

1 January to 31 March 2015



# INSIDE SHW

# ROADMAP 2020



## Key figures SHW Group (IFRS)

K EUR	Q1 2015	Q1 2014	Change in %
Sales	116,989	104,779	11.7%
EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
EBIT	6,014	4,818	24.8%
as % of sales	5.1%	4.6%	-
Net income for the period	4,085	3,242	26.0%
Earnings per share <sup>1</sup>	0.67	0.55	20.4%
Adjusted EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
Adjusted EBIT	6,051	4,855	24.6%
as % of sales	5.2%	4.6%	-
Equity	112,583	85,831	31.2%
Equity ratio	48.0%	42.5%	-
Net debt / Net cash	-8,863	-14,839	-40.3%
Capital expenditure <sup>2</sup>	6,216	9,221	-32.6%
as % of sales	5.3%	8.8%	-
Working Capital*	46,407	43,714	6.2%
as % of sales*	10.5%	11.3%	-
Number of employees (average) <sup>3</sup>	1,270	1,090	16.5%

<sup>1</sup> Q1/2015: based on average of 6,124,151 shares / Q1/2014: based on average of 5,851,100 shares.

<sup>2</sup> Additions to tangible and intangible assets.

<sup>3</sup> Excluding trainees and temporary workers.

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

### Sales by segment

in %



### Sales by region

in %



## Company profile

The future of the automobile is being shaped by the rising global demand for mobility and a regulatory environment calling for a significant reduction in motor vehicle emissions. The SHW Group can profit from these factors through its comprehensive CO<sub>2</sub>-optimising product portfolio.

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

As a reliable partner, we generate added value for our automotive customers and for our shareholders. We strive to be one of the leading global producers of pumps and engine components for all drive technologies and to make composite brake discs suitable for high-volume production – always with the goal of helping our customers meet current and future CO<sub>2</sub>-targets and ensuring environmentally friendly mobility.

Through the Pumps and Engine Components business segment, SHW is either already operating its own production locations in the strategically important automotive markets of Europe, North and South America and China or is initiating production in those markets in the near future. We will also continue to develop the Brake Discs business segment strategically. With the conclusion of a joint venture agreement in China with Shandong Longji Machinery Co., Ltd., we achieved the first milestone in the internationalisation of our Brake Discs business. We also expect to penetrate additional markets by forming new collaborations.

## Contents

<b>SHW Share</b>	<b>4</b>
<b>Interim Group Management Report</b>	<b>6</b>
Group business model	6
Economic Conditions	7
Results of Operations, Net Assets, and Financial Position of the SHW Group	9
Opportunities and Risks	14
Outlook	14
<b>Interim Consolidated Financial Statements</b>	<b>16</b>
Consolidated Income Statement	16
Consolidated Statement of Comprehensive Income	17
Consolidated Balance Sheet	18
Statement of Changes in Group Equity	19
Consolidated Cash Flow Statement	20
Notes to the Interim Consolidated Financial Statements	21
<b>Imprint</b>	<b>27</b>

## SHW Share

### European stock markets at record levels

The European Central Bank's announcement on 22 January 2015 that it will purchase bonds amounting to € 60 billion on a monthly basis during the months of March 2015 to September 2016, the weakness of the euro and robust economic data in the euro area were all drivers of a strong 2015 first quarter on the European stock markets. Weaker economic data from China and the U.S., the elimination of the euro Swiss franc minimum exchange rate of CHF 1.20 per euro on 15 January 2015 by the Swiss National Bank, the change of government in Greece as well as the continued military conflicts in the Ukraine, were only able to interrupt this upward movement temporarily.

In Europe, the German DAX benchmark index experienced its best quarter since its inception in 1988 and, with a climb to 11,966 points, gained 22.0 per cent compared to the end of 2014. The SDAX index, to which SHW has belonged since 23 December 2013, rose 17.1 per cent and reached a level of 8,417 points on 31 March 2015.

The Euro Stoxx 50 also benefited from the positive environment and closed the January to March 2015 period at 3,697 points, equalling a rise of 551 points, or 17.5 per cent, year-to-date.

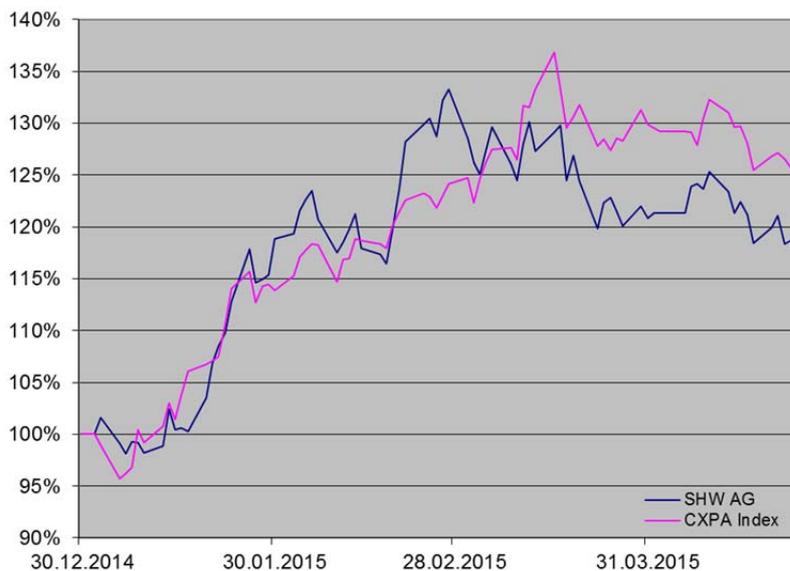
The strong dollar was the reason the US stock markets saw little movement. The US Dow Jones benchmark index lost 0.3 per cent overall in the first quarter of 2015 and closed the quarter at 17,776 points. In contrast, the Japanese Nikkei index climbed 10.1 per cent in the quarter to 19,207 points – its highest level in 15 years.

The DAXsector Automobile Performance index was able to make a significant gain of 29.9 per cent and reach 1,934 points (year-end 2014: 1,490 points) thanks to the continued positive sentiment for automotive shares – the three most important automotive markets China, the US and the European Union are still on their growth paths.

### SHW share performance affected by positive corporate news and a capital increase

In the period from January to March of 2015, SHW shares gained a total of 20.9 per cent and closed the quarter at € 44.58. The shares profited from not only the positive sentiment for automotive shares but especially from the favourable corporate news flow. This news included the announcement of the successful conclusion of a brake disc joint venture agreement for the Asian market and the Company's nomination by a US car manufacturer as a series supplier of variable engine oil pumps for a global engine platform. The shares continued their climb even following the successful capital increase on 18 February 2015. The capital increase had a set issue price of € 42.00 per share, which was a mere 2.2 per cent, or € 0.95, discount compared to the previous day's closing price. SHW shares are currently quoted at € 41.33 Euro (status: 29 April 2015) placing them near to the previous year's level.

### Performance of SHW share and DAXsector Automobile Performance Index (January 2015 to April 2015)



### Capital increase supports international growth strategy

In mid-February 2015, SHW took advantage of the favourable capital market environment and executed a capital increase against contribution in cash issuing 585,109 new no-par value bearer shares for net proceeds of roughly € 24.3 million. These shares are entitled to dividends as of 1 January 2014. The Company was pleased with the strong interest shown by institutional investors. A total of 61 per cent of the shares were subscribed by British investors, 29 per cent by German investors and the remaining 10 per cent was placed in Switzerland and Scandinavia.

The proceeds from the capital increase are to be used for the accelerated international growth in the Pumps and Engine Components business segment (e.g. the large order for a global engine platform), for the joint venture SHW Longji Brake Discs (LongKou) Co. Ltd. as well as for other joint ventures envisaged in the brake discs business. In addition, financing may be required in connection with the search for additional location alternatives in Eastern and Southeastern Europe for the Pumps and Engine Components business segment.

### Successful capital increase has a positive effect on ranking

The successful capital increase had the expected positive effect on SHW's ranking in the MDAX / SDAX selection list of the Deutsche Börse AG. As of 31 March 2015, SHW ranked 85 in terms of free float market capitalisation. This ranking was 7 places higher than SHW's ranking at the end of 2014.

### Shareholder structure unchanged

Because of the capital increase, SHW AG's share capital now totals € 6,436,209. It is divided into 6,436,209 no-par value bearer shares each with a notional interest in the share capital of € 1.00 per share. The free float of SHW shares remains at 100 per cent.

### Extensive communication with capital market participants

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

As an SDAX-listed, capital-market oriented industrial company, we meet the information demands of market participants primarily through our quarterly reports that are published three times per year and through our active participation in investor conferences and roadshows. For example, in the second quarter of 2015, we will be taking part in the Oddo Nextcap Conference in Paris as well as in the German, Swiss & Austrian Conference in Berlin sponsored by Deutsche Bank. Also during the course of the year, we will hold a Capital Markets Day for analysts and investors. Through these activities, we aim to strengthen market participants' understanding of SHW even more and provide transparency with regard to the implementation of our growth strategy and our efficiency-enhancing measures.

Please feel free to contact our Investor Relations staff for any information concerning SHW. A good starting point is our IR website ([www.shw.de/cms/en/investor\\_relations](http://www.shw.de/cms/en/investor_relations)). Please contact us directly if you would like any additional information. SHW Investor Relations is looking forward to hearing from you!

Share at a glance	
WKN	A1JBPV
ISIN	DE000A1JBPV9
Ticker symbol	SW1 GY
Type of shares	Ordinary no-par-value bearer shares
Number of shares	6.44 million
Share capital	€ 6.44 million
Market capitalisation <sup>1)</sup>	€ 286.9 million
Free float	100.0%
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
First listing	7 July 2011
Designated sponsor	Commerzbank AG

<sup>1)</sup> On the basis of the closing price of € 44.58 as of 31 of March 2015

# Interim Group Management Report

## GROUP PRINCIPLES

### Group business model

SHW AG is the parent company of the SHW Group and a pure holding company. It holds all shares of SHW Zweite Beteiligungs GmbH, an intermediate holding company headquartered in Aalen, which, in turn, holds all shares of SHW Automotive GmbH, headquartered in Aalen. The Company also directly and indirectly holds all shares of its Brazilian subsidiary SHW do Brasil Ltda., headquartered in São Paulo. SHW Automotive GmbH holds all shares of its foreign subsidiaries SHW Automotive Pumps (Kunshan) Co., Ltd., headquartered in Kunshan/China, SHW Pumps & Engine Components Inc. headquartered in Toronto, Canada, as well as those of SHW Automotive Industries GmbH, headquartered in Aalen.

The operations of the SHW Group are conducted by SHW Automotive GmbH and its subsidiaries.

### A company with two business segments focused on CO<sub>2</sub> reduction

The SHW Group is a supplier to renowned automotive manufacturers, manufacturers of commercial, agricultural and construction vehicles, as well as to other automotive suppliers. The Company is divided into two business segments: the Pumps and Engine Components business segment and the Brake Discs business segment. The focus of SHW Group's business activities is mainly on the development and production of products that contribute to a reduction in fuel consumption and, in doing so, help reduce CO<sub>2</sub> emissions in the automotive sector.

### On the road to becoming a global player for pumps and engine components

The Pumps and Engine Components business segment is the SHW Group's largest operating segment with production facilities in Bad Schussenried, Aalen-Wasseralfingen, and São Paulo (Brazil). At our Kunshan location in China, preparations are being made for the commencement of series production. After successfully relocating our production from Bad Schussenried to Kunshan, we will start with the production of variable engine oil pumps in the second half of 2015. The focus of the Canadian location near Toronto is currently on acquiring new orders and on application engineering, particularly for US auto manufacturers. We will now step up our preliminary search for a production location in the NAFTA region following our nomination as a series supplier of variable engine oil pumps for a global engine platform.

The Passenger Car division in Bad Schussenried manufactures variable engine oil pumps, transmission oil pumps, electric auxiliary pumps for the start-stop function, oil/vacuum pumps with and without balancer shaft units as well as camshaft phasers. For the time being, the São Paulo location will only produce engine oil pumps.

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

Additionally, the Company's Powder Metallurgy division manufactures engine components at its facility in Aalen-Wasseralfingen. The product range is focused on adjustment rings and rotors for oil pumps, camshaft phasers, chain wheels and rotors made of sintered aluminium.

### Technological leader in the area of brake discs with its first footprint overseas

The SHW Group is the technological leader in the production of brake discs for high-performance vehicles. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron as well as lightweight brake discs – also known as composite brake discs – made from a combination of an iron friction ring with an aluminium pot. The segment's production sites are located in Tuttlingen-Ludwigstal and Neuhausen ob Eck.

At the end of January 2015, a joint venture for the Asian market was concluded between SHW Automotive GmbH, a subsidiary of SHW AG, and the Chinese company Shandong Longji Machinery Co., Ltd. The joint venture will focus on the development and production of processed monobloc ventilated brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market. Until the production ramp-up of the joint venture's first customer orders for processed brake discs, it will produce unprocessed brake discs that are presently being manufactured by the Chinese joint venture partner for the aftermarket. This will take place at the foundry being brought into the joint venture by Shandong Longji. The successful conclusion of this contract is the first step in the further strengthening of SHW's position as a technologically leading brake disc manufacturer. Another interesting target market for the Brake Discs business segment is the NAFTA region, where we will also strive to form collaborations.

PUMPS & ENGINE COMPONENTS			BRAKE DISCS
Bad Schussenried / Kunshan / São Paulo / Toronto		Aalen-Wasseraffingen	Tuttlingen-Ludwigstal Neuhausen ob Eck
Passenger Cars	Industry	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 shafts	Fuel pumps	Sintered components for engines and transmissions	Composite brake discs
	Electric pumps		
Electric auxiliary pumps for start-stop			
Camshaft phaser			

## Economic conditions

### Sharp drop in oil prices bolsters economic revival in advanced economies

The global economy is projected to have had a slight acceleration in growth during the first quarter of 2015. The drop in oil prices stimulated economic development, particularly in many of the advanced economies (EU-28, Switzerland, Norway, USA, Canada, Japan, South Korea, Taiwan, Hong Kong and Singapore), while growth momentum in the emerging countries (Russia, China excluding Hong Kong, India, Indonesia, Thailand, Malaysia, the Philippines and Latin America) slowed further with few exceptions.

In the eurozone and Japan, the fall in the exchange rates versus the US dollar (and all currencies tied to the US dollar such as the Chinese Renminbi) had an added positive effect on exports. According to current data, the eurozone economy expanded about 0.4 per cent in the first quarter of 2015 compared to the prior quarter. In the fourth quarter of 2014, the eurozone economy grew 0.3 per cent. An even higher level of growth is being prevented by the following factors:

- macroeconomic imbalances: expansionary monetary policy has led to new bubbles in several core countries, particularly France, the Netherlands, Belgium and Finland
- structural problems (e.g. inflexible labour markets) in many countries (particularly in France and Italy) hold back higher potential growth

High private consumption, supported by the low oil price, was probably a key factor in the German economy's strong start in the new year with a rise of 0.5 per cent compared to the previous quarter. In addition, the mild weather brought about a significant rise in construction investment.

The figures available for the Japanese economy indicate a moderate upswing in the first quarter of 2015 mainly due to exports. Economic experts at Commerzbank expect GDP growth of 0.4 per cent compared to the previous quarter.

Due to the harsh winter and the strong dollar, the US economy is expected to have had a rather weak start in the first quarter with GDP growth of an estimated 1.0 per cent.

In the emerging markets the picture varies. Russia and Brazil have slid into recession. In China, the economy has continued to lose significant momentum. According to government data, gross domestic product in the period from January to March 2015 grew only 7.0 per cent compared to the same period in the prior year. Particularly negative factors included weak domestic demand and a cooling real estate sector. Finally, the unresolved conflict between Russia and the Ukraine and armed conflicts in Iraq and Syria put pressure on the world economy.

### Europe, the USA and China continue on their growth paths

All three major automotive markets – China, the USA, and the European Union – saw a marked increase in new registrations in the first

quarter of 2015.

The number of new registrations in the European Union (EU-27) reported for March 2015 exceeded the level of the comparable month of the prior year for the nineteenth consecutive time and reached 3.53 million units during the January to March period. This figure represents an 8.6 per cent rise, or an increase of 0.28 million units. The five largest volume markets generated above-average growth rates with an increase of 0.24 million vehicles, or a rise of 9.8 per cent, to 2.67 million vehicles. Roughly half of this volume growth originated from Spain and Italy. Thanks to the government's scrappage scheme (Plan PIVE 7), Spain registered 32.2 per cent more new vehicles in the first quarter than in the prior year's comparable quarter. The Italian market also had strong momentum and rose 13.5 per cent to 0.43 million vehicles driven by new commercial registrations. Both France and Great Britain surpassed their respective prior year levels by almost 7 per cent. Germany recorded 6.4 per cent higher registrations than in the prior year.

In the USA, new registrations for passenger cars and light trucks increased 5.6 per cent to 3.95 million units in the January to March 2015 period (previous year 3.74 million units). This increase was driven by higher consumer confidence, lower fuel prices and positive developments on the labour market. What is remarkable is that the light truck segment was able to grow considerably and record a solid rise of 11 per cent to 2.2 million new vehicles while, at roughly 1.8 million units, the passenger car market stagnated at the previous year's level.

The Chinese passenger car market continued to develop favourably despite the decline of GDP growth rates. The number of passenger cars sold in China during the January to March 2015 period reached 5.30 million units (+ 8.9 per cent). This growth was fuelled in particular by high demand for sports utility vehicles (+ 48.8 per cent) and multi-purpose vehicles (+ 19.3 per cent).

The opposite trend was seen in Japan where new passenger car registrations dropped a total of 15.5 per cent to 1.34 million vehicles. The decline was caused by advance purchases in the first quarter of 2014 prior to the announced rise in value added tax from 5 per cent to 8 per cent scheduled for 1 April 2014.

Against the backdrop of a shrinking economy, high inflation rates and a devaluation of the real, new registrations of light vehicles in Brazil fell 16.2 per cent in the first quarter of 2015 to 0.65 million vehicles.

With its broad product portfolio of fuel-optimised components for engine and transmission applications and brake discs, SHW has succeeded once again in significantly outperforming the European passenger car market in the first quarter of 2015. SHW's sales increased 11.7 per cent compared to the same period in the prior year.

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

### Key figures: SHW Group

K EUR	Q1 2015	Q1 2014	Change in %
Sales	116,989	104,779	11.7%
EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
EBIT	6,014	4,818	24.8%
as % of sales	5.1%	4.6%	-
Net income for the period	4,085	3,242	26.0%
Adjusted EBITDA	11,038	8,840	24.9%
as % of sales	9.4%	8.4%	-
Adjusted EBIT	6,051	4,855	24.6%
as % of sales	5.2%	4.6%	-
Equity	112,583	85,831	31.2%
Equity ratio	48.0%	42.5%	-
Working Capital*	46,407	43,714	6.2%

as % of sales\* 10.5% 11.3% -

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

## Results of operations

### Sales in the first three months of the year increase 11.7 per cent to € 117.0 million

Group sales increased 11.7 per cent from € 104.8 million to € 117.0 million during the January to March 2015 period especially as a result of higher customer call orders in comparison to the previous year.

### Slight decline in cost of sales ratio

Cost of sales increased 11.3 per cent from € 93.8 million to € 104.4 million in the reporting period. The cost of sales ratio declined from 89.5 per cent to 89.3 per cent. The change in the cost of sales ratio mainly resulted from shifts in the product mix and from special charges related to production, which offset one another to some extent.

Selling and general administration expenses grew 18.3 per cent from € 3.6 million to € 4.3 million in the first three months of the 2015 fiscal year. This disproportionate rise in comparison to sales growth was particularly the result of the expansion of our international sales activities and the first-time consolidation of SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan/China as of 1 January 2015.

### Research and development costs at previous year's level

In the first three months of the 2015 reporting year, research and development costs remained at the previous year's level and amounted to € 2.0 million. In addition, € 0.3 million (previous year € 0.4 million) in development costs were capitalised. Because of the strong sales growth, the R&D ratio (including capitalised development costs) fell to 2.0 per cent of sales (previous year 2.3 per cent). In the Pumps and Engine Components business segment, the focus of research and development was on the development of transmission pumps and electrification. The activities of the Brake Discs business segment were centred on the further development of higher-value composite brake discs.

#### Reconciliation statement: SHW Group

K EUR	Q1 2015	Q1 2014
Sales	116,989	104,779
Operating result (EBIT)	6,014	4,818
PPA <sup>1</sup> fixed assets	37	37
Adjusted EBIT	6,051	4,855
as % of sales	5.2%	4.6%
Other depreciation	4,987	3,985
as % of sales	4.3%	3.8%
Adjusted EBITDA	11,038	8,840
as % of sales	9.4%	8.4%

<sup>1</sup> Depreciation arising from purchase price allocation

### Improved EBITDA in the first quarter despite operational pressure

In the first quarter of 2015, adjusted earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) rose to € 11.0 million in comparison to the same period in the previous year. The corresponding EBITDA margin increased from 8.4 per cent to 9.4 per cent.

Earnings performance was mainly affected by the high customer call orders which, despite the recent expansion in capacity and efficiency measures, still resulted in logistical and operational pressure. In the Powder Metallurgy at our Aalen-Wasseralfingen location the strained capacity situation led to a high number of short-term changeovers, additional costs for extra work shifts, more external processing, the use of third-party suppliers, additional quality control measures and higher costs for special freight services and thus placed noticeable pressure on earnings. By commissioning a powder and a sizing press, some important measures were implemented

The capacity situation in our Powder Metallurgy business had a negative impact on the performance of our pump production activities at the site in Bad Schussenried. Other negative effects on earnings that occurred contrary to our expectations for the first quarter of 2015 originated from a less favourable product mix for passenger car pumps.

The development of the international operations in China and Canada of our Pumps and Engine Components business segment is proceeding as planned. The sales and earnings contribution of our Brazilian subsidiary SHW do Brasil Ltda. was slightly below our expectations due to the difficult economic environment. We reached a milestone in the internationalisation of our brake discs business in the first quarter of 2015 by concluding a joint venture agreement with the Chinese company Shandong Longji Machinery Co., Ltd. The joint venture commenced operations at the start of the second quarter of 2015. In Asia, the original equipment market for quality brake discs holds tremendous growth potential for the Brake Discs business segment.

#### Stable financial results

At € -0.3 million, the financial result (net) for the period from January to March of 2015 remained at the previous year's level. Average financial debt was virtually unchanged in comparison to the previous year.

#### Slightly lower tax rate

Income taxes rose € 0.3 million to € 1.6 million as a result of the increase in earnings before taxes in the first three months of the 2015 fiscal year. The tax rate amounted to 28.3 per cent and was slightly below the previous year's level of 28.6 per cent.

#### Net income in first quarter 26.0 per cent above previous year's level

Net income in the first three months of the 2015 fiscal year increased by 26.0 per cent from € 3.2 million to € 4.1 million. Earnings per share reached € 0.67 in the first quarter of 2015 compared to € 0.55 in the previous year. The weighted average number of shares used in the calculation of earnings per share was 6,124,151 shares (previous year 5,581,100).

#### Development of the Pumps and Engine Components business segment

##### Strong sales growth continues

The Pumps and Engine Components business segment generated a 14.9 per cent increase in sales to € 92.5 million (previous year € 80.6 million) in the first quarter of 2015.

The Passenger Car division grew sales 18.0 per cent to € 77.0 million (previous year € 65.3 million) as a result of higher customer call orders – particularly for variable oil/vacuum pumps (tandem pumps) and camshaft phasers – and due to the ramp-up of capacity expansion.

The Industry division contributed € 7.5 million to sales (previous year € 7.8 million).

The Powder Metallurgy division was able to close the first quarter of 2015 with sales growth of 6.8 per cent to € 8.0 million (previous year € 7.5 million) due to high customer call orders.

#### Key figures: Pumps and Engine Components

K EUR	Q1 2015	Q1 2014	Change in %
Sales	92,537	80,567	14.9%
EBITDA	9,272	7,475	24.0%
as % of sales	10.0%	9.3%	-
EBIT	5,356	4,473	19.7%
as % of sales	5.8%	5.6%	-
Adjusted EBITDA	9,272	7,475	24.0%
as % of sales	10.0%	9.3%	-
Adjusted EBIT	5,366	4,483	19.7%
as % of sales	5.8%	5.6%	-

#### Capacity situation putted a strain on first quarter EBITDA

In the first quarter of 2015, the Pumps and Engine Components business segment generated adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of € 9.3 million (previous year € 7.5 million). The

corresponding EBITDA margin increased from 9.3 per cent to 10.0 per cent.

The continued high level of customer call orders led to continued strains on capacity at the Aalen-Wasseraffingen location. This led to a high number of short-term changeovers, additional costs for extra work shifts, more external processing, the use of third-party suppliers, additional quality control measures and higher costs for special freight services and thus placed noticeable pressure on earnings. By commissioning a powder and a sizing press, some important measures to increase capacity were implemented.

The capacity situation in our Powder Metallurgy business had a negative impact on the performance of our pump production at the site in Bad Schussenried. Other negative effects on earnings that occurred contrary to our expectations for the first quarter of 2015 originated from a less favourable product mix for passenger car pumps.

The development of the international operations in China and Canada is proceeding as planned. The sales and earnings contribution of our Brazilian subsidiary SHW do Brasil Ltda. was slightly below our expectations due to the difficult economic environment.

At € 5.4 million, adjusted segment earnings before interest and taxes (adjusted EBIT) in the first quarter of 2015 was € 0.9 million higher than in the level of the comparable period in the previous year.

#### Reconciliation statement: Pumps and Engine Components

K EUR	Q1 2015	Q1 2014
Sales	92,537	80,567
Operating result (EBIT)	5,356	4,473
PPA <sup>1</sup> fixed assets	10	10
Adjusted EBIT	5,366	4,483
as % of sales	5.8%	5.6%
Other depreciation	3,906	2,992
as % of sales	4.2%	3.7%
Adjusted EBITDA	9,272	7,475
as % of sales	10.0%	9.3%

<sup>1</sup> Depreciation arising from purchase price allocation

#### Development of the Brake Discs business segment

##### Key figures: Brake Discs

K EUR	Q1 2015	Q1 2014	Change in %
Sales	24,452	24,212	1.0%
EBITDA	2,127	1,745	21.9%
as % of sales	8.7%	7.2%	-
EBIT	1,090	0,801	36.1%
as % of sales	4.5%	3.3%	-
Adjusted EBITDA	2,127	1,745	21.9%
as % of sales	8.7%	7.2%	-
Adjusted EBIT	1,117	0,828	34.9%
as % of sales	4.6%	3.4%	-

#### Growth potential from new joint venture

In the first three months of the 2015 fiscal year, the Brake Discs business segment generated sales of € 24.5 million (previous year € 24.2 million). The total number of brake discs sold increased slightly to 1.13 million units during the January to March 2015 period in

comparison to 1.11 million units in the same period of the previous year.

We reached a milestone in the internationalisation of our brake discs business in the first quarter of 2015 by concluding a joint venture agreement with the Chinese company Shandong Longji Machinery Co., Ltd. After receiving its business license, at the end of March 2015, SHW Automotive GmbH made a down payment of € 8.9 million on its cash contribution. The joint venture commenced operations at the start of the second quarter of 2015. In Asia, the original equipment market for quality brake discs holds tremendous growth potential for the Brake Discs business segment.

### EBITDA increased in the first quarter

In the first quarter of 2015, adjusted segment earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (adjusted EBITDA) of the Brake Discs business segment increased by € 0.4 million compared to the previous year and totalled € 2.1 million. The EBITDA margin had a corresponding rise from 7.2 per cent to 8.7 per cent. Rise in productivity and lower quality costs had a positive impact on earnings.

The adjusted earnings before interest and taxes (adjusted EBIT) increased from € 0.8 million to € 1.1 million. The adjusted EBIT margin in relation to sales increased to 4.6 per cent from 3.4 per cent in the previous year.

#### Reconciliation statement: Brake Discs

K EUR	Q1 2015	Q1 2014
Sales	24,452	24,212
Operating result (EBIT)	1,090	801
PPA <sup>1</sup> fixed assets	27	27
Adjusted EBIT	1,117	0,828
as % of sales	4.6%	3.4%
Other depreciation	1,010	917
as % of sales	4.1%	3.8%
Adjusted EBITDA	2,127	1,745
as % of sales	8.7%	7.2%

<sup>1</sup> Depreciation arising from purchase price allocation

## Net assets and financial position

### Successful capital increase causes a temporary rise in the equity ratio

On 18 February 2015, SHW AG issued 585,109 new no-par value bearer shares from the capital increase against contribution in cash resolved on 17 February 2015. The new shares were placed with institutional investors as part of a private placement by way of an accelerated bookbuilding process at an issue price of € 42.00 per share with a discount of only 2.2% compared to the share's relevant closing price on the previous day. The capital increase resulted in a rise in the Company's share capital from € 5,851,100 to € 6,436,209.

In comparison to 31 March 2014, equity has increased by a total of € 26.8 million to € 112.6 million. Both the capital increase and net income for the period contributed to a rise in equity of € 24.3 million and € 11.5 million, respectively. Equity was reduced by a dividend payment of € 5.9 million and by an amount of € 2.9 million from actuarial losses related to an adjustment in the actuarial interest rate used in the valuation of pension provisions. The equity ratio increased temporarily from 42.5 per cent as of 31 March 2014 to 48.0 per cent. In May 2015 – with the Annual General Meeting's approval – a dividend payout to shareholders will be distributed in the amount of € 6.4 million.

### Cash flow affected by capital increase and internationalisation

In the first quarter of 2015, the SHW Group generated € -1.4 million in cash flow from operating activities (previous year € 0.0 million). Higher net income for the period, higher depreciation and amortisation and lower income tax payments had a positive effect. Cash flow from operating activities was negatively affected by the rise in working capital and a change in provisions.

Cash flow from investing activities made in intangible and tangible assets in the first three months of 2015 amounted to € -8.5 million and was 29.0 per cent below the previous year's figure of € -12.0 million. This item also included payments for tangible assets in the amount of € 2.3 million, which were already included in the asset additions in fiscal year 2014. Of the asset additions in the first quarter of 2015, an amount of € 3.6 million is attributable to the Pumps and Engine Components business segment and an amount of € 2.5 million to the Brake Discs business segment.

The cash flow from investing activities in financial assets of € -8.9 million concerns a payment into the share capital of the interest in the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou/China.

Cash flow from financing activities was mainly affected by the capital increase carried out on 18 February 2015, which resulted in cash proceeds for the SHW Group of € 24.3 million.

### Net bank liabilities reduced by € 6.0 million

As of 31 March 2015, net bank liabilities of the SHW Group amounted to € 8.9 million, or € 6.0 million lower than their level as of 31 March 2014. The high positive cash flow from financing activities, which more than compensated for the negative cash flow from operating and investing activities, made it possible to repay bank liabilities in the amount of € 6.0 million.

#### Reconciliation statement: Change in net cash

K EUR	Q1 2015	Q1 2014
Cash flow from operating activities	-1,427	16
Cash flow from investing activities (intangible and tangible assets)	-8,519	-11,998
Cash flow from investing activities (financial assets)	-8,894	0
<b>Free cash flow</b>	<b>-18,840</b>	<b>-11,982</b>
Other (esp. Capital increase)	24,333	24
<b>Change in net cash</b>	<b>5,493</b>	<b>-11,958</b>

### Growth is reflected in tangible assets and financial assets

In comparison to 31 March 2014, total assets grew € 32.5 million to € 234.4 million. Tangible assets rose by € 14.1 million to € 94.1 million compared to the previous year due to investments in production facilities caused by a number of new product launches and for capacity expansion.

Of the rise in other non-current financial assets, € 8.9 million concerns the interest in the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou/China. In the first quarter of 2015, SHW Automotive GmbH made a € 8.9 million payment into the joint venture's share capital.

Inventories increased by € 6.2 million, or 16.3 per cent, compared to 31 March 2014. This was partly caused by the higher business volumes as well as by the deliberate decision to temporarily build up inventory to provide relief to the capacity and delivery situation.

The increase in trade receivables of 2.7 per cent to € 57.3 million was lower than the 11.7 per cent growth in sales generated in the first three months of the reporting year. Among others, this below-average rise was the result of process improvements made in accounts receivable management. Trade payables grew by € 5.0 million to € 54.9 million, whereby the percentage increase of 9.9 per cent mainly corresponded to the expansion in business volume.

The € 1.6 million increase in other current assets in comparison to 31 March 2014 mainly concerns receivables from sales and energy taxes.

### Further improvement in working capital ratio

As of 31 March 2015, working capital had increased € 2.7 million to € 46.4 million compared with the previous year. This rise was significantly lower than the rise in business volume. As a result, the working capital ratio, based on the Group's trailing twelve-month sales, improved from 11.3 per cent in the previous year's quarter to 10.5 per cent.

K EUR	31.03..2015	31.03..2014	Change absolute	Change in %
Inventories	44,007	37,825	6,182	16.3%
Trade receivables*	57,341	55,859	1,482	2.7%
Trade payables	-54,941	-49,970	-4,971	9.9%
<b>Working Capital</b>	<b>46,407</b>	<b>43,714</b>	<b>2,693</b>	<b>6.2%</b>
as % of sales*	10.5%	11.3%	-	-

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

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

The average number of employees increased at the Group level to 1,270 in the first three months of 2015 compared to 1,090 in the same period of the prior year. Most of the increase in headcount took place at the Pumps and Engine Components business segment locations where the average number of employees increased from 691 to 855.

## Opportunities and risks

In assessing the opportunities and risks for the SHW Group, there have been no significant changes in comparison to the statements related to opportunities and risks found in the Annual Report 2014 (pages 71– 79 and pages 84 – 85).

## Outlook

### Macroeconomic outlook

Economic experts at Commerzbank have not made any changes to their overall projections for the global economy published in February 2015 (GDP +3.2 per cent). The Commerzbank economists continue to expect growth to be mainly driven by the economic recovery in the advanced economies, while the pace of expansion—although still high in the emerging and developing countries—will continue to slow down in comparison to the previous year. The slowing growth momentum in China is having the greatest impact.

Due to the relative weakness during the first quarter of 2015, the recent forecast for the U.S. has been reduced from +3.2 per cent to just +2.8 per cent.

For the euro area, Commerzbank economists continue to expect a moderate recovery in the course of the current year and have raised their growth forecast for 2015 slightly from +1.1 per cent to +1.2 per cent due to the low oil price and the weak euro. The "taillights" are Italy (GDP +0.1 per cent), Greece (GDP +0.2 per cent) and France (GDP +0.9 per cent). These countries have successively lost their price competitiveness due to the above-average rise in their unit labour costs. In contrast, countries such as Ireland (GDP +3.5 per cent), Spain (GDP +2.3 per cent) and Portugal (GDP +1.5 per cent) have been able to significantly improve their competitiveness since the outbreak of the global financial crisis due to a strong decline in unit labour costs and have returned to their solid growth paths.

Analysts at Commerzbank raised their projections for the GDP growth of the German economy from +1.5 per cent to +1.8 per cent due to the strong fourth quarter of 2014 and thereof resulting greater statistical surplus.

Economic experts at Commerzbank still expect growth in China to slow to 6.5 per cent in 2015 (previous year 7.3 per cent). The largest negative factor affecting Chinese growth is the country's weak real estate market. This weakness is not only slowing down investment in residential construction but also is negatively influencing the income received by local authorities for land sales.

Despite existing risks, the economic outlook and rising disposable incomes in many emerging markets provide a solid basis for a continued upswing of the global automotive business in 2015.

### Industry outlook

In their latest update (April 2015), industry experts from PwC Autofacts have lowered their forecast slightly for global light vehicle production (vehicles <6 t). PwC Autofacts now expects growth of only 4.5 per cent to 90.11 million vehicles in 2015 (previously 5.7 per cent).

The main reason for this revision is the major adjustment made in the production forecasts for the regions of South America and Eastern Europe. PwC Autofacts now expects a decline in vehicle production of 4.1 per cent (previously + 12.7 per cent) in the Brazilian automotive market to 2.86 million units. The forecast for Russia was reduced from 1.77 million units to 1.58 million units. For North America, the automotive experts made a slight adjustment in their growth forecast from 1.3 per cent to 0.3 per cent.

For China, automotive experts now expect a rise in light vehicle production of 10.0 per cent (previously 8.4 per cent) for the whole of 2015 to 24.33 million vehicles.

The production figures in the European Union should also develop better than previously expected with PwC Autofacts now estimating a growth rate for that region of 5.8 per cent (previously 4.5 per cent) to 17.68 million vehicles. Related to this upward revision, analysts also raised their growth rate forecasts for the production locations of Great Britain, Spain, France and Germany. In Germany, a rise in in vehicle production of 3.1 per cent (previously 2.6 per cent) to 6.04 million vehicles is expected.

### Group outlook

Based on the quarterly figures, the Management Board has left the outlook for the full year of 2015 unchanged. Assuming the order situation remains stable and excluding any effects from the brake disc joint venture SHW Longji Brake Discs (LongKou) Co. Ltd., SHW continues to expect Group sales of roughly € 460 million. Sales in the Pumps and Engine Components business segment are expected to be approximately € 360 million based on further product launches and a shift in the product mix towards more complex pumps. The Brake Discs business segment still expects to compensate for the lower first quarter sales of composite brake discs and continues to expect to achieve sales of approximately € 100 million.

With the achievement in planned sales growth, the Company expects to reach adjusted Group earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the range of € 46 million to € 50 million in 2015.

SHW will provide an updated forecast with the release of its half year figures on 29 July 2015 to include the effects of the brake disc joint venture SHW Longji Brake Discs (LongKou) Co. Ltd.

Aalen, 30 April 2015

The SHW AG Management Board



**Dr.-Ing. Thomas Buchholz**  
Chief Executive Officer



**Sascha Rosengart**  
Chief Financial Officer



**Andreas Rydzewski**  
Member of the Management Board

# Interim Consolidated Financial Statements (IFRS) as of 31 March 2015

## Consolidated Income Statement (unaudited) 1 January to 31 March 2015

	Q1 2015	Q1 2014
K EUR		
<b>Sales</b>	<b>116.989</b>	<b>104.779</b>
Cost of sales	-104.417	-93.780
<b>Gross profit</b>	<b>12.572</b>	<b>10.999</b>
Selling expenses	-1.427	-1.209
General administration expenses	-2.838	-2.397
Research and development costs	-1.999	-2.007
Other operating income	204	217
Other operating expenses	-498	-785
<b>Operating result</b>	<b>6.014</b>	<b>4.818</b>
Financial income	1	0
Financial expenses	-319	-279
<b>Earnings before tax</b>	<b>5.696</b>	<b>4.539</b>
Deferred taxes	-354	151
Current incomes taxes	-1.257	-1.448
<b>Earning after tax</b>	<b>4.085</b>	<b>3.242</b>
<b>Net income for the period</b>	<b>4.085</b>	<b>3.242</b>
Earnings per share (in EUR) <sup>1)</sup>	0,67	0,55

<sup>1)</sup> Based on an average of 6.124.151 (prior year 5.581.100) shares, see Notes page 22

# Consolidated Statement of Comprehensive Income (unaudited)

## 1 January to 31 March 2015

	Q1 2015	Q1 2014
K EUR		
<b>Net income for the period</b>	<b>4.085</b>	<b>3.242</b>
<b>Items that will not be reclassified to profit and loss in future periods</b>		
Currency translation reserve	-	-
Tax effect	-	-
<b>Items that may be reclassified to profit and loss in future periods</b>		
Currency translation reserve	-43	94
Tax effect	-	-
<b>Other comprehensive income after tax</b>	<b>-43</b>	<b>94</b>
<b>Total comprehensive income after tax</b>	<b>4.042</b>	<b>3.336</b>
Net income for the period attributable to		
- shareholders of SHW AG	4.085	3.242
- holders of non-controlling interests	-	-
Total comprehensive income after tax attributable to		
- shareholders of SHW AG	4.042	3.336
- holders of non-controlling interests	-	-

## Consolidated Balance Sheet (unaudited)

### as of 31 March 2015

K EUR	31 Mar 2015	31 Dec 2014	31 Mar 2014
<b>Assets</b>			
Goodwill	7.055	7.055	7.055
Other intangible assets	12.355	13.008	14.240
Tangible assets (property, plant, and equipment)	94.126	92.346	80.013
Deferred tax assets	4.412	4.795	3.089
Other financial assets	9.331	910	578
Other assets (non-current)	883	900	-
<b>Non-current assets</b>	<b>128.162</b>	<b>119.014</b>	<b>104.975</b>
Inventories	44.007	42.380	37.825
Trade receivables	57.341	44.656	55.859 *
Other financial assets	55	—	75
Other assets	3.668	3.147	2.046
Cash and cash equivalents	1.144	292	1.137
<b>Current assets</b>	<b>106.215</b>	<b>90.475</b>	<b>96.942</b>
<b>Total assets</b>	<b>234.377</b>	<b>209.489</b>	<b>201.917</b>
* Prior years values adjusted; see Notes page 22			
K EUR	31 Mar 2015	31 Dec 2014	31 Mar 2014
<b>Equity and Liabilities</b>			
Subscribed capital	6.436	5.851	5.851
Capital reserves	38.510	14.780	14.780
Revenue reserves	72.228	68.424	66.838
Other reserves	-4.591	-4.548	-1.638
<b>Total equity</b>	<b>112.583</b>	<b>84.507</b>	<b>85.831</b>
Pension accruals and similar obligations	27.937	28.051	24.367
Deferred tax liabilities	3.325	3.456	3.569
Other accruals	3.652	3.652	3.388
Other financial liabilities	130	152	184
Liabilities to banks	2.189	2.486	3.378
<b>Non-current liabilities and accruals</b>	<b>37.233</b>	<b>37.797</b>	<b>34.886</b>
Liabilities to banks	7.818	12.162	12.598
Trade payables	54.941	56.159	49.970
Other financial liabilities	7.241	6.070	6.370
Income tax liabilities	483	444	621
Other accruals	3.274	4.482	1.671 *
Other liabilities	10.804	7.868	9.970
<b>Current liabilities and accruals</b>	<b>84.561</b>	<b>87.185</b>	<b>81.200</b>
<b>Total equity and liabilities</b>	<b>234.377</b>	<b>209.489</b>	<b>201.917</b>
* Prior years values adjusted; see Notes page 22			

## Consolidated Statement of Changes in Equity (unaudited) as of 31 March 2015

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total equity
<b>As of 1 January 2014</b>	<b>5.851</b>	<b>14.780</b>	<b>63.630</b>	<b>-1.732</b>	<b>82.529</b>
Foreign currency translation	-	-	-	94	94
Total income recognised directly in equity	-	-	-	94	94
Net income for the period as of 31 March 2014	-	-	3.242	-	3.242
Total comprehensive income for the period	-	-	3.242	94	3.336
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-34	-	-34
<b>As of 31 March 2014</b>	<b>5.851</b>	<b>14.780</b>	<b>66.838</b>	<b>-1.638</b>	<b>85.831</b>
<b>As of 1 January 2015</b>	<b>5.851</b>	<b>14.780</b>	<b>68.424</b>	<b>-4.548</b>	<b>84.507</b>
Foreign currency translation	-	-	-	-43	-43
Total income recognised directly in equity	-	-	-	-43	-43
Net income for the period as of 31 March 2015	-	-	4.085	-	4.085
Total comprehensive income for the period	-	-	4.085	-43	4.042
Issuance of new shares	585	23.730	-	-	24.315
First-time consolidation of previously non-consolidated subsidiaries for reasons of materiality	-	-	-281	-	-281
<b>As of 31 March 2015</b>	<b>6.436</b>	<b>38.510</b>	<b>72.228</b>	<b>-4.591</b>	<b>112.583</b>

# Consolidated Cash Flow Statement (unaudited)

## 1 January to 31 March 2015

K EUR	Q1 2015	Q1 2014
<b>Cash flow from operating activities</b>		
Net income for the period	4.085	3.242
Depreciation / amortisation (+) of fixed asset assets	5.024	4.022
Income tax expenses through profit or loss (+)	1.257	1.448
Income tax paid (-)	-1.185	-2.001
Financing costs through profit or loss (+)	319	279
Interest paid (-)	-141	-74
Financial investment income through profit or loss (-)	-1	-
Interest received (+)	1	-
Increase (+) / decrease (-) in accruals	-1.322	396 *
Change in deferred taxes	252	-151
Other non-cash effective expenses (+) / income (-)	-206	-288
Gain (-) / loss (+) from the disposal of assets	28	-
Increase (-) / decrease (+) in inventories, trade receivables, and other current assets	-14.696	-12.806 *
Increase (+) / decrease (-) in trade payables, and other current liabilities	5.158	5.949
<b>Cash flow from operating activities</b>	<b>-1.427</b>	<b>16</b>
<b>Cash flow from investing activities</b>		
Cash paid (-) for investments in tangible assets	-8.175	-11.252
Cash paid (-) for investments in intangible assets	-344	-746
Cash paid (-) for investments in financial assets	-8.894	-
<b>Cash flow from investing activities</b>	<b>-17.413</b>	<b>-11.998</b>
<b>Cash flow from financing activities</b>		
Cash received (+) from the assumption of financial liabilities	-	10.502
Cash paid (-) for the redemption of financial liabilities	-4.641	-244
Cash received (+) from issuance of new shares	24.315	-
<b>Cash flow from financing activities</b>	<b>19.674</b>	<b>10.258</b>
<b>Cash and cash equivalents at the end of the period</b>		
Cash-effective changes in cash and cash equivalents (sum of positions 1-3)	834	-1.724
Exchange rate-related changes in cash and cash equivalents	-11	24
Cash and cash equivalents at the beginning of the period	292	2.837
Changes in cash from scope of consolidation related changes	29	-
<b>Cash and cash equivalents at the end of the period</b>	<b>1.144</b>	<b>1.137</b>

\* Prior years values adjusted; see Notes page 22

# Notes to the Interim Consolidated Financial Statements

## Principles and methods used for the interim consolidated financial statements

These condensed, unaudited interim consolidated financial statements of SHW AG, Wilhelmstr. 67, 73433 Aalen, Germany, and its subsidiaries (hereinafter referred to as the SHW Group) as of 31 March 2015 were prepared in accordance with the provisions of the International Accounting Standards for interim reporting (IAS 34) and in application of § 315a HGB in conjunction with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable for interim reporting in the European Union (EU).

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

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

These interim consolidated financial statements were forwarded by the Management Board to the Supervisory Board's Audit Committee on 20 April 2015 and concern the period from 1 January to 31 March 2015 in comparison to the same period of the previous year. The presentation of the net assets (balance sheet) is based on a comparison of the amounts as of 31 December 2014 and 31 March 2014. The interim consolidated financial statements have been prepared in euro. Unless indicated otherwise, the amounts stated in the interim consolidated financial statements are in thousands of euros.

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

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

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

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

### Scope of consolidation

The interim consolidated financial statements as of 31 March 2015 comprise the financial statements of the German entities SHW Automotive GmbH, Aalen, and SHW Zweite Beteiligungs GmbH, Aalen, and the financial statements of SHW do Brasil Ltda., São Paulo/Brazil and SHW Pumps & Engine Components Inc., Ontario/Canada in addition to those of SHW AG. Since 1 January 2015, SHW Automotive Pumps (Kunshan) Co., Ltd., Kunshan/China has also been included in the scope of consolidation since the company has now commenced its operating activities.

On 23 January 2015, SHW Automotive GmbH, a subsidiary of SHW AG, and Shandong Longji Machinery Co., Ltd., signed an agreement to form a brake disc joint venture for the Asian market. The Sino-Foreign Equity Joint Venture operates under the name SHW Longji Brake Discs (LougKou) Co., Ltd. and is headquartered in the eastern Chinese city of LongKou (Shandong province). The company's focus will be the development and production of monobloc processed brake discs for passenger cars and light commercial vehicles mainly for multinational automotive producers in the Asian market.

SHW Automotive GmbH is the majority shareholder with an interest of 51 per cent in the joint venture's share capital of RMB 215.5 million (Renminbi) and Shandong Longji holds an interest of 49 per cent. In the first quarter of 2015, SHW Automotive GmbH made a € 8.9 million

payment into the joint venture's share capital.

SHW AG currently assumes that SHW Longji Brake Discs (LongKou) Co., Ltd. will be fully consolidated in the consolidated financial statements of SHW AG. The acquisition date is expected to be in the second quarter of the 2015 fiscal year. No further information can currently be provided since important individual issues related to the acquisition's initial accounting are still being addressed.

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

	1 Euro	Reporting date 31 Mar		Average	
		Q1 2015	Q1 2014	Q1 2015	Q1 2014
<b>Brazil</b>	BRL	3.4698	3.1158	3.2123	3.2373
<b>Canada</b>	CAD	1.3682	1.5211	1.3961	1.5099
<b>China</b>	RMB	6.5920	-	6.9252	-

### Consolidated statement of comprehensive income and balance sheet

Against the background of continued high customer call orders, Group sales increased by € 12.2 million to € 117.0 million in the first quarter of the 2015 fiscal year compared to the same period of the previous year. The Pumps and Engine Components business segment grew sales by € 12.0 million to € 92.5 million year-on-year and the Brake Discs business segment improved its sales by € 0.2 million to € 24.5 million.

Earnings before taxes in the reporting period were € 5.7 million or € 1.2 million higher than in the comparable period of the prior year. The tax rate in the first three months of the 2015 fiscal year amounted to 28.3 per cent and was below the rate in the prior year period (28.6 per cent).

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

	Q1 2015
Number of shares outstanding as of 1 January 2015	5,851,100
Number of shares issued on 18 February 2015	585,109
Number of shares outstanding as of 31 March 2015	6,436,209
Average number of shares outstanding	6,124,151

Of the rise in other non-current financial assets, € 8.9 million concerns the interest in the Chinese joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., LongKou/China. In the first quarter of 2015, SHW Automotive GmbH made a € 8.9 million payment into the joint venture's share capital. The requirements for the first-time consolidation of the joint venture had not yet been met by the close of the first quarter of 2015; therefore, the interest was still reported under other financial assets as of the 31 March 2015 reporting date.

As a result of the strong sales growth in the first three months of 2015, trade receivables were € 12.7 million higher as of 31 March 2015 compared to 31 December 2014. It should be taken into consideration that the level of receivables is generally low at the year's end due to seasonality.

Trade receivables include impairments for disputed items of € 2.6 million that were reported under other current provisions in the previous year. The previous year's figures were adjusted accordingly (€ 1.9 million).

On 18 February 2015, SHW AG issued 585,109 new no-par value bearer shares from the capital increase against contribution in cash resolved on 17 February 2015. The new shares were placed with institutional investors as part of a private placement by way of an accelerated bookbuilding process at an issue price of € 42.00 per share. The capital increase resulted in a rise in the Company's share capital from € 5,851,100 to € 6,436,209. The subscription rights of shareholders were excluded. The new shares are fully entitled to

dividends as of 1 January 2014.

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

The € 28.1 million rise in equity to € 112.6 million compared to 31 December 2014, concerns € 24.3 million from the capital increase and € 4.1 million from the net income for the period for the first three months of the reporting year. Despite the 11.9 per cent rise in total assets, the equity ratio increased to 48.0 per cent compared with 40.3 per cent at the end of 2014 fiscal year.

As of 31 March 2015, net bank liabilities of the SHW Group amounted to € 8.9 million, or € 5.5 million lower than their value as of 31 December 2014. The high positive cash flow from financing activities, which more than compensated for the negative cash flow from operating and investing activities, made it possible to repay bank liabilities in the total amount of € 4.6 million. Bank liabilities of € 10.0 million consist of two loans totalling € 3.4 million and an operating credit line of € 6.6 million. In addition, as of 31 March 2015, this credit line was utilised by guarantees of € 1.1 million.

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

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

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

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

#### Segment reporting

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

## Business segments (unaudited) for the period from 1 January to 31 March

	Pumps and Engine Components		Brake Discs		Other / eliminations / consolidation effects		Group	
	2015	2014	2015	2014	2015	2014	2015	2014
	K EUR							
Segment sales	92.537	80.567	24.452	24.212	-	-	116.989	104.779
Segment EBIT	5.356	4.473	1.090	801	-432	-456	6.014	4.818
Segment EBITDA	9.272	7.475	2.127	1.745	-361	-380	11.038	8.840
Financial result	-	-	-	-	-318	-279	-318	-279
Earnings before taxes	5.356	4.473	1.090	801	-750	-735	5.696	4.539
Scheduled segment depreciation / amortisation	3.916	3.002	1.037	944	71	76	5.024	4.022
Segment capital investments	3.632	5.857	2.529	3.353	55	11	6.216	9.221
Material segment expenses	-	-	-	-	-	-	-	-
Number of customers with sales								
> 10 % of total sales	2	2	1	1	-	-	2	2
VW Group	37.223	32.044	12.363	12.646	-	-	49.586	44.690
Daimler Group	21.705	17.636	9	11	-	-	21.714	17.647

## Development of Group sales by region

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

	Q1 2015	Q1 2014
K EUR		
Germany	71.396	66.779
Rest of Europe	43.283	36.374
America	2.040	1.393
Other	270	233
Group	116.989	104.779

## Events after the balance sheet date

After the interim balance sheet date, there were no events which require additional disclosure.

## Governing bodies, relationships with related parties

The following persons comprise the members of the Supervisory Board:

**Georg Wolf**, Dietzenbach, Chairman

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

**Christian Brand**, Karlsruhe, Deputy Chairman

Previously Chairman of the Management Board of L-Bank

**Kirstin Hegner-Cordes**, Munich

Partner at Logical Golf Global Investments GmbH, Moosinning/Erding and independent consultant

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

Holder of the Chair for Automated Manufacturing and Production Engineering at the University of Erlangen-Nuremberg

**Edgar Kühn**, Aalen

Chairman of the Central Works Committee at SHW Automotive GmbH

Chairman of the Works Committee at SHW Automotive GmbH, Wasseralfingen facility

**Frank-Michael Meißner**, Tuttlingen

Chairman of the Works Committee at SHW Automotive GmbH, Tuttlingen facility

## Collateral issued and other financial obligations

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

## Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations 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 principal opportunities and risks associated with the expected development of the Group for the remainder of the fiscal year.

Aalen, 30 April 2015

Management Board of SHW AG



**Dr.-Ing. Thomas Buchholz**  
Chief Executive Officer



**Sascha Rosengart**  
Chief Financial Officer



**Andreas Rydzewski**  
Member of the Management Board

## Imprint

### Publisher

SHW AG

Wilhelmstraße 67

73433 Aalen

Phone: +49 7361 502-1

Fax: +49 7361 502-421

Email: [info@shw.de](mailto:info@shw.de)

Internet: [www.shw.de](http://www.shw.de)

### Investor Relations & Corporate Communications

Michael Schickling

Phone: +49 7361 502 462

Email: [michael.schickling@shw.de](mailto:michael.schickling@shw.de)

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

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