recognised on unused tax losses at the Romanian subsidiary, SHW Pumps & Engine Components SRL as at 31 December 2023 (previous year € 0 thousand).

d) Deferred taxes directly recognised in equity

K EUR	Before tax	Tax income / expense	After tax
2023			
Actuarial gains / losses from pension provisions and similar obligations	-1.153	327	-826
Currency translation differences	-1.620	0	-1.620
derivatives	-265	76	-189
Total	**-3.038**	**403**	**-2.635**
2022			
Actuarial gains / losses from pension provisions and similar obligations	8.901	-2.437	6.464
Currency translation differences	-107	0	-107
derivatives	677	-194	483
Total	**9.471**	**-2.631**	**6.840**

The balance of deferred taxes carried in OCI amounted to € 403 thousand as of 31 December 2023 (previous year € -358 thousand).

e) Unrecognised deferred tax assets

No deferred tax assets were recognised as at 31 December 2023 with regard to tax losses of € 268 thousand as it is assumed that they will not be realised in the foreseeable future. These are entirely attributable to SHW AG.

f) Global minimum taxation rule

The Group does not operate in any jurisdiction qualifying as a low tax country in the sense of the minimum taxation rule. All subsidiaries and business units of the Group are located in countries with tax rates above the minimum tax rate. The Group pursues a policy of strict compliance with the regulations and the aligns itself with the highest corporate governance standards.

Management continuously monitors tax developments and adapts its business strategy to ensure compliance with the applicable laws and regulations.

17. 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	2023	2022
Cost of raw materials and supplies	213.943	289.165
Cost of purchased services	13.231	13.302
Total cost of materials	**227.174**	**302.467**

PERSONNEL EXPENSES

K EUR	2023	2022
Wages and salaries	102.357	94.255
Social security contributions and pension expenses	25.901	19.979
Total personnel expenses	**128.258**	**114.233**

Social security contributions and pension expenses include pension expenses of € 9,160 thousand (previous year € 9,039 thousand). Pension expenses comprise the addition to pension provisions (excluding the interest component) of € 284 thousand (previous year € 668 thousand). Statutory pension insurance expenses totalled € 8,635 thousand (previous year € 8,138 thousand).

Depreciation and amortisation

Depreciation and amortisation of intangible assets and property, plant and equipment totalled € 32,514 thousand (previous year € 33,243 thousand), of which € 3,113 thousand (previous year € 2,920 thousand) is due to IFRS 16 and € 0 thousand to impairment losses (previous year € 325 thousand) in financial year 2023. 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 (20).

18. Auditor's fee

K EUR	2023	2022
Auditing services	440	289
of which for previous years	43	0
Other assurance services	3	3
Tax advisory services	0	0
Other services	0	0

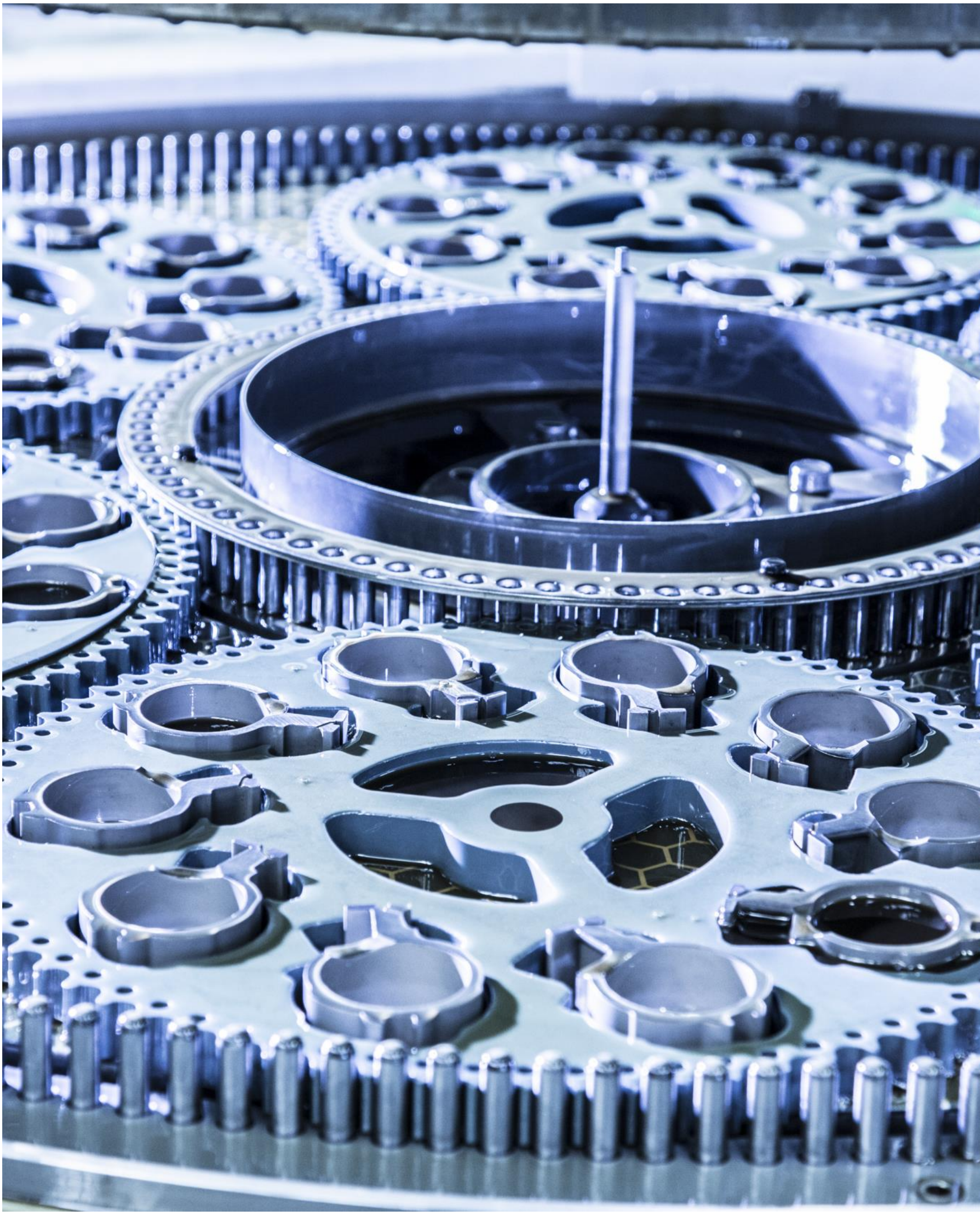
19. Employees

Annual average number of employees:

EMPLOYEES

	2023	2022
Pumps and Engine Components business segment		
direct employees	334	302
indirect employees	538	483
Powder Metallurgy business segment		
direkte Beschäftigte	197	192
indirekte Beschäftigte	156	145
Brake Discs business segment		
direct employees	354	322
indirect employees	203	174
Corporate		
indirect employees	45	50
	1.826	**1.667**

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 but the associated costs cannot be directly allocated to a product.



IV. Notes to the consolidated balance sheet

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

	Acquisition and production costs					
K EUR	As 1.1.2023	Additions	Reclassi fications	Disposals	Exchange rate differences	As at 31.12.2023
Intangible assets						
Goodwill	7.055	0	0	0	0	7.055
Customer base	0					0
Internally generated assets	31.783	5.058	0	-192	0	36.649
Other intangible assets	15.238	548	61	-2	0	15.845
	54.076	**5.606**	**61**	**-194**	**0**	**59.549**
Property, plant and equipment						
Land, land rights and buildings	83.550	958	895	5.913	-776	90.540
Technical equipment and machinery	249.370	10.800	5.760	17.979	-1.434	282.475
Other equipment, operating and office equipment	54.876	5.902	1.189	-1.026	-35	60.906
Advance payments and assets under construction	13.627	13.861	-7.905	-46	-160	19.377
	401.423	**31.521**	**-61**	**22.820**	**-2.405**	**453.298**
Total	**455.499**	**37.127**	**0**	**22.626**	**-2.405**	**512.847**

	Acquisition and production costs					
K EUR	As at 1.1.2022	Additions	Reclassi fications	Disposals	Exchange rate differences	As at 31.12.2022
Intangible assets						
Goodwill	7.055	0	0	0	0	7.055
Customer base						0
Internally generated assets	27.314	5.373	0	-904	0	31.783
Other intangible assets	14.308	903	19	-8	16	15.238
	48.677	**6.276**	**19**	**-912**	**16**	**54.076**
Property, plant and equipment						
Land, land rights and buildings	77.843	4.640	1.221	0	-154	83.550
Technical equipment and machinery	227.213	15.843	7.079	-520	-245	249.370
Other equipment, operating and office equipment	50.048	5.385	626	-1.185	2	54.876
Advance payments and assets under construction	12.348	13.834	-8.945	-3.574	-36	13.627
	367.452	**39.702**	**-19**	**-5.279**	**-433**	**401.423**
Total	**416.129**	**45.978**	**0**	**-6.191**	**-417**	**455.499**

Depreciation and amortisation						Net carrying amounts	
As 1.1.2023	Additions	Reclassi fications	Disposals	Exchange rate differences	As at 31.12.2023	31.12.2023	01.01.2023
0	0	0	0	0	0	7.055	7.055
0					0	0	0
14.887	2.459	0	0	0	17.346	19.303	16.896
11.997	1.002	0	–2	–3	12.994	2.851	3.241
26.884	**3.461**	**0**	**–2**	**–3**	**30.340**	**29.209**	**27.192**
30.243	4.626	0	5.903	–265	40.507	50.033	53.307
169.289	18.451	0	17.995	–919	204.816	77.659	80.081
35.456	5.976	0	–990	–29	40.413	20.493	19.420
0	0	0	0	0	0	19.377	13.627
234.988	**29.053**	**0**	**22.908**	**–1.213**	**285.736**	**167.562**	**166.435**
261.872	**32.514**	**0**	**22.906**	**–1.216**	**316.076**	**196.771**	**193.627**

Depreciation and amortisation						Net carrying amounts	
As at 1.1.2022	Additions	Reclassi fications	Disposals	Exchange rate differences	As at 31.12.2022	31.12.2022	1.1.2022
0	0	0	0	0	0	7.055	7.055
					0	0	0
12.642	2.245	0	0	0	14.887	16.896	14.672
10.849	1.145	0	–1	4	11.997	3.241	3.459
23.491	**3.390**	**0**	**–1**	**4**	**26.884**	**27.192**	**25.186**
25.929	4.413	0	0	–99	30.243	53.307	51.914
149.784	19.931	0	–186	–240	169.289	80.081	77.429
31.107	5.509	0	–1.155	–5	35.456	19.420	18.941
0	0	0	0	0	0	13.627	12.348
206.820	**29.853**	**0**	**–1.341**	**–344**	**234.988**	**166.435**	**160.632**
230.311	**33.243**	**0**	**–1.342**	**–340**	**261.872**	**193.627**	**185.818**

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.

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 be able to demonstrate that asset will generate future economic benefits, that resources are available to complete the asset, and that it can reliably identify the expenses incurred and attribute these to the development of the intangible asset. Development costs include directly attributable costs, as well as a proportionate share of overheads. 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, no borrowing costs in the sense of IAS 23 were included in the cost of intangible assets and property, plant and equipment.

No right-of-use assets pursuant to IFRS 16 were recognised under intangible assets (due to the use of the practical expedients).

Additions to internally generated intangible assets mainly resulted from capitalised development costs of € 5,058 thousand (previous year € 5,373 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 losses are presented under other operating expenses.

Purchase commitments for intangible assets and property, plant and equipment amount to € 22,501 thousand (previous year € 18,506 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 written down where 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 two (previous year two) cash-generating units (CGUs) for impairment testing:

- Pumps and Engine Components CGU
- Brake discs CGU

The recoverable amount of the two (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 2024 to 2028 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 1.0 per cent (previous year 1.0 per cent).

For the EBIT forecasts a 10.1 per cent discount rate was used (previous year 12.8 per cent). This represents the pre-tax risk-adjusted weighted average cost of capital (WACC).

Goodwill was allocated to the relevant CGUs as follows:

CARRYING AMOUNT OF GOODWILL

K EUR	31.12.2023	31.12.2022
Pumps and Engine Components	4.233	4.233
Brake Discs	2.822	2.822
Total	**7.055**	**7.055**

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 customer projects

Planned EBIT margin

EBIT forecasts are based on averages from past 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 1.8 per cent and 12.1 per cent (previous year 3.1 and 9.1 per cent).

Discount rates

The discount rate was derived from a risk-free interest rate after tax of 3.0 per cent (previous year 2.2 per cent) and an after-tax market risk premium of 6.5 per cent (previous year 7.3 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 goodwill impairment test revealed there was no need for impairment. Even 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 any 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 internally constructed property, plant and equipment comprise the direct costs of production and overheads 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. If the value in use is higher than its carrying amount, the CGU is not measured at 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.

With regard to internally-generated intangible assets that are not yet eligible for amortisation, an impairment test is conducted each reporting date in accordance with the relevant requirements of IFRS, regardless of whether there is any indication of impairment or not.

Borrowing costs

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

21. Other non-current financial assets and other assets

Non-current other financial assets break down as follows:

K EUR	**31.12.2023**	31.12.2022
Cash surrender value of pension insurance policies	190	207
Interest swaps used for hedging purposes	300	566
Total	**490**	**773**

Of the other non-current assets, a total of € 3.996 thousand (previous year € 4,783 thousand) are prepaid expenses, of which € 3,429 thousand (previous year € 4,633 thousand) are incremental costs of obtaining contracts.

22. Inventories

K EUR	**31.12.2023**	31.12.2022
Raw materials and supplies	35.658	31.505
Unfinished products	26.211	28.992
Finished products	17.785	18.089
Total	**79.654**	**78.586**

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 2023 amounted to € 3,111 thousand (previous year € 3,963 thousand). The change compared to the previous year is posted through profit or loss under the cost of sales or the applicable functional costs.

The acquisition and production costs of inventories, which are recognised as an expense under the cost of sales and other function costs, amounted to € 231,684 thousand (previous year € 302,467 thousand).

Their net realisable value totalled € 79,654 thousand (previous year € 78,586 thousand).

23. Trade receivables

K EUR	31.12.2023	31.12.2022
Receivables from customers	56.523	49.555
Impairment losses	-1	-1
Allowance for doubtful debt	-1.602	-3.321
Total	**54.920**	**46.233**

As in previous years, SHW has concluded factoring agreements (non-recourse factoring) to improve its liquidity. As of 31 December 2023, the net balance of factored receivables came to € 11,871 thousand (previous year € 11,878).

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

With regard to trade receivables that are neither impaired nor 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 (33).

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

K EUR	2023	2022
Allowance for impairment losses as at 1 January	**3.322**	**1.484**
Additions (expenses from impairment losses)	0	0
Utilisation	-1.765	-6
Reversals (other operating income)	-287	0
Change in the allowance for doubtful debts	333	1.844
Allowance for impairment losses as at 31 December	**1.603**	**3.322**

24. Current other financial assets and other assets

Current other financial assets mainly consist of insurance claims of € 911 thousand (previous year € 5,402 thousand) and security deposits of € 345 thousand (previous year € 326 thousand).

Current other assets mostly consist of input tax receivables of € 8,400 thousand (previous year € 7,684 thousand), outstanding refunds of electricity and energy tax of € 663 thousand (previous year € 1,712 thousand), the current portion of the incremental costs of obtaining contracts of € 1,553 thousand (previous year € 1,170 thousand), advance payments and prepaid expenses of € 945 thousand (previous year € 1,127 thousand) and advance payments for inventories of € 256 thousand (previous year € 341 thousand).

25. Cash and cash equivalents

K EUR	31.12.2023	31.12.2022
Cash in banks, cheques, cash in hand	15.621	12.883
Total	**15.621**	**12.883**

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.

26. 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 registered 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 any changes in value that are recognised directly in equity and break down as follows:

In fiscal year 2023, other reserves increased by € 826 thousand, primarily 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 consult with the Supervisory Board on the further details and execution of a capital increase. 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 2022	-5.654	-78	-1.732	-7.464
Other comprehensive income	6.464	483	-107	6.840
As at 31.December 2022	**810**	**405**	**-1.839**	**-624**
Other comprehensive income	-826	-189	-1.620	-2.635
As at 31. December 2023	**-16**	**216**	**-3.459**	**-3.259**

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).

Proposal for the appropriation of profits

The Management Board proposes carrying forward the accumulated loss of € 2,205,808.38 to new account.

27. Employee benefit obligations

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

K EUR	31.12.2023	31.12.2022
Pension provisions and similar obligations	19.287	18.368
Provisions for semi-retirement obligations	2.920	2.402
Provisions for service anniversary bonuses	2.073	2.099
Total	**24.281**	**22.869**

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 04 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 to employees who started 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 (21)).

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 after considering 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 € 19,287 thousand (previous year € 18,368 thousand), including death benefits of € 140 thousand (previous year € 138 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 under the relevant functions.

In the reporting year, employer contributions of approximately € 8.6 million were paid to the statutory pension scheme in Germany (previous year € 8.1 million). In addition, contributions of approximately € 0.2 million (previous year € 0.2 million) were paid into special-purpose funds.

The following assumptions have been made:

per cent	31.12.2023	31.12.2022
Interest rate	3,6	4,3
Pension trend	2,0	2,0

A pension trend of 4.10 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 losses) resulting from a change in actuarial assumptions and demographic factors or from experience-based adjustments amounted to € -1,153 thousand in the fiscal year (previous year € 8,901 thousand).

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

K EUR	31.12.2023	31.12.2022
Defined benefit obligation (funded)	129	305
Defined benefit obligation (unfunded)	19.221	18.124
Total defined benefit obligation (DBO)	**19.350**	**18.429**
Fair value of plan assets	-63	-61
Pension provisions	**19.287**	**18.368**

The pension provision developed as follows:

K EUR	
Provision as at 1 January 2022	**27.439**
Current service cost	668
Interest cost	376
Gain from plan assets, excluding amounts already recognized in interest income	104
Pension payments	-1.214
Actuarial gains and losses from the change in actuarial assumptions	-8.629
Actuarial gains and losses from experience adjustments	-376
Provision as at 31 December 2022	**18.368**
Current service cost	284
Interest cost	747
Pension payments	-1.159
Actuarial gains and losses from the change in actuarial assumptions	1.552
Actuarial gains and losses from experience adjustments	-397
Compensation	-108
Provision as at 31 December 2023	**19.287**

The defined benefit obligation (DBO) developed as follows:

K EUR	2023	2022
Defined benefit obligation (DBO) 1 January	**18.429**	**27.602**
Current service cost	284	668
Interest cost	751	378
Pension payments	-1.266	-1.214
Actuarial gains and losses from the change in actuarial assumptions	1.625	-8.629
Actuarial gains and losses from the change in demographic factors	0	0
Actuarial gains and losses from experience adjustments	-473	-376
Defined benefit obligation (DBO) 31 December	**19.350**	**18.429**

Plan assets developed as follows:

K EUR	2023	2022
Fair value of plan assets as at 1 January	**61**	**163**
Interest income	3	2
Gain from plan assets, excluding amounts already recognized in interest income	-1	-104
Plan assets as at 31 December	**63**	**61**

The plan assets are composed of one (pledged) insurance policy (life insurance). The plan assets do not include separate financial instruments or assets used by the Company. There will be no employer contributions to the plan assets in 2024.

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

K EUR	2023	2022
Current service cost	284	668
Net interest cost	747	376
Net pension cost	**1.031**	**1.044**

Liabilities from defined benefit plans are as follows:

K EUR	31.12.2023	31.12.2022
Active employees	6.059	5.977
Former employees with vested rights	1.567	1.363
Pensioners / other	11.661	11.028
Pension provisions	**19.287**	**18.368**

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 € 1,150 thousand in fiscal year 2024. Pension payments of this amount are also expected for the years to come. The pension plan costs in 2024 are expected to amount to € 1,015 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 2023 interest rate of 3.6 per cent, inflation rate of 2.0 per cent) would have the following impact on the present value of the Defined Benefit Obligation (DBO):

K EUR		DBO
Veränderung Zinssatz 3,1% (-0,5%)	20.803	19.350
Veränderung Zinssatz 4,1% (+0,5%)	18.076	19.350
Change in inflation rate 1,5% (-0,5%)	18.509	19.350
Change in inflation rate 2,5% (+0,5%)	20.267	19.350
Change in life expectancy +1 year	20.180	19.350

The weighted duration of pension provisions amounts to 14.2 years (previous year 12.8 years) as at 31 December 2023.

Provisions for long-service awards and phased retirement obligations

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

The provisions for long-service awards and phased-retirement obligations developed in the fiscal year and the previous year as follows:

K EUR	
Provision as at 1 January 2022	**5.240**
Additions	430
Utilised	-1.169
Provision as at 31 December 2022	**4.501**
Additions	1.305
Utilised	-813
Provision as at 31 December 2023	**4.993**

28. Other provisions

K EUR	As at 31.12.2022	Utilised	Reversals	Reclass-ification	Additions	As at 31.12.2023
Warranties	1.593	-473	-21	-314	341	1.126
Other business-related obligations	1.455	-381	-178	-12	919	1.803
Other provisions	88	-82	0	326	-226	105
Total	**3.135**	**-936**	**-199**	**0**	**1.034**	**3.034**
of which non-current provisions	29	0	0	0	0	29

K EUR	As at 31.12 2021	Utilised	Reversals	Reclass-ification	Additions	As at 31.12.2022
Warranties	1.090	-210	-30	0	743	1.593
Other business-related obligations	1.458	-536	-279	0	812	1.455
Other provisions	88	-70	-15	0	84	88
Total	**2.636**	**-817**	**-324**	**0**	**1.639**	**3.135**
of which non-current provisions	29	0	0	0	0	29

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 € 29 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 € 1,397 thousand (previous year € 1,080 thousand).

29. Liabilities

K EUR	31.12.2023	31.12.2022
Non-current liabilities to banks	87.582	91.471
Other non-current financial liabilities	11.246	12.171
Non-current liabilities	**98.828**	**103.642**
Current liabilities to banks	10.434	9.358
Trade payables	69.466	57.702
Contract liabilities	270	247
Other current financial liabilities	22.538	18.645
Income tax liabilities	528	462
Other liabilities	12.597	12.240
Current liabilities	**115.833**	**98.654**
Total	**214.661**	**202.296**

Liabilities to banks

A new financing agreement was entered into on 16 November 2023 with a syndicate of banks led by Commerzbank AG and UniCredit Bank AG as joint lead arrangers. The financing agreement provides for a lending volume of € 130.0 million and a basic term of three years. There is an option to prolong the agreement by another two years in total. The basic term expires on 15 November 2026. The syndicated financing arrangement is not secured. The interest rate is variable and is based on EURIBOR plus an interest margin between 1.0 per cent and 2.55 per cent per annum, depending on the agreed covenants. The covenants relate to (a) net debt (ratio of net debt to EBITDA) and (b) the equity ratio. Both covenants were complied with as at 31 December 2023. The Management Board is informed of interest positions on a regular basis.

At the end of the year an amount of € 74,867 thousand had been drawn down from the syndicated loan (previous year € 73,597 thousand) and € 2,591 thousand (previous year € 2,050 thousand) for bank guarantees. In addition, the SHW Group arranged a new long-term loan of € 4,250 thousand in financial year 2023 and a short-term loan of € 1,661 thousand. The loans bear interest within the range laid out in the syndicated loan agreement. The loans were serviced as scheduled in the year with total repayments of principal of € 9,996 thousand. Reference is made to Note (30) for more information.

Trade payables

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 lease liabilities of which € 9,491 thousand (previous year € 11,599 thousand) are non-current and € 3,007 thousand (previous year € 2,839 thousand) are current. Reference is made to Note (34) for more information.

In addition, current other financial liabilities mainly consist of liabilities of € 8,129 thousand (previous year € 8,122 thousand) related to factoring and expenses accrued for goods and services received in fiscal year 2023 already but for which the invoice was not recorded until fiscal year 2024.

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 (€ 3,430 thousand, previous year € 2,736 thousand), severance payments (€ 1,581 thousand, previous year € 732 thousand), vacation accrued (€ 1,540 thousand, previous year € 1,231 thousand), the inflation adjustment allowance (€ 1,491 thousand, previous year € 1,401 thousand) and bonuses/management incentives (€ 363 thousand, previous year € 448 thousand). Furthermore, liabilities from wage and church tax (€ 1,214 thousand, previous year € 1,102 thousand), VAT of € 1,055 thousand (previous year € 2,765 thousand) and employers' liability insurance (€ 284 thousand, previous year € 232 thousand) are reported under current other liabilities.

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.

30. Contingent liabilities and other financial obligations

There were no contingent liabilities in fiscal years 2023 or 2022.

As of 31 December 2023, there are contractual obligations to purchase intangible assets and property, plant and equipment of € 22,501 thousand (previous year € 18,506 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 € 1,281 thousand (previous year € 3,219 thousand) made in property, plant and equipment assets were capitalised for which no cash outflows occurred during the fiscal year. On the other hand, cash outflows for investments in property, plant and equipment made in the previous year amounted to € 3,219 thousand (previous year € 3,104 thousand). Furthermore, there were no cash outflows in the year from the recognition of right-of-use assets pursuant to IFRS 16 in connection with leases for property, plant and equipment of € 1,547 thousand (previous year € 4,367 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 € 62,500 thousand (previous year € 60,000 thousand). The loans totalling € 62,500 thousand are all short-term loans that mature within three to six months. Under the terms of the syndicated loan agreement it is possible to unilaterally exercise an option to revolve the credit beyond this term. In light of the fact that we intend to exercise this option, the liabilities to banks have been presented under non-current liabilities. In addition, overdraft facilities that are used for cash management purposes were drawn on by an amount of € 12,367 thousand (previous year € 13,596 thousand). According to the syndicated loan agreement, the overdrafts only need to be repaid at the end of the term of the agreement. Therefore these are also classified as non-current.

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 2023	**91.471**	**9.358**	**14.438**	**2.000**	**117.267**
Changes in due term (non-current to current)	581	-581	0	0	0
Cash received (+) from the assumption of financial liabilities	8.555	1.657	0	4.970	15.182
Cash paid (-) for the redemption of financial liabilities	-13.025	0	0	0	-13.025
Cash received (+) from other financial liabilities	0	0	0	1.067	1.067
New leases	0	0	1.750	0	1.750
Interest expense from leases	0	0	236	0	236
Cash paid (-) for leases	0	0	-3.926	0	-3.926
As at 31. December 2023	**87.582**	**10.434**	**12.498**	**8.037**	**118.551**

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 2022	**69.763**	**8.208**	**13.335**	**0**	**91.306**
Änderungen der Fälligkeit (kurzfristig zu langfristig)	-1.150	1.150	0	0	0
Cash received (+) from the assumption of financial liabilities	31.354	0	0	2.000	33.354
Cash paid (-) for the redemption of financial liabilities	-8.496	0	0	0	-8.496
New leases	0	0	3.532	0	3.532
Interest expense from leases	0	0	306	0	306
Cash paid (-) for leases	0	0	-2.735	0	-2.735
As at 31. December 2022	**91.471**	**9.358**	**14.438**	**2.000**	**117.267**

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

31. Background

Financial assets in the sense of IFRS 9 are classified in terms of how the assets are treated depending on the business model of the group. 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 a regular way purchase or sale with the framework 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 settlement date – i.e. the date as at which the asset is delivered to or by the SHW Group – is the relevant date for the 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 (23) and (33).

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, which are measured at fair value and used in designated cash flow hedges.

32. 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 31.12.2023	Fair value as at 31.12.2023	Valuation: Amortised cost	Valuation: Fair value through OCI	Valuation: Fair value through profit or loss
ASSETS						
Other non-current financial assets	AC	199	199	199	–	–
Zu Sicherungszwecke eingesetzte Zinsswaps	FVOCI	291	291	–	291	–
Trade receivables	AC	54.920	*)	54.920	–	–
Other financial assets	AC	1.238	*)	1.238	–	–
Zu Sicherungszwecke eingesetzte Zinsswaps	FVOCI	10	10	–	10	–
Cash and cash equivalents	AC	15.621	*)	15.621	–	–

*) 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 2023.

K EUR	Measurement category acc. to IFRS 9	Carrying amount as at 31.12.2022	Fair value as at 31.12.2022	Valuation: Amortised cost	Valuation: Fair value through OCI	Valuation: Fair value through profit or loss
ASSETS						
Other non-current financial assets	AC	207	207	207	–	–
Zu Sicherungszwecke eingesetzte Zinsswaps	FVOCI	566	566	–	566	–
Trade receivables	AC	46.233	*)	46.233	–	–
Other financial assets	AC	5.735	*)	5.735	–	–
Cash and cash equivalents	AC	12.883	*)	12.883	–	–

*) The fair value approximately equals the carrying amount

AC: Amortized cost

K EUR	Measurement category acc. to IFRS 9	Carrying amount as at 31.12.2023	Fair value as at 31.12.2023	Valuation		
				Amortised cost	Fair value through OCI	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	AC	98.016	98.016	98.016	–	–
Trade payables	AC	69.466	69.466	69.466	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	AC	1.755	1.755	1.755	–	–
Liabilities from leases	AC	9.491	9.491	9.491	–	–
Other current financial liabilities						
Other interest-bearing liabilities	AC	7.237	7.237	7.237	–	–
Other non-interest-bearing liabilities	AC	12.294	12.294	12.294	–	–
Liabilities from leases	AC	3.007	3.007	3.007	–	–

K EUR	Measurement category acc. to IFRS 9	Carrying amount as at 31.12.2022	Fair value as at 31.12.2022	Valuation		
				Amortised cost	Fair value through OCI	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	AC	100.829	100.829	100.829	–	–
Trade payables	AC	57.702	57.702	57.702	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	AC	572	572	572	–	–
Liabilities from leases	AC	11.599	11.599	11.599	–	–
Other current financial liabilities						
Other interest-bearing liabilities	AC	2.002	2.002	2.002	–	–
Other non-interest-bearing liabilities	AC	13.804	13.804	13.804	–	–
Liabilities from leases	AC	2.839	2.839	2.839	–	–

The following overview of maturities illustrates how the cash flows from liabilities (not discounted) affect the Group's liquidity situation as at 31 December 2023:

K EUR	Total	2024	2025	2026	2027	2027 et seq.
Non-current liabilities						
Liabilities to banks	87.582	0	5.315	78.607	1.824	1.836
Other financial liabilities	11.246	0	4.480	2.476	1.882	2.409
Current liabilities						
Trade payables	69.466	69.466	0	0	0	0
Liabilities to banks	10.434	10.434	0	0	0	0
Other financial liabilities	22.538	22.538	0	0	0	0
Total	**201.266**	**102.438**	**9.794**	**81.083**	**3.705**	**4.245**

The situation as at 31 December 2022 was as follows:

K EUR	Total	2023	2024	2025	2026	2026 et seq.
Non-current liabilities						
Liabilities to banks	91.471	0	81.523	4.465	2.886	2.597
Other financial liabilities	12.171	0	3.310	2.433	2.226	4.202
Current liabilities						
Trade payables	57.702	57.702	0	0	0	0
Liabilities to banks	9.358	9.358	0	0	0	0
Other financial liabilities	18.645	18.645	0	0	0	0
Total	**189.347**	**85.705**	**84.833**	**6.898**	**5.112**	**6.799**

33. 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	31.12.2023	31.12.2022
Liabilities to banks	98.016	100.829
Trade payables	69.466	57.702
Cash and cash equivalents	-15.621	-12.883
Net financial liabilities	**151.861**	**145.648**

Credit risk

Trade receivables display the following age structure on the reporting date. Loss allowances for expected credit losses using the simplified approach of IFRS 9 are as follows:

K EUR	Carrying amount	of which neither impaired nor overdue	of which impaired and not overdue	of which impaired and overdue	of which not impaired and overdue in the following time bands: 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 31.12.2023	**56.523**	**46.436**	**0**	**1.603**	**5.271**	**1.438**	**182**	**611**	**643**	**339**
As at 31.12.2022	49.555	41.012	0	3.321	3.238	750	3	60	23	1.148

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 major 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 credit 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 expected credit losses are 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.

The maximum risk incurred upon the default of the counterparty for receivables and for other financial assets is limited to the carrying amount of the respective assets of € 51,990 thousand (previous year € 47,699 thousand). The composition and development of other financial assets are presented in Notes (21) and (24).

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 weekly 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. A further aim of the Group is to keep its level of working capital as low as possible. A syndicated line of € 130.0 million is available to the Group for borrowings. As at the reporting date, this facility has been drawn down by € 77.5 million (of which € 2.6 million through guarantees). For further information on the maturities of liabilities, please refer to our comments under Note (29) "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 relates primarily to the syndicated loan agreement. The SHW Group decided not to hedge these interest rate risks in 2023. An interest swap was entered into to hedge floating-rate interest on investment loans.

The profile of interest rates charged on interest-bearing financial instruments is as follows:

	nominal value	
	2023	2022
Fixed-interest instruments		
Financial liabilities	-29.468	-33.177
Effects from interest swaps	0	0
	-29.468	**-33.177**
Variabla-interest instruments		
Financial liabilities	-81.046	-82.090
Effects from interest swaps	300	566
	-80.746	**-81.524**

Foreign exchange risks exist with regards to the foreign subsidiaries and were not material for the Group in the reporting year on a net basis.

Collateral issued

Collateral of € 21,487 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. Reference is made to Note (29).

VII. Leases

34. Leases

The definition of a lease mainly concerns the concept of control. IFRS 16 determines whether a contract is a lease or not on the basis of whether the lessee obtains the right to control the use of an identified asset for a period of time in exchange for consideration.

The SHW Group recognises a right-of-use asset and a corresponding lease liability for arrangements that were previously treated as operating leases and not recognised in the balance sheet. The historical cost of the right-of-use asset consists of the present value of the future lease payments, the lease payments already made upon or before the commencement date as well as any initial direct costs incurred, plus the estimated costs for dismantling, removing and restoring the leased asset. All lease incentives received are deducted from cost. Initial direct costs are not considered in the measurement of the right-of-use asset upon initial application of the standard. SHW applies the practical expedient of not separating leases into non-leasing and leasing components.

The measurement of the lease liability considers the following elements:

- Fixed payments, including de facto fixed payments
- Variable lease payments that are tied to an index or (interest) rate, are initially measured using the index or rate applying on the commencement date,
- Any amounts expected to be paid due to residual value guarantees,
- Exercise price of a purchase option, provided the SHW Group is reasonably certain that it will exercise this option.
- Penalties paid for premature termination of the lease, unless the SHW Group is reasonably certain it will not terminate the lease prematurely.

The SHW Group applies the practical expedients afforded by IFRS 16 and therefore does not recognise right-of-use assets and lease liabilities for any short-term leases (of less than twelve months) or leases of low-value assets. The lease payments are expensed through profit or loss over the term of the lease on a straight-line or other systematic basis.

Subsequent measurement involves depreciating the right-of-use asset over the estimated term of the lease. If the lease transfers ownership to the underlying assets to the SHW Group at the end of the lease, or if this is already considered in the costs of the right-of-use asset and that therefore the SHW Group is likely to exercise any purchase option, then the right-of-use asset is amortised over the estimated economic life of the underlying asset. In addition, the right-of-use asset is adjusted for any impairment losses, if necessary, and adjusted to reflect any remeasurement of the lease liability. The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when the future lease payments change in response to a change in the index or (interest) rates, or if the SHW Group adjusts its estimate of the probable payments made under a residual value guarantee or if the SHW Group adjusts its estimates of the exercise of a purchase option, a prolongation option or termination option or if there is any de facto change in the least payments.

In accordance with IFRS 16, the depreciation charged on right-of-use assets is allocated to the respective function costs. The interest charge needed to unwind the present value of lease liabilities over time is posted to interest expenses.

The SHW Group leases a range of different assets. These mainly include halls and buildings, plant and machinery, vehicles and office hardware.

31. DECEMBER 2023

K EUR	Minimum lease payments	Interest included in lease payments	**Liabilities from leases**
Within one year	3.258	251	3.007
Between one and five years	8.662	426	8.236
More than five years	1.280	25	1.255
Total	**13.200**	**702**	**12.498**

31 DECEMBER 2022

K EUR	Minimum lease payments	Interest included in lease payments	**Liabilities from leases**
Within one year	3.131	292	2.839
Between one and five years	9.753	606	9.147
More than five years	2.512	60	2.452
Total	**15.396**	**958**	**14.438**

Leases where the SHW Group is the lessee are presented below

RIGHT OF USE ASSETS

K EUR	As 1.1.2023	Amortisation of right-of-use assets	Additions to right-of-use assets	Disposals of right-of-use assets	**As at 31.12.2023**
Land, land rights and buildings	11.179	-1.919	82	-600	8.742
Technical equipment and machinery	1.038	-240	0	0	798
Other equipment, operating and office equipment	1.664	-780	1.464	-26	2.322
Total	**13.881**	**-2.939**	**1.546**	**-626**	**11.862**

RIGHT OF USE ASSETS

K EUR	As at 1.1.2022	Amortisation of right-of-use assets	Additions to right-of-use assets	Disposals of right-of-use assets	**As at 31.12.2022**
Land, land rights and buildings	9.847	–1.897	3.229	0	11.179
Technical equipment and machinery	1.973	–179	0	–756	1.038
Other equipment, operating and office equipment	1.293	–83	1.028	–574	1.664
Total	**13.113**	**–2.159**	**4.257**	**–1.330**	**13.881**

Total cash outflows from leases amount to € 3,926 thousand (previous year € 2,735 thousand). Contracts in which the SHW Group acts as the lessor were immaterial in the reporting period.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

K EUR	**2023**
Amortisation of right-of-use assets	–2.939
Interest expense on lease liabilities	–236
Expenses from short-term leases	–1.823
Expenses from leases for low-value assets	0
Expenses from variable lease payments not included in the measurement of lease liabilities	–201

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

K EUR	**2022**
Amortisation of right-of-use assets	–2.159
Interest expense on lease liabilities	–306
Expenses from short-term leases	–1.734
Expenses from leases for low-value assets	0
Expenses from variable lease payments not included in the measurement of lease liabilities	–169

VIII. Related party disclosures and company boards

35. Business relationships with related parties

Pankl AG, Kapfenberg, Austria – a subsidiary of Pierer Industrie AG, Wels, Austria – notified the Company by voting rights notification dated 26 July 2019, issued in accordance with Section 20 (1) a (4) AktG, that it held more than one quarter of the shares in SHW AG and had therefore obtained the majority of the voting rights 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 that compiles consolidated financial statements is Pierer Konzerngesellschaft mbH. The consolidated financial statements have been filed with the District and Commercial Court of Wels, Austria, under the number FN 134766 k. SHW AG compiles the consolidated financial statements for the smallest group of companies.

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

There were no transactions with related parties.

GESCHÄFTSBEZIEHUNGEN MIT NAHESTEHENDEN UNTERNEHMEN

	Deliveries and services rendered and other income		Purchased goods and services and other expenses		Accounts receivable		Accounts payable	
						As at 31.12		As at 31.12
K EUR	**2023**	2022	2023	2022	2023	2022	2023	2022
Companies of the Pierer Group	4.788	3.807	5.034	4.375	404	1.054	7.580	2.619
Thereof parent company	85	84	1.300	1.183	0	0	1	2

36. Boards of SHW AG

Management Board

Wolfgang Plasser, Kaltenleutgeben, Austria

- Chairman of the Management Board
- CEO of SHW Automotive GmbH, SHW Brake Systems GmbH, SHW Gießerei GmbH & Co.KG, SHW Bremsen Beteiligungs GmbH
- Director of SHW Pumps & Engine Components Inc., Toronto, Canada
- Managing Director of SHW Pumps & Engine Components Inc., Timisoara, Romania
- Executive Director of SHW Automotive Pumps (Kunshan) Co. LTD., Kunshan, China
- Director and Chairman of SHW Brake Systems (Haimen) Co. LTD., Nantong, China
- Chairman of the Management Board of Pankl AG, Kapfenberg, Austria
- Chairman of the Management Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Member of the Management Board of Pierer Industrie AG, Wels, Austria
- Managing Director of Ocean Consulting GmbH, Vienna, Austria

Other significant mandates:

- Chairman of the Supervisory Board of Pankl Immobilienverwaltungs GmbH, Kapfenberg, Austria (until 13 January 2024)

Thomas Karazmann, Vienna, Austria

- Chief Financial Officer
- CEO of SHW Automotive GmbH, SHW Brake Systems GmbH, SHW Gießerei GmbH & Co.KG, SHW Bremsen Beteiligungs GmbH
- Director of SHW Pumps & Engine Components Inc., Toronto, Canada
- Supervisor of SHW Automotive Pumps (Kunshan) Co. LTD., Kunshan, China
- Director of SHW Brake Systems (Haimen) Co. LTD., Nantong, China
- Managing Director of L1-Beteiligungs GmbH, Aalen, Germany
- Chief Financial Officer of Pankl AG, Kapfenberg, Austria
- Chief Financial Officer of Pankl Racing Systems AG, Kapfenberg, Austria

Other significant mandates:

- Deputy Chairman of the Supervisory Board of Pankl Immobilienverwaltungs GmbH, Kapfenberg, Austria (until 13 January 2024)

Sebastian Rotermann, Backnang

- Member of the Management Board
- Managing Director of SHW Automotive GmbH
- Managing Director of SHW Pumps & Engine Components Inc., Toronto, Canada
- Managing Director of SHW Automotive Pumps (Kunshan) Co. LTD., Kunshan, China
- Managing Director of SHW Import & Export Trading (Kunshan) Co. LTD., Kunshan, China
- Managing Director of SHW Brake Systems (Haimen) Co. LTD., Nantong Haimen, China

Supervisory Board

Klaus Rinnerberger, Gießhübl, Austria, Chairman

- Chairman of the Executive Board of Leoni AG, Nuremberg, Germany
- Member of the Management Board of Pierer Industrie AG, Wels, Austria

Other significant mandates:

- Member of the Supervisory Board of SHW Automotive GmbH
- Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Chairman of the Advisory Board of Gartner AG, Lambach, 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
- Chairman of the Management Board of KTM AG, Mattighofen, Austria
- Member of the Management Board of Bajaj AG, Wels, Austria
- Member of the Management Board of KTM Motorsports Inc., Murrieta, California, USA
- Member of the Management Board of KTM North America Inc., Amherst, Ohio, USA
- Managing Director of Pierer Konzerngesellschaft mbH, Wels, Austria
- Managing Director of Pierer Beteiligungs GmbH, Wels, Austria
- Managing Director of PIERER IMMOREAL GmbH, Wels, Austria
- Managing Director of P Immobilienverwaltung GmbH, Wels, Austria

Other significant mandates:

- Member of the Supervisory Board of SHW Automotive GmbH
- 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 Oberbank AG, Linz, Austria
- Member of the Supervisory Board of Mercedes-Benz AG, Stuttgart, Germany

- Member of the Board of Directors of Pierer Swiss AG, Zürich, Switzerland

Friedrich Roithner, Linz, Austria

- Chief Financial Officer of Pierer Industrie AG, Wels, Austria
- Member of the Management Board of Bajaj AG, Wels, Austria
- Managing Director of Pierer Beteiligungs GmbH, Wels, Austria
- Managing Director of PIERER IMMOREAL GmbH, Wels, Austria
- Managing Director of PIERER IMMOREAL Deutschland GmbH, Ursensollen, Germany
- Managing Director of L1-Beteiligungs GmbH, Aalen, Germany

Other significant mandates:

- Chairman of the Supervisory Board of KTM AG, Mattighofen, Austria
- Chairman of the Supervisory Board of KTM Components GmbH, Munderfing, Austria
- Chairman of the Supervisory Board of Leoni AG, Nuremberg, Germany
- Member of the Supervisory Board of SHW Automotive GmbH
- Member of the Supervisory Board of Pankl AG, Kapfenberg, Austria
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria
- Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria

Michaela Friepeß, Wels, Austria

- Member of the Management Board of Pierer Industrie AG, Wels, Austria

Other significant mandates:

- Member of the Supervisory Board of SHW Automotive GmbH
- Member of the Supervisory Board of Pierer Bajaj AG, Wels, Austria
- Member of the Supervisory Board of PIERER Mobility AG, Wels, Austria
- Member of the Supervisory Board of Leoni AG, Nuremberg, Germany

Isni Aliji, Tuttlingen

- Member of the Full Works Council of SHW Automotive GmbH and Chairman of the Works Council of SHW Brake Systems GmbH, Tuttlingen, and SHW Gießerei GmbH & Co. KG, Tuttlingen

Eugen Maucher, Ingoldingen-Winterstettendorf, Deputy Chairman

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

Other significant mandates:

- Deputy Chairman of the Supervisory Board of SHW Automotive GmbH

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

K EUR	**2023**	2022
Benefits due in the short term (remuneration)	676	698
Benefits due in the long term (remuneration)	0	0
Post-employment benefits	0	0
Other benefits due and benefits upon termination of the employment relationship	0	0

A total of € 164 thousand has been recognised as provisions for pension obligations to former members of the Management Board (previous year € 149 thousand).

The total remuneration of the Supervisory Board amounted to € 185 thousand during the fiscal year (excluding the reimbursement of expenses, previous year € 210 thousand). No payments were made to former members of the Supervisory Board.

IX. Subsequent events

Non-current assets carried by the Brake Discs division were sold to an affiliated company in the course of a sale and lease-back transaction in the new fiscal year.

X. Schedule of shareholdings

as at 31 December 2023 according to Section 313 (2) HGB

Company name and location	Share in capital (per cent)
Schwäbische Hüttenwerke Automotive GmbH, Aalen, Germany	100
SHW Powder Systems GmbH, Aalen	100
SHW Brake Systems GmbH, Tuttlingen	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/Timișoara, Romania	100
SHW Brake Systems (Nantong Haimen) Co. Ltd., China	100
SHW Import Export Trading (Kunshan) Co. Ltd, China	100
SHW Bremsen Beteiligungs GmbH, Tuttlingen	100
SHW Gießerei GmbH & Co. KG, Tuttlingen	100

Aalen, 22 March 2024

Wolfgang Plasser
CEO

Thomas Karazmann
CFO

Sebastian Rotermann
COO

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 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2023 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 fiscal year from 1 January to 31 December 2023.

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 2023, and of its financial performance for the fiscal year from 1 January to 31 December 2023, 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 and the Supervisory Board are responsible for the other information.

Other information comprises the annual report. However, other information does not include the consolidated financial statements, those contents of the group management report that were audited and the associated 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 audited content of 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 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 the consolidated financial statements that are free from material misstatement due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) 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 and the Group 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 of the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 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 judgement and maintain professional scepticism throughout the audit. In addition, we identify and assess the risks of material misstatement in the consolidated financial statements and the group management report, whether due to fraud or error, and 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, 22 March 2024

KPMG AG

Wirtschaftsprüfungsgesellschaft

signed Dr. Faul	signed Baur
German Public Auditor	German Public Auditor

FIVE-YEAR SUMMARY

K EUR	**2023**	2022	2021	2020	2019
Sales	532,860	472,504	427,323	392,931	432,421
EBITDA	42,878	36,278	34,681	25,337	41,542
as % of sales	8.0%	7.7%	8.1%	6.4%	9.6%
EBIT	10,364	3,035	3,039	-4,729	14,617
as % of sales	1.9%	0.6%	0.7%	-1.2%	3.4%
Net profit	-886	-6,746	-621	-5,059	9,891
Earnings per share 1)	-0.14	-1.05	-0.10	-0.79	1.54
Equity	123,944	127,465	127,371	124,652	131,692
Equity ratio	33.0%	34.8%	38.1%	39.4%	41.0%
Operating free cash flow	3,874	-18,039	-36,568	9,556	-197
as % of sales	0.7%	-3.8%	-8.6%	2.4%	0.0%
Total free cash flow	3,874	-18,039	-33,588	8,934	-597
as % of sales	0.7%	-3.8%	-7.9%	2.3%	-0.1%
Net liquidity / Net financial liabilities	-82,395	-87,946	-69,133	-36,101	-42,612
Investments 2)	37,127	45,978	41,646	32,763	52,551
as % of sales	7.0%	9.7%	9.7%	8.3%	12.2%
Net working capital	64,837	66,870	57,464	36,497	48,702
as % of sales	12.2%	14.2%	13.4%	9.3%	11.3%
ROCE	4.1%	1.2%	1.3%	-2.3%	6.6%
Number of employees (average) 3)	1,826	1,667	1,685	1,619	1,594

1) Average number of shares: 6.436.209 shares

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

3) Excluding trainees and temporary workers.

Financial calendar 2024

March 22, 2024	Annual Report 2023
May 07, 2024	Annual General Meeting 2024

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Photos
SHW archive
Adobe Stock

Production system
firesys GmbH
www.firesys.de

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

Forward-looking statements
This report contains forward-looking statements about SHW AG and the SHW Group, which are marked by such words and expressions as "expect", "intend", "plan", "assume", "are aimed at", and similar formulations. Numerous factors, many of which are outside the sphere of influence of SHW, influence the business activities, the success, the business strategy and the results of SHW AG. Forward-looking statements are not historical facts and therefore contain known and unknown risks, uncertainties and other important factors that could lead to actual developments diverging from expectations. These forward-looking statements are based on the current planning, objectives, estimates and projections and consider all events that have occurred prior to date on which the report was released. In light of these risks, uncertainties and other relevant factors, SHW AG does not accept any liability other than the obligations required by the law and does not intend to roll forward such forward-looking statements or adjust them to reflect future events and developments. Although the greatest care has been exercised to ensure that the information and facts contained herein are accurate and that opinions and expectations are appropriate, no liability is accepted or guarantee issued that the information and opinions contained herein are complete, accurate, suitable and/or exact.