Financial Report 1 January to 30 September 2017

SHAPING FUTURE MOBILITY

Contents

Company profile

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

Highlights

- Group sales and EBITDA margin in line with budget after nine months
- Acquisition of Lust Hybrid-Technik reinforces position in electromobility
- Internationalisation running on schedule

Key performance indicators for the SHW Group

	Q3			Q1-Q3		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	97,639	96,956	0.7%	300,333	312,219	-3.8%
EBITDA	10,477	10,714	-2.2%	30,251	32,469	-6.8%
as % of sales	10.7%	11.1%	-	10.1%	10.4%	-
EBIT	4,509	4,567	-1.3%	12,787	14,126	-9.5%
as % of sales	4.6%	4.7%	-	4.3%	4.5%	-
ROCE	-	-	-	10.6%	12.2%	-
Net profit for the period	2,924	3,371	-13.3%	8,304	9,907	-16.2%
Earnings per share (EUR)	0.45	0.52	-13.3%	1.29	1.54	-16.2%
Investments	8,737	6,773	29.0%	23,454	16,651	40.9%
as % of sales	8.9%	7.0%	-	7.8%	5.3%	-
Working capital as % of sales	-	-	-	14.8%	14.1%	-
Equity ratio	-	-	-	46.9%	51.2%	-
Operating free cash flow	-8,113	-3,548	-	-4,165	-13,511	-
Net financial debt	-	-	-	-21,353	-7,777	174.6%

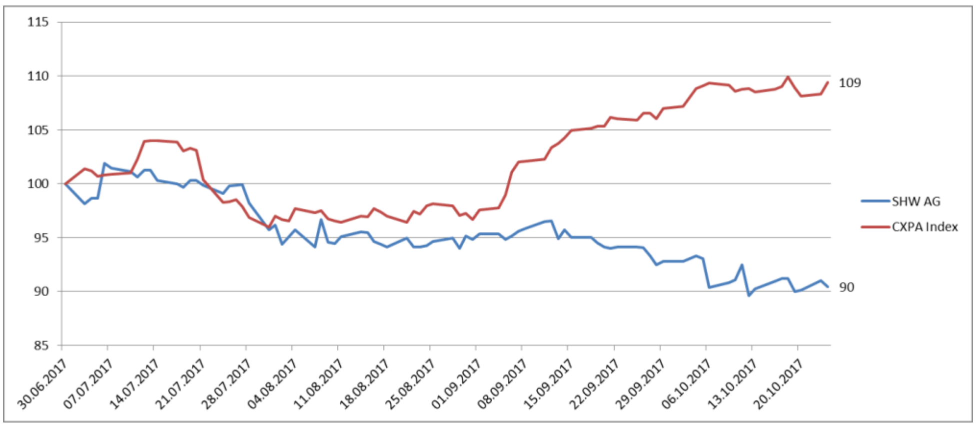
The SHW share

Robust economic data for the euro area and the USA fuel rising share prices in the third quarter

Continuing robust economic data for the euro area, improved economic data and the prospect of a comprehensive tax reform in the USA, rising oil prices and compelling quarterly figures have buoyed the stock exchanges. The sustained appreciation of the euro against the US dollar, the decision of the Fed to reduce its balance sheet total, the geopolitical crises in North Korea, Syria and Turkey, the terror attack in Barcelona and the continuing diesel scandal and allegations of a cartel among German automobile manufacturers were factors burdening the stock exchanges.

Against this backdrop, the most important international market indices paint a thoroughly positive picture. The greatest winner was the US lead index Dow Jones, with a gain of 4.9 per cent, followed closely by the Shanghai Composite Index. The mood for automobile stocks brightened over the course of the third quarter of 2017. Among other factors this was due to better-than-expected new vehicle registrations, solid quarterly results of index stocks and the effect of the IAA. Overall, the stock prices of the constituents of the DAXsector Automobile Performance index (CXPA) rose by 7.0 per cent to 1,575 points. In light of the successful takeover offer from Pierer Industrie AG in the third quarter, the SHW share performed significantly worse than the benchmark index CXPA, ending the third quarter of 2017 at a share price of € 34.50. This corresponds to an underperformance of 19.0 percentage points. The SHW share is currently trading at € 33.34 (as at 25 October 2017).

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



Pierer Industrie AG new anchor shareholder

Within the framework of the voluntary takeover offer a total of 1,834,057 SHW shares or 28.5 per cent of the subscribed capital was tendered to Pierer Industrie AG until the end of the Additional Acceptance Period on 25 August 2017. Now, with a holding of 47.46 per cent, Pierer Industrie AG is the new anchor shareholder of SHW AG. According to the latest voting rights notifications, it is followed by Anhui International Holding GmbH (China) with 9.38 per cent and Dimensional Holdings Inc. (USA) with 3.00 per cent.

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

Continued dialogue with (potential) owners and analysts

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

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

In the third quarter of 2017, SHW AG attended the Commerzbank Sector Conference Week in Frankfurt, the Small Cap Conference hosted by Bankhaus Lampe in Düsseldorf and the Berenberg and Goldman Sachs German Corporate Conference in Unterschleissheim near Munich. In the coming year dates have been fixed to attend the Kepler Cheuvreux German Corporate Conference on 15 January 2018 in Frankfurt and the Baden-Baden Conference of Bankhaus Lampe on 18 April 2018.

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

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Interim Group Management Report

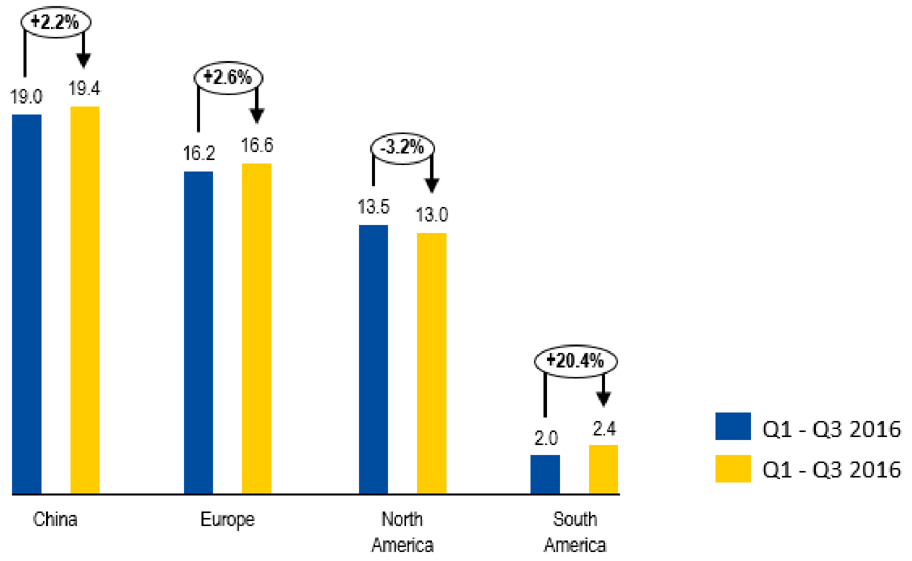
Industry environment

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

Automobile production slightly above previous year's level

In the period from January to September 2017, according to the most recent surveys conducted by the research firm IHS production of light vehicles (vehicles < 6 tonnes) increased worldwide by 2.6 per cent on the previous year, from 68.0 million units to 69.8 million units.

Production of light vehicles by region (millions of units)



Source: IHS – October 2017

China registered an increase in production figures of 2.2 per cent to 19.4 million vehicles.

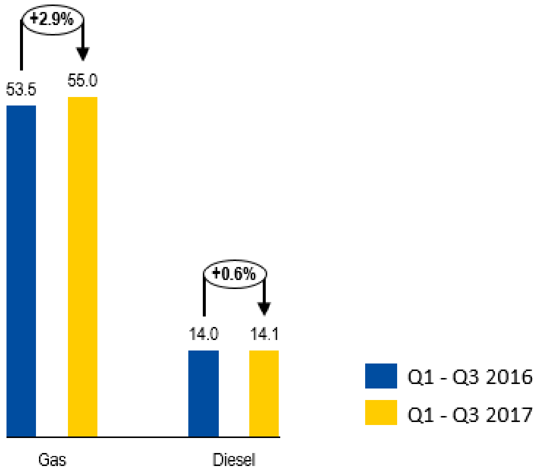
Europe (including Russia) recorded an increase of 2.6 per cent to 16.6 million vehicles. Positive growth rates were achieved mainly in Turkey (+19.3 per cent to 1.2 million vehicles) and Russia (+17.8 per cent to 1.0 million vehicles). By contrast, Germany recorded a decrease in production of 2.5 per cent from 4.5 million to 4.4 million vehicles. Production in Spain decreased by 4.9 per cent, from 2.2 million to 2.1 million vehicles.

The trend for vehicle production in South America remained positive. Light vehicle production rose by 20.4 per cent in a year-on-year comparison to 2.4 million units. In North America production figures decreased by 3.2 per cent to 13.0 million vehicles.

Robust demand for gasoline engines

In the first nine months of 2017, the production of gasoline engines for light vehicles (< 6 tonnes) increased worldwide by 2.6 per cent to 69.8 million units. Production of diesel engines increased by 0.6 per cent in a year-on-year comparison to 14.1 million units despite the ongoing debate about the NOx emissions associated with the combustion process. Electric motors recorded a growth rate of 48.4 per cent, but continued to play a very minor role at just 0.5 million units.

Engine production worldwide (millions of units)



Source: IHS – October 2017

Engine production in China increased by 3.0 per cent to 19.5 million units between January and September 2017. Of that, gasoline engines accounted for 17.9 million units (+2.6 per cent on the previous year), while production of diesel engines increased by 3.1 per cent to 1.4 million units. The volume of electric motors rose to slightly over 239 thousand units (+57.4 per cent).

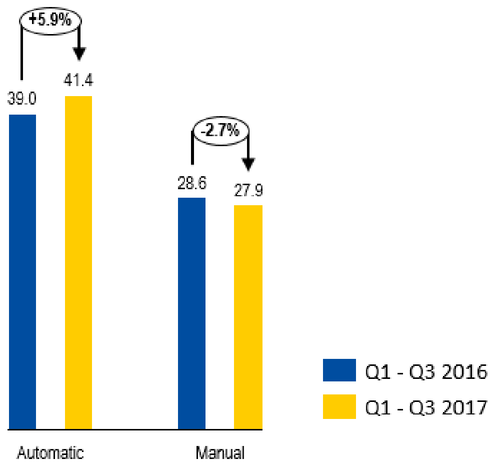
In Europe (including Russia), a total of 18.1 million engines were manufactured (+3.1 per cent on the previous year). Production of gasoline engines continued to develop positively, rising by 6.0 per cent to 9.5 million units. Production of diesel engines decreased by 0.3 per cent on the previous year to 8.4 million units.

North America recorded a 5.3 per cent decrease in production to 11.3 million units in the first nine months of 2017. The decrease is almost solely due to the decline in the production of gasoline engines (-6.3 per cent to 10.8 million units). Production of diesel engines, by contrast, rose by 13.8 per cent to 418 thousand units.

Automatic transmissions continue to gain ground

In the first nine months of 2017, transmission production increased by 2.6 per cent worldwide to 69.8 million units. Production of automatic transmissions continued to increase at a more rapid rate of 5.9 per cent, from 39.0 million units to 41.4 million units. Their share of overall production thus currently amounts to just above 59 per cent. In particular, China was one of the growth drivers for automatic transmissions, with an increase of 19.8 per cent to 7.6 million units along with the region of Japan/Korea with an increase of 5.9 per cent to 15.1 million units.

Transmission production worldwide (millions of units)



Source: IHS – October 2017

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

Key performance indicators for the SHW Group

	Q3			Q1-Q3		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	97,639	96,956	0.7%	300,333	312,219	-3.8%
EBITDA	10,477	10,714	-2.2%	30,251	32,469	-6.8%
as % of sales	10.7%	11.1%	-	10.1%	10.4%	-
Depreciation/Amortisation	5,968	6,147	-2.9%	17,464	18,343	-4.8%
as % of sales	6.1%	6.3%	-	5.8%	5.9%	-
EBIT	4,509	4,567	-1.3%	12,787	14,126	-9.5%
as % of sales	4.6%	4.7%	-	4.3%	4.5%	-
ROCE	-	-	-	10.6%	12.2%	-
Net profit for the period	2,924	3,371	-13.3%	8,304	9,907	-16.2%

Results of operations

Sales decline in the first nine months as budgeted

Group sales amounted to € 300.3 million in the first nine months of 2017, 3.8 per cent below the previous year's figure of € 312.2 million in line with expectations. This was attributable to the Pumps and Engine Components business segment.

Significant improvement in cost of sales ratio

In the reporting period, the cost of sales decreased by 5.6 per cent from € 279.7 million to € 263.9 million as a consequence of the significant reduction in production and logistics costs. The cost of sales ratio decreased accordingly from 89.6 per cent to 87.9 per cent. This improvement resulted primarily from positive volume and the product mix effects as well as productivity gains.

Selling and administrative expenses influenced by internationalisation and stock listing

In the first nine months of the fiscal year 2017, selling and general administrative expenses increased from € 14.3 million to € 20.1 million. The increase can primarily be attributed to establishing and expanding the international locations, costs associated with the stock listing of SHW AG and individual strategic measures.

Research and development costs significantly increased

Research and development costs in the first nine months of 2017 of € 8.2 million were far in excess of the level of the previous year of € 5.3 million. In addition, development costs of € 1.3 million (previous year € 0.7 million) were capitalised. Additional development services were billed within the scope of customer orders. The R&D ratio (including capitalised development costs) amounts to 3.1 per cent of sales (previous year 1.9 per cent). Electrically driven transmission oil pumps are the core area of development in the Pumps and Engine Components business segment. The Brake Discs business segment is focusing on the ongoing development of high-quality composite brake discs and other lightweight concepts as well as the improvement of corrosion resistance and reduction of brake dust.

Other operating income and expenses

The balance of other operating income and other operating expenses in the first nine months of 2017 exceeded the previous year's level by € 3.6 million. On the one hand this is due to negotiating successes and the reduction of risk in the fiscal year 2017 that enabled appropriately scaled accruals, which were carried as at 31 December 2016, to be released and non-recurring income realised. On the other hand, acquisition costs and non-recurring expenses related to customer projects resulted in higher other operating expenses.

EBITDA margin of 10.1 per cent

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 30.3 million (previous year € 32.5 million) in the first nine months of the fiscal year 2017. At 10.1 per cent, the EBITDA margin was below the previous year's figure of 10.4 per cent.

The Pumps and Engine Components business segment achieved a segment EBITDA figure of € 28.1 million (previous year € 27.1 million), and the Brake Discs business segment a segment result of € 4.7 million (previous year € 6.6 million).

Furthermore, in the administrative sector non-recurring costs associated with the stock listing of SHW AG, customer projects and also acquisition costs burdened the operating result, particularly in the second and third quarter.

EBIT margin of 4.3 per cent

At € 17.5 million, depreciation was € 0.9 million or 4.8 per cent lower than in the same period in the previous year. Earnings before interest and tax (EBIT) decreased from € 14.1 million to € 12.8 million. The EBIT margin decreased to 4.3 per cent, compared to 4.5 per cent in the previous year.

Of the consolidated EBIT figure, € 13.9 million (previous year € 12.4 million) relates to the Pumps and Engine Components business segment and € 1.7 million (previous year € 3.2 million) to the Brake Discs business segment.

ROCE influenced by Company's expansion

The return on capital employed (ROCE) decreased in the first nine months of 2017 compared to the comparable period of the previous year from 12.2 per cent to 10.6 per cent.

K EUR	**30.09.2017**	**30.09.2016**
Goodwill	7,055	7,055
Customer base	947	0
Other intangible assets	8,251	9,054
Property, plant and equipment	108,697	95,240
Deferred tax assets	5,879	5,025
Joint ventures accounted for using the equity method	0	15,974
Other (financial) assets (non-current)	2,116	1,199
Inventories	45,494	46,704
Trade receivables	56,191	46,293
Other (financial) assets (current)	5,698	3,257
Held-for-sale assets	15,804	0
Capital employed asset item	256,132	229,801
Deferred tax liabilities	-2,878	-2,639
Other accruals (non-current)	-4,801	-4,078
Other financial liabilities (non-current)	-2,219	-933
Other liabilities (non-current)	48	0
Trade payables	-43,574	-34,345
Other financial liabilities (current)	-9,663	-15,733
Income tax liabilities	-112	-1,728
Other accruals (current)	-12,208	-7,569
Other liabilities (current)	-10,136	-9,440
Capital employed liability item	-85,543	-76,465
Capital employed	170,589	153,336
EBIT (last 12 months)	17,599	18,614
Profit of joint ventures accounted for using the equity method (last 12 months)	450	120
EBIT including profit of joint ventures accounted for using the equity method (last 12 months)	18,049	18,734
ROCE	**10.6%**	**12.2%**

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

Financial result and income from investments

In the period from January to September 2017, the balance of financial income and expenses – excluding income from investments – lay slightly below the previous year's level.

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

Income taxes

In the first nine months of fiscal year 2017 income taxes lay slightly above the level of the first nine months of the previous fiscal year. Based on lower earnings before tax this is chiefly due to the conservative approach to the accounting of deferred tax assets on tax loss carryforwards at foreign subsidiaries. Correspondingly, the Group's tax rate of 32.3 per cent is above the level of the comparable period of the previous year of 26.7 per cent.

Net profit for the period

Earnings after tax decreased by € 1.6 million to € 8.3 million in the first nine months of the fiscal year 2017, due to the factors outlined above. Earnings per share reached a level of € 1.29 in this period (previous year € 1.54).

Development of the business segments

Pumps and Engine Components business segment

Key performance indicators for Pumps and Engine Components

	Q3			Q1-Q3		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	75,232	74,833	0.5%	230,584	245,438	-6.1%
EBITDA	10,208	8,392	21.6%	28,075	27,145	3.4%
as % of sales	13.6%	11.2%	-	12.2%	11.1%	-
Depreciation/Amortisation	4,813	4,970	-3.2%	14,147	14,781	-4.3%
as % of sales	6.4%	6.6%	-	6.1%	6.0%	-
EBIT	5,395	3,422	57.7%	13,928	12,364	12.6%
as % of sales	7.2%	4.6%	-	6.0%	5.0%	-
ROCE	-	-	-	17.8%	17.1%	-

Sales below previous year's level as budgeted

The Pumps and Engine Components business segment achieved sales of € 230.6 million in the first nine months of 2017 (previous year € 245.4 million).

Sales in the Passenger Car division declined from € 203.7 million to € 180.6 million. This expected sales decline mainly reflects the lower share supplied by SHW for the second generation of an electrically driven transmission oil pump. In addition, lower product sales for diesel engines also had an impact.

The high-margin Truck & Off-Highway and Powder Metallurgy divisions both increased their sales significantly. The Truck & Off-Highway division recorded an increase in sales of 18.4 per cent to € 24.5 million (previous year € 20.7 million). The Powder Metallurgy division improved by 11.0 per cent to € 23.3 million (previous year € 21.0 million). In the first nine months of its affiliation to the Group, Lust Hybrid-Technik (LHT) contributed € 2.2 million to the sales of the business segment.

EBITDA margin increased to 12.2 per cent

Despite the decline in sales, the Pumps and Engine Components business segment achieved a segment EBITDA of € 28.1 million in the reporting period, € 0.9 million above the level of the previous year. The EBITDA margin improved accordingly from 11.1 per cent to 12.2 per cent. The main factors lying behind the higher margin were positive effects from the product mix, productivity gains and non-recurring effects.

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

EBIT margin improved to 6.0 per cent

Depreciation and amortisation in the Pumps and Engine Components business segment came to € 14.1 million, 4.3 per cent down on the figure of € 14.8 million recorded in the previous year. The depreciation ratio (depreciation and amortisation in ratio to sales) increased from 6.0 per cent to 6.1 per cent. As a result, the EBITDA margin could be improved from 5.0 per cent to 6.0 per cent.

Development of the Brake Discs business segment

Key performance indicators for Brake Discs

	Q3			Q1-Q3		
K EUR	**2017**	**2016**	Change	**2017**	**2016**	Change
Sales	22,407	22,123	1.3%	69,749	66,781	4.4%
EBITDA	1,608	2,817	-42.9%	4,736	6,579	-28.0%
as % of sales	7.2%	12.7%	-	6.8%	9.9%	-
Depreciation/Amortisation	1,033	1,102	-6.3%	3,003	3,336	-10.0%
as % of sales	4.6%	5.0%	-	4.3%	5.0%	-
EBIT	575	1,715	-66.5%	1,733	3,243	-46.6%
as % of sales	2.6%	7.8%	-	2.5%	4.9%	-
ROCE	-	-	-	4.1%	6.9%	-

Sales influenced by significantly higher unit sales

In the Brake Discs business segment, brake disc deliveries were 7.3 per cent higher in the first nine months than in the comparable period of the previous year. All three product areas contributed to this increase. Sales rose by 4.4 per cent to € 69.7 million (previous year € 66.8 million).

Margin in the Brake Disc business segment down on previous year

The segment EBITDA figure was positively influenced by volume and product mix effects as well as productivity gains. However, this was countered in particular by higher purchase costs for coke and other materials and the contractually agreed delay in adjusting material surcharges. Overall, the EBITDA figure in the Brake Discs business segment declined by € 1.8 million to € 4.7 million in the reporting period.

EBIT influenced by lower depreciation

Due to the € 0.3 million decline in depreciation, the decrease in segment earnings before interest and tax (EBIT) from € 3.2 million to € 1.7 million was less pronounced than the decline in the EBITDA figure. The EBIT margin therefore fell by 2.4 percentage points to 2.5 per cent.

Net asset position

Non-current assets

Other intangible assets and property, plant and equipment totalled € 116.9 million as at 30 September 2017, € 12.7 million above the previous year's level. Asset additions considerably exceeded depreciation in the first nine months of the year.

Working capital ratio above target value

K EUR	30.09.2017	30.09.2016	Change in absolute	Change %
Inventories	45,494	46,704	-1,210	-2.6%
Trade receivables	56,191	46,293	9,898	21.4%
Trade payables	-43,574	-34,345	-9,229	26.9%
Working capital	58,111	58,652	-541	-0.9%
as % of sales	14.8%	14.1%	-	-

As at 30 September 2017 working capital lies at the same level as the previous year. With regard to the increase of € 9.9 million in trade receivables to € 56.2 million, it should be noted that impairment losses related to credit notes which have not yet been issued were reclassified to other accruals effective 31 December 2016 due to a change in presentation. After taking this reclassification into account, which amounted to € 4.9 million as at 30 September 2017, trade receivables increased by € 5.0 million. This is primarily attributable to higher foreign receivables.

At 14.8 per cent, the working capital ratio – referring to the Group sales over the past twelve months – was 0.7 percentage points above the previous year's level and exceeded the envisaged range of between 11 and 12 per cent.

Despite higher stocks of raw materials and supplies, inventories are slightly below the level of the previous year.

Trade payables increased by € 9.2 million compared to the reporting date of the previous year to € 43.6 million. This trend is mainly attributable to comparatively higher asset additions.

Equity ratio just under 50 per cent

Equity increased from € 119.5 million to € 121.1 million compared to 30 September 2016. In particular, the consolidated comprehensive income after tax for the past twelve months totalling € 11.2 million boosted the Company's equity. This was offset to some extent by a dividend payment of € 6.4 million. An increase in the balance sheet total of € 24.9 million to € 258.4 million led the equity ratio to decrease slightly from 51.2 per cent as at 30 September 2016 to 46.9 per cent as at 30 September 2017.

Other current financial liabilities

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

Financial position

Operating cash flow significantly improved

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Cash flow from operating activities	625	3,193	19,088	2,913
Cash flow from investing activities (intangible assets and property, plant and equipment)	-8,738	-6,741	-23,253	-16,424
Operating free cash flow	**-8,113**	**-3,548**	**-4,165**	**-13,511**
Cash flow from investing activities (financial assets)	-2,299	0	-9,118	0
Total free cash flow	**-10,412**	**-3,548**	**-13,283**	**-13,511**
Other (primarily dividend payments and net financial liabilities acquired in the course of business combinations)	-3,016	-9	-9,703	-6,594
Change in net liquidity	**-13,428**	**-3,557**	**-22,986**	**-20,105**

The cash flow from operating activities in the first nine months came to € 19.1 million (previous year € 2.9 million). The significant improvement is particularly due to the much lower increase in working capital in comparison to the same period of the previous year.

On account of significantly higher cash outflow due to investing activities relating to intangible assets and property, plant and equipment, the Company generated negative operating free cash flow, however this was much more moderate than in the previous year. Allowing for cash flow from investing activities relating to financial assets (cash outflow of the second capital tranche for the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd. and cash outflow of the first purchase installment for Lust Hybrid-Technik GmbH, Hermsdorf), the total free cash flow amounts to € -13.3 million (previous year € -13.5 million).

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

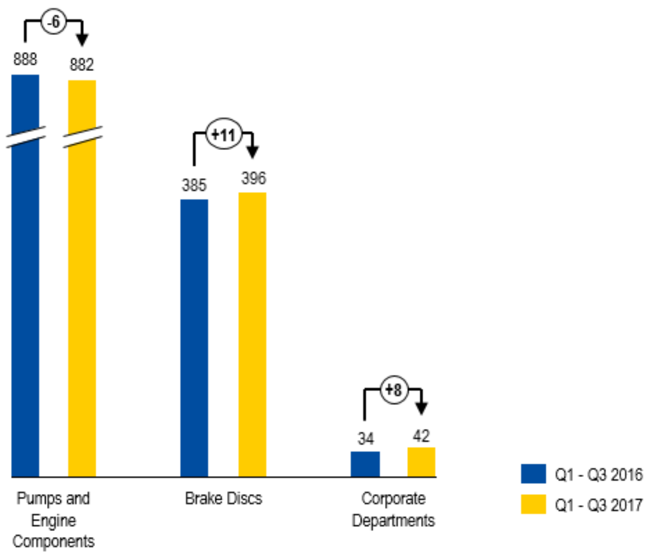
Net financial debt up

Net financial debt amounted to € -21.4 million after the first nine months of the year. By comparison with 31 December 2016, net financial debt has therefore increased by € 23.0 million due to the cash flows outlined above. This represents an increase of € 13.6 million compared with the previous year.

Employees

In the first nine months of the fiscal year 2017, the Group's average number of employees – on an FTE basis – rose from 1,307 in the comparable period of the previous year to 1,321 at Group level. At the same time the number of employees in the Pumps and Engine Components business segment has decreased by 6 FTEs despite the first-time pro-rata inclusion of the employees of Lust Hybrid-Technik and the start-up related personnel increase at the Kunshan (China) plant. The increase at corporate departments is due exclusively to a change in the allocation of staff.

Average number of employees (FTE)



Report on risks and opportunities

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

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

Forecast

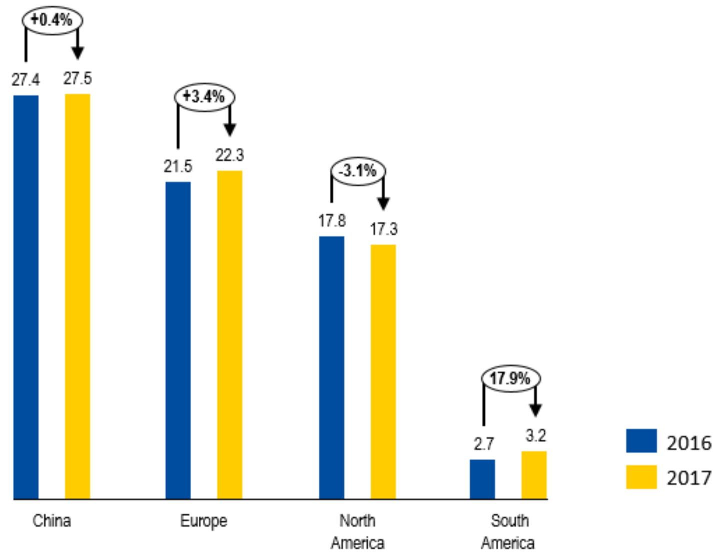
Outlook for the industry

Moderate growth rates anticipated for light vehicles in 2017

Based on the most recent forecasts, the IHS market research institute expects global light vehicle production (vehicles < 6 tonnes) to increase slightly by +1.9 per cent in 2017, from 93.1 million vehicles to 94.9 million vehicles.

The main contribution here should be made by Europe (+3.4 per cent to 22.2 million vehicles), Japan/Korea (+4.6 per cent to 13.5 million vehicles) and South America (+17.9 per cent to 3.2 million vehicles). China, by contrast, is expected to see only slight growth of 0.4 percentage points to 27.4 million vehicles. It is assumed there will be a slight downturn of 3.1 per cent in the production figures for North America to 17.2 million vehicles. The main factor behind this trend is the significant fall in vehicle production in the USA (-7.2 per cent to 11.1 million units).

Production of light vehicles by region (millions of units)



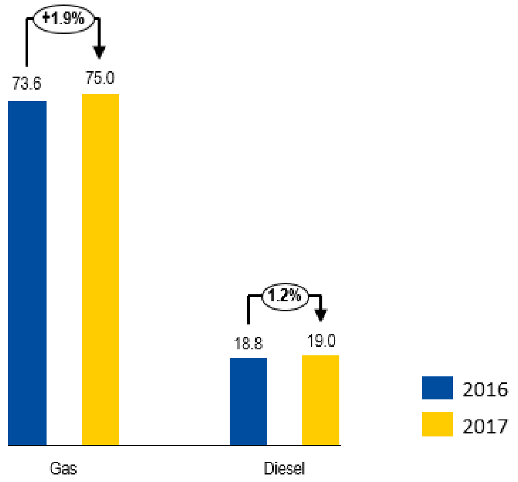
Source: IHS – October 2017

The envisaged 3.4 per cent increase in production in Europe will primarily be generated in the markets of Turkey (+13.2 per cent to 1.6 million vehicles), Russia (+14.3 per cent to 1.4 million vehicles) and France (+8.0 per cent to 2.2 million vehicles). A decrease of 1.2 per cent to 5.9 million vehicles is expected for the German market.

Gasoline engines remain the main source of growth

Based on the IHS research institute's analyses, it can be expected that global engine production will increase by 1.9 per cent to 94.9 million units in 2017. The gasoline engine remains the leading engine type, with a global market share of 79 per cent. The industry experts predict slight growth of 1.2 per cent for diesel engines to 19.0 million units. This would represent a market share of 20 per cent. Electric motors continue to play a minor role, accounting for 0.7 million units. This nevertheless represents a growth rate of almost 41 per cent on the previous year.

Engine production worldwide (millions of units)



Source: IHS – October 2017

In Europe, diesel engines are expected to register slightly higher production figures, with 11.3 million units (+1.1 per cent on the previous year). Gasoline engines are expected to account for 12.8 million units (+6.9 per cent on the previous year). In the South American region growth of 19.3 per cent to 2.4 million units is expected (previous year: 2.0 million units). Gasoline engines account for 2.3 million units of this amount.

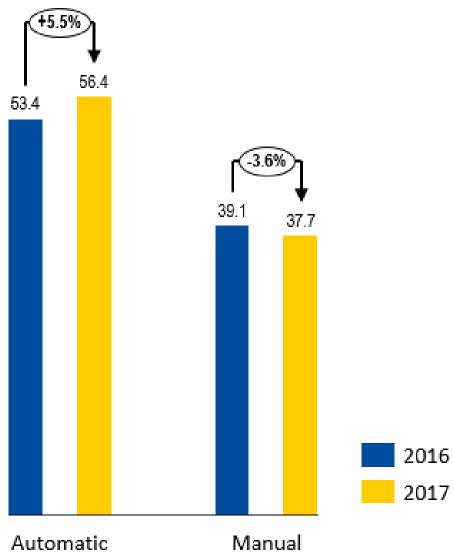
In China slight unit growth of 1.2 per cent to 27.7 million units is anticipated. Production of electric motors should rise by 46.5 per cent to 365 thousand units.

In North America by contrast a sharp fall of 14.9 million units in production volume is expected, corresponding to a contraction of 5.6 per cent. The region will remain a gasoline market, with a share slightly in excess of 95 per cent.

Growth of more than 5 per cent expected for automatic transmissions

For 2017, IHS predicts global transmission production growth of 1.9 per cent to 94.9 million units. This volume growth of 5.5 per cent to 56.3 million units is attributable solely to automatic transmissions, whose share of global production should increase to 59.4 per cent. Production of manual transmissions by contrast should weaken by 3.6 per cent to 37.7 million units (previous year 39.1 million units). The growth drivers in the segment of automatic transmissions are the production sites in China (+16.9 per cent to 11.0 million units), Japan/Korea (+4.7 per cent to 20.4 million units) and Europe (+6.9 per cent to 8.8 million units).

Transmission production worldwide (millions of units)



Source: IHS – October 2017

Outlook for the Group

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

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

Based on these assumptions, SHW continues to expect an EBITDA margin in a range of 10.0 per cent to 11.0 per cent (previous year 10.7 per cent) for the fiscal year 2017.

Aalen, 26 October 2017

The Management Board of SHW AG

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

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

Consolidated Income Statement (unaudited) for the period from 1 January to 30 September 2017

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Sales	97,639	96,956	300,333	312,219
Cost of sales	-85,054	-86,534	-263,945	-279,685
Gross profit	12,585	10,422	36,388	32,534
Selling expenses	-2,875	-1,707	-8,682	-5,149
General administrative expenses	-4,548	-3,103	-11,427	-9,110
Research and development costs	-2,967	-1,845	-8,198	-5,261
Other operating income	2,364	1,509	6,159	3,094
Other operating expenses	-50	-709	-1,453	-1,982
Operating result	4,509	4,567	12,787	14,126
Financial income	8	1	14	11
Financial expenses	-407	-276	-933	-827
Profit of joint ventures accounted for using the equity method	99	73	401	203
Earnings before tax	4,209	4,365	12,269	13,513
Deferred taxes	-36	616	305	955
Current income tax	-1,249	-1,610	-4,270	-4,561
Earnings after tax	2,924	3,371	8,304	9,907
Net Profit for the period	**2,924**	**3,371**	**8,304**	**9,907**
Earnings per share in EUR (basic and diluted)	0.45	0.52	1.29	1.54

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

	Q3		Q1-Q3	
K EUR	**2017**	**2016**	**2017**	**2016**
Net profit for the period	2,924	3,371	8,304	9,907
Items that will not be reclassified to profit or loss in future periods				
Actuarial gains/losses from pension accruals and similar obligations before tax	0	0	0	0
Tax effect	0	0	0	0
Items that may be reclassified to profit or loss in future periods				
Currency translation differences	-311	42	-1,156	663
Tax effect	0	0	0	0
Amounts posted to other comprehensive income in association with held-for-sale assets (unrealised gains/losses from currency translation for joint ventures accounted for using the equity method)	-224	-217	-1,008	-898
Tax effect	0	0	0	0
Other earnings after tax	-535	-175	-2,164	-235
Total comprehensive income after tax	**2,389**	**3,196**	**6,140**	**9,672**
Net profit for the period attributable to				
- shareholders of SHW AG	2,924	3,371	8,304	9,907
- holders of non-controlling interests	0	0	0	0
Total comprehensive income after tax attributable to				
- shareholders of SHW AG	2,389	3,196	6,140	9,672
- holders of non-controlling interests	0	0	0	0

Consolidated Balance Sheet (unaudited) as at 30 September 2017

ASSETS

K EUR	30.09.2017	31.12.2016	30.09.2016
Goodwill	7,055	7,055	7,055
Customer base	947	0	0
Other intangible assets	8,251	9,259	9,054
Property, plant and equipment	108,697	96,854	95,240
Deferred tax assets	5,879	5,271	5,025
Joint ventures accounted for using the equity method	0	16,412	15,974
Other financial assets	297	298	341
Other assets	1,819	1,476	858
Non-current assets	132,945	136,625	133,547
Inventories	45,494	46,378	46,704
Trade receivables	56,191	37,967	46,293
Other financial assets	80	135	526
Other assets	5,618	3,210	2,731
Cash and cash equivalents	2,242	3,616	3,629
Held-for-sale assets	15,804	0	0
Current assets	125,429	91,306	99,883
Total assets	**258,374**	**227,931**	**233,430**

[1] Carrying amount as at 30 September 2017 is presented as "held-for-sale assets" under current assets. See the notes on "Held-for-sale assets" and "Joint ventures accounted for using the equity method".

EQUITY AND LIABILITIES

K EUR	**30.09.2017**	**31.12.2016**	**30.09.2016**
Subscribed capital	6,436	6,436	6,436
Capital reserves	38,510	38,510	38,510
Revenue reserves	84,295	82,427	79,529
Other reserves	-8,188	-6,024	-4,999
Equity	121,053	121,349	119,476
Pension accruals and similar obligations	28,087	28,036	26,083
Deferred tax liabilities	2,878	2,448	2,639
Other accruals	4,801	4,747	4,078
Other financial liabilities	2,219	1,208	933
Liabilities to banks	1,638	107	405
Other liabilities	48	0	0
Non-current liabilities and accruals	39,671	36,546	34,138
Liabilities to banks	21,957	1,876	11,001
Trade payables	43,574	34,802	34,345
Other financial liabilities	9,663	14,161	15,733
Income tax liabilities	112	1,619	1,728
Other accruals	12,208	10,524	7,569
Other liabilities	10,136	7,054	9,440
Current liabilities and accruals	97,650	70,036	79,816
Total equity and liabilities	**258,374**	**227,931**	**233,430**

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

	Q1-Q3	
K EUR	**2017**	**2016**
1. Cash flow from operating activities		
Net profit for the period	8,304	9,907
Depreciation / amortisation (+) of fixed assets	17,464	18,343
Income tax expenses through profit or loss (+)	4,270	4,561
Income taxes paid (-)	-5,777	-4,923
Financing costs through profit or loss (+)	933	827
Interest paid (-)	-1,048	-219
Financial investment income through profit or loss (-)	-15	-11
Interest received (+)	15	11
Increase (+) / decrease (-) in accruals	827	-2,937
Change in deferred taxes	-305	-955
Other non-cash effective expenses (+) / income (-)	-58	1,845
Gain (-) / loss (+) from the disposal of assets	90	45
Profit of joint ventures accounted for using the equity method	-401	-203
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-16,377	-18,181
Increase (-) / decrease (+) in trade payables and other liabilities	11,166	-5,197
Cash flow from operating activities	**19,088**	**2,913**
2. Cash flow from investing activities		
Cash received (+) from the disposal of property, plant and equipment	0	227
Cash paid (-) for investments in property, plant and equipment	-21,294	-15,712
Cash paid (-) for investments in intangible assets	-1,959	-939
Cash paid (-) for investments in financial assets	-9,118	0
Cash flow from investing activities	**-32,371**	**-16,424**

K EUR	Q1-Q3 2017	2016
3. Cash flow from financing activities		
Cash received (+) from the assumption of financial liabilities	20,655	9,811
Cash paid (-) for the redemption of financial liabilities	-2,058	-891
Dividends paid (-) to shareholders	-6,436	-6,436
Cash paid (-) for finance leases	-75	-98
Cash flow from financing activities	**12,086**	**2,386**
4. Cash and cash equivalents at the end of the period		
Cash-effective changes in cash and cash equivalents (sum of positions 1–3)	-1,197	-11,125
Exchange rate-related changes in cash and cash equivalents	-177	-60
Cash and cash equivalents at the beginning of the period	3,616	14,814
Cash and cash equivalents at the end of the period	**2,242**	**3,629**

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

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	**Total equity**
Position as at 1 January 2016	6,436	38,510	76,058	-4,764	116,240
Unrealised gains/losses from currency translation for joint ventures accounted for using the equity method	0	0	0	-898	-898
Foreign currency translation differences	0	0	0	663	663
Income recognised directly in equity	0	0	0	-235	-235
Net profit for the period Q1 - Q3 2016	0	0	9,907	0	9,907
Total comprehensive income for the period Q1- Q3 2016	0	0	9,907	-235	9,672
Dividens paid	0	0	-6,436	0	-6,436
Position as at 30 September 2016	**6,436**	**38,510**	**79,529**	**-4,999**	**119,476**

K EUR	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	**Total equity**
Position as at 1 January 2017	6,436	38,510	82,427	-6,024	121,349
Amounts posted to other comprehensive income association with held-for-sale assets (unrealised gains/losses from currency translation for joint ventures accounted for using the equity method)	0	0	0	-1,009	-1,009
Foreign currency translation differences	0	0	0	-1,155	-1,155
Income recognised directly in equity	0	0	0	-2,164	-2,164
Net profit for the period Q1 - Q3 2017	0	0	8,304	0	8,304
Total comprehensive income for the period Q1 - Q3 2017	0	0	8,304	-2,164	6,140
Dividens paid	0	0	-6,436	0	-6,436
Position as at 30 September 2017	**6,436**	**38,510**	**84,295**	**-8,188**	**121,053**

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

Principles and methods applied in the Interim Consolidated Financial Statements

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

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

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

The Management Board forwarded these interim Consolidated Financial Statements to the Audit Committee of the Supervisory Board on 20 October 2017. They cover the period from 1 January to 30 September 2017 compared to the same period in the previous year. The Interim Consolidated Financial Statements have been prepared in euros. Unless indicated otherwise, the figures shown in the Interim Consolidated Financial Statements are stated in thousand euros.

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

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

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

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

Standard/Interpretation		To be applied from
Amendments to IAS 12	Income taxes	01.01.2017
Amendments to IAS 7	Statements of cash flows	01.01.2017

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

Scope of consolidation

Subsidiaries

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

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

Changes to the scope of consolidation arose from the addition of Lust Hybrid-Technik GmbH, Hermsdorf (hereinafter: LHT) as 100 per cent of its shares were acquired on 2 August 2017. LHT's portfolio of goods and services comprises the development, industrialisation, production and qualification of complex, miniaturised electronics and micro-systems technology. As a provider of Electronics Manufacturing Services (EMS), LHT covers the entire contract manufacturing chain for electronic assemblies – from the development of processes and circuit board assemblies through to complex test concepts and global shipment. With this acquisition, SHW has optimised the vertical integration of its electric pumps sector.

As consideration for the acquisition, a fixed (cash) price of € 3,300 thousand was agreed, of which € 2,300 thousand was due for immediate payment. The reminder of € 1,000 thousand which is not yet payable falls due on 31 March 2020 provided that no deductions for contractual warranties given by the sellers are needed. At present, it is not assumed that deductions will be needed. Correspondingly, the purchase instalment that is not yet due is recognized under non-current other financial liabilities of the Group.

The fair value of the assets acquired on the date of acquisition break down as follows:

K EUR	02.08.2017
Customer base	963
Other intangible assets	16
Property, plant and equipment	5,158
Deferred tax assets	155
Non-current assets	6,292
Inventories	1,882
Trade receivables	1,062
Other assets	692
Cash and cash equivalents	1
Current assets	3,637
Total equity and liabilities	**9,929**

The fair value of the liabilities acquired on the date of acquisition break down as follows:

K EUR	02.08.2017
Deferred tax liabilities	282
Other accruals	16
Other financial liabilities	335
Liabilities to banks	1,798
Other liabilities	48
Non-current liabilities and accruals	2,479
Liabilities to banks	717
Trade payables	1,074
Other financial liabilities	881
Other accruals	508
Other liabilities	970
Current liabilities and accruals	4,150
Total liabilities and accruals	**6,629**

The sales attributable to LHT since it became affiliated to the Group amount to € 2,215 thousand. The profit generated by LHT since it became affiliated to the Group of € 154 thousand is contained in the net profit reported for the third quarter. In the segment reporting, LHT is allocated to the Pumps and Engine Components business segment.

The transaction-related costs amount to € 665 thousand. These have been recorded as expenses in the fiscal year and reported under other operating expenses in the consolidated income statement.

Joint ventures accounted for using the equity method

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

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

On 26 September 2017 SHW Automotive GmbH signed a contract for the sale of its share in the joint venture to the Chinese joint venture partner. The completion of the transaction is expected in the fourth quarter of 2017. Consequently, the investment, which has been presented under non-current financial assets to date, is now presented under current assets and classified and measured as held-for-sale in accordance with IFRS 5.

Held-for-sale assets

Assets are classified as held for sale if the associated carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is only deemed to be fulfilled when asset is available for immediate sale in its present condition and the sale is highly probable. The management must be committed to a plan to sell the asset. It must be assumed that the sales transaction will be completed within one year from the date of classification.

Assets that are classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

Reference is made to the disclosures on “Joint ventures accounted for using the equity method” above for more information on the carrying amount presented on 30 September 2017 of the share in the joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., which is allocated to the Brake Discs business segment and which was previously presented under non-current assets and accounted for using the equity method.

No expenses or income had arisen as at 30 September 2017 that would have to be considered in the consolidated income statement with regard to held-for-sale assets.

Exchange rates

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

		Closing rate		Average rate	
Country	Abbreviation	30.09.2017	31.12.2016	01.01.-30.09.2017	01.01.-30.09.2016
Brazil	BRL	3.7635	3.4248	3.5311	3.9378
Canada	CAD	1.4687	1.4141	1.4538	1.4741
China	RMB	7.8534	7.3059	7.5721	7.3420
Romania	RON	4.5993	4.5390	4.5517	4.4860

Sales

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

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Germany	51,705	56,066	158,715	177,177
Rest of Europe	38,299	37,585	124,386	126,595
America	2,553	2,140	6,906	5,784
Other	5,082	1,165	10,326	2,663
Group	**97,639**	**96,956**	**300,333**	**312,219**

Cost of materials

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

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Cost of raw materials and supplies and of goods purchased	57,571	59,492	173,852	187,611
Cost of purchased services	2,582	2,876	7,889	9,885
Total cost of materials	**60,153**	**62,368**	**181,741**	**197,496**

Personnel expenses

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

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Wages and salaries	17,862	17,536	57,809	56,825
Social security contributions and pension expenses	3,902	3,728	10,962	10,784
Total personnel expenses	**21,764**	**21,264**	**68,771**	**67,609**

Other operating income

Other operating income comprises, in particular, income from the reversals of accruals of € 3,516 thousand (previous year € 2,331 thousand), non-recurring income of € 1,827 thousand (previous year € 43 thousand) and income from insurance indemnification payments of € 479 thousand (previous year € 273 thousand).

Other operating expenses

Among other items, other operating expenses contain legal expenses and consulting fees of € 633 thousand (previous year € 265 thousand), expenses of € 417 thousand (previous year € 0 thousand) relating to property damage that is offset by considerable other operating income from insurance indemnification payments (see the section on other operating income) and other taxes of € 235 thousand (previous year € 64 thousand).

Financial result

The financial result is comprised as follows:

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Financial income	**8**	**1**	**14**	**11**
Financial expenses				
Interest and similar expenses	-257	-120	-483	-360
Interest portion in the addition to pension accruals	-141	-146	-423	-437
Interest expense from finance leases	-9	-10	-27	-30
	-407	**-276**	**-933**	**-827**
Financial result	**-399**	**-275**	**-919**	**-816**

Income taxes

Income taxes for the period up to 30 September 2017 in the amount of € 3,965 thousand (previous year € 3,606 thousand) include current tax expenses in the amount of € 4,270 thousand (previous year € 4,561 thousand) as well as deferred tax benefits in the amount of € 305 thousand (previous year € 955 thousand). Deferred tax benefits and expenses have occurred in particular due to changes in valuation differences for fixed assets and other accruals, and changes in deferred taxes on loss carryforwards. The Group's tax ratio amounts to 32.3 per cent (previous year 26.7 per cent).

Earnings per share

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

	Q3		Q1-Q3	
K EUR	2017	2016	2017	2016
Net profit for the year attributable to shareholders of SHW AG	2,924	3,371	8,304	9,907
Average number of shares issued	6,436,209	6,436,209	6,436,209	6,436,209
Earnings per share (basic and diluted) in EUR	**0.45**	**0.52**	**1.29**	**1.54**

Intangible assets

The carrying amounts of intangible assets are comprised as follows:

K EUR	30.09.2017	31.12.2016
Goodwill	7,055	7,055
Customer base	947	0
Internally generated assets	5,997	6,387
Other intangible assets	2,254	2,872
Total	**16,253**	**16,314**

Internally generated intangible assets relate to development costs in particular.

Property, plant and equipment

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

K EUR	30.09.2017	31.12.2016
Land, land rights, and buildings	32,230	29,169
Technical equipment and machinery	49,491	47,717
Other equipment, operating and office equipment	10,665	10,841
Advance payments and assets under construction	16,311	9,127
Total	**108,697**	**96,854**

Held-for-sale assets (joint ventures accounted for using the equity method)

The share in the Chinese joint venture, SHW Longji Brake Discs (LongKou) Co., Ltd., which had been measured using the equity method to date, were classified as held for sale as at 30 September 2017 and measured accordingly. The sale and purchase agreement signed on 26 September 2017 provides for the sale of all shares to the joint venture partner. After being reclassified, this investment was no longer accounted for using the equity method. The carrying amount of the share developed as follows prior to 30 September 2017:

K EUR	30.09.2017	31.12.2016
Share in %	51.0	51.0
Held-for-sale assets (carrying amount of joint ventures accounted for using the equity method)	15,804	16,412

K EUR	2017	2016
Net profit from joint ventures accounted for using the equity method Q3	99	73
Net profit from joint ventures accounted for using the equity method Q1 - Q3	401	203

Inventories

Inventories are comprised as follows:

K EUR	30.09.2017	31.12.2016
Raw materials and supplies	17,734	15,582
Unfinished products	16,342	16,291
Finished products	10,808	13,240
Advance payments	610	1,265
Total	**45,494**	**46,378**

As at 30 September 2017, impairments of inventories amounted to € 4,059 thousand (31 December 2016: € 3,803 thousand).

Trade receivables

Trade receivables are comprised as follows:

K EUR	30.09.2017	31.12.2016
Receivables from customers	56,893	38,982
Impairments	-112	-52
Impairments for uncleared items in process	-590	-963
Total	**56,191**	**37,967**

Financing of the Group

The debt financing of the SHW Group is mainly provided by means of a syndicated loan agreement. The new syndicated loan agreement has a volume of € 80.0 million and was concluded on 4 August 2017 for a term of five years with an option to extend it. The interest rate is variable and is based on EURIBOR plus an interest margin between 0.7 per cent and 1.4 per cent per annum, depending on the agreed covenants. The covenants relate to (a) net debt (ratio of net debt to EBITDA) and (b) the equity ratio. Both covenants were complied with as at 30 September 2017.

As at 30 September 2017, € 21,342 thousand of this syndicated line of credit had been utilised. In addition, there are five amortising loans (in addition to the two loans at SHW, three loans at LHT have been added) which were valued at € 2,186 thousand as at 30 September 2017.

Financial instruments

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

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

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

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

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

30 September 2017		CA	FV	Valuation		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
ASSETS						
Other non-current financial assets						
Asset value of the reinsurance cover	AfS	297	297	297	–	–
Trade receivables	LaR	56,191	*)	56,191	–	–
Other financial assets	LaR	80	*)	80	–	–
Cash and cash equivalents	LaR	2,242	*)	2,242	–	–

*) The fair value approximately equals the carrying amount

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

*) The fair value approximately equals the carrying amount

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

30 September 2017		CA	FV	Valuation		
K EUR	Valua-tion category			Amortised cost	Fair value through equity	Fair value through profit or loss
EQUITY AND LIABILITIES						
Liabilities to banks	FLAC	23,595	23,595	23,595	–	–
Trade payables	FLAC	43,574	43,574	43,574	–	–
Other non-current financial liabilities						
Other non-interest-bearing liabilities	FLAC	1,112	1,112	1,112	–	–
Liabilities from finance leases	FLAC	1,107	1,107	1,107	–	–
Other current financial liabilities						
Other non-interest-bearing liabilities	FLAC	9,376	9,376	9,376	–	–
Liabilities from finance leases	FLAC	287	287	287	–	–

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

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

Other accruals

The other accruals are comprised as follows:

K EUR	30.09.2017	31.12.2016
Warranties	1,282	1,357
Other business-related obligations	5,524	9,159
Obligations to employees	4,833	4,747
Other accruals	5,370	8
Total	**17,009**	**15,271**
Of which non-current accruals	4,801	4,747

Segment reporting

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

Segment information for the period from 1 January to 30 September

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2017	2016	2017	2016	2017	2016	2017	2016
Segment sales	230,584	245,438	69,749	66,781	0	0	300,333	312,219
Segment EBIT	13,928	12,364	1,733	3,243	-2,874	-1,481	12,787	14,126
Segment EBITDA	28,075	27,145	4,736	6,579	-2,560	-1,255	30,251	32,469
Financial result	0	0	0	0	-919	-816	-919	-816
Profit of joint ventures accounted for using the equity method	0	0	401	203	0	0	401	203
Period result before tax	13,928	12,364	2,134	3,446	-3,793	-2,297	12,269	13,513
Segment depreciation/amortisation	14,147	14,781	3,003	3,336	314	226	17,464	18,343
Segment investments	17,512	11,645	5,090	4,768	852	238	23,454	16,651
Number of customers with sales > 10% of total sales	3	3	1	1			2	2
VW Group	86,738	91,000	39,652	37,559			126,390	128,559
Daimler Group	31,931	49,441	52	102			31,983	49,543
BMW Group	25,312	25,783	3,360	3,814			28,672	29,597

Segment information for the period from 1 July to 30 September

	Pumps and Engine Components		Brake Discs		Other items/ eliminations/ consolidations		Group	
K EUR	2017	2016	2017	2016	2017	2016	2017	2016
Segment sales	75,232	74,833	22,407	22,123	0	0	97,639	96,956
Segment EBIT	5,395	3,422	575	1,715	-1,461	-570	4,509	4,567
Segment EBITDA	10,208	8,392	1,608	2,817	-1,339	-495	10,477	10,714
Financial result	0	0	0	0	-399	-275	-399	-275
Profit of joint ventures accounted for using the equity method	0	0	99	73	0	0	99	73
Period result before tax	5,395	3,422	674	1,788	-1,860	-845	4,209	4,365
Segment depreciation/amortisation	4,813	4,970	1,033	1,102	122	75	5,968	6,147
Segment investments	5,871	4,510	2,416	2,069	450	194	8,737	6,773
Number of customers with sales > 10% of total sales	3	3	1	1			3	2
VW Group	24,303	26,892	13,311	12,798			37,614	39,690
Daimler Group	10,577	16,419	23	12			10,600	16,431
BMW Group	7,838	7,996	1,233	1,276			9,071	9,272

Relationships with related parties

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

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

Collateral granted and other financial obligations

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

Events after the balance sheet date

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

Assurance of the Legal Representatives

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

Aalen, 26 October 2017

The Management Board of SHW AG

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

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