



**Analyst and Investor Conference Call**

**Financial Results H1/2015**

**29 July 2015**

### Market environment

- New car registrations in the US and Europe continued to grow by 5.2 per cent to 8.2 million units in Q2/2015 whereas the Chinese automobile market is faltering

### Operating performance

- Group sales: +13.2 per cent to €240.1 million
- Adjusted EBITDA: increased by 15.4 per cent from €19.9 million to €23.0 million
- Operating free cash flow: improvement of €5.2 million to €-3.5 million

### Financial performance

- Net income increased by 33.6 per cent to €9.6 million, whereof €1.3 million are derived from the Joint Venture SHW Longji Brake Discs (LongKou) accounted for at equity for the first time
- Successful issuance and placement of a capital increase of €24.6 million
- Kepler Cheuvreux initiated research coverage with a 'buy' recommendation and a target price of €49
- Shareholders approved to resolve a dividend of €1.00 per share on the Annual General Meeting on May 12<sup>th</sup> 2015

## Status internationalisation: Pumps and Engine Components

### North-America:

- Re-entry into market – nomination as a serial supplier of variable engine oil pumps for a global engine platform (North America, Europe and China)

### China:

- Successful delivery of prototypes of electric auxiliary pumps for start-stop function as well as transmission oil pumps for dual-clutch; nomination as serial supplier is about to be concluded
- Active preparation for the start of serial production (SoP) in the second half of 2015
- Assembly line shipped to Kunshan; positive results expected promptly

### Brazil:

- 2015 seems to be characterised by a challenging market environment with still positive results

### Europe:

- Intensified search for best cost country locations in South-Eastern and Eastern Europe for capacity expansion

### Status internationalisation: Brake Discs Components

#### China:

- Start of operation of the joint venture SHW Longji Brake Discs (LongKou) in April
- Currently “LongKou” produces unprocessed brake discs for the joint venture partner with fixed profit margins
- Production capacity will be shifted to ready-to-install brake discs for new OEM/OES business over time
- Management focus lies on improving system and process quality for attaining the certification according to ISO/TS16949
- Concrete customer enquiries received shortly after start of operation

#### NAFTA:

- Further analyses of market potentials for light weight brake discs and evaluation of various market entry strategies

### Efficiency measures

- Dr.-Ing. Frank Boshoff, a proven expert in the areas of operational excellence, lean manufacturing and the development of international production sites, appointed as CEO as of 1<sup>st</sup> of July 2015
- Implementation of 3-year investment programme in Powder Metallurgy on track
  - sizing and powder press as well as machining cell commissioned
- Execution of efficiency programmes to overcome operational and logistical pressures in the Powder Metallurgy and in Bad Schussenried are currently lagging behind own expectations

## Large investments in Powder Metallurgy (2014 – 2016)



Specification	Commissioning date	Effect	Status
Building expansion	Q4/2014	Capacity	<input checked="" type="checkbox"/>
Sizing press	Q1/2015	Capacity	<input checked="" type="checkbox"/>
Powder press	Q1/2015	Capacity	<input checked="" type="checkbox"/>
Machining cell	Q2/2015	Capacity / Ratio	<input checked="" type="checkbox"/>
Double disc grinding machine	Q3/2015	Capacity / Ratio	
Palletizing systems	Q3/2015	Ratio	
High-speed sizing press	Q1/2016	Capacity	
Powder Press	Q1/2016	Capacity	

Execution of investment measures on track

## Results in line with expectations



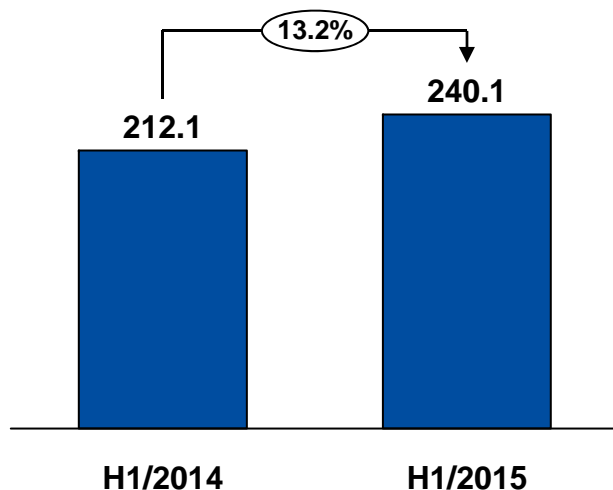
€m	H1/2015	H1/2014	Change in %
Group sales	240.1	212.1	+13.2%
Incoming orders	230.0	220.4	+4.3%
Adj. EBITDA	23.0	19.9	+15.4%
Depreciation (excl. PPA)	10.5	8.4	+25.0%
Adj. EBIT	12.5	11.5	+8.6%
Net income for the period	9.6	7.2	+33.6%
EPS (in €) <sup>1)</sup>	1.53	1.23	+24.5%
Working Capital Ratio (%)	10.4	9.7	
Capex <sup>2)</sup>	14.3	18.0	-20.4%
Operating free cash flow <sup>3)</sup>	-3.5	-8.7	-59.9%
Net Debt	-8.9	-17.4	-49.0%
ROCE (%)	15.9	17.9	
No. of employees (average)	1,276	1,119	+14.0%

<sup>1)</sup> H1/2015: based on an average of 6,281,042 shares / H1/2014: based on an average of 5,851,100 shares

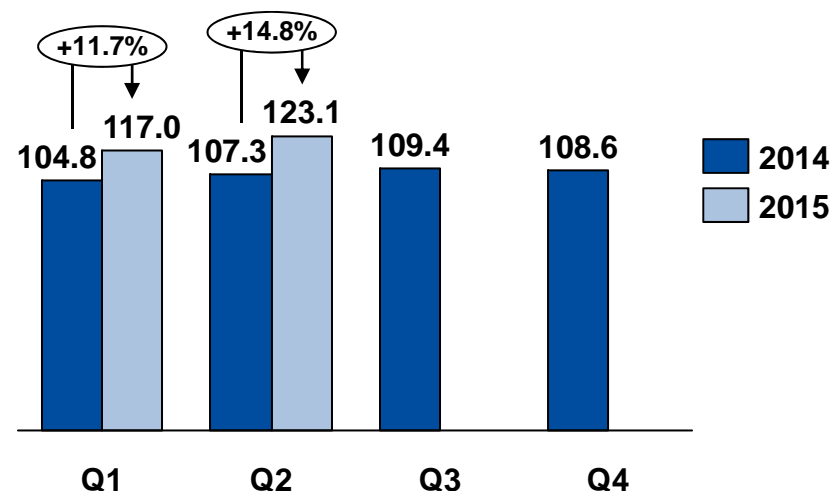
<sup>2)</sup> Additions to tangible and intangible assets

<sup>3)</sup> Operational free cash flow w/o investments in financial assets

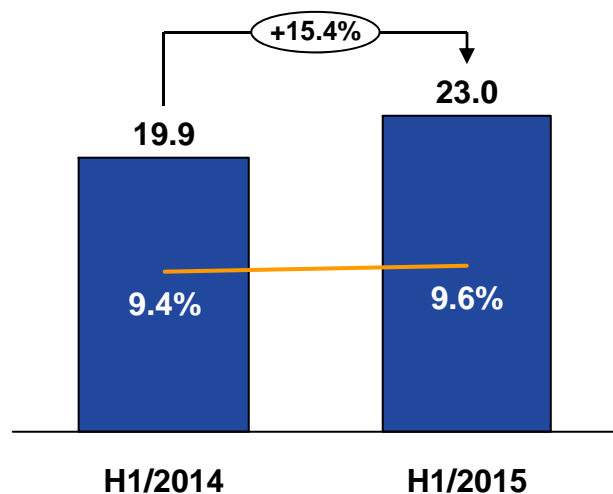
Sales (€m)



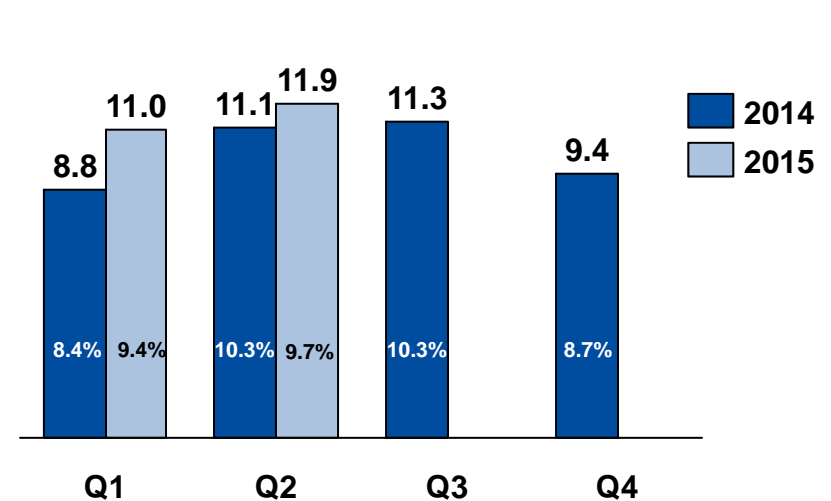
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)<sup>1</sup>



<sup>1</sup> Readjustment of Q2 / Q3 2014 figures due to non-recurring serial start-up costs

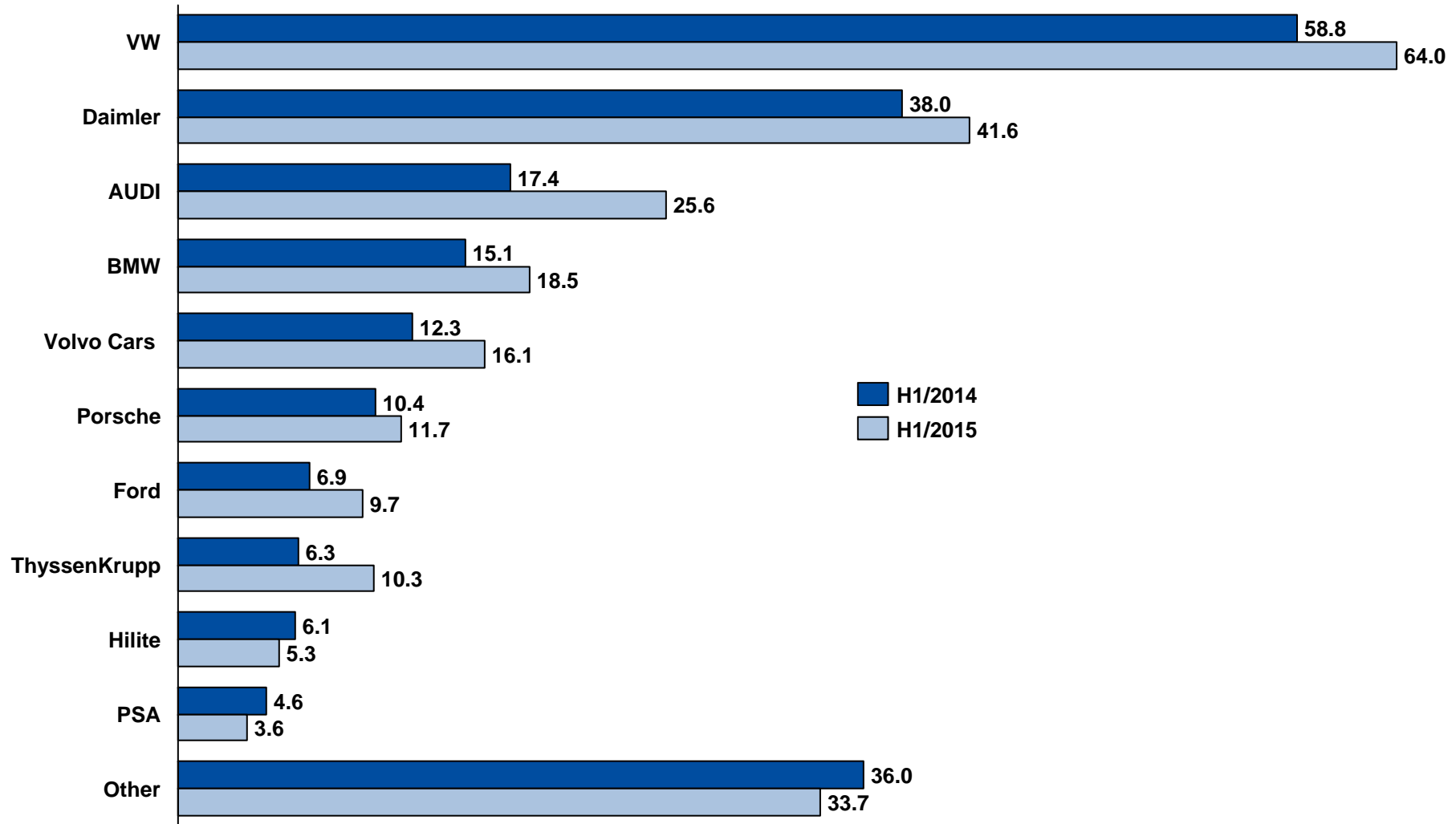
Strong growth driven by ongoing customer call orders and new product ramp-ups



# Increased sales with leading key accounts



Sales by customer (€m)

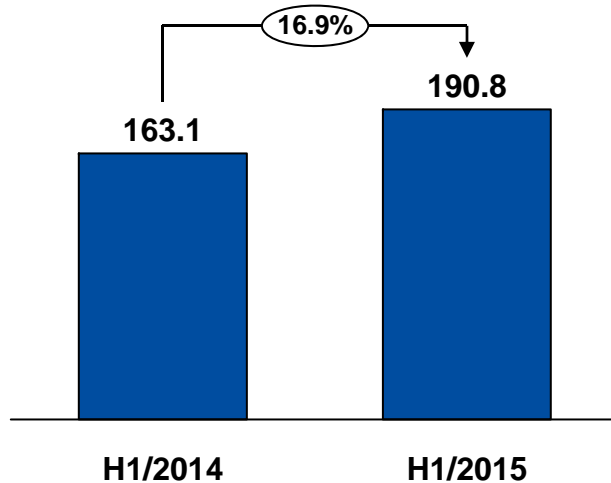


SHW well positioned with German OEMs

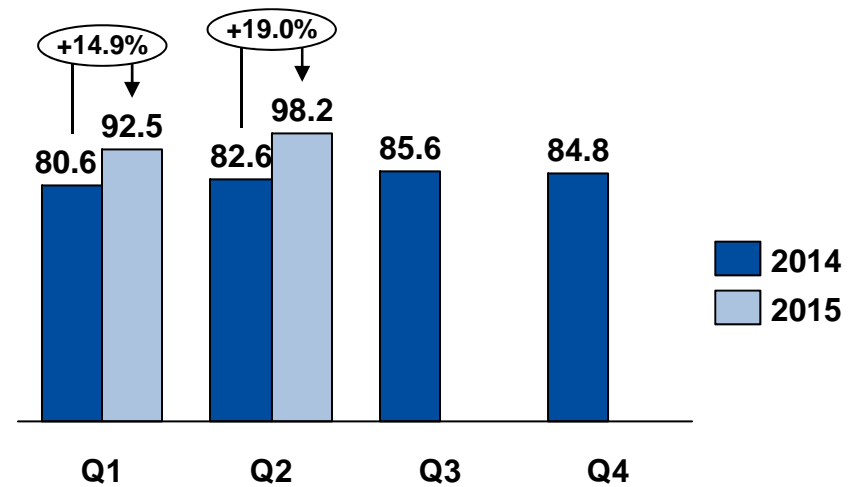
# Pumps and Engine Components



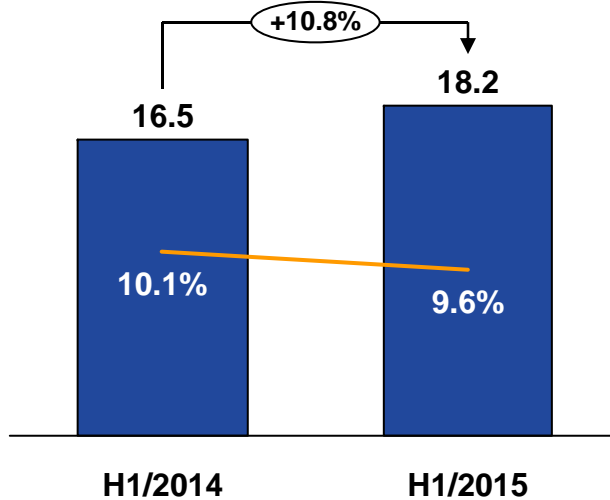
Sales (€m)



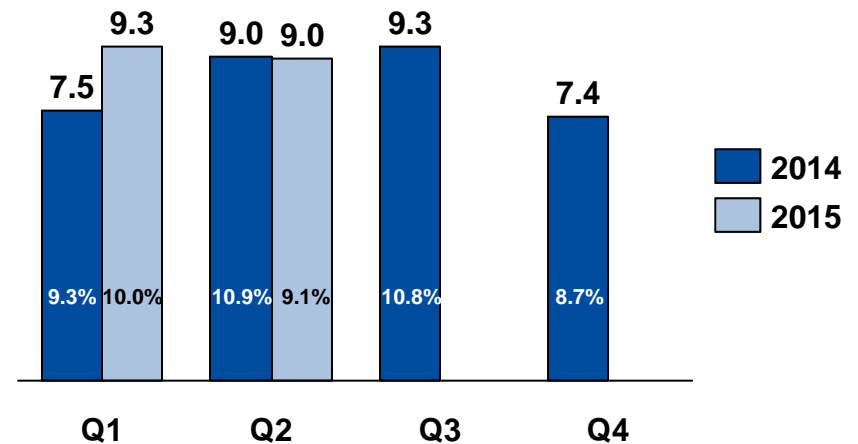
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)<sup>1</sup>



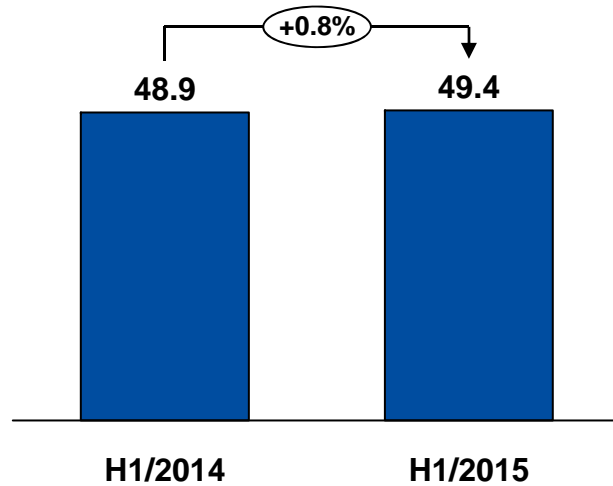
<sup>1</sup> Readjustment of Q2 / Q3 2014 figures due to non-recurring serial start-up costs

Execution of efficiency measures currently lagging selectively behind own expectations

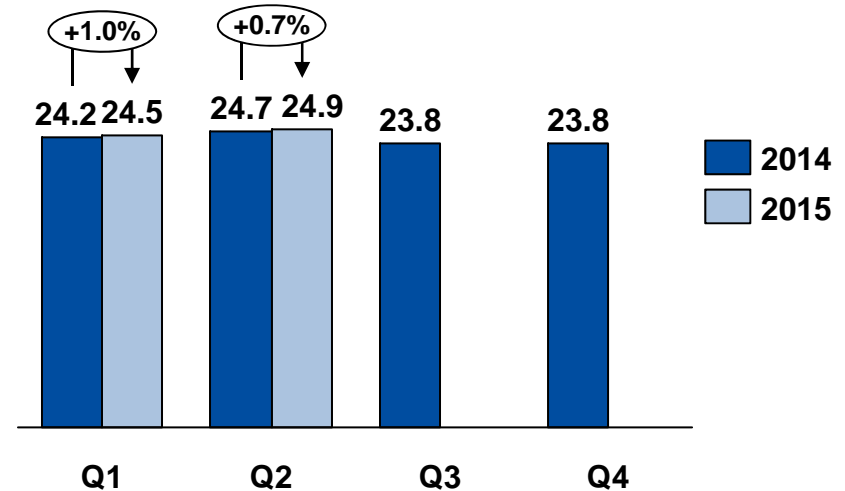
# Brake Discs



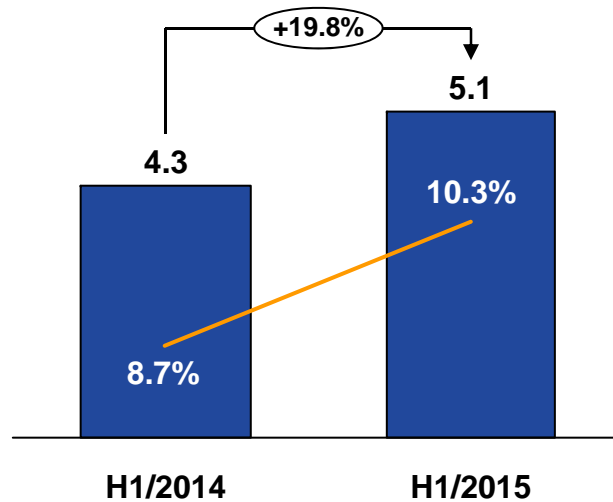
Sales (€m)



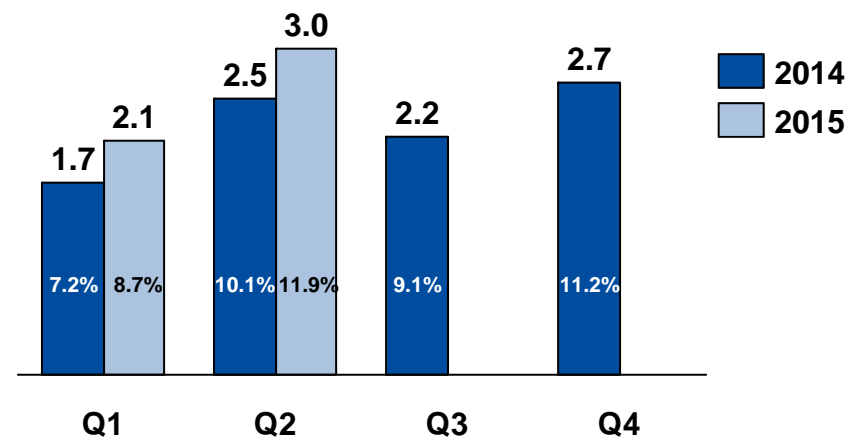
Sales by quarter (€m)



Adj. EBITDA (€m)



Adj. EBITDA by quarter (€m)



EBITDA-margin will exceed the 10 per cent hurdle in 2015

## Joint Venture “LongKou”: Key financial figures

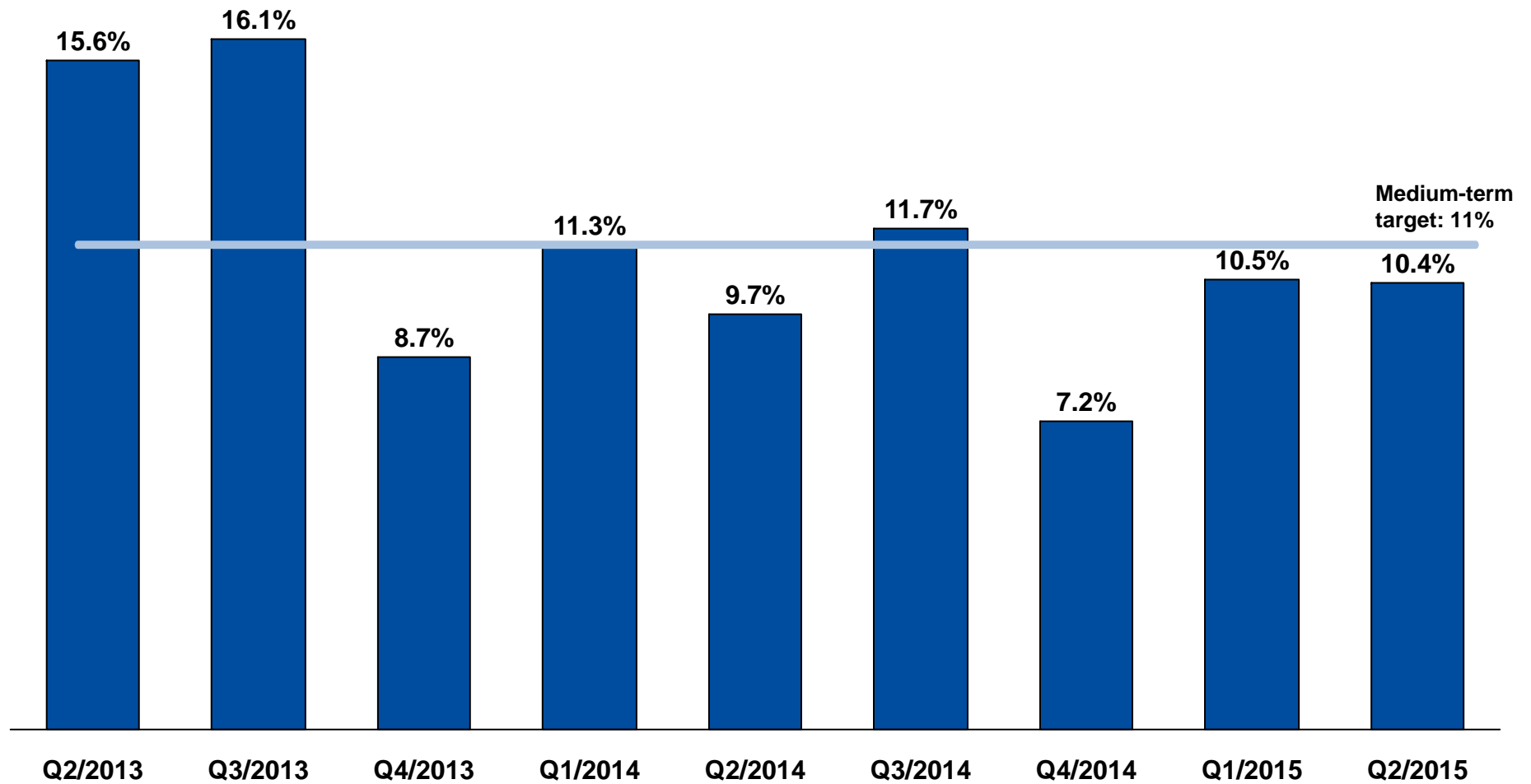


€k	Net Assets as of 30.06.2015
Non-current assets	14,536
Current assets	13,036
<i>Cash</i>	6,796
Short-term liabilities	3,027
<i>Financial liabilities</i>	981
<b>Net assets</b>	<b>24,545</b>

€k	P&L Q2/2015
<b>Sales</b>	<b>5,054</b>
<b>EBITDA</b>	<b>555</b>
Depreciation (excl. PPA)	288
EBIT	267
EBT	457
Tax expenses	114
<b>Net income</b>	<b>343</b>
Attributable net income (51 per cent)	175

Additionally, €1.1 million one-off net income effect due to release of badwill and hidden reserves

# Net Working Capital Ratio

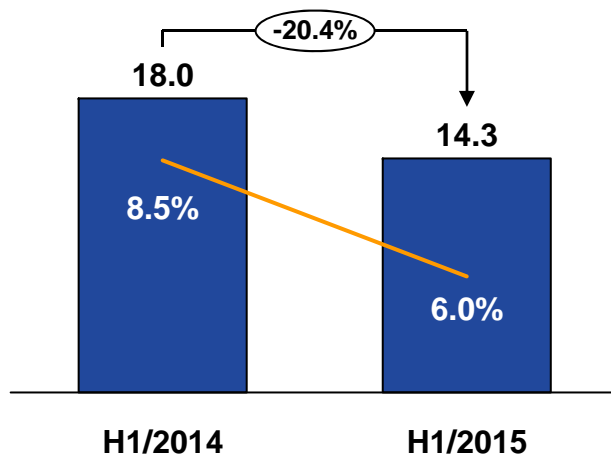


Sales increased by 13.2 per cent - Working Capital Ratio reduced to 10.4 per cent

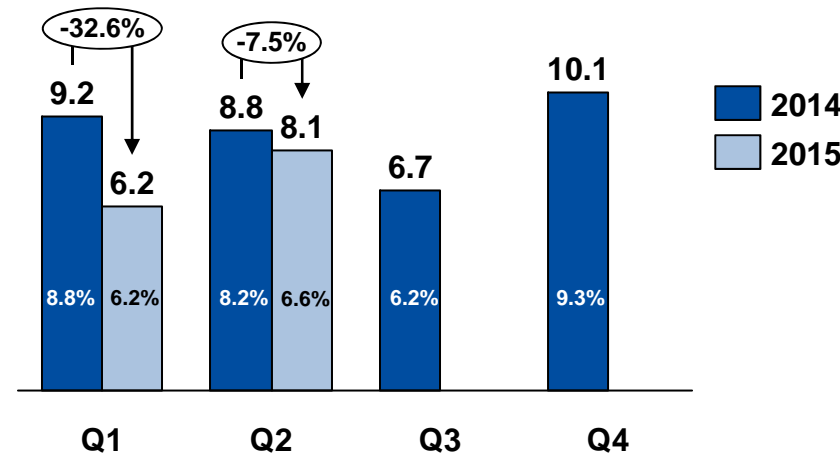
# Capex – Depreciation



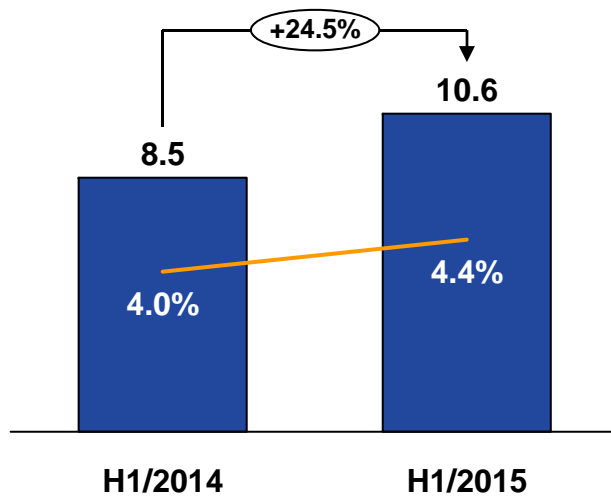
### Capex (€m)



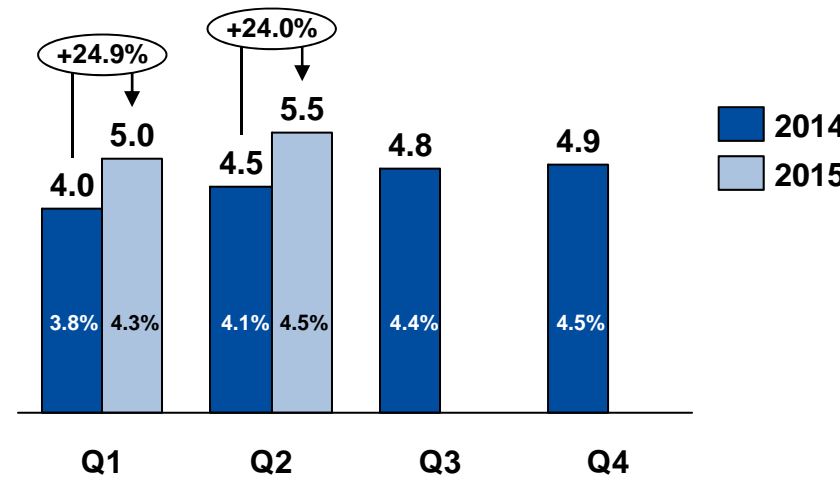
### Capex by quarter (€m)



### Depreciation (€m)



### Depreciation by quarter (€m)



Capex ratio of around 7 per cent in 2015 within reach

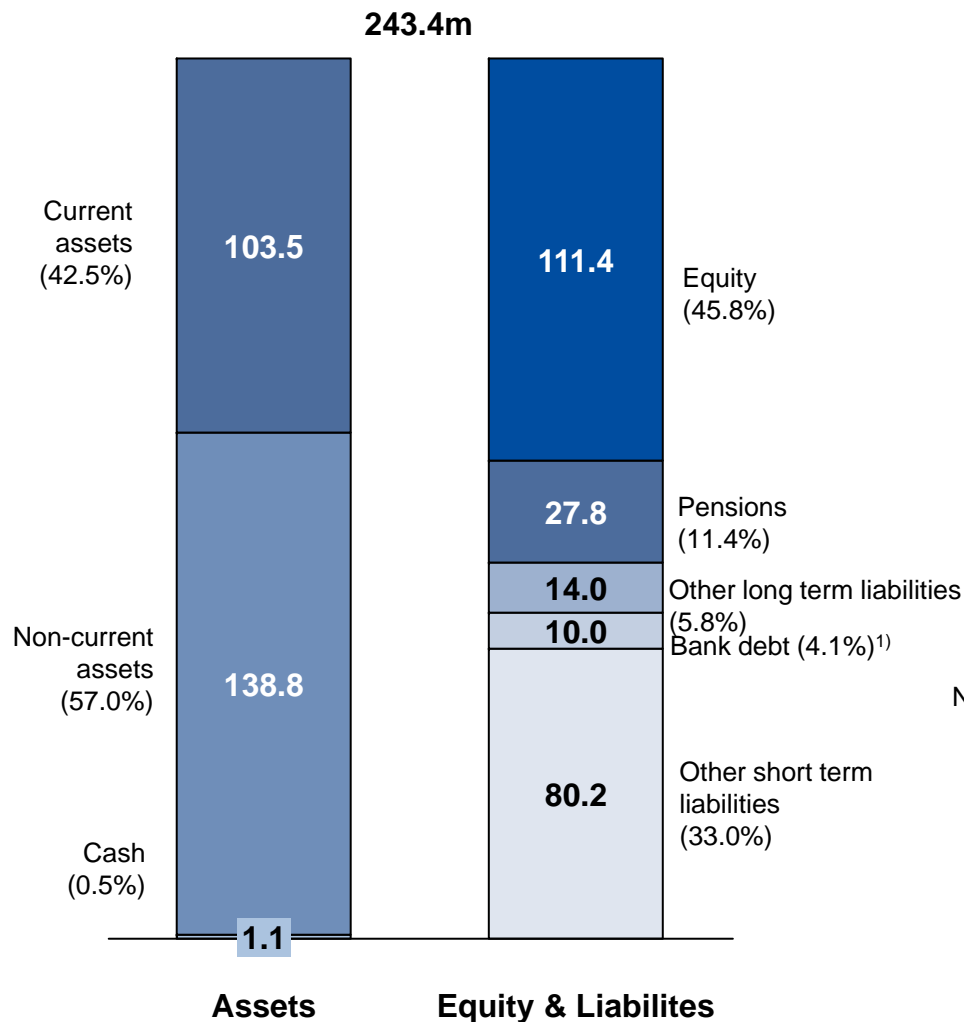
(€m)	Q2/2015	Q2/2014	H1/2015	H1/2014
Cash flow from operating activities	14.6	12.1	13.2	12.1
Cash flow from investing activities - <i>tangible and intangible assets</i>	-8.1	-8.7	-16.6	-20.7
<b>Operating free cash flow</b>	<b>6.5</b>	<b>3.3</b>	<b>-3.5</b>	<b>-8.7</b>
Cash flow from investing activities - <i>financial assets</i>	-0.1	0.0	-8.9 <sup>1)</sup>	0.0
<b>Total free cash flow</b>	<b>6.4</b>	<b>3.3</b>	<b>-12.4</b>	<b>-8.7</b>
Other (esp. proceeds from capital increase)	-6.4	-5.8	17.9	-5.8
<b>Change in net cash</b>	<b>0.0</b>	<b>-2.5</b>	<b>5.5</b>	<b>-14.5</b>

<sup>1)</sup> Payment into the Joint Venture's share capital (SHW Longji Brake Discs (LongKou))

# Sound financial profile

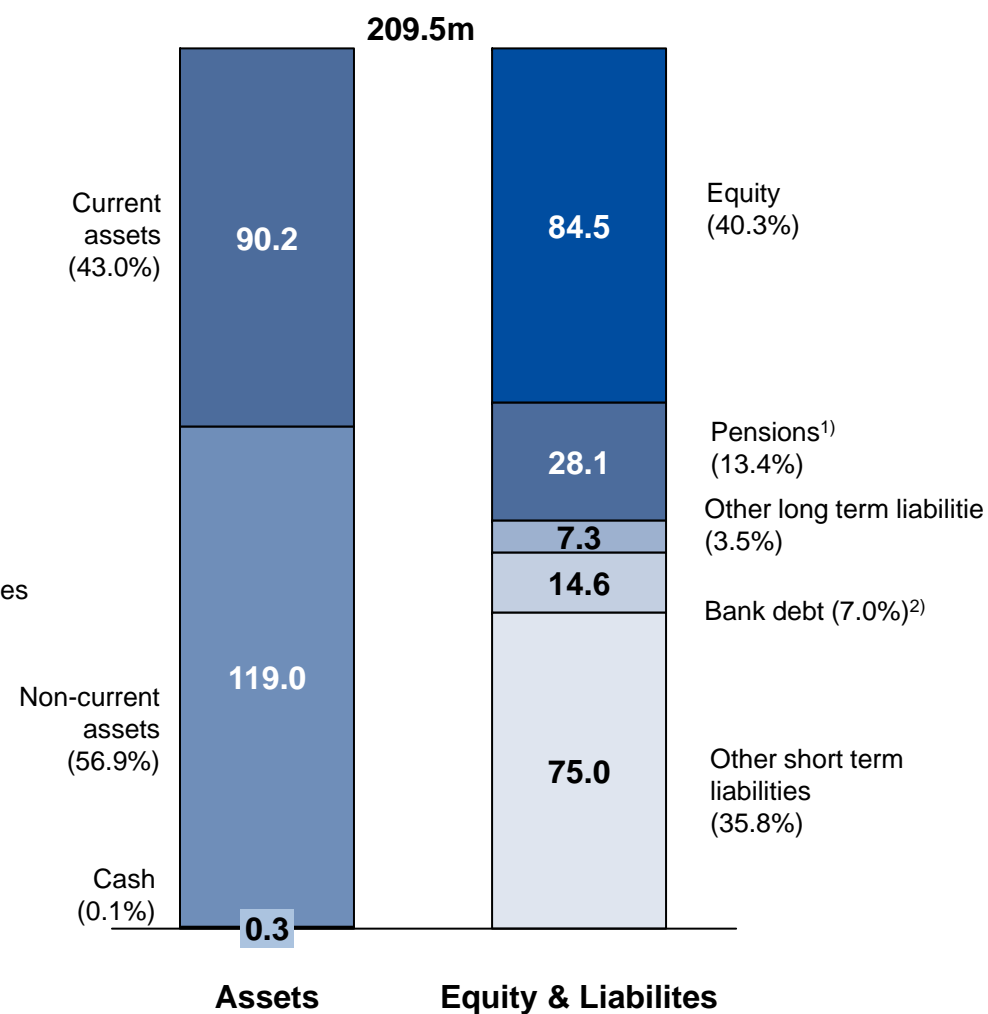


Balance sheet as of 30 June, 2015 (€m)



<sup>1)</sup> Net financial debt declined by € 8.5 million to € 8.9 million

Balance sheet as of 31 December, 2014 (€m)



<sup>1)</sup> Increased pension provision due to interest rate decline (IAS 19)

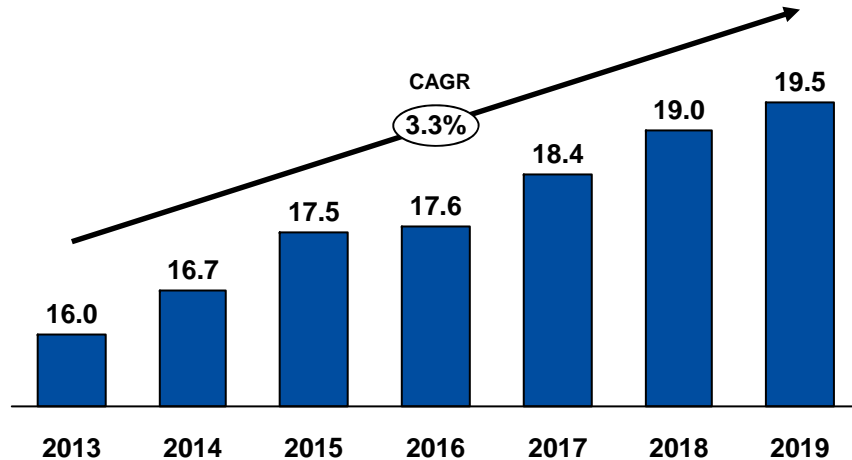
<sup>2)</sup> Net financial debt amounts to € 14.4m in 2014

Sound balance sheet safeguards organic and inorganic growth

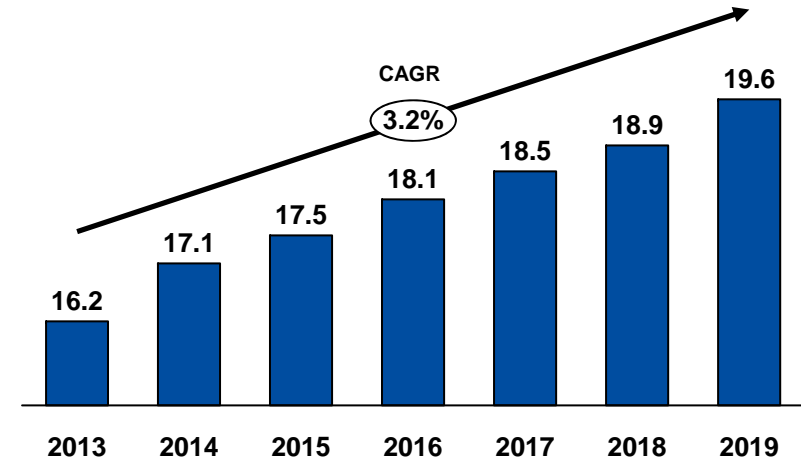


# General positive market development despite China's losing momentum **SHW**

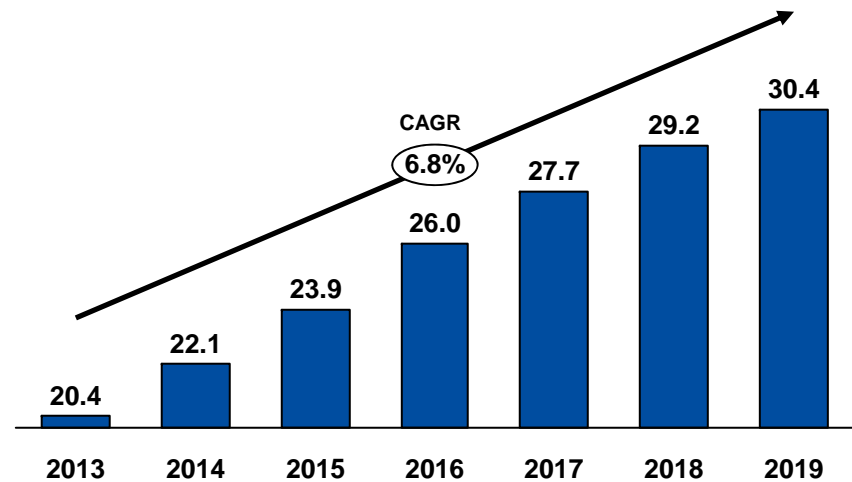
Light vehicle production (< 6 t) – Europe (m units)



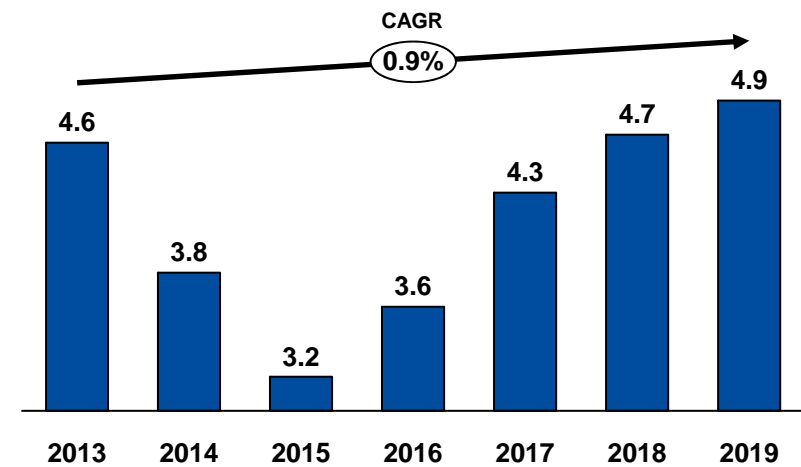
Light vehicle production (< 6 t) – North America (m units)



Light vehicle production (< 6 t) – China (m units)



Light vehicle production (< 6 t) – South America (m units)



Source: PwC Autofacts (July 2015)

**SHW benefits from dynamic market development and challenging CO<sub>2</sub> regulations in all regions**

Strong focus on accelerated, enforced and diligent execution of identified efficiency measures in all plants, especially in the Powder Metallurgy and Bad Schussenried

### **Pumps & Engine Components:**

- Further market penetration with new technical solutions for transmission oil pumps (e.g. two stroke vane pump)
- Start of operation in China in the course of H2/2015
- Evaluation of Best Cost Country locations in Eastern and South Eastern Europe for capacity expansion
- Actively monitoring and evaluating potential M&A opportunities

### **Brake Discs:**

- Further automation of aluminium casting assembly process and capacity expansion for composite brake discs
- Evaluation of market entry strategies into the NAFTA region

<b>Guidance</b>	<b>2015 (new)</b>	<b>2015 (old)</b>
<b>Sales</b>	approx. € 470 million	approx. € 460 million
<b>Adjusted EBITDA</b>	€ 46 to € 50 million	€ 46 to € 50 million
<b>Capex</b>	€ 30 to € 33 million	€ 30 to € 33 million
<b>Working Capital Ratio</b>	sustainable 11 % of sales	sustainable 11 % of sales

Dates	Events
4 / 5 August	Management Roadshow – Commerzbank <i>Frankfurt / London</i>
10 September	Sector Conference Week – Commerzbank <i>Frankfurt</i>
16 September	IAA Cars 2015 Conference – Deutsche Bank <i>Frankfurt</i>
28 October	Interim Report: January – September 2015 <i>Conference Call</i>



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