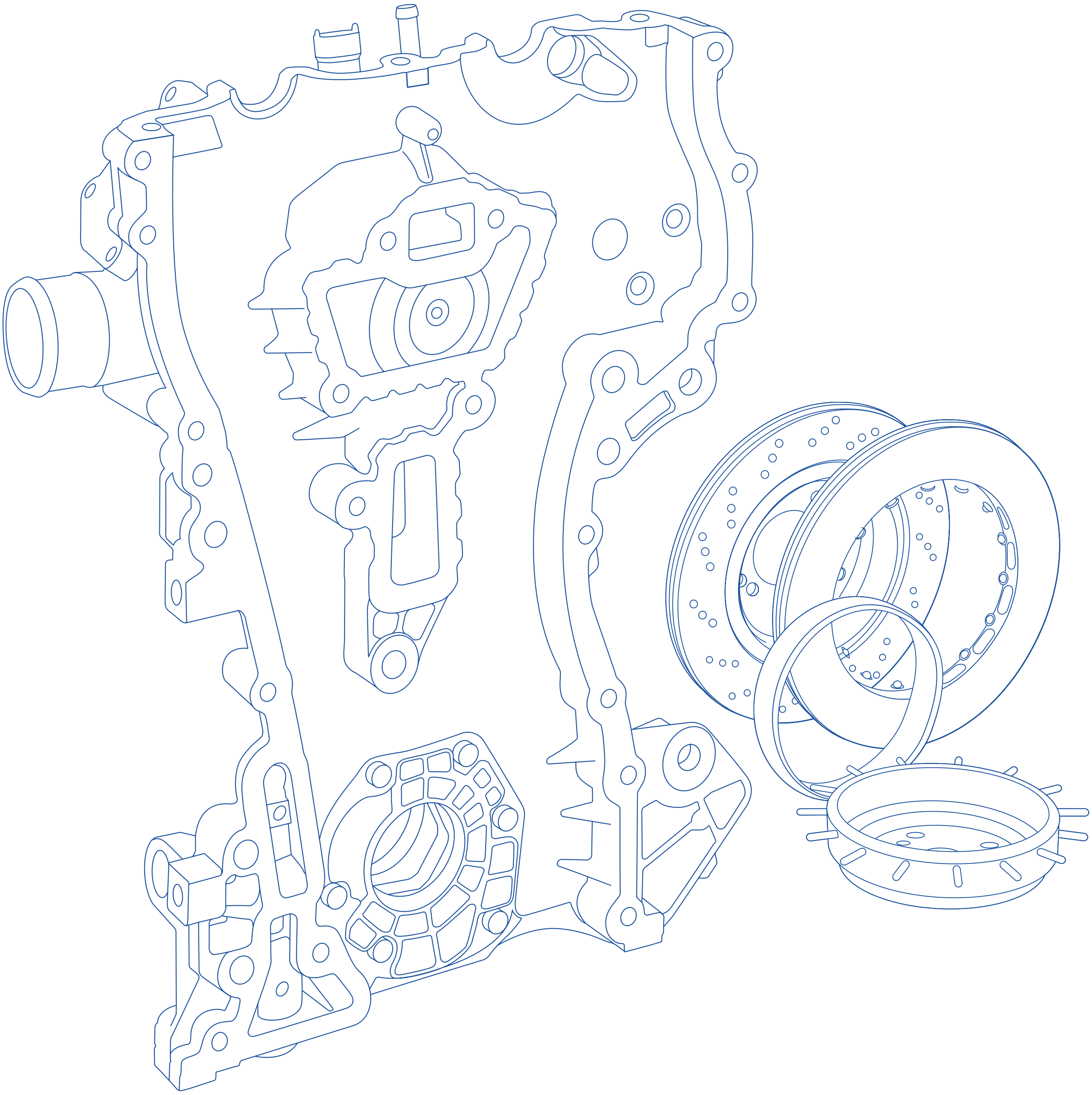


SHW AG

Half Year Report 2011

1 January to 30 June 2011

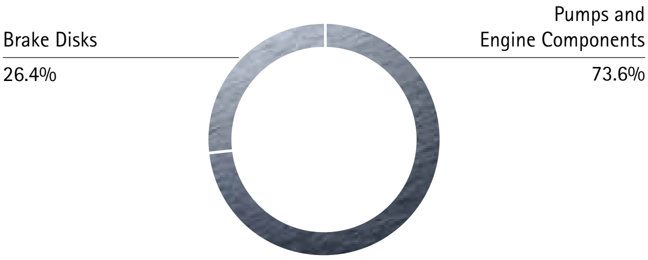
Key figures SHW Group (IFRS)

K EUR [1]	Q2 2011	Q2 2010	Change	H1 2011	H1 2010	Change
Revenues	89,713	72,886	23.1%	178,194	140,381	26.9%
EBITDA	8,991	6,299	42.7%	16,695	13,555	23.2%
as % of revenues	10.0%	8.6%	–	9.4%	9.7%	–
EBIT	6,463	3,522	83.5%	11,531	8,036	43.5%
as % of revenues	7.2%	4.8%	–	6.5%	5.7%	–
Net profit for the period	6,497	2,179	198.2%	9,547	4,990	91.3%
Earnings per share (in €) [2]	1.11	0.37	198.2%	1.63	0.85	91.3%
Adjusted EBITDA [3]	10,017	6,647	50.7%	18,863	14,131	33.5%
as % of revenues	11.2%	9.1%	–	10.6%	10.1%	–
Adjusted EBIT [3]	7,529	4,184	79.9%	13,779	9,223	49.4%
as % of revenues	8.4%	5.7%	–	7.7%	6.6%	–
Cash flow from operating activities	7,684	13,118	−41.4%	8,289	15,341	−46.0%
Cash flow from operating activities as % of revenues	8.6%	18.0%	–	4.7%	10.9%	–
Equity	–	–	–	46,796	26,112	79.2%
Equity ratio	–	–	–	29.1%	16.7%	–
Net bank debt	–	–	–	13,641	16,327	−16.5%
Employees as of 30 June (number) [4]	–	–	–	1,078	1,007	7.1%

1) Unless otherwise indicated
2) For reasons of comparability, based on share capital of 5,851,100 ordinary bearer shares
3) Adjusted for special effects, cf. interim group management report
4) Excluding trainees and temporary staff

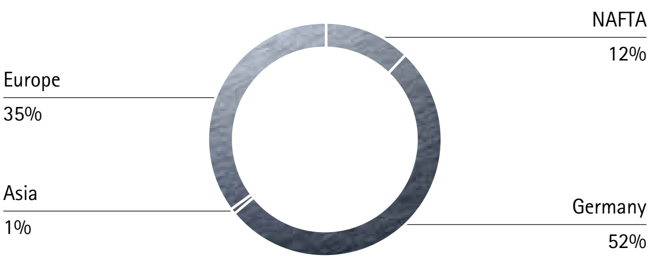
Revenues by business segment

in %



Revenues by region

in %



About SHW AG

SHW's roots date back to the year 1365, which makes it one of the oldest industrial enterprises in Germany. Today, the SHW Group is one of the leading providers of CO_2-relevant automotive components (pumps and engine components) and brake discs. We are a major partner of the automobile and commercial vehicle industry and our products go to customers in Europe, the US, Canada and Mexico and to European carmakers manufacturing in China. The main focus of our activities is on developing and manufacturing products that contribute to reducing fuel consumption and thereby CO_2 emissions.

At SHW AG, profitable growth and financial stability is based upon the excellence of our development work. We have developed innovative solutions for alternative powertrain concepts, which in the case of hybrid vehicles are already being deployed in series production. In the future we aim to apply this expertise, which we have acquired in the passenger vehicle pump division, to an even greater degree to applications and business segments with high growth potential such as trucks, farm and construction vehicles, stationary engines and wind power stations.

At our four locations in Germany and our Canadian joint venture we currently have approximately 1,000 employees in total. With the planned expansion into growth markets, further production facilities and jobs are to be created in China, Brazil and India in the coming years.

Table of Content

Foreword

Dear Shareholders,

The SHW AG share has been listed on the Prime Standard of the Regulated Market of the Frankfurt Stock Exchange since 7 July 2011. Going public was a major milestone in our successful corporate development of many years' standing – and one of which we are very proud. It is therefore an even greater pleasure for us to present you today with SHW AG's quarterly figures for the first time, and they confirm that your company continues to be on course for sound growth.

Our positive development continued in the first half of 2011. We were able to increase all key figures that we use to manage our company against the previous year. Revenues rose by 26.9 percent from € 140.4 million to € 178.2 million. Adjusted EBIT improved by 49.4 percent in the first half of 2011 to € 13.8 million, making the first six months of the year a very successful first half. For the full year 2011 we are anticipating a new sales record along with an improvement in the Group's operating result.

Despite the difficult market environment and the tense situation in the financial markets – let the Greek crisis serve as a case in point – the SHW share's listing on the Frankfurt Stock Exchange was successful. Interest in our business model was keen and our positioning as a technology and innovation leader convinced investors. We now have lasting access to further sources of funding to extend our competitive position that is already strong and to fully exploit opportunities for growth in the markets that are of relevance to us.

We are excellently positioned with our two business segments Pumps and Engine Components and Brake Discs to benefit from the expected global increase in vehicle production. We see ourselves as an innovation leader in the manufacture of CO_2-relevant key components such as pumps and engine components and as a technology leader in the composite brake disc sector. The megatrend towards CO_2 reduction offers us attractive growth opportunities in both segments. At the same time we aim to further expand our position as an innovation leader in pumps for use in alternative powertrain concepts.

We expect future growth both in the classic combustion engine field and from the likely increase in demand for vehicles with alternative powertrain concepts. Solutions from SHW are already used in the series production of hybrid vehicles.

Further growth opportunities result from the increase in the scope of deliveries per vehicle and the constantly growing complexity of CO_2-relevant vehicle components that is reflected in rising value per component. In the Brake Discs business segment we expect sustainable growth, especially in composite brake discs. We also aim to roll out our successful business model in the Pumps and Engine Components business segment globally, following our customers to growth markets such as China, Brazil and India.

This all shows that SHW continues to be on course for growth, which our full order book also underscores. Only recently we negotiated new large orders that are offering great growth perspectives for the future.

We are proud, with our nearly 650 years of corporate history in Germany, of continuing to be successful on the market with our innovations. This reconfirms our conviction that SHW will also be successful in the future as a stock market-listed company.

We are delighted with this success and would especially like to thank our employees. Their confidence and commitment have made a major contribution toward this magnificent result, and they make us what we are today: a leading automobile supplier of CO_2-relevant key components (pumps and engine components) and brake discs that contribute materially to a reduction in fuel consumption and a corresponding reduction in CO_2 emissions. We now look forward to the future with great optimism and also to continuing our growth course jointly with you as our shareholders. We would like to thank you for the trust you have shown in us.

Your SHW AG Management Board

Krause

Dr. Wolfgang Krause | Oliver Albrecht | Andreas Rydzewski

From left to right: Andreas Rydzewski, Oliver Albrecht, Dr. Wolfgang Krause

Dr. Ing. Wolfgang Krause, Chief Executive Officer, SHW AG

After studying mechanical engineering, in which he holds a doctorate, Wolfgang Krause gained extensive professional experience in the automobile industry, including positions with Freudenberg, Audi and Cosworth in the UK. He joined SHW Automotive GmbH in 2001 and was appointed as a member of the Management Board in 2005, which he has chaired since 2008. He is responsible for the business segment Pumps and Engine Components.

Oliver Albrecht, Chief Financial Officer, SHW AG

Oliver Albrecht studied business administration. After various management positions in the banking and private equity sector and at Peri GmbH, he joined centrotherm photovoltaics AG in 2006, taking it to the stock market as CFO in 2007. As member of the SHW Management Board since 2011, he is responsible for administrative functions and the head office.

Andreas Rydzewski, Management Board member, SHW AG

After studying business administration, Andreas Rydzewski gained extensive professional experience in a variety of management positions in the automotive supplier industry, including positions with Mannesmann, Otto-Wolf-Group, Wirth in Brazil and ThyssenKrupp. He joined SHW Automotive GmbH in 2008 and has been a member of the Management Board ever since. He is responsible for the business segment Brake Discs.

SHW Share

Sovereign debt weighs heavily on stock markets

In the second quarter of 2011, developments in international capital markets were mainly determined by political issues. Key influencing factors were the discussions about rescue packages for Greece and other European countries, rating agency opinions, and rising levels of sovereign debt in the United States and Europe. Uprisings in the Arab world and uncertainty as to the repercussions of the natural disaster in Japan also contributed to a greater volatility on most stock markets. The interest rate environment was characterised by the initial increases either implemented or announced in Europe and China.

The leading US index Dow Jones ended the second quarter almost unchanged at 12,414 points. The Japanese Nikkei Index rose slightly by 107 points or 1 percent to 9,816 points.

In Europe, the EURO STOXX 50 Index declined about 4 percent, closing at 2,848 points on 30 June. The leading German index DAX rose between April and June by 196 points or nearly 3 percent to 7,376 points. The MDAX and SDAX indices gained about 4 percent, ending the quarter at 10,932 and 5,416 points respectively.

The DAX Sector Automobile Performance Index gained around 11 percent in the second quarter, closing at 957 points and thereby reflecting the positive news on the state of the industry.

IPO in a difficult market environment

The initial public offering of SHW shares on the Frankfurt Stock Exchange took place in a difficult environment. In June, the debate on a possible further aid package for Greece weighed heavily on the German equity market and in this volatile environment investors were sceptical about primary offerings. Several IPOs held or planned to take place at the same time were either cancelled, postponed or conducted at lower issue prices or with fewer shares issued.

The planned first listing date coincided with the Greek government's decision to adopt a new austerity package and the approval, subject to its decision, of additional loans by the Eurozone countries. The Company therefore decided jointly with its majority shareholder Nordwind Capital and the two consortium banks to prolong the bookbuilding period by a week.

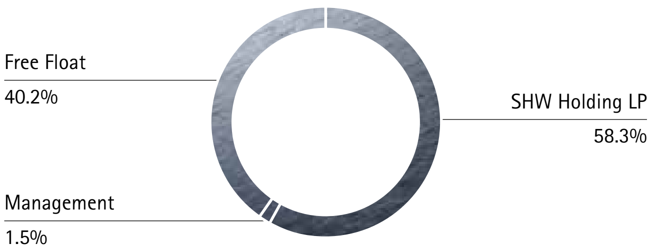
The SHW share was thus first listed on 7 July 2011. In all, 2.63 million shares were placed with institutional and private investors, including 2.35 million held by the selling shareholders and a further 280,000 by the selling shareholder SHW Holding L.P. to allow for additional allotment. The original share offering was over 3.04 million shares. The issue price was € 26 and the share was first traded at € 26, too.

Shareholder structure

As a result of the IPO the shareholder structure of SHW AG underwent a material change. Prior to the IPO the major shareholder SWH Holding L.P. held 97.4 percent. After the IPO its share of the capital stock is 58.3 percent. Other investors with notifiable shareholdings are Allianz Global Investors Kapitalanlagegesellschaft mbH (8.78 percent), Capital Research and Management Company (3.93 percent), and Fidelity Investments (3.25 percent).

Shareholder Structure

in %



Active investor relations work

Investor relations, maintenance of relations with new and existing shareholders, have a very high priority at SHW. With our financial market communications we aim to convey an up-to-date and realistic picture of our company and thereby to enable market participants to arrive at a realistic assessment and evaluation of our share.

The Management Board and the IR Department already made every effort during the IPO to meet the large information needs. In the future, this communication is to be expanded. Regular information about the latest developments at the Company is to be provided at investor conferences, road shows and the Annual General Meeting. The aim is to provide analysts and investors with the most far-reaching insight possible into developments in our markets and in our business, our methods for dealing with market challenges and our strategic responses to material changes.

Participation in various investor conferences in August and September and at the German Equity Forum in November have already been confirmed. In addition, further research companies are being approached with the objective to initiate the research coverage.

In the Investor Relations section of the Company website at www.shw.de interested parties will find a wealth of information. In the future, it will include the latest company presentations, along with annual and quarterly reports, press releases and ad-hoc announcements.

Share at a glance	
WKN	A1JBPV
ISIN	DE000A1JBPV9
Trading Symbol	SW1
Type of shares	Ordinary bearer shares with no par value (no-par value shares)
Number of shares	5.85 million
Share capital	€ 5.85 million
Market capitalisation[1)]	€ 152 million
Free Float after IPO	40.2%
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market (Prime Standard)
First listing	7 July 2011
Designated Sponsor	Commerzbank AG

1) Based on the issue price of € 26

Interim Group Management Report

Business activity and framework conditions

Business activity and corporate structure

The SHW Group supplies European automobile and commercial vehicle manufacturers with production sites in Europe, the NAFTA region and China. Thereby it acts partly as a first-tier supplier, supplying both manufacturers of the end products and also other automobile suppliers.

The main focus of the SHW Group's business activity is on developing and manufacturing products that contribute toward reducing fuel consumption, and therefore CO_2 emissions, in the automotive sector.

The Group's business is divided into the Pumps and Engine Components business segment and the Brake Discs business segment.

A leading European manufacturer of pumps and engine components

The Pumps and Engine Components segment is the SHW Group's largest business segment, with production facilities in Bad Schussenried and Aalen-Wasseralfingen, Germany. Via its 50 percent interest in the Canadian company STT Technologies Inc., SHW also has production sites in Canada and Mexico. They mainly produce oil pumps for automobile manufacturers but also make gearbox pumps, vacuum pumps, water pumps, balancer shafts and camshaft phasers for motor vehicles.

Along with pumps for use in automobiles, the Group's Truck & Off-Highway division produces different types of pumps for trucks, farm and construction vehicles, stationary engines and wind power stations (known as Truck & Off-Highway applications).

In addition, the Group manufactures engine components in the Powder Metallurgy division at its Aalen-Wasseralfingen production facility. In this division, for example, pump cogwheels and other pump components (e.g., rotors and adjustment rings) as well as other components for engines and transmissions are produced.

A technology leader in brake discs for high-performance vehicles

The SHW Group is a technology leader in manufacturing brake discs for high-performance vehicles. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and lightweight brake discs made from a combination of an iron friction ring and aluminium pot at the Group's Tuttlingen-Ludwigstal and Neuhausen ob Eck sites.

Reporting period and comparative periods

In this Interim Group Management Report we are reporting on the second quarter of 2011 compared with the second quarter of 2010 and on the first half of 2011 compared with the first half of 2010. Net assets are stated at 30 June 2011 as compared with 31 December 2010 btw. 30 June 2010.

Pumps and Engine Components			Brake Discs
Bad Schussenried, Germany/ STT: Concord, Canada/Apodaca, Mexico		Aalen-Wasseralfingen	Tuttlingen-Ludwigstal/ Neuhausen ob Eck
Passenger vehicles	Truck and Off-Highway	Sintered components	
Oil pumps for engines and gearboxes	Gearbox oil pumps	Sintered steel or aluminium components for camshaft phasers	Unprocessed monobloc ventilated brake discs
Variable oil pumps/ map-controlled pumps	Engine oil pumps	Gear sets	Processed monobloc ventilated brake discs
Oil/vacuum pumps	Fuel pumps	Sintered components for engines and transmissions	Composite brake discs
Water pumps	Electric pumps		
Balancer shafts			
Camshaft phasers			

Framework conditions

Global economy continues to grow

Viewed globally, growth rates that were significant at the beginning of the new year tailed off slightly in the course of the first half. Growth rates and patterns differ widely by country and region.

Positive trends have been set mainly in the threshold countries, with China continuing to be one of the global driving forces behind economic growth. In the United States, in contrast, the pace of economic recovery continued to be very halting. In Japan the effects of the severe earthquake in the east of the country led briefly to a swift contraction of the economy.

Economic recovery in the Eurozone has varied significantly among member states in recent months. While export-oriented economies have for the most part expanded, the state of the economy in countries such as Greece has in some cases taken a marked turn for the worse.

Strong recovery in Germany

The German economy showed strong growth in the first six months of 2011 despite negative influencing factors, first and foremost the European debt crisis and the rising prices for oil and other commodities. The labour market continued to recover too, with the number of registered unemployed falling below three million to the lowest level for nearly twenty years. So Germany continues to be Europe's growth engine. According to the ifo-Institute, the country's overall economic output rose in the first quarter of 2011 by 1.5 percent on the previous year's first quarter. In June 2011 the ifo institute forecasted slower growth for the second quarter than the first, with the gross domestic product expected to rise by 0.4 percent.

Global automobile markets keep on growing

In the first six months of 2011 the recovery in new car sales continued in most markets, according to the relevant industry associations. Sales rose significantly, especially in Asian markets and in the United States. In the first half-year demand for new cars in the European Union (EU 27) was, in contrast, 2.1 percent down on the previous year's first half, which had benefited from scrapping premiums.

In European volume markets the overall picture was very mixed. Growth was significant in some markets (Germany: +10.5 percent, Netherlands: +21.9 percent) while sales figures showed a marked decline in others (UK: –7.1 percent; Italy: –13.1 percent; Spain: –26.8 percent). Reasons that played an important role included the expiring of premium programmes in a number of countries and the tense economic situation in the wake of further deterioration of the debt crisis.

Compared with the poor last year's figures, new car registrations in Germany rose significantly by 10.5 percent in the first half of 2011 to about 1,622,000 vehicles. This trend benefited from the stable labour market development and the positive trend in private household incomes. The lively domestic market, combined with strong export growth, led to an overall increase of about 5 percent in domestic production to nearly 3.0 million cars.

Despite a lack of macro-economic stimuli the US automobile market continued to develop very positively. In the first half of 2011 sales of automobiles and light trucks in the United States rose by 12.7 percent on the previous year to over 6.3 million units. This trend benefited from a significant increase in financing and leasing offers. Production figures in the North American automotive market rose by 8.5 percent to around 6.48 million units.

Demand remained dynamic in South America. In Brazil, new registrations of light vehicles (automobiles and light trucks) rose by 9.5 percent to about 1,638,000 in the first six months of 2011 despite an interest rate increase by the Brazilian Central Bank. The proportion of imported vehicles increased above-average to 22.5 percent growth (previous year: 18.0 percent). Light vehicle production figures rose by 3.6 percent to around 1,589,000 units.

In China, car sales rose by nearly 10 percent in the first six months of 2011 to about six million vehicles.

In Japan, new car registrations showed a marked 29.0 percent decline in the first half of 2011 to about 1,612,000 units. Automobile production fell in the first six months of 2011 by 30.2 percent to around 2.9 million units – a trend intensified by the consequences of the natural disaster that happened in Japan on 11 March 2011.

The global market for medium and heavy trucks reported only a slight increase on the previous year due to the decline in demand in the world's largest market, China. The European commercial vehicles market, in contrast, posted a 43.6 percent increase to about 159,000 units. In the largest single market by far – Germany – sales of medium and heavy trucks were together 38.1 percent higher than in the first half of the previous year. The US truck market also continued on the road to recovery, with sales of medium and heavy trucks between January and June 2011 up by around 40 percent.

Events in the first half-year

SHW was able to win important new orders in both the Pumps and Engine Components and the Brake Discs business segments. In the Pumps and Engine Components segment they were, in particular, for:

a) Start-stop (European OEM)
b) Oil vacuum pump (European OEM)
c) Start-stop (additional order – European OEM)
d) Oil pump for a dual-clutch gearbox (European Tier-1 supplier)
e) Oil pump for automatic gearbox (North American OEM)
f) Oil pump for an electric vehicle with range extender (North American OEM)

The Brake Discs segment was also highly successful in developing new business. It secured the following orders:

a) Lightweight break disc for front axle (European sports car manufacturer)
b) Brake discs for OES business (European OEM)

In addition, the first half of 2011 was dominated by the planned IPO. As a prerequisite for the going public the Group's holding company SHW Beteiligungs GmbH underwent a change in legal form to an Aktiengesellschaft (AG) in June 2011. The first listing in the Prime Standard of the Frankfurt Stock Exchange's regulated market then took place on 7 July 2011.

Earnings, Net Assets and Financial Position of SHW Group

K EUR[1]	Q2 2011	Q2 2010	Change	H1 2011	H1 2010	Change
Group revenues	**89,713**	**72,886**	**23.1%**	**178,194**	**140,381**	**26.9%**
Pumps and Engine Components revenues	66,958	53,405	25.4%	130,288	103,296	26.1%
Brake Discs revenues	22,755	19,481	16.8%	47,906	37,085	29.2%
Adjusted Group EBIT[2]	**7,529**	**4,184**	**79.9%**	**13,779**	**9,223**	**49.4%**
Adjusted Pumps and Engine Components EBIT	7,375	4,875	51.3%	13,286	10,131	31.1%
Adjusted Brake Discs EBIT	611	–276	–	1,588	–420	–
Adjusted Group EBIT margin[2]	**8.4%**	**5.7%**	**–**	**7.7%**	**6.6%**	**–**
Adjusted Pumps and Engine Components EBIT margin	11.0%	9.1%	–	10.2%	9.8%	–
Adjusted Brake Discs EBIT margin	2.7%	–1.4%	–	3.3%	–1.1%	–
Adjusted Group EBITDA[2]	**10,017**	**6,647**	**50.7%**	**18,863**	**14,131**	**33.5%**
Adjusted Pumps and Engine Components EBITDA	9,048	6,548	38.2%	16,724	13,462	24.2%
Adjusted Brake Discs EBITDA	1,347	459	193.5%	3,060	1,049	191.7%
Adjusted Group EBITDA margin[2]	**11.2%**	**9.1%**	**–**	**10.6%**	**10.1%**	**–**
Adjusted Pumps and Engine Components EBITDA margin	13.5%	12.3%	–	12.8%	13.0%	–
Adjusted Brake Discs EBITDA margin	5.9%	2.4%	–	6.4%	2.8%	–
Cash flow from operating activities	7,684	13,118	–41.4%	8,289	15,341	–46.0%
Cash flow from operating activities as % of Group revenues	8.6%	18.0%	–	4.7%	10.9%	–
Net bank debt	–	–	–	13,641	16,327	–16.5%
Net bank debt as % of Adjusted Group EBITDA (LTM)	–	–	–	0.4	0.6	–

1) Unless otherwise indicated
2) Adjusted for special effects, cf. reconciliation statement Group

Earnings Position

Group revenues considerably higher than in previous year: +26.9 percent

The SHW Group's order intake improved by 29.0 percent on the first half of 2010 to € 182.6 million. Group revenues rose in the first six months of 2011 by 26.9 percent on the previous year, from € 140.4 million to € 178.2 million. This increase was due mainly to the continued high demand from automobile manufacturers and production start-ups.

Cost of sales ratio down

Cost of sales increased from € 123.8 million to € 156.0 million in the first six months of 2011 compared with the previous year. Cost of sales ratio improved year-on-year from 88.2 percent to 87.6 percent. This was to a large extent due to lower fixed costs, especially personnel expenses, and a more favourable product mix. They offset the rising cost of raw materials, coke and electricity.

Selling expenses rose slightly on the previous year in the first six months of 2011 by € 0.3 million to € 2.0 million. The selling expenses ratio fell at the same time from 1.2 percent to 1.1 percent.

The € 0.8 million year-on-year increase in general administration expenses in the first half of 2011 to € 3.9 million was due to additional staff and IT expenses. The administration expenses ratio remained unchanged at 2.2 percent.

The € 1.0 million rise in other operating expenses and income (net) in the first half of 2011 to € 2.9 million was mainly due to IPO costs amounting to € 1.2 million and to a € 0.8 million provision for real estate transfer tax. As a proportion of revenues the corresponding expenditure ratio rose from 1.3 percent to 1.6 percent.

Rise in research and development spending

Research and development expenditure rose by 43.2 percent to € 2.6 million (previous year: € 1.8 million) in the first half of 2011, corresponding to 1.5 percent of revenues (previous year: 1.3 percent). Capitalised research and development activities totalled € 0.8 million (previous year: € 0.7 million). The main focus of R&D spending in the Pumps and Engine Components business segment was on the development of variable oil pumps (both as vane pump and external gear pump), start-stop pumps, oil vacuum pumps, balancer shafts and camshaft phasers, whereas in the Brake Discs segment it was on the further development of lightweight brake discs and new lightweight concepts.

€ 3.5 million increase in operating result (EBIT)

The Group's operating result (EBIT) rose by € 3.5 million or 43.5 percent on the previous year to € 11.5 million (previous year: € 8.0 million). The EBIT margin improved at the same time to 6.5 percent (previous year: 5.7 percent).

Reconciliation statement: SHW Group

	Q2 2011	Q2 2010	H1 2011	H1 2010
K EUR				
Revenues	**89,713**	**72,886**	**178,194**	**140,381**
Operating result (EBIT)	**6,463**	**3,522**	**11,531**	**8,036**
Total PPA (purchase price allocation)	40	314	80	611
PPA customer base	–	191	–	365
PPA patents/licences	–	54	–	103
PPA fixed assets	40	69	80	143
Restructuring expenses	–	–	–	–
SG do Brasil	–	–	–	–
Cost of works agreement	–	348	–	576
IPO expenses	1,026	–	2,168	–
Total adjustments	1,066	662	2,248	1,187
Adjusted EBIT	**7,529**	**4,184**	**13,779**	**9,223**
as % of revenues	8.4%	5.7%	7.7%	6.6%
Other write-offs	2,488	2,463	5,084	4,908
Adjusted EBITDA	**10,017**	**6,647**	**18,863**	**14,131**
as % of revenues	11.2%	9.1%	10.6%	10.1%

49.4 percent increase in adjusted operating result (adjusted EBIT)

The Group's adjusted operating result (adjusted EBIT) improved in the first six months of 2011 by € 4.6 million or 49.4 percent on the previous year to € 13.8 million (previous year: € 9.2 million), corresponding to an EBIT margin of 7.7 percent (previous year: 6.6 percent).

Special effects in the first half of 2011

Expenses incurred in preparation for the IPO during the reporting period totalled € 2.2 million and are stated under Other/Consolidation. € 1.4 million was for costs directly related to the IPO and € 0.8 million was a provision for real estate transfer tax. The provision had to be created because, as a result of the structural adjustment in preparation for going public, all shares were for the first time consolidated in the new SHW AG. Furthermore, depreciation arising from the purchase price allocation totalling € 0.1 million was undertaken in the two business segments Pumps and Engine Components and Brake Discs. The total burden of special effects on the Group in the first half of 2011 amounted to € 2.2 million.

Special effects in the first half of 2010

In the Pumps and Engine Components business segment, depreciation of the purchase price allocation led to € 0.5 million in costs, plus a further € 0.1 million in the Brake Discs business segment. In addition, € 0.6 million in costs arising from a company agreement are shown under Other/Consolidation. The agreement states that in the event of a sale or partial sale by Nordwind Capital, employees that have been with the company on the date of the takeover and on the date of the sale will be paid a total 4 percent of the net proceeds. The total burden of special effects on the Group in the first half of 2010 amounted to € 1.2 million.

Financial result improved

Financial income rose in the first half of 2011 to € 2.1 million from € 0.1 million in the same period in 2010. This figure includes € 2.0 million in special income from the fair value measurement of a receivable. Financial expenses fell from € 1.2 million to € 1.0 million as a result of further repayment of the syndicated loan.

Tax ratio down

Taxes on income and earnings in the first six months of 2011 amounted to € 3.1 million (previous year: € 2.0 million). The tax ratio dropped in the first half of 2011 compared to the same period in the previous year from 28.4 percent to 24.6 percent. The lower tax ratio was mainly a result of the special income on which tax was due at only five percent. Excluding this special effect, the tax ratio would have been 28.2 percent.

Net result for the period up by 91.0 percent

Overall, the € 9.5 million net profit for the period was 91.3 percent higher than the result for the comparative period of the previous year (€ 5.0 million). This figure includes special income from the fair value measurement of a € 1.9 million receivable (after taxes). Excluding this special effect, the net result for the period would have risen by 54.0 percent to € 7.7 million. Earnings per share in the first half of 2011 were € 1.63 compared with € 0.85 in the first half of 2010 (each in relation to a share capital of 5,851,100 ordinary bearer shares).

Net Asset Position

Marked improvement in equity ratio to 29.1 percent

At the end of the second quarter of 2011 the SHW Group's asset and financial position continues to be very sound. The balance sheet total, compared with 30 June 2010, had risen slightly by € 4.6 million to € 161.0 million, due in part to an increase in other intangible assets as a result of capitalising development costs. As a result of the increase in business activity inventories and trade receivables totalling € 14.0 million were built up. In the first half of 2011 other financial assets rose from € 5.0 million to € 7.2 million, due mainly to the fair value measurement of a receivable. The € 14.6 million decline in cash and cash equivalents was largely the result of further syndicated loan repayments including € 11.2 million in scheduled loan repayments and a € 6.0 million special repayment.

Compared with 30 June 2010 the Group's equity rose by € 20.7 million to € 46.8 million, or an equity ratio of 29.1 percent against 16.7 percent on 30 June 2010.

In comparison with 31 December 2010 the balance sheet total showed an increase of € 2.4 million. While inventories and trade receivables rose by € 10.7 million in all due to the further increase in business activity, cash and cash equivalents held fell by € 12.0 million due to further syndicated loan repayments.

Compared with the 2010 end-of-year position, the Group's equity was € 11.0 million higher and the equity ratio had risen from 22.6 percent to 29.1 percent.

Financial Position

Demand-induced build-up of working capital and higher investment influence free cash flow

Cash flow from operating activity amounted to € 8.3 million as of 30 June 2011, or € 7.0 million less than the previous year's € 15.3 million.

The € 4.6 million improvement in net profit for the period to € 9.5 million (previous year: € 5.0 million) was more than offset by the demand-induced build-up of working capital, especially by the change in provisions or trade and current liabilities.

Investment activities led in the first half of 2011 to an € 8.5 million outflow of funds (previous year: € 4.5 million). This outflow was largely a result of order-related investment in new assembly lines and the ongoing SAP project.

Free cash flow at the end of the first half thus totalled € –0.2 million (previous year: € 10.9 million). Compared with the first half of 2010, this constituted a decline of € 11.1 million.

Financing

Net bank debt remains stable at low level

As of 30 June 2011 the SHW Group's net bank debt at € 13.6 million was slightly higher than at the end of 2010 (€ 13.4 million) and € 2.7 million lower than the level as of 30 June 2010 (€ 16.3 million). As of 30 June 2011 the Group held cash and cash equivalents totalling € 8.2 million (previous year: € 22.8 million). In addition, the Group has access to a € 30 million credit facility, of which € 2.6 million had already called upon by the use of a surety.

Change in net bank debt

	H1 2011	H1 2010
K EUR		
Cash flow from operating activities	8,289	15,341
Cash flow from investment activities	–8,489	–4,464
Cash flow before financing activities (free cashflow)	**–200**	**10,877**
Exchange rate effects	–239	631
Other	183	–43
Change in net bank debt	–256	11,465

Capital expenditure (balance sheet additions)
Due to pending production start-ups, our investments rose to € 8.5 million from € 4.5 million in the first half of 2010. Of this total, € 6.7 million was invested in the Pumps and Engine Components and € 1.2 million in the Brake Discs business segment. A further € 0.5 million was invested in the ongoing SAP project.

Increase in employee numbers mainly at STT
Employee numbers at SHW Germany rose by 12 on average to 933 as of 30 June 2011. The total number of 289 employees (= 100 percent) at our joint venture represented an increase of 113 people employed, which was due mainly to new hirings in production.

Development of business segment Pumps and Engine Components

Revenue increase by 26.1 percent
During the first six months of 2011, revenues in the Pumps and Engine Components business segment rose by 26.1 percent on the year to € 130.3 million (previous year € 103.3 million).

Demand for variable oil pumps drives revenues in the Passenger Car division
Within the Pumps and Engine Components business segment, the Passenger Car division continued to benefit from brisk demand from automobile manufacturers and production start-ups. Revenues in the Passenger Car division (excluding Powder Metallurgy) rose by 23.3 percent from € 81.6 million in the first half of 2010 to € 100.6 million in the first half of 2011. The Bad Schussenried production plant benefits from the ongoing increase in demand for variable oil pumps. Their share of the European automotive oil pump revenues rose accordingly to 48.0 percent (2009: 34.0 percent; 2010: 43.0 percent).

In the Truck & Off-Highway division the strong first-quarter growth in revenues continued. Compared with the previous year, revenues surged accordingly by 43.5 percent to € 15.7 million. In the Powder Metallurgy division revenues improved on last year's figure by 29.1 percent from € 10.8 million to € 14.0 million.

€ 3.7 million increase in operating result (EBIT)
The Pumps and Engine Components business segment reported an increase of € 3.7 million (38.3 percent) in operating result (EBIT) in the first half of 2011 to € 13.3 million (previous year: € 9.6 million). The return on sales improved to 10.2 percent (previous year: 9.3 percent).

Key figures Pumps and Engine Components

	Q2 2011	Q2 2010	Change	H1 2011	H1 2010	Change
K EUR						
Revenues	66,958	53,405	25.4%	130,288	103,296	26.1%
EBITDA	9,048	6,299	43.6%	16,724	13,462	24.2%
as % of revenues	13.5%	11.8%	–	12.8%	13.0%	–
EBIT	7,365	4,596	60.2%	13,266	9,590	38.3%
as % of revenues	11.0%	8.6%	–	10.2%	9.3%	–
Adjusted EBITDA 2)	9,048	6,548	38.2%	16,724	13,462	24.2%
as % of revenues	13.5%	12.3%	–	12.8%	13.0%	–
Adjusted EBIT 2)	7,375	4,875	51.3%	13,286	10,131	31.1%
as % of revenues	11.0%	9.1%	–	10.2%	9.8%	–

1) Unless otherwise indicated

2) Adjusted for special effects, cf. reconciliation statement for business segment Pumps and Engine Components

31.1 percent increase in adjusted operating result (adjusted EBIT)

The adjusted operating result (adjusted EBIT) of the Pumps and Engine Components business segment rose by € 3.2 million or 31.1 percent on the year, to € 13.3 million in the first half of 2011 (previous year: € 10.1 million). The EBIT margin showed a corresponding increase to 10.2 percent (previous year: 9.8 percent).

Special effects in the first half of 2011

Depreciation of the purchase price allocation totalled a rounded € 0.0 million in the first half of 2011.

Special effects in the first half of 2010

In the first half of 2010 the burden of depreciation of the purchase price allocation was € 0.5 million.

Reconciliation statement: Pumps and Engine Components

	Q2 2011	Q2 2010	H1 2011	H1 2010
K EUR[1]				
Revenues	**66,958**	**53,405**	**130,288**	**103,296**
Operating result (EBIT)	7,365	4,596	13,266	9,590
Total PPA	10	279	20	541
PPA customer base	–	191	–	365
PPA patents/licences	–	54	–	103
PPA fixed assets	10	34	20	73
Restructuring expenses	–	–	–	–
SGB do Brasil	–	–	–	–
Cost of works agreement	–	–	–	–
IPO expenses	–	–	–	–
Total adjustments	10	279	20	541
Adjusted EBIT	**7,375**	**4,875**	**13,286**	**10,131**
as % of segment revenues	11.0%	9.1%	10.2%	9.8%
Other write-offs	1,673	1,673	3,438	3,331
Adjusted EBITDA	**9,048**	**6,548**	**16,724**	**13,462**
as % of segment revenues	13.5%	12.3%	12.8%	13.0%

1) Unless otherwise indicated

Development of business segment Brake Discs

Key figures Brake Discs

	Q2 2011	Q2 2010	Change	H1 2011	H1 2010	Change
K EUR[1]						
Revenues	22,755	19,481	16.8%	47,906	37,085	29.2%
EBITDA	1,347	459	193.5%	3,060	1,049	191.7%
as % of revenues	5.9%	2.4%	–	6.4%	2.8%	–
EBIT	581	–311	–	1,528	–490	–
as % of revenues	2.6%	–1.6%	–	3.2%	–1.3%	–
Adjusted EBITDA[2]	1,347	459	193.5%	3,060	1,049	191.7%
as % of revenues	5.9%	2.4%	–	6.4%	2.8%	–
Adjusted EBIT[2]	611	–276	–	1,588	–420	–
as % of revenues	2.7%	–1.4%	–	3.3%	–1.1%	–

1) Unless otherwise indicated

2) Adjusted for special effects, cf. reconciliation statement for business segment Brake Discs

29.4 percent increase in revenues

During the first six months of 2011 revenues earned by the Brake Discs business segment rose by 29.4 percent on the previous year to € 47.9 million (previous year: € 37.0 million).

This increase was mainly due to a marked increase in demand for higher-quality brake discs. Sales of composite brake discs rose from about 69,000 to about 78,000 units, or a 14.1 percent increase. With a growth rate of 29.6 percent, sales of processed brake discs rose even more significantly on the previous year by about 188,000 to about 824,000. Revenue growth was also partly due to higher scrap prices, part of which was passed on to customers with a time lag in the form of surcharges.

€ 2.0 million increase in operating result (EBIT)

The Brake Discs business segment reported a € 2.0 million year-on-year improvement in operating result (EBIT) in the first half of 2011 to € 1.5 million. The return on sales rose to 3.2 percent (previous year: - 1.3 percent).

Reconciliation statement: Brake Discs

K EUR[1]	Q2 2011	Q2 2010	H1 2011	H1 2010
Revenues	**22,755**	**19,481**	**47,906**	**37,085**
Operating result (EBIT)	581	–311	1,528	–490
Total PPA (purchase price allocation)	30	35	60	70
PPA customer base	–	–	–	–
PPA patents/licences	–	–	–	–
PPA fixed assets	30	35	60	70
Restructuring expenses	–	–	–	–
SGB do Brasil	–	–	–	–
Cost of works agreement	–	–	–	–
IPO expenses	–	–	–	–
Total adjustments	30	35	60	70
Adjusted EBIT	**611**	**–276**	**1,588**	**–420**
as % of segment revenues	2.7%	–1.4%	3.3%	–1.1%
Other write-offs	736	735	1,472	1,469
Adjusted EBITDA	**1,347**	**459**	**3,060**	**1,049**
as % of segment revenues	5.9%	2.4%	6.4%	2.8%

1) Unless otherwise indicated

€ 2.0 million improvement in adjusted operating result (adjusted EBIT)

The adjusted operating result (adjusted EBIT) improved in the first six months of 2011 by € 2.0 million on the previous year to € 1.6 million, corresponding to an EBIT margin of 3.3 percent (previous year: - 1.1 percent).

Special effects in the first half of 2011

Depreciation of the purchase price allocation totalled € 0.1 million in the first half of 2011.

Special effects in the first half of 2010

In the first half of 2010 the burden of depreciation of the purchase price allocation was € 0.1 million.

Opportunities and risks

In assessing opportunities and risks for the SHW Group no material changes were found to have occurred in the second quarter of 2011 in relation to the statements on opportunities and risks in the consolidated annual financial statements.

The natural disaster and nuclear incident in Japan had no noticeable negative repercussions for the Group. There was merely a reduction in release orders by one Japanese customer in North America; we encountered no problems with our European customers.

The Brake Discs business segment continues to pay special attention to price rise trends for coke that were intensified by the flooding in Australia. In the second quarter of 2011 the price of coke rose by 19 percent on the first quarter and was up by about 31 percent on the first half of 2010. The price rise for scrap steel that we were forced to accept was about two percent in the second quarter and about 18 percent compared with the first half of 2010. If we were to fail to pass on these price increases to our customers, the projected result might not be achieved.

In the Pumps and Engine Components business segment, we were able to reduce the warranty provision – added in the first quarter of 2011 – in the second quarter of 2011 due to the limited number of faulty oil pumps delivered to customers. The situation improved because we were quickly able to locate and replace the few faulty pumps.

The management has not identified any risks that might pose a threat to the Group's continued existence as a going concern or, either individually or together, have a significant negative effect on the Company in the foreseeable future.

Important events since the balance sheet date

The SHW AG share has been listed on the Frankfurt Stock Exchange since 7 July 2011.

In July 2011 SHW was granted permission by the Chinese authorities to found SHW Automotive Pumps (Shanghai) Co., Ltd., thereby putting in place the precondition for setting up a business in China. No events of material importance have occurred since 30 June 2011 that require additional explanatory statements.

Outlook

Overall economic outlook

Despite a tendency towards a slowdown in momentum, the global economy will continue to grow in 2011, albeit with widely differing growth patterns in individual countries and regions. At the same time, inflationary pressure due to rising prices for oil and other raw materials is accelerating all over the world. In June 2011 the International Monetary Fund forecasted global growth of 4.5 percent for 2011 and 2012, which would be only a slight slowdown on 2010. While growth in established economies is estimated to be about 2.5 percent, threshold and developing countries will contribute over six percent growth toward the combined figure.

For the Eurozone the ifo-Institute forecasts 2.0 percent growth in 2011 and 1.8 percent in 2012. Differences between Eurozone countries will, however, remain substantial.

For Germany, despite a positive overall environment, the ifo-Institute anticipates a slowdown in growth in the second half of 2011, but with growth still higher than in the second quarter. Overall, the experts forecast gross domestic product growth of 3.3 percent for 2011.

Outlook for the industry

In July 2011 the industry experts at PwC Autofacts revised their global light vehicle production forecast for 2011 upwards by about 0.65 million units on their April 2011 forecast to 75.8 million units. They did so despite weaker data regarding the macroeconomic environment, especially in countries seriously affected by the debt crisis. The main reason for this revision was that Japanese automobile manufacturers and suppliers have recovered faster than expected from the knock-on effects of the natural disaster and subsequent nuclear incident. Overall, PwC Autofacts now forecasts a global production growth of 6.1 percent.

Light vehicle production by region

in million units[1)]	2011	2010	Change
Asia-Pacific – threshold countries	23.0	21.0	9.6%
European Union	17.2	16.3	5.5%
North America	12.9	11.9	8.7%
Asia-Pacific – developed countries	13.0	13.4	–3.6%
South America	4.4	4.2	6.6%
Eastern Europe	3.1	2.7	17.2%
Middle East & Africa	2.3	2.1	6.6%
Total	75.9	71.5	6.1%

Source: PwC Autofacts July 2011

1) Unless otherwise indicated

Of the four most important regions, the PwC experts expect the strongest growth in 2011 to continue to be in the Asia-Pacific threshold countries region (China, India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan, Thailand, Vietnam), closely followed by North America with 8.7 percent growth despite relatively weak economic data and ongoing consumer restraint. Production there will continue to be driven by inventory build-up, rising exports and pending product launches.

Growth drivers within the European Union continue for the most part to be strong exports to China, Russia, Turkey and the United States. In Germany these are joined as stimuli by the stable labour market and positive development of private household incomes.

Light vehicle production by country (Top 10)

in million units[1)]	2011	2010	Change
China	15.4	14.5	6.5%
US	8.4	7.6	9.8%
Japan	8.4	9.1	–7.7%
Germany	5.8	5.4	8.4%
India	3.7	3.0	22.7%
South Korea	4.3	4.1	3.7%
Brazil	3.3	3.1	3.8%
Mexico	2.4	2.2	8.1%
Spain	2.4	2.4	2.3%
France	2.3	2.2	4.5%

Source: PwC Autofacts July 2011

1) Unless otherwise indicated

The market for medium and heavy trucks will continue to develop in widely different ways, according to industry experts. While a market slowdown is anticipated in China, growth of 30 percent to 35 percent in North America and 35 percent to 40 percent in the European Union appears to be realistic.

Outlook for the Group

In the first half of 2011 the SHW Group increased revenues by 26.9 percent on the first half of 2010. The growth rates were 31.1 percent in the first quarter and 23.1 percent in the second. Due to a very strong second half in 2010, growth rates in the third and fourth quarters of 2011 are likely to be slightly lower compared to the previous year. For the full year we continue to assume double-digit growth in revenues along with an improvement in the Group's operating result – provided that the economic situation does not persistently deteriorate.

Aalen-Wasseralfingen, 10 August 2011

The Management Board

Dr. Wolfgang Krause   Oliver Albrecht   Andreas Rydzewski

Consolidated Financial Statement (IFRS) as of 30 June 2011

Consolidated Income Statement (unaudited)

K EUR[1]	Q2 2011	Q2 2010	H1 2011	H1 2010
Sales	89,713	72,886	178,194	140,381
Cost of sales	–78,465	–64,977	–156,028	–123,788
Gross profit	**11,248**	**7,909**	**22,166**	**16,593**
Selling expenses	–1,015	–930	–1,954	–1,739
General administration expenses	–2,144	–1,499	–3,952	–3,103
Research and development costs	–1,427	–995	–2,620	–1,830
Other operating income	1,802	763	2,856	1,312
Other operating expenses	–2,001	–1,726	–4,965	–3,197
Operating result	**6,463**	**3,522**	**11,531**	**8,036**
Financial income	2,067	59	2,124	96
Financial expenses	–543	–443	–994	–1,161
Earnings before taxes	**7,987**	**3,138**	**12,661**	**6,971**
Deferred taxes	–177	–208	–544	–103
Current income taxes	–1,313	–751	–2,570	–1,878
Income for the period	**6,497**	2,197	**9,547**	**4,990**
Earnings per share	1.11	0.37[2]	1.63	0.85[2]

1) Unless otherwise indicated

2) For reasons of comparability, EPS was calculated on the basis of 5,851,100 ordinary bearer shares in share capital

Statement of Comprehensive Income (unaudited)

K EUR	Q2 2011	Q2 2010	H1 2011	H1 2010
Income for the period	**6,497**	**2,179**	**9,547**	**4,990**
Currency translation differences	–283	783	–695	1,696
Change in market values of hedging instruments	–4	–24	–7	–24
Gross change	–287	759	–702	1,672
Deferred taxes on changes in value recognized directly in equity	1	7	2	7
Change in value stated under equity	**–286**	**766**	**–700**	**1,679**
Capital increase	2,166	–	2,166	–
Consolidated comprehensive income	**8,377**	**2,945**	**11,013**	**6,669**
Minority interests in comprehensive income	–	–	–	–
SHW AG shareholders' share of comprehensive income	8,377	2,945	11,013	6,669

Consolidated Balance Sheet (unaudited)

Assets K EUR	30 June 2011	31 Dec. 2010	30 June 2010
Customer base	–	–	196
Goodwill	7,055	7,055	7,055
Other intangible assets	5,704	4,477	3,123
Tangible assets (property, plant and equipment)	50,860	49,306	49,831
Deferred tax assets	3,249	3,573	3,641
Other financial assets	605	952	902
Non-current assets	**67,473**	**65,363**	**64,748**
Inventories	30,286	29,604	26,984
Trade receivables	45,911	35,874	35,176
Other financial assets	7,155	5,524	4,989
Other assets	2,013	2,101	1,777
Cash and cash equivalents	8,200	20,202	22,814
Current assets	**93,565**	**93,305**	**91,740**
Balance sheet total	**161,038**	**158,668**	**156,488**

Equity and Liabilities K EUR	30 June 2011	31 Dec. 2010	30 June 2010
Subscribed capital	5,851	5,500	58
Capital reserve	14,780	12,965	16,997
Revenue reserves	25,966	16,419	7,894
Other reserves	199	899	1,163
Total equity	**46,796**	**35,783**	**26,112**
Pension accruals and similar obligations	23,093	23,318	23,514
Deferred tax liabilities	2,223	2,005	2,098
Other provisions	2,907	2,917	2,651
Other financial liabilities	147	158	283
Bank debt	16,875	22,500	22,500
Non-current liabilities and accruals	**45,245**	**50,898**	**51,046**
Bank debt	4,966	11,087	16,641
Trade payables	37,561	36,729	31,633
Other financial liabilities	11,085	8,324	8,144
Income tax liabilities	1,283	857	3,057
Other accruals	7,967	9,150	14,305
Other liabilities	6,135	5,840	5,550
Current liabilities and accruals	**68,997**	**71,987**	**79,330**
Balance sheet total	**161,038**	**158,668**	**156,488**

Statement of Changes in Group Equity (unaudited)

K EUR	Subscribed capital	Capital reserve	Revenue reserves	Other reserves	Total equity
Position as of 1 January 2010	**58**	**16,997**	**2,904**	**–516**	**19,443**
Foreign currency translation	–	–	–	–15	–15
Changes in market value of hedging instruments	–	–	–	1,694	1,694
Total result recognized directly in equity	–	–	–	1,679	1,679
Net profit for the period to 30 June 2010	–	–	4,990	–	4,990
Total net result for the period	–	–	4,990	1,679	6,669
Position as of 30 June 2010	**58**	**16,997**	**7,894**	**1,163**	**26,112**
Position as of 1 January 2011	**5,500**	**12,965**	**16,419**	**899**	**35,783**
Foreign currency translation	–	–	–	–695	–695
Changes in market value of hedging instruments	–	–	–	–5	–5
Total result recognized directly in equity	–	–	–	–700	–700
Capital increase	351	1,815	–	–	2,166
Net profit for the period to 30 June 2011	–	–	9,547	–	9,547
Total net result for the period	351	1,815	9,547	–700	11,013
Position as of 30 June 2011	**5,851**	**14,780**	**25,966**	**199**	**46,796**

Consolidated Cash Flow Statement (unaudited)

K EUR	1 Jan. 2011 – 30 June 2011	1 Jan. 2010 – 30 June 2010
Cash flow from operating activities		
Net income for the period	9,547	4,990
Depreciation/amortisation on fixed asset items (+)	5,164	5,519
Income tax expenses through profit or loss (+)	2,570	1,878
Income taxes paid (-)	–2,457	–846
Financing costs through profit or loss (+)	994	1,161
Interest paid (-)	–343	–600
Financial investment income through profit or loss (-)	–162	–96
Interest received (+)	163	96
Increase (+)/decrease (-) in accruals	–1,418	2,082
Changes in deferred taxes	542	103
Other non cash-effective expenses (+)/income (-)	–92	1,554
Gain (-)/loss (+) on the disposal of assets	–	–10
Increase (-)/decrease (+) in inventories, trade receivables and other current assets	–12,262	–11,261
Increase (+)/decrease (-) in trade payables and other current liabilities	6,043	10,771
Net cash flow from operating activities	**8,289**	**15,341**
Cash flow from investment activities		
Cash received (+) from disposals of tangible assets	–	13
Cash paid (-) for investments in tangible assets	–7,127	–3,281
Cash paid (-) for investments in intangible assets	–1,362	–1,196
Cash flow from investment activities	–8,489	–4,464
Cash flow from financing activities		
Cash paid (-) for the redemption of financial liabilities	–11,625	–5,625
Cash received from the disposal of financial assets	62	–
Cash flow from financial activities	–11,563	–5,625
Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (subtotal of lines 1-3)	–11,763	5,252
Exchange rate-related changes in cash and cash equivalents	–239	631
Cash and cash equivalents at the beginning of the period	20,202	16,931
Cash and cash equivalents at the end of the period	8,200	22,814

Selected explanatory notes

Basis of and methods used in consolidated interim financial statements

These abridged, unaudited consolidated interim financial statements of SHW AG, Wilhelmstr. 67, 73433 Aalen-Wasseralfingen, Germany, and its subsidiaries (hereinafter referred to as the SHW Group) to 30 June 2011 were prepared in accordance with the provisions of the International Accounting Standard on interim financial reporting (IAS 34) and Section 315a of the German Commercial Code (Handelsgesetzbuch/HGB) in conjunction with the 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 in the European Union (EU) as of the interim reporting date.

These consolidated interim financial statements do not include all of the information that year-end consolidated financial statements are required to include in accordance with IAS 34. These statements must therefore be read together with the consolidated financial statements for the financial year 2010.

SHW AG is an Aktiengesellschaft, or public limited company, under German law and is entered in the commercial register under HRB 726621. The Group's principal activity is the manufacture and sale of hydraulic pumps, powder metallurgy parts and brake discs. Its customers are mainly automotive manufacturers and suppliers.

These consolidated interim financial statements were referred to the Supervisory Board by the Management Board on 9 August 2011 and cover the period 1 January to 30 June 2011 (H1 2011) as compared with the same period in the previous year (H1 2010) and the second quarter of 2011 (Q2 2011) as compared with the same period in 2010 (Q2 2010). The asset position (balance sheet) is presented in comparison with the figures as of 31 December 2010 and 30 June 2010. The consolidated interim financial statements are denominated in euro (€). Unless specified otherwise, the figures shown are stated in thousand euros (€ K).

In the Management Board's view, the consolidated interim financial statements include all of the usual, regular adjustments required for an appropriate presentation of the Group's asset, financial and earnings position. The accounting and valuation methods used for the first six months of 2011 correspond to those used in the consolidated financial statements to 31 December 2010, the notes to which describe them in detail.

Income tax expenses are stated for interim periods on the basis of the best estimate of the weighted average annual income tax rate anticipated for the full year.

The standards that were mandatory for the first time in financial year 2011 (IFRIC 14 and 19, IAS 24 [revised], amendments to IFRS 1 and IAS 32) will lead, as stated in the consolidated financial statements to 31 December 2010, to no material changes in the interim or consolidated financial statements. The May 2010 improvement project was not endorsed until 19 February 2011 and was therefore not yet applicable at the end of 2010.

In preparing consolidated interim financial statements to IFRS, estimates and assessment must to some extent be made in relation to the balance sheet assets and liabilities and stated contingent claims and liabilities as of the reporting date and to the stated income and expenses for the reporting period. The actual figures may differ from the estimates.

Scope of consolidation

The consolidated interim financial statements to 30 June 2011 cover, in addition to SHW AG, the financial statements of two German subsidiaries. The joint venture STT Technologies Inc., Concord, Ontario, Canada, in which the SHW Group holds a 50 percent stake, was consolidated pro rata as per IAS 31. There have been no changes to the consolidation entity as of 31 December 2010.

The exchange rate of the Canadian dollar developed as following during the reporting period:

	Q2 2011	Q2 2010	H1 2011	H1 2010
Average	1.3920	1.3100	1.3699	1.3756
Reporting date	1.4051	1.2792	1.4051	1.2792

Statement of comprehensive income, balance sheet

Group revenues increased by € 37.8 million on the previous year to € 178.2 million in the first half of 2011. This improvement was due mainly to a significant increase in demand as a result of the sound state of the global automotive industry and of new series launches.

The € 1.8 million rise in other operating expenses to € 5.0 million was due mainly to expenses incurred in connection with the planned IPO and with a real estate transfer tax provision. The warranty provision made for a case in North America in the first quarter of 2011 was reduced significantly to a residual sum of € 0.2 million due to better findings of the case.

Earnings before taxes rose in the reporting period from € 7.0 million to € 12.7 million (+81.6 percent) in the reporting period, reflecting the SHW Group's positive year-on-year development. The tax ratio was 24.6 percent in the first half of 2011 as against 28.4 percent in the previous year.

Other intangible assets rose by € 2.6 million in relation to the first half of 2010 due to capitalisation of development and SAP costs.

Trade receivables rose by € 10.7 million or 30.4 percent on the previous year, thereby developing roughly on a par with the 26.9 percent increase in revenues.

Other financial assets increased slightly on the previous year by € 2.2 million. The largest item included is a claim against our shareholder for € 1.6 million in IPO costs and a € 0.9 million claim against Magna.

Here we also included receivables of € 2.1 million from SHW Holding L.P. resulting from the sale of shares in SHW Management Beteiligungs GmbH & Co. KG to SHW Holding L.P. Stated at fair value in the financial result, it led to € 1.9 million in income taxed at five percent.

Equity

The change in equity compared with 31 December 2010 results from net profits earned in the first half of 2011 and a € 351,100 capital increase. The capital increase occurred in connection with the change in legal form and the insertion of a share in SHW Zweite Beteiligungs GmbH held by SHW Management GmbH Co. KG to SHW Beteiligungs GmbH, now SHW AG. The difference between the transferred book value of € 2.2 million and the share capital increase of € 0.4 million was posted to the capital reserve. For further details of changes in equity, see the Statement of Changes in Group Equity above.

Other financial liabilities rose by € 3.0 million compared to the previous year, the largest items being provisions for outstanding invoices amounting to € 5.8 million, IPO costs totalling € 1.8 million and licence fees of € 0.6 million.

Other provisions were reduced by € 6.3 million, mainly as a result of the use of provisions for warranties, anticipated losses and outstanding costs.

Segment reporting

Segment reporting since 2009 has been based on the management approach. Operating segments are determined on the basis of internal reports as per IFRS 8 that are used regularly by the Chief Operation Decision Maker to decide on the distribution of resources and to estimate profitability. The profitability of individual business segments is established on the basis of the operating result (EBIT). The EBIT of the business segments is determined in accordance with IFRS, as is the operating result of the Group. The assets and liabilities of each segment are also established on the basis of IFRS. Financial expenses, financial income and income taxes are managed at the Group level. The Pumps and Engine Components business segment manufactures hydraulic pumps and sintered metallurgy products for the automobile industry. The Brake Discs business segment produces raw and processed brake discs for the automobile industry. Transactions between the business segments are based as a matter of principle on market conditions identical to those that apply to transactions with third parties.

Segment reporting (unaudited) for the period 1 April to 30 June 2011

	Pumps and Engine Components		Brake Discs		Other Elimination/ Consolidation		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
K EUR[1]								
External revenues	66,958	53,405	22,755	19,481	0	0	89,713	72,886
Revenues between the segments	28	31	0	0	–28	–31	0	0
Segment revenues	66,986	53,436	22,755	19,481	–28	–31	89,713	72,886
Segment result	7,365	4,596	581	–311	–1,483	–763	6,463	3,522
Financial result	0	0	0	0	1,524	–384	1,524	–384
Net profit for the period before taxes	7,365	4,596	581	–311	41	–1,147	7,987	3,138
Segment depreciation	1,683	1,952	766	770	79	55	2,528	2,777
Segment capital investment	4,463	2,374	308	205	396	457	5,167	3,036
Major segment expenses	–	0	–	0	1,026[2]	348[3]	1,026[2]	348[3]
Number of customers representing revenues >10% of total sales revenues	1	2	1	2	–	–	–	–
VW Group	22,275	22,115	12,593	10,374	–	–	34,868	32,489
BMW Group	–	5,193	–	2,274	–	–	–	7,467

1) Unless otherwise indicated
2) IPO costs, without effect on taxes
3) Cost of works agreement, with effect on taxes

Segment reporting (unaudited) for the period 1 January to 30 June 2011

	Pumps and Engine Components		Brake Discs		Other Elimination/ Consolidation		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
K EUR[1]								
External revenues	130,288	103,296	47,906	37,085	0	0	178,194	140,381
Revenues between the segments	93	59	0	0	–93	–59	0	0
Segment revenues	130,381	103,355	47,906	37,085	–93	–59	178,194	140,381
Segment result	13,266	9,590	1,528	–490	–3,263	–1,064	11,531	8,036
Financial result	0	0	0	0	1,130	–1,065	1,130	–1,065
Net profit for the period before taxes	13,266	9,590	1,528	–490	–2,133	–2,129	12,661	6,971
Segment depreciation	3,458	3,872	1,532	1,539	174	108	5,164	5,519
Segment capital investment	6,683	3,196	1,172	768	634	513	8,489	4,477
Major segment expenses	0	0	0	0	2,168[2]	576[3]	2,168[2]	576[3]
Number of customers representing revenues >10% of total sales revenues	2	2	2	2	–	–	–	–
VW Group	42,718	40,728	27,426	21,755	–	–	70,144	62,483
BMW Group	14,086	10,491	3,901	4,173	–	–	17,987	14,664

1) Unless otherwise indicated
2) IPO costs, without effect on taxes
3) Cost of works agreement, with effect on taxes

Development of Group revenues by region

Regional revenues distribution is stated on the basis of the customer's head office location. This is an overview of the SHW Group's regional revenues distribution.

	Q2 2011	Q2 2010	H1 2011	H1 2010
K EUR				
Germany	**46,264**	**38,726**	**92,672**	**73,114**
Other European countries	31,420	26,322	62,427	52,254
America	10,751	6,696	21,196	13,364
Other	1,278	1,142	1,899	1,649
Group	89,713	72,886	178,194	140,381

Governing bodies, related party disclosures

On 14 February 2011 Oliver Albrecht was appointed as a further member of the Management Board, with responsibility for central functions. Due to SHW Beteiligungs GmbH's change in corporate form to SHW AG, a Supervisory Board was set up in accordance with the Articles of Association. The members of the Supervisory Board are:

Anton Schneider, Cologne, Chairman
Managing Director,
Nordwind Capital Zweite Industriebeteiligungen GmbH

Dr. Martin Beck, Munich, Deputy Chairman
Managing Director,
Nordwind Capital Erste Industriebeteiligungen GmbH

Dr. Hans Albrecht, Munich
Managing Director,
Nordwind Capital Erste Industriebeteiligungen GmbH

Christian Brand, Karlsruhe
Management Board Chairman,
L-Bank Staatsbank für Baden-Württemberg

Edgar Kühn, Aalen-Wasseralfingen
Works Council Chairman,
SHW Automotive Wasseralfingen works

Ernst Rieber, Bad Saulgau
Works Council member,
SHW Automotive Bad Schussenried works

Sureties provided and other financial obligations

There were no material changes in the first six months of 2011 to the sureties provided and other financial obligations stated in the consolidated financial statements for 2010 with the following exception: In an agreement dated 10 May 2011 the underwriters released the liens against present and future shares in SHW Beteiligungs GmbH (now SHW AG) and SHW Zweite Beteiligungs GmbH secured by the terms of the 20 March 2008 loan agreement. This was a precondition for the IPO.

Events since the balance sheet date

The SHW AG share has been listed on the Frankfurt Stock Exchange since 7 July 2011. As a result of going public, in July 2011 SHW AG received € 2.1 million in funds from the sale of shares in SHW Management Beteiligungs GmbH & Co. KG to SHW Holding L.P. in connection with the change in legal form. The resulting claim against SHW Holding L.P. is stated under other financial assets.

In July 2011 SHW was granted permission by the Chinese authorities to found SHW Automotive Pumps (Shanghai) Co., Ltd., thereby putting in place the precondition for setting up in business in China in the course of the current year.

No events of material importance have occurred since 30 June 2011 that require additional explanatory statements.

Aalen-Wasseralfingen, 10 August 2011

SHW AG

Krause

Dr. Wolfgang Krause Oliver Albrecht Andreas Rydzewski

Financial Calendar

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Interim Report for the first nine months of 2011

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Publisher
SHW AG
Wilhelmstrasse 67
D-73433 Aalen-Wasseralfingen, Germany

Telephone: +49 7361 502-1
Fax: +49 7361 502-421

E-Mail: info@shw.de
Internet: www.shw.de

Investor Relations & Corporate Communications
Michael Schickling
Telephone: +49 7361 502 462
E-Mail: michael.schickling@shw.de

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