Half-year Financial Report 1 January to 30 June 2017

SHW

Contents

Company profile

The Company was established in 1365, making it one of the oldest industrial companies in Germany. Today, SHW AG is a leading automotive supplier, providing products that make a substantial contribution to reducing fuel consumption and, consequently, to lowering CO_2 emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and industry applications (e.g., trucks, agricultural and construction machinery, stationary engines and wind farms) as well as engine components. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automobile manufacturers, manufacturers of commercial, agricultural and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has four production sites in Germany located in Bad Schussenried, Aalen-Wasseralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, two sites in Brazil (São Paulo) and China (Kunshan) and a sales and development centre in Toronto (Canada). In addition, SHW Automotive GmbH holds a 51 per cent interest in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., Longkou (China). With just over 1,250 employees, the Company achieved Group sales of € 406 million in the fiscal year 2016. Further information is available at www.shw.de

Highlights

- Group sales and EBITDA margin in line with budget after six months
- Cash flow from operating activities significantly improved
- Capital expenditure increased by almost 50 per cent in the first half year

Key performance indicators for the SHW Group

	Q2			H1		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	98,390	108,659	-9.5%	202,694	215,263	-5.8%
EBITDA	9,627	10,995	-12.4%	19,774	21,755	-9.1%
as % of sales	9.8%	10.1%	-	9.8%	10.1%	-
EBIT	3,806	4,746	-19.8%	8,278	9,559	-13.4%
as % of sales	3.9%	4.4%	-	4.1%	4.4%	-
ROCE	-	-	-	11.7%	12.5%	-
Net profit for the period	2,407	3,228	-25.4%	5,380	6,536	-17.7%
Earnings per share (EUR)	0.37	0.50	-25.4%	0.84	1.02	-17.7%
Investments	5,722	4,879	17.3%	14,717	9,878	49.0%
as % of sales	5.8%	4.5%	-	7.3%	4.6%	-
Working capital as % of sales	-	-	-	12.9%	12.3%	-
Equity ratio	-	-	-	49.9%	50.7%	-
Operating free cash flow	2,141	-3,257	-	3,948	-9,963	-
Net financial debt	-	-	-	-7,925	-4,220	87.8%

The SHW share

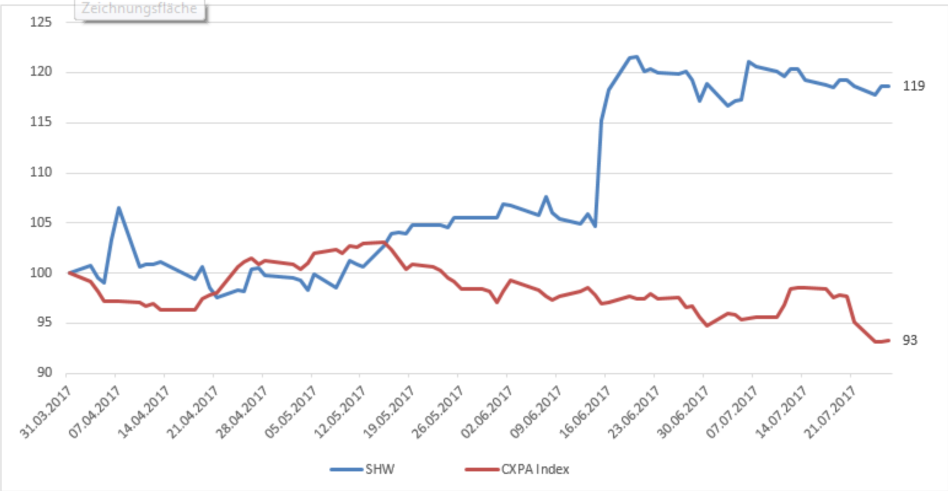
Signs of less expansive monetary policies burden the share markets in the second quarter

Continuing robust economic data for the euro area, Manuel Macron's convincing victory in the French presidential election and that of his party, La République En Marche (LREM) in the French parliamentary elections as well as convincing quarterly figures buoyed the share markets. The fourth increase in the key rate by the FED since the financial crisis, indications that the head of the ECB, Mario Draghi, intends to usher in a more restrictive monetary phase, surprisingly weak figures for GDP growth in the USA in the first quarter, the sustained appreciation of the euro against the US dollar, falling prices for crude oil and geopolitical crises in North Korea, Syria, Qatar and Turkey burdened the share markets.

Against this backdrop, the most important international market indices painted a mixed picture. The largest fall, with a decrease of 1.7 per cent was recorded by the Shanghai Composite Index. The best performer was the Dow Jones, the leading US stock index, which rose by 3.3 per cent.

After the surprisingly strong quarterly figures at the end of April/beginning of May, the mood for automobile stocks dimmed rapidly over the later course of the second quarter of 2017. This was triggered by the statements issued by diverse automobile manufacturers stating that their margins would be burdened over the further course of the year due to higher development expenses and upfront investment in the field of e-mobility. To make matters worse, the market for automotive suppliers was caught wrong-footed when a major automotive supplier issued a profit warning at the end of June. Overall, all DAXsector Automobile Performance index (CXPA) issues slipped 5.3 per cent to 1,472 points. By contrast, the SHW share performed significantly better in the second quarter of 2017 than the benchmark index, ending the second quarter at a share price of € 37.18. This outperforms the DAXsector Automobile Performance index by 24.1 percentage points. The SHW share is currently trading at € 37,15 (as at 27 July 2017).

Price trend for SHW share and DAXsector Automobile Performance index (CXPA) in the period from April 2017 to July 2017



Takeover offer from Pierer Industrie AG is not appropriate from a financial perspective

On 14 June 2017 Pierer Industrie AG (Wels, Austria) announced, without discussing the matter with the Company beforehand, that it intended to make a voluntary public takeover offer of € 35 per share for all the outstanding ordinary shares of SHW AG. On 11 July 2017 Pierer Industrie AG published the mandatory offer document which was supplemented on 19 July 2017 by a waiver of various conditions of execution (in particular the minimum acceptance condition of 30 per cent). The regular acceptance period expires on 8 August 2017, 24:00 hours (local time Frankfurt am Main).

On 24 July 2017 the Management Board and the Supervisory Board of SHW AG published their joint statement in accordance with Section 27 (1) German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG) on the voluntary takeover offer of Pierer Industrie AG. In the statement, the Management Board and the Supervisory Board substantiate their opinion that the offer of Pierer Industrie AG of € 35 per share is not appropriate from a financial perspective. Consequently, they recommend that the shareholders of SHW AG should not accept the offer.

The full statement of the Management Board and the Supervisory Board of SHW AG can be found on the Company's website at http://www.shw.de/cms/en/investor_relations/takeover_offer/

With a holding of 18.92 per cent Pierer Industrie AG is currently the largest single shareholder. According to the latest voting rights notifications, it is followed by Sterling Strategic Value Fund S.A. (Luxembourg) with 10.38 per cent, Anhui International Holding GmbH (China) with 9.38 per cent, Gilead Capital LP (USA) with 5.06 per cent, and Dimensional Holdings Inc. (USA) with 3.00 per cent.

Within the framework of managers' transactions, the following members of the Management Board and Supervisory Board held SHW shares at the end of the second quarter of 2017: Dr. Frank Boshoff – CEO (8,500 shares), Martin Simon – CFO (1,000 shares), Andreas Rydzewski – Member of the Management Board (2,600 shares) and Georg Wolf – Chairman of the Supervisory Board (10,000 shares).

Sustained high level of interest on the part of value-oriented investors

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

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

In the second half of 2017, SHW AG will attend the Commerzbank Sector Conference Week on 30 August in Frankfurt, the Small Cap Conference hosted by Bankhaus Lampe in Düsseldorf on 7 September and the Berenberg and Goldman Sachs German Corporate Conference on 19 September in Unterschleissheim near Munich. Furthermore, management and investor relations roadshows are planned in Germany, Switzerland, Benelux and the United Kingdom.

SHW also recorded a sustained high level of interest on the part of value-oriented investors in one-on-ones and plant visits.

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

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Interim Group Management Report

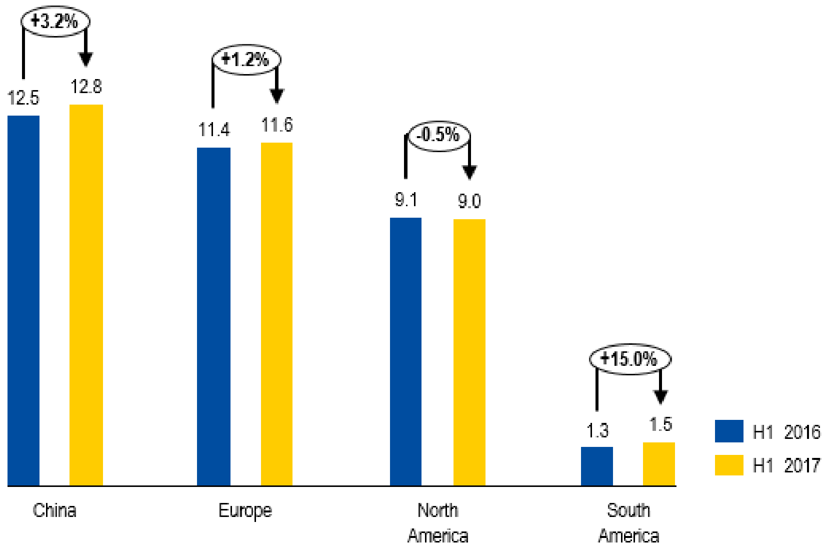
Industry environment

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

Automobile production slightly above previous year's level

In the period from January to June 2017, according to the most recent surveys conducted by the research firm IHS production of light vehicles (vehicles < 6 tonnes) increased worldwide by 2.6 per cent on the previous year, from 46.1 million units to 47.2 million units.

Production of light vehicles by region (millions of units)



Source: IHS – July 2017

China registered an increase in production figures of 3.2 per cent to 12.8 million vehicles.

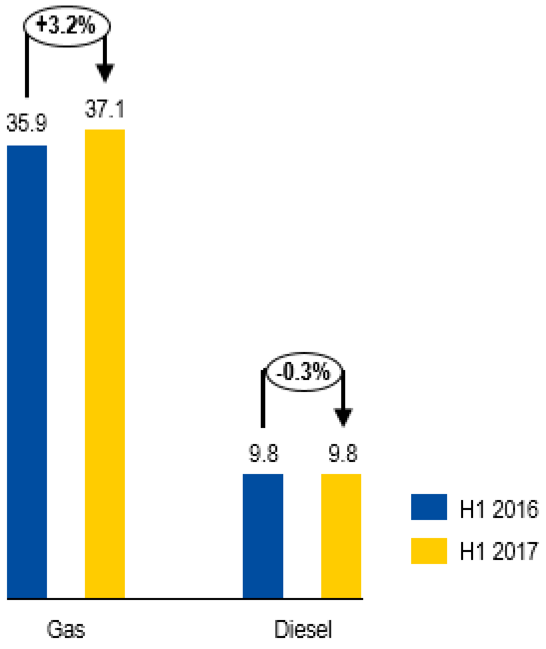
In Europe (including Russia) production figures remained stable, rising marginally by 1.2 percentage points to 11.6 million vehicles. Positive growth rates were achieved mainly in Turkey, which saw a rise of 19.6 per cent to 0.8 million vehicles and Russia (+15.6 per cent to 0.6 million vehicles). By contrast, Germany recorded a decrease of -4.1 per cent from 3.1 million vehicles to 3.0 million vehicles. Production in Spain also decreased by -3.8 per cent, slipping from 1.6 million to 1.5 million vehicles. The trend for vehicle production in South America was significantly more positive. Following a deep, recession-related slump in production over the past few years, light vehicle production increased by 15 per cent on the previous year and reached 1.5 million units.

North America registered a slight decrease of 0.5 per cent in its production figures to 9.0 million vehicles.

Robust demand for gasoline engines

In the first six months of 2017, the production of gasoline engines for light vehicles (< 6 tonnes) increased worldwide by 3.2 per cent to 37.1 million units. Production of diesel engines eased by 0.3 per cent to 9.7 million units in comparison to the previous year in light of the continuing emissions-related issues. Electric motors recorded a growth rate of 60 per cent, but continued to play a very minor role at just 0.3 million units.

Engine production worldwide (millions of units)



Source: IHS – July 2017

Engine production in China increased by a total of 3.6 per cent to 13.0 million units between January and June 2017. Of that, gasoline engines accounted for 11.9 million units (+3.3 per cent), while production of diesel engines remained constant in a year-on-year comparison at 0.9 million units. The volume of electric motors increased to slightly over 147 thousand units (+73 per cent).

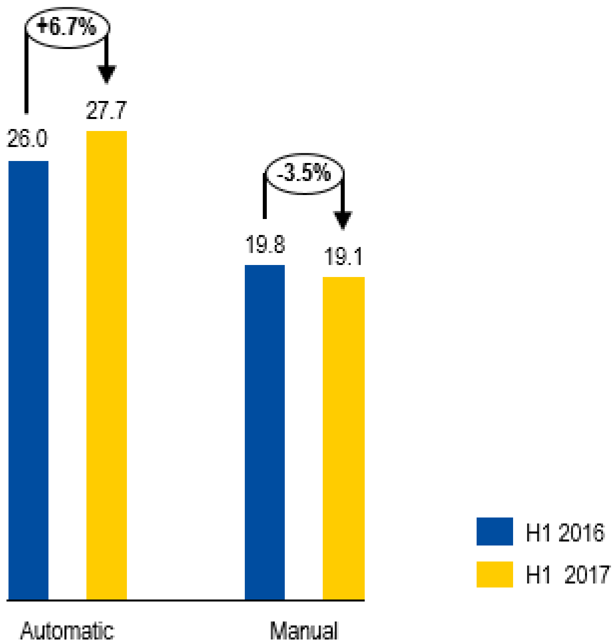
In Europe (including Russia), a total of 12.6 million engines were manufactured (+1.9 per cent on the previous year). Production of gasoline engines continued to develop positively, rising by 3.9 per cent to 6.5 million units. Production of diesel engines almost reached the level of the previous year of 6.0 million units.

North America, which has always been a gasoline market, recorded a -3.0 per cent decrease in production to 7.9 million units in the first six months of 2017. The decrease is almost solely due to the decline in the production of gasoline engines (-3.8 per cent to 7.5 million units). Production of diesel engines, by contrast, rose by 7.3 per cent to 285 thousand units.

Automatic transmissions continue to gain ground

In the first six months of 2017, transmission production increased by 2.6 per cent worldwide to 47.2 million units. Production of automatic transmissions continued to increase at a more rapid rate of 6.7 per cent, from 26.0 million units to 27.7 million units. Their share of overall production thus amounts to 59 per cent. China remains the growth driver for automatic transmissions, with a growth rate of 21.6 per cent to 4.9 million units along with Japan/Korea with an increase of 5.9 per cent to 10.0 million units. Europe recorded growth of 6.8 per cent in the production of automatic transmissions to 4.5 million units.

Transmission production worldwide (millions of units)



Source: IHS – July 2017

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

Key performance indicators for the SHW Group

	Q2			H1		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	98,390	108,659	-9.5%	202,694	215,263	-5.8%
EBITDA	9,627	10,995	-12.4%	19,774	21,755	-9.1%
as % of sales	9.8%	10.1%	-	9.8%	10.1%	-
Depreciation/Amortisation	5,821	6,249	-6.8%	11,496	12,196	-5.7%
as % of sales	5.9%	5.8%	-	5.7%	5.7%	-
EBIT	3,806	4,746	-19.8%	8,278	9,559	-13.4%
as % of sales	3.9%	4.4%	-	4.1%	4.4%	-
ROCE	-	-	-	11.7%	12.5%	-
Net profit for the period	2,407	3,228	-25.4%	5,380	6,536	-17.7%

Financial performance

Sales decline in the first six months as budgeted

Group sales amounted to € 202.7 million in the first half year of 2017, 5.8 per cent below the previous year's figure of € 215.3 million in line with expectations. This was attributable to the Pumps and Engine Components business segment.

Significant improvement in production costs ratio

In the reporting period, the cost of sales decreased by 7.4 per cent, from € 193.2 million to € 178.9 million, as a result of significant improved manufacturing and logistics costs. The cost of sales ratio declined from 89.7 per cent to 88.3 per cent. This improvement resulted primarily from positive volume and product mix effects as well as productivity gains.

Selling and administrative expenses influenced by internationalisation and public listing

In the first six months of the fiscal year 2017, selling and general administrative expenses increased from € 9.4 million to € 12.7 million. The increase can primarily be attributed to establishing and expanding the international locations, costs associated with the public listing of SHW AG and individual strategic measures.

Research and development costs significantly increased

Research and development costs in the first six months of 2017 of € 5.2 million were far in excess of the level of the previous year of € 3.4 million Euro. In addition, development costs of € 0.4 million (previous year € 0.5 million) were capitalised. Additional development services were billed within the scope of customer orders. The R&D ratio (including capitalised development costs) amounts to 2.8 per cent of sales (previous year 1.8 per cent). Electrically driven transmission oil pumps are the core area of development in the Pumps and Engine Components business segment. The Brake Discs business segment is focusing on the ongoing development of high-quality composite brake discs and other lightweight concepts.

Other operating income and expenses

The balance of other operating income and other operating expenses in the first six months of 2017 exceeded the previous year’s level by € 2.1 million. On the one hand this is due to negotiating successes and risk reduction in the fiscal year 2017 that enabled an appropriately scaled accrual that was carried as at 31 December 2016 to be released. On the other hand, the cost of preparing acquisitions and non-recurring expenses related to customer projects resulted in higher other operating expenses.

EBITDA margin of just under 10 per cent

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 19.8 million (previous year € 21.8 million) in the first six months of the fiscal year 2017. At 9.8 per cent, the EBITDA margin was below the previous year’s figure of 10.1 per cent.

In this regard, the Pumps and Engine Components business segment achieved a segment EBITDA figure of € 17.9 million (previous year € 18.8 million) and the Brake Discs business segment a segment result of € 3.1 million (previous year € 3.8 million).

Furthermore, in the administrative sector non-recurring costs associated with the public listing of SHW AG, customer projects and also the costs of preparing acquisitions burdened the operating result.

EBIT margin of 4.1 per cent

At € 11.5 million, depreciation was € 0.7 million or 5.7 per cent lower than in the same period in the previous year. Earnings before interest and tax (EBIT) decreased from € 9.6 million to € 8.3 million. The EBIT margin decreased to 4.1 per cent, compared to 4.4 per cent in the previous year.

Of the EBIT figure, € 8.5 million (previous year € 8.9 million) relates to the Pumps and Engine Components business segment and € 1.2 million (previous year € 1.5 million) to the Brake Discs business segment.

ROCE influenced by Company's expansion

The return on capital employed (ROCE) decreased in the first six months of 2017 compared to the first half of the last year from 12.5 per cent to 11.7 per cent.

K EUR	30.06.2017	30.06.2016
Goodwill	7,055	7,055
Other intangible assets	7,935	9,781
Property, plant and equipment	101,164	93,946
Deferred tax assets	5,441	4,848
Joint ventures accounted for using the equity method	15,930	16,118
Other (financial) assets (non-current)	1,647	1,279
Inventories	43,290	42,377
Trade receivables	47,615	49,457
Other (financial) assets (current)	4,996	3,395
Capital employed asset item	235,073	228,256
Deferred tax liabilities	-2,277	-3,078
Other accruals (non-current)	-4,826	-4,048
Other financial liabilities (non-current)	-944	-972
Trade payables	-40,256	-37,905
Other financial liabilities (current)	-8,449	-15,818
Income tax liabilities	-299	-1,329
Other accruals (current)	-13,960	-8,534
Other liabilities (current)	-9,513	-9,927
Capital employed liability item	-80,524	-81,611
Capital employed	154,549	146,645
EBIT (last 12 months)	17,657	18,111
Profit of joint ventures accounted for using the equity method (last 12 months)	424	191
EBIT including profit of joint ventures accounted for using the equity method (last 12 months)	18,081	18,302
ROCE	**11.7%**	**12.5%**

The decrease in ROCE is largely attributable to the increase in property, plant and equipment.

Financial result and income from investments

In the period from January to June 2017, the balance of financial income and expenses – excluding income from investments – matched the previous year's level.

Net profit from joint ventures accounted for using the equity method relates exclusively to the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., which has been included in the Consolidated Financial Statements of SHW AG since 1 April 2015.

Income taxes

In the first six months of fiscal year 2017 income taxes lay slightly above the level of the first half year of 2016. On the basis of lower earnings before tax in 2017 this is chiefly due to the conservative approach to the accounting of deferred tax assets on tax loss carryforwards at foreign subsidiaries. Correspondingly, the Group's tax rate of 33.3 per cent is above the level of the comparable period of the previous year of 28.6 per cent.

Net profit for the period

Earnings after tax decreased by € 1.2 million to € 5.4 million in the first six months of the fiscal year 2017, due to the factors outlined above. Earnings per share reached a level of € 0.84 in this period (previous year € 1.02).

Development of the business segments

Pumps and Engine Components business segment

Key performance indicators for Pumps and Engine Components

	Q2			H1		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	74,739	84,659	-11.7%	155,352	170,605	-8.9%
EBITDA	8,470	9,205	-8.0%	17,867	18,753	-4.7%
as % of sales	11.3%	10.9%	-	11.5%	11.0%	-
Depreciation/Amortisation	4,695	5,042	-6.9%	9,334	9,811	-4.9%
as % of sales	6.3%	6.0%	-	6.0%	5.8%	-
EBIT	3,775	4,163	-9.3%	8,533	8,942	-4.6%
as % of sales	5.1%	4.9%	-	5.5%	5.2%	-
ROCE	-	-	-	18.4%	17.3%	-

Sales below previous year's level as budgeted

The Pumps and Engine Components business segment achieved sales of € 155.4 million in the first six months of 2017 (previous year € 170.6 million).

Sales in the Passenger Car division declined from € 141.8 million to € 123.2 million. This expected sales decline mainly reflects the lower share supplied by SHW for the second generation of an electrical driven transmission oil pump for the start-stop function.

The high-margin Industry and Powder Metallurgy divisions both increased their sales significantly. The Industry division recorded an increase in sales of 13.6 per cent to € 16.6 million (previous year € 14.6 million). The Powder Metallurgy division improved by 9.9 per cent to € 15.6 million (previous year € 14.2 million).

EBITDA margin increased to 11.5 per cent

Despite the decline in sales, the Pumps and Engine Components business segment achieved a segment EBITDA of € 17.9 million in the reporting period, just € 0.9 million below the level of the previous year. The EBITDA margin improved accordingly from 11.0 per cent to 11.5 per cent. The most decisive factors behind the higher margin were positive volume and product mix as well as productivity gains.

Overall, the earnings trend for the Group's foreign subsidiaries in Brazil, China and Canada was in line with expectations. The Group is currently setting up a company in Romania. Expenses for the forward-looking establishment and expansion of foreign plants are included in the operating segment earnings.

EBIT margin improved to 5.5 per cent

Depreciation and amortisation in the Pumps and Engine Components business segment came to € 9.3 million, 4.9 per cent down on the figure of € 9.8 million recorded in the previous year. The depreciation ratio (depreciation and amortisation in ratio to sales) increased from 5.8 per cent to 6.0 per cent. As a result, the EBITDA margin could be improved from 5.2 per cent to 5.5 per cent.

Development of the Brake Discs business segment

Key performance indicators for Brake Discs

	Q2			H1		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	23,651	24,000	-1.5%	47,342	44,658	6.0%
EBITDA	1,814	2,171	-16.4%	3,128	3,762	-16.9%
as % of sales	7.7%	9.0%	-	6.6%	8.4%	-
Depreciation/Amortisation	1,022	1,132	-9.7%	1,970	2,234	-11.8%
as % of sales	4.3%	4.7%	-	4.2%	5.0%	-
EBIT	792	1,039	-23.8%	1,158	1,528	-24.2%
as % of sales	3.3%	4.3%	-	2.4%	3.4%	-
ROCE	-	-	-	6.2%	7.2%	-

Sales influenced by higher unit sales

In the Brake Discs business segment, unit sales were 8.4 per cent higher in the first six months than in the comparable period of the previous year. All product areas contributed to this increase. Sales rose by 6 per cent to € 47.3 million (previous year € 44.7 million).

Temporary burdens on the earnings of Brake Discs ease noticeably

The segment EBITDA figure was positively influenced by volume and product mix effects as well as productivity gains. However, this contrasted with higher purchase costs for coke and the contractual delay in adjusting material surcharges. Overall, the EBITDA figure in the Brake Discs business segment declined by € 0.6 million to € 3.1 million in the reporting period. The temporary burdens on earnings eased noticeably in the second quarter.

EBIT influenced by lower depreciation

Due to the € 0.3 million decline in depreciation, the decrease in earnings before interest and tax (EBIT) from € 1.5 million to € 1.2 million was less pronounced than the decline in the EBITDA figure. The EBIT margin therefore only fell by 1.0 percentage points to 2.4 per cent.

Net asset position

Non-current assets

Other intangible assets and property, plant and equipment totalled € 109.1 million as at 30 June 2017, € 5.4 million above the previous year's level. Asset additions considerably exceeded depreciation in the first six months of the year.

Working capital ratio above target value

K EUR	30.06.2017	30.06.2016	Change in absolute	Change %
Inventories	43,290	42,377	913	2.2%
Trade receivables	47,615	49,457	-1,842	-3.7%
Trade payables	-40,256	-37,905	-2,351	6.2%
Working capital	50,649	53,929	-3,280	-6.1%
as % of sales	12.9%	12.3%	-	-

As at 30 June 2017, working capital decreased by € 3.3 million compared to the previous year to € 50.6 million. With regard to the reduction of € 1.8 million in trade receivables to € 47.6 million, it should be noted that allowances related to credit notes which have not yet been issued were reclassified to other accruals effective 31 December 2016 due to a change in presentation. After taking this reclassification into account, which amounted to € 4.2 million as at 30 June 2017, trade receivables decreased at a faster rate than sales.

At 12.9 per cent, the working capital ratio – referring to the Group sales over the past twelve months – was 0.6 percentage points above the previous year's level and exceeded the envisaged range of between 11 and 12 per cent.

The volume of inventories increased by comparison with the first half of the previous year, above all, especially due to a large number of projects which are currently still in process (unfinished goods)

Trade payables increased by € 2.4 million compared to the reporting date of the previous year to € 40.3 million. This trend is mainly attributable to comparatively higher asset additions.

Equity ratio at nearly 50 per cent

Equity increased from € 116.3 million to € 118.7 million compared to 30 June 2016. In particular, the consolidated comprehensive income after tax for the past twelve months totalling € 8.8 million boosted the Company's equity. This was offset to some extent by a dividend payment of € 6.4 million. An increase in the balance sheet total of € 8.3 million to € 237.8 million led the equity ratio to decrease slightly from 50.7 per cent as at 30 June 2016 to 49.9 per cent as at 30 June 2017.

Other current financial liabilities

The decrease in other current financial liabilities relates to the second capital tranche due in late February 2017 for the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., which translates to € 6.8 million.

Financial position

Operating cash flow significantly improved

	Q2		H1	
K EUR	2017	2016	2017	2016
Cash flow from operating activities	7,861	1,427	18,463	-280
Cash flow from investing activities (intangible assets and property, plant and equipment)	-5,720	-4,684	-14,515	-9,683
Operating free cash flow	**2,141**	**-3,257**	**3,948**	**-9,963**
Cash flow from investing activities (financial assets)	0	0	-6,819	0
Total free cash flow	**2,141**	**-3,257**	**-2,871**	**-9,963**
Other items (in particular, dividend payments)	-6,672	-6,539	-6,687	-6,585
Change in net liquidity	**-4,531**	**-9,796**	**-9,558**	**-16,548**

The cash flow from operating activities in the first six months of 2017 came to € 18.5 million (previous year € -0.3 million). The significant improvement is particularly due to the significantly lower increase in working capital in comparison to the same period of the previous year.

Despite significantly higher cash flow from investing activities relating to intangible assets and property, plant and equipment, the Company generated positive free cash flow from operating activities. Allowing for cash flow from investing activities relating to financial assets (outflow of the second capital tranche for the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd.), the total free cash flow amounts to € -2.9 million (previous year € -10.0 million).

As in the comparable period of the previous year, profit distributions to shareholders of € 6.4 million were paid out in the second quarter of 2017 due to the resolution passed by the Annual General Meeting in May 2017 for the fiscal year 2016.

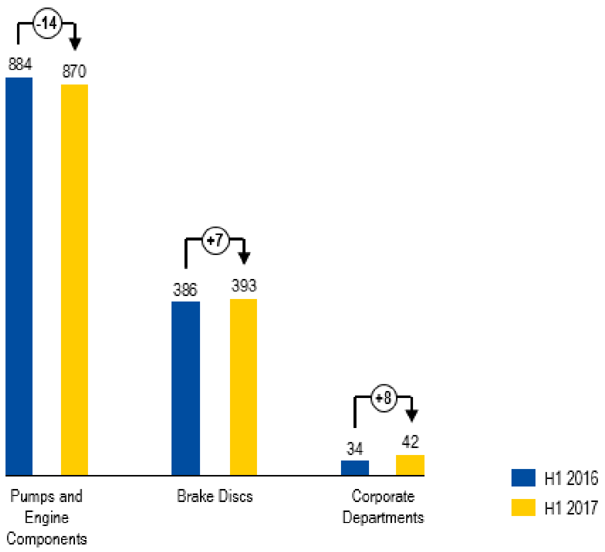
Net financial liabilities increased by € 9.6 million compared to 31 December 2016

Net financial liabilities amounted to € -7.9 million after the first six months of the year. By comparison with 31 December 2016, net financial liabilities have therefore increased by € 9.6 million due to the cash flows outlined above. This represents an increase of € 3.7 million compared with the previous year.

Employees

In the first six months of the fiscal year 2017, the Group's average number of employees – on an FTE basis – remained constant at 1,304 compared to 1,305 in the comparable period of the previous year. The increase at corporate departments is due exclusively to a change in the allocation of staff.

Average number of employees (FTE)



Report on risks and opportunities

Apart from the following exception, no significant changes have resulted in the assessment of the risks and opportunities for the SHW Group compared to the comments on risks and opportunities provided in the Company's Annual Report for 2016 (pages 63 to 71).

A competitor has announced a patent infringement action against SHW in June 2017. The suit has not yet been submitted to SHW. The competitor intends to sue SHW for an alleged patent infringement, ordering SHW to cease and desist and pay damages inter alia. Based on a legal appraisal of the matter, SHW is of the opinion that a successful defence against the claims is more likely than not, as SHW considers the patent to be unenforceable in relation to the alleged infringement. The measures required to defend the Company against the suit have been initiated. The course and outcome of the patent infringement action are not foreseeable at present.

Forecast

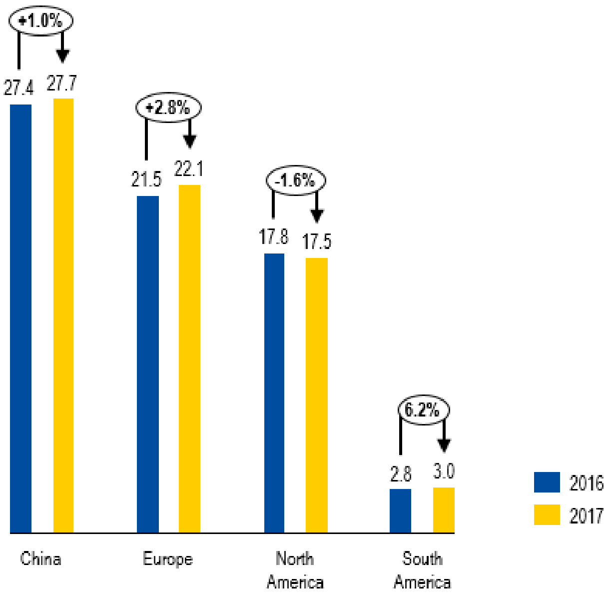
Outlook for the industry

Moderate growth rates anticipated for 2017

Based on the most recent forecasts, the IHS market research institute expects global light vehicle production (vehicles < 6 tonnes) to increase slightly by +1.8 per cent in 2017, from 93.1 million vehicles to 94.8 million vehicles.

The main contribution here should be made by Europe (+2.8 per cent to 22.1 million vehicles), Japan/Korea (+4.0 per cent to 13.4 million vehicles) and China (+1.0 per cent increase to 27.7 million units). Production in South America is expected to increase by 10.0 per cent to 3.0 million vehicles. On the other hand, it is assumed there will be a slight downturn of 1.6 per cent in the production figures to 17.5 million vehicles in North America.

Production of light vehicles by region (millions of units)



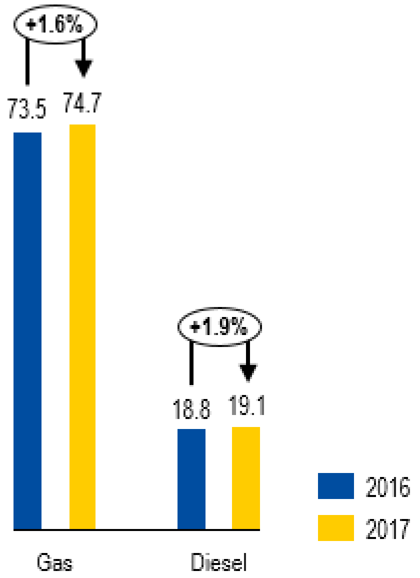
Source: IHS – July 2017

The envisaged increase in production in Europe will primarily be generated in the markets of Turkey (+10.6 per cent to 1.6 million vehicles), Russia (+12.6 per cent to 1.4 million vehicles) and France (+7.0 per cent to 2.2 million vehicles). A decrease of 1.4 per cent to 5.9 million vehicles is expected for the German market.

Gasoline engines remain the main source of growth

Based on the IHS research institute's analyses, it can be expected that global engine production will increase by 1.8 per cent to 94.8 million units in 2017. The gasoline engine remains the leading engine type, with a global market share of 79 per cent. The industry experts predict slight growth of 1.9 per cent for diesel engines worldwide, to 19.1 million units. This would represent a market share of 20 per cent. Electric motors continue to play a minor role, accounting for 0.7 million units. This represents a growth rate of 47 per cent on the previous year.

Engine production worldwide (millions of units)



Source: IHS – July 2017

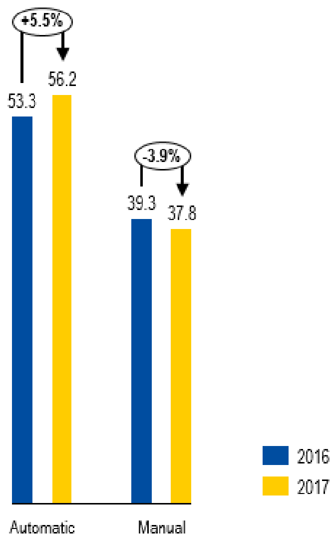
In China unit growth of 1.6 per cent to 27.7 million units is expected overall. Production of electric motors should rise by 46.5 per cent to 364 thousand units.

In Europe, diesel engines are expected to register slightly higher production figures, with 11.5 million units (+2.4 per cent). Gasoline engines are expected to account for 12.6 million units (+5.3 per cent). A reduced production volume of 15.1 million engine units is forecast for North America (previous year 15.9 million units). Gasoline engine production is expected to wane by 5.6 per cent to 14.4 million units. The region will remain a gasoline market, with a share slightly in excess of 95 per cent.

Growth of more than 5 per cent expected for automatic transmissions

For 2017, IHS predicts global transmission production growth of 1.8 per cent to 94.8 million units. This volume growth of 5.5 per cent to 56.2 million units is attributable solely to automatic transmissions, whose share of global production should increase from 57.3 per cent to 59.3 per cent. The growth drivers here are the production sites in China (+18.4 per cent to 11.1 million units), Japan/Korea (+3.4 per cent to 20.1 million units) and Europe (+7.4 per cent to 8.9 million units).

Transmission production worldwide (millions of units)



Source: IHS – July 2017

Outlook for the Group

Based on the economic and industry environment and while considering the potential risks and opportunities for the full year 2017, the Management Board of SHW AG continues to expect Group sales in a range of € 400 million to € 420 million (previous year € 405.8 million).

Sales of € 310 million to € 330 million are forecast for the Pumps and Engine Components business segment (previous year € 317.5 million). For the Brake Discs business segment sales of approximately € 90 million are forecast (previous year € 88.2 million).

Based on these assumptions, SHW continues to expect an EBITDA margin in a range of 10.0 per cent to 11.0 per cent (previous year 10.7 per cent) for the full year.

Aalen, 28 July 2017

The Management Board of SHW AG

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

Interim Consolidated Financial Statements in accordance with IFRS as at 30 June 2017

Consolidated Income Statement (unaudited) for the Period from 1 January to 30 June 2017

	Q2		H1	
K EUR	**2017**	**2016**	**2017**	**2016**
Sales	98,390	108,659	202,694	215,263
Cost of sales	-87,588	-97,922	-178,891	-193,151
Gross profit	10,802	10,737	23,803	22,112
Selling expenses	-2,938	-1,639	-5,807	-3,442
General administrative expenses	-3,184	-2,936	-6,879	-6,007
Research and development costs	-2,763	-1,751	-5,231	-3,416
Other operating income	3,057	1,183	3,795	1,585
Other operating expenses	-1,168	-848	-1,403	-1,273
Operating result	3,806	4,746	8,278	9,559
Financial income	5	4	6	10
Financial expenses	-258	-277	-526	-551
Profit of joint ventures accounted for using the equity method	260	46	302	130
Earnings before tax	3,813	4,519	8,060	9,148
Deferred taxes	156	113	341	339
Current income tax	-1,562	-1,404	-3,021	-2,951
Earnings after tax	2,407	3,228	5,380	6,536
Net Profit for the period	**2,407**	**3,228**	**5,380**	**6,536**
Earnings per share in EUR (basic and diluted)	0.37	0.50	0.84	1.02

Consolidated Statement of Comprehensive Income (unaudited) for the period from 1 January to 30 June 2017

	Q2		H1	
K EUR	**2017**	**2016**	**2017**	**2016**
Net profit for the period	2,407	3,228	5,380	6,536
Items that will not be reclassified to profit or loss in future periods				
Actuarial gains/losses from pension accruals and similar obligations before tax	0	0	0	0
Tax effect	0	0	0	0
Items that may be reclassified to profit or loss in future periods				
Currency translation differences	-481	366	-845	621
Tax effect	0	0	0	0
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	-821	-24	-784	-681
Tax effect	0	0	0	0
Other earnings after tax	-1,302	342	-1,629	-60
Total comprehensive income after tax	**1,105**	**3,570**	**3,751**	**6,476**
Net profit for the period attributable to				
- shareholders of SHW AG	2,407	3,228	5,380	6,536
- holders of non-controlling interests	0	0	0	0
Total comprehensive income after tax attributable to				
- shareholders of SHW AG	1,105	3,570	3,751	6,476
- holders of non-controlling interests	0	0	0	0

Consolidated Balance Sheet (unaudited) as at 30 June 2017

ASSETS

K EUR	30.06.2017	31.12.2016	30.06.2016
Goodwill	7,055	7,055	7,055
Other intangible assets	7,935	9,259	9,781
Property, plant and equipment	101,164	96,854	93,946
Deferred tax assets	5,441	5,271	4,848
Joint ventures accounted for using the equity method	15,930	16,412	16,118
Other financial assets	273	298	341
Other assets	1,374	1,476	938
Non-current assets	139,172	136,625	133,027
Inventories	43,290	46,378	42,377
Trade receivables	47,615	37,967	49,457
Other financial assets	331	135	513
Other assets	4,665	3,210	2,882
Cash and cash equivalents	2,678	3,616	1,232
Current assets	98,579	91,306	96,461
Total assets	**237,751**	**227,931**	**229,488**

EQUITY AND LIABILITIES

K EUR	30.06.2017	31.12.2016	30.06.2016
Subscribed capital	6,436	6,436	6,436
Capital reserves	38,510	38,510	38,510
Revenue reserves	81,370	82,427	76,158
Other reserves	-7,652	-6,024	-4,824
Equity	118,664	121,349	116,280
Pension accruals and similar obligations	27,960	28,036	26,145
Deferred tax liabilities	2,277	2,448	3,078
Other accruals	4,826	4,747	4,048
Other financial liabilities	944	1,208	972
Liabilities to banks	0	107	702
Non-current liabilities and accruals	36,007	36,546	34,945
Liabilities to banks	10,603	1,876	4,750
Trade payables	40,256	34,802	37,905
Other financial liabilities	8,449	14,161	15,818
Income tax liabilities	299	1,619	1,329
Other accruals	13,960	10,524	8,534
Other liabilities	9,513	7,054	9,927
Current liabilities and accruals	83,080	70,036	78,263
Total equity and liabilities	**237,751**	**227,931**	**229,488**

Consolidated Cash Flow Statement (unaudited) for the period from 1 January to 30 June 2017

K EUR	H1 2017	H1 2016
1. Cash flow from operating activities		
Net profit for the period	5,380	6,536
Depreciation / amortisation (+) of fixed assets	11,496	12,196
Income tax expenses through profit or loss (+)	3,021	2,951
Income taxes paid (-)	-4,341	-3,712
Financing costs through profit or loss (+)	526	551
Interest paid (-)	-154	-146
Financial investment income through profit or loss (-)	-6	-10
Interest received (+)	4	10
Increase (+) / decrease (-) in accruals	3,156	-1,794
Change in deferred taxes	-341	-339
Other non-cash effective expenses (+) / income (-)	-115	1,384
Gain (-) / loss (+) from the disposal of assets	25	47
Profit of joint ventures accounted for using the equity method	-302	-130
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-8,546	-16,862
Increase (-) / decrease (+) in trade payables and other liabilities	8,660	-962
Cash flow from operating activities	**18,463**	**-280**
2. Cash flow from investing activities		
Cash received (+) from the disposal of property, plant and equipment	1	195
Cash paid (-) for investments in property, plant and equipment	-13,912	-9,273
Cash paid (-) for investments in intangible assets	-604	-605
Cash paid (-) for investments in financial assets	-6,819	0
Cash flow from investing activities	**-21,334**	**-9,683**

K EUR	H1 2017	H1 2016
3. Cash flow from financing activities		
Cash received (+) from the assumption of financial liabilities	9,214	3,561
Cash paid (-) for the redemption of financial liabilities	-594	-595
Cash received (+) from the issue of shares	0	0
Dividends paid (-) to shareholders	-6,436	-6,436
Cash paid (-) for finance leases	-68	-66
Cash flow from financing activities	**2,116**	**-3,536**
4. Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (sum of positions 1–3)	-755	-13,499
Exchange rate-related changes in cash and cash equivalents	-183	-83
Cash and cash equivalents at the beginning of the period	3,616	14,814
Changes in cash position from scope of consolidation-related changes	0	0
Cash and cash equivalents at the end of the period	**2,678**	**1,232**

Statement of Changes in Group Equity (unaudited) as at 30 June 2017

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	**Total equity**
Position as at 1 January 2016	6,436	38,510	76,058	-4,764	116,240
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	0	0	0	-681	-681
Foreign currency translation differences	0	0	0	621	621
Income recognised directly in equity	0	0	0	-60	-60
Net profit for the period H1 2016	0	0	6,536	0	6,536
Total comprehensive income for the period H1 2016	0	0	6,536	-60	6,476
Dividends paid	0	0	-6,436	0	-6,436
Position as at 30 June 2016	**6,436**	**38,510**	**76,158**	**-4,824**	**116,280**

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	**Summe Eigenkapital**
Position as at 1 January 2017	6,436	38,510	82,427	-6,024	121,349
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	0	0	0	-784	-784
Foreign currency translation differences	0	0	0	-845	-845
Income recognised directly in equity	0	0	0	-1,629	-1,629
Net profit for the period H1 2017	0	0	5,380	0	5,380
Total comprehensive income for the period H1 2017	0	0	5,380	-1,629	3,751
Dividends paid	0	0	-6,436	0	-6,436
Position as at 30 June 2017	**6,436**	**38,510**	**81,371**	**-7,653**	**118,664**

Notes to the Interim Consolidated Financial Statements (unaudited) for the period from 1 January to 30 June 2017

Principles and methods applied in the Interim Consolidated Financial Statements

These abridged, unaudited Interim Consolidated Financial Statements of SHW AG, Wilhelmstrasse 67, 73433 Aalen, as at 30 June 2017 have been prepared in compliance with the provisions of the International Accounting Standards on interim reporting (IAS 34) and in application of Section 315a of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU) as at the reporting date for the interim financial statements.

In accordance with IAS 34, the Interim Consolidated Financial Statements do not include all of the disclosures which are required in Consolidated Financial Statements as at the end of the fiscal year. Accordingly, these financial statements should be read in conjunction with the Consolidated Financial Statements for the fiscal year 2016.

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

The Management Board forwarded these Interim Consolidated Financial Statements to the Audit Committee of the Supervisory Board on 21 July 2017. They cover the period from 1 January to 30 June 2017 and are compared to the same period in the previous year. The Interim Consolidated Financial Statements have been prepared in euros. Unless indicated otherwise, the figures shown in the Interim Consolidated Financial Statements are stated in thousand euros.

In the view of the Management Board, the Interim Consolidated Financial Statements include all of the standard, regular adjustments and accruals which are required for appropriate presentation of the results of operations, net assets and financial position of the Group. The accounting and valuation principles applied in the Interim Consolidated Financial Statements as at 30 June 2017 are essentially consistent with those applied in the Consolidated Financial Statements as at 31 December 2016. These principles are described in detail in the Notes to the Consolidated Financial Statements as at 31 December 2016.

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

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations, which have been transposed by the EU into European law and were applied for the first time at the start of the fiscal year 2017.

Standard/Interpretation		**To be applied from**
Amendments zu IAS 12	Income taxes	01.01.2017
Amendments zu IAS 7	Cash flow statement	01.01.2017

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

Scope of consolidation

Subsidiaries

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

As well as SHW AG, the Interim Consolidated Financial Statements as at 30 June 2017 incorporate the financial statements of the German companies SHW Automotive GmbH, Aalen, and SHW Automotive Industries GmbH, Aalen, as well as the financial statements of the foreign subsidiaries SHW do Brasil Ltda., São Paulo (Brazil), SHW Pumps & Engine Components Inc., Ontario (Canada), SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan (China) and SHW Pumps & Engine Components S.r.l., Bucharest (Romania), which was newly established at the beginning of 2017.

Joint ventures accounted for using the equity method

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

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

Exchange rates

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

		Closing rate		Average rate	
Country	Abbreviation	30.06.2017	31.12.2016	01.01.-30.06.2017	01.01.-30.06.2016
Brazil	BRL	3.7764	3.4248	3.4427	4.1206
Canada	CAD	1.4830	1.4141	1.4451	1.4840
China	RMB	7.7421	7.3059	7.4435	7.2940

Sales

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

	Q2		H1	
K EUR	**2017**	**2016**	**2017**	**2016**
Germany	52,663	60,314	107,010	121,111
Rest of Europe	40,859	45,283	86,087	89,010
America	2,079	2,066	4,353	3,644
Other	2,789	996	5,244	1,498
Group	**98,390**	**108,659**	**202,694**	**215,263**

Cost of materials

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

	Q2		H1	
K EUR	2017	2016	2017	2016
Cost of raw materials and supplies and of goods purchased	56,293	66,192	116,281	128,119
Cost of purchased services	2,553	3,353	5,307	7,009
Total cost of materials	**58,846**	**69,545**	**121,588**	**135,128**

Personnel expenses

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

	Q2		H1	
K EUR	2017	2016	2017	2016
Wages and salaries	19,857	19,672	39,947	39,289
Social security contributions and pension expenses	3,538	3,541	7,060	7,056
Total personnel expenses	**23,395**	**23,213**	**47,007**	**46,345**

Other operating income

Other operating income comprises, in particular, income from the reversals of accruals of € 3,151 thousand (previous year € 1,254 thousand) and income from insurance indemnification payments of € 460 thousand (€ 25 thousand).

Other operating expenses

Among other items, other operating expenses contain expenses of € 417 thousand (previous year € 0 thousand) relating to property damage that is offset by considerable other operating income from insurance indemnification payments (see the section on other operating income) and legal and consulting costs of € 450 thousand (previous year € 174 thousand).

Financial result

The financial result is comprised as follows:

	Q2		H1	
K EUR	2017	2016	2017	2016
Financial income	**5**	**4**	**6**	**10**
Financial expenses				
Interest and similar expenses	-108	-122	-226	-240
Interest portion in the addition to pension accruals	-141	-145	-282	-291
Interest expense from finance leases	-9	-10	-18	-20
	-258	**-277**	**-526**	**-551**
Financial result	**-253**	**-273**	**-520**	**-541**

Income taxes

Income taxes for the period up to 30 June 2017 in the amount of € 2,680 thousand (previous year € 2,612 thousand) include current tax expenses in the amount of € 3,021 thousand (previous year € 2,951 thousand) as well as deferred tax benefits in the amount of € 341 thousand (previous year € 339 thousand). Deferred tax benefits and expenses have occurred in particular due to changes in valuation differences for fixed assets and other accruals, and changes in deferred taxes on loss carryforwards. The Group's tax ratio amounts to 33.3 per cent (previous year 28.6 per cent).

Earnings per share

Earnings per share are determined in accordance with IAS 33.19 by dividing consolidated income by the weighted number of ordinary shares in circulation in the fiscal year. No dilutive effects were applicable in the first six months of 2017 and 2016.

	Q2		H1	
K EUR	2017	2016	2017	2016
Net profit for the year attributable to shareholders of SHW AG	2,407	3,228	5,380	6,536
Average number of shares issued	6,436,209	6,436,209	6,436,209	6,436,209
Earnings per share (basic and diluted) in EUR	**0.37**	**0.50**	**0.84**	**1.02**

Intangible assets

The carrying amounts of intangible assets are comprised as follows:

K EUR	30.06.2017	31.12.2016
Goodwill	7,055	7,055
Internally generated assets	5,677	6,387
Other intangible assets	2,258	2,872
Total	**14,990**	**16,314**

Internally generated intangible assets relate to development costs in particular.

Property, plant and equipment

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

K EUR	30.06.2017	31.12.2016
Land, land rights, and buildings	28,951	29,169
Technical equipment and machinery	46,209	47,717
Other equipment, operating and office equipment	10,751	10,841
Advance payments and assets under construction	15,253	9,127
Total	**101,164**	**96,854**

Joint ventures accounted for using the equity method

Joint ventures accounted for using the equity method in the amount of € 15.9 million exclusively comprise the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. Since 1 April 2015, this joint venture has been included in the Consolidated Financial Statements of SHW AG in accordance with the equity method. The second capital tranche, which translates to € 6.8 million, was due at the end of February 2017 and was paid on time. As at 31 December 2016, it was still included in other current financial liabilities.

K EUR	30.06.2017	31.12.2016
Share in %	51.0	51.0
Joint ventures accounted for using the equity method (carrying amount)	15,930	16,412

K EUR	2017	2016
Net profit from joint ventures accounted for using the equity method Q2	260	46
Net profit from joint ventures accounted for using the equity method H1	302	130

Inventories

Inventories are comprised as follows:

K EUR	30.06.2017	31.12.2016
Raw materials and supplies	15,720	15,582
Unfinished products	16,484	16,291
Finished products	10,550	13,240
Advance payments	536	1,265
Total	**43,290**	**46,378**

As at 30 June 2017, impairments of inventories amounted to € 3,939 thousand (31 December 2016: € 3,803 thousand).

Trade receivables

Trade receivables are comprised as follows:

K EUR	30.06.2017	31.12.2016
Receivables from customers	48,379	38,982
Impairments	-81	-52
Impairments for uncleared items in process	-683	-963
Total	**47,615**	**37,967**

Financing of the Group

The debt financing of the SHW Group is mainly provided by means of a syndicated loan agreement with a volume of over € 60.0 million. The loan agreement has a term until 30 September 2017 and can be used in full as a working capital loan. The interest rate is variable and is based on EURIBOR plus a margin between 1.2 per cent and 2.0 per cent per annum, depending on the agreed covenants. The key covenants are the leverage ratio and the economic equity ratio. Both covenants were complied with as at 30 June 2017.

As at 30 June 2017, € 9,901 thousand of this working capital credit facility had been utilised. In addition, the Group has taken out two amortising loans with a total volume of € 4,758 thousand, the remaining principal of which amounted to € 702 thousand as at 30 June 2017.

The necessary measures for follow-up financing of the current (operating) credit line have been initiated. These measures are promising in view of the current capital market situation, the long-term financial strategy of SHW AG and credit institutions' indicative rates. This follow-up financing is expected to be agreed upon in time.

Financial instruments

In accordance with IFRS 7, assets and liabilities carried at fair value in the balance sheet are to be categorised according to the three levels of the fair value hierarchy. This hierarchy reflects the significance of the input data used for measurement and can be divided up as follows:

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

b) Input data that are either directly (as prices) or indirectly observable (derived from prices) for the asset or liability, whereby the input data does not constitute quoted prices pursuant to Level 1 (Level 2)

c) Input data applied to the asset or liability which are not based on observable market data (non-observable input data) (Level 3).

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

30 June 2017		**CA**	**FV**	**Valuation**		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
ASSETS						
Other non-current financial assets						
Asset value of the reinsurance cover	AfS	273	273	273	–	–
Trade receivables	LaR	47,615	*)	47,615	–	–
Other financial assets	LaR	331	*)	331	–	–
Cash and cash equivalents	LaR	2,678	*)	2,678	–	–

*) The fair value approximately equals the carrying amount

31 December 2016		**CA**	**FV**	**Valuation**		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
ASSETS						
Other non-current financial assets						
Asset value of the reinsurance cover	AfS	298	298	298	–	–
Trade receivables	LaR	37,967	*)	37,967	–	–
Other financial assets	LaR	135	*)	135	–	–
Cash and cash equivalents	LaR	3,616	*)	3,616	–	–

*) The fair value approximately equals the carrying amount

In the near future, the Company does not plan to sell or derecognise any significant portions of the available-for-sale financial assets recorded as at 30 June 2017.

30 June 2017		**CA**	**FV**	**Valuation**		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	FLAC	10,603	10,603	10,603	–	–
Trade payables	FLAC	40,256	40,256	40,256	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	116	116	116	–	–
Liabilities from finance leases	FLAC	828	828	828	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	8,330	8,330	8,330	–	–
Liabilities from finance leases	FLAC	119	119	119	–	–

31 December 2016		CA	FV	Valuation		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	FLAC	1,983	1,983	1,983	–	–
Trade payables	FLAC	34,802	34,802	34,802	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	267	267	267	–	–
Liabilities from finance leases	FLAC	889	889	889	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	14,043	14,043	14,043	–	–
Liabilities from finance leases	FLAC	118	118	118	–	–

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

Other accruals

The other accruals are comprised as follows:

K EUR	30.06.2017	31.12.2016
Warranties	1,207	1,357
Other business-related obligations	8,575	9,159
Obligations to employees	4,825	4,747
Other accruals	4,179	8
Total	**18,786**	**15,271**
Of which non-current accruals	4,826	4,747

Segment reporting

Segment reporting is based upon the “management approach”. Operating segments are determined on the basis of internal reports, as defined by IFRS 8, which are regularly used by the chief operating decision maker to decide on the distribution of resources and to assess profitability. The profitability of the individual segments is established on the basis of the operating result (EBIT) and EBITDA. The EBIT of the segments is determined in accordance with IFRS, as is the operating result of the Group. The EBITDA of the segments and the Group are derived by taking into account the respective depreciation and amortisation. The assets of each segment are also established on the basis of IFRS. Financial expenses, financial income and income taxes are administered at Group level. The Pumps and Engine Components segment manufactures engine oil pumps and transmission oil pumps as well as sintered metallurgy products for the automotive industry. The Brake Discs segment produces unprocessed and processed monobloc brake discs and composite brake discs for the automotive industry. Transactions between the segments are essentially based on market conditions identical to those that apply to transactions with third parties.

Segment information for the period from 1 Januar to 30 June

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2017	2016	2017	2016	2017	2016	2017	2016
Segment sales	155,352	170,605	47,342	44,658	0	0	202,694	215,263
Segment EBIT	8,533	8,942	1,158	1,528	-1,413	-911	8,278	9,559
Segment EBITDA	17,867	18,753	3,128	3,762	-1,221	-760	19,774	21,755
Financial result	0	0	0	0	-520	-541	-520	-541
Profit from joint ventures accounted for using the equity method	0	0	302	130	0	0	302	130
Period result before tax	8,533	8,942	1,460	1,658	-1,933	-1,452	8,060	9,148
Segment depreciation/amortisation	9,334	9,811	1,970	2,234	192	151	11,496	12,196
Segment investments	11,641	7,135	2,674	2,699	402	44	14,717	9,878
Number of customers with sales > 10% of total sales	2	2	1	1			2	2
VW Group	62,435	64,108	26,341	24,761			88,776	88,869
Daimler Group	21,354	33,022	29	90			21,383	33,112

Segment information for the period from 1 April to 30 June

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2017	2016	2017	2016	2017	2016	2017	2016
Segment sales	74,739	84,659	23,651	24,000	0	0	98,390	108,659
Segment EBIT	3,775	4,163	792	1,039	-761	-456	3,806	4,746
Segment EBITDA	8,470	9,205	1,814	2,171	-657	-381	9,627	10,995
Financial result	0	0	0	0	-253	-273	-253	-273
Profit from joint ventures accounted for using the equity method	0	0	260	46	0	0	260	46
Period result before tax	3,775	4,163	1,052	1,085	-1,014	-729	3,813	4,519
Segment depreciation/amortisation	4,695	5,042	1,022	1,132	104	75	5,821	6,249
Segment investments	4,166	3,632	1,247	1,229	309	18	5,722	4,879
Number of customers with sales > 10% of total sales	2	2	1	2			2	3
VW Group	29,449	33,003	12,960	13,518			42,409	46,521
Daimler Group	10,296	15,301	4	82			10,300	15,383

Relationships with related parties

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

Related companies comprise the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. Supplier and service provider relationships with related companies were only of minor significance as at 30 June 2017 and in the previous year.

Collateral granted and other financial obligations

The collateral granted and other financial obligations shown in the Consolidated Financial Statements as at 31 December 2016 have not changed significantly in the period from January to June 2017.

Events after the balance sheet date

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

Assurance of the Legal Representatives

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

Aalen, 28 July 2017

The Management Board of SHW AG

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

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

Date of publication

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Financial calendar

28 July 2017	Financial Report January to June 2017
26 October 2017	Financial Report January to September 2017