



Operating result confirmed despite reduced sales forecast

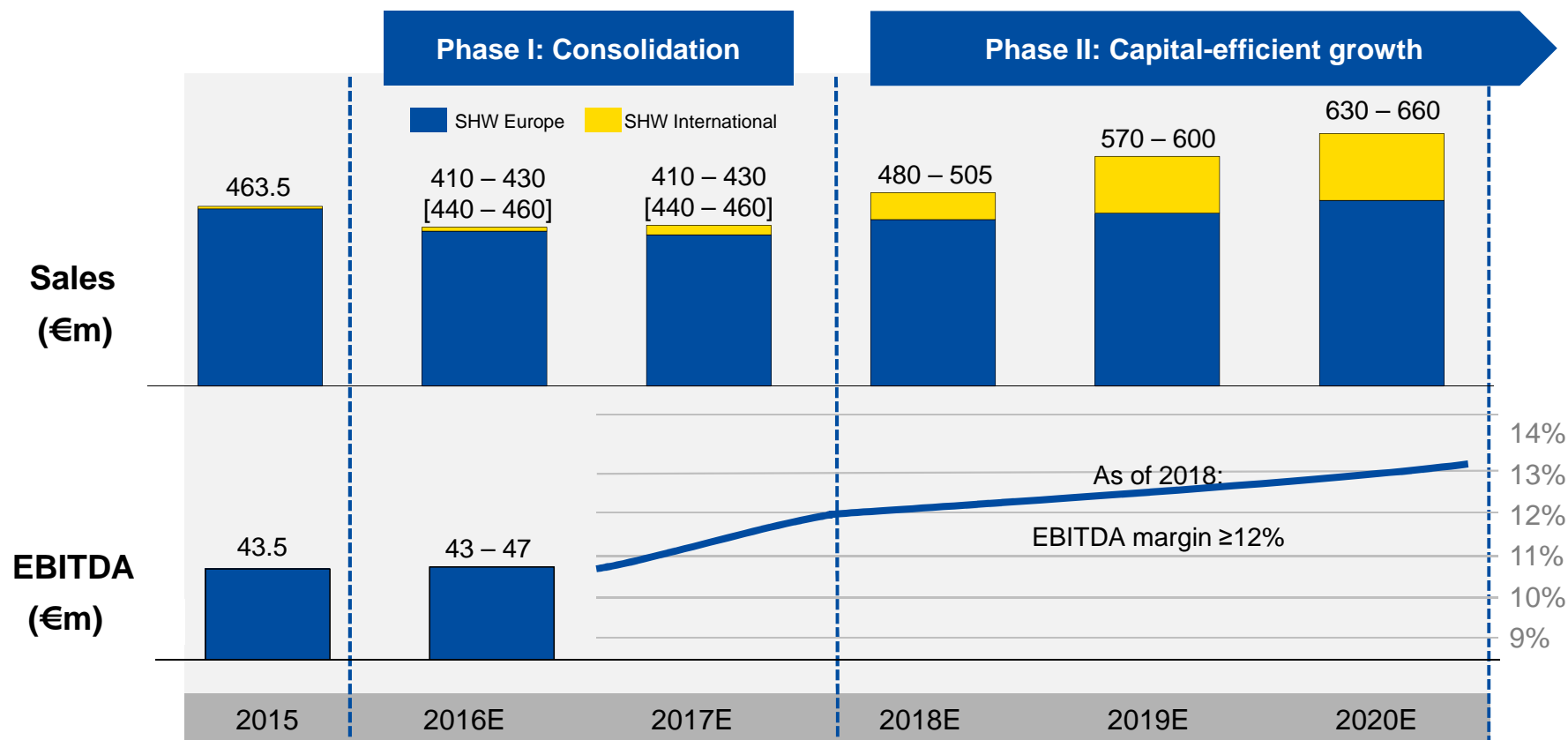
Preliminary financial results H1 and outlook

Analyst and Investor Conference Call, 27th of July 2016

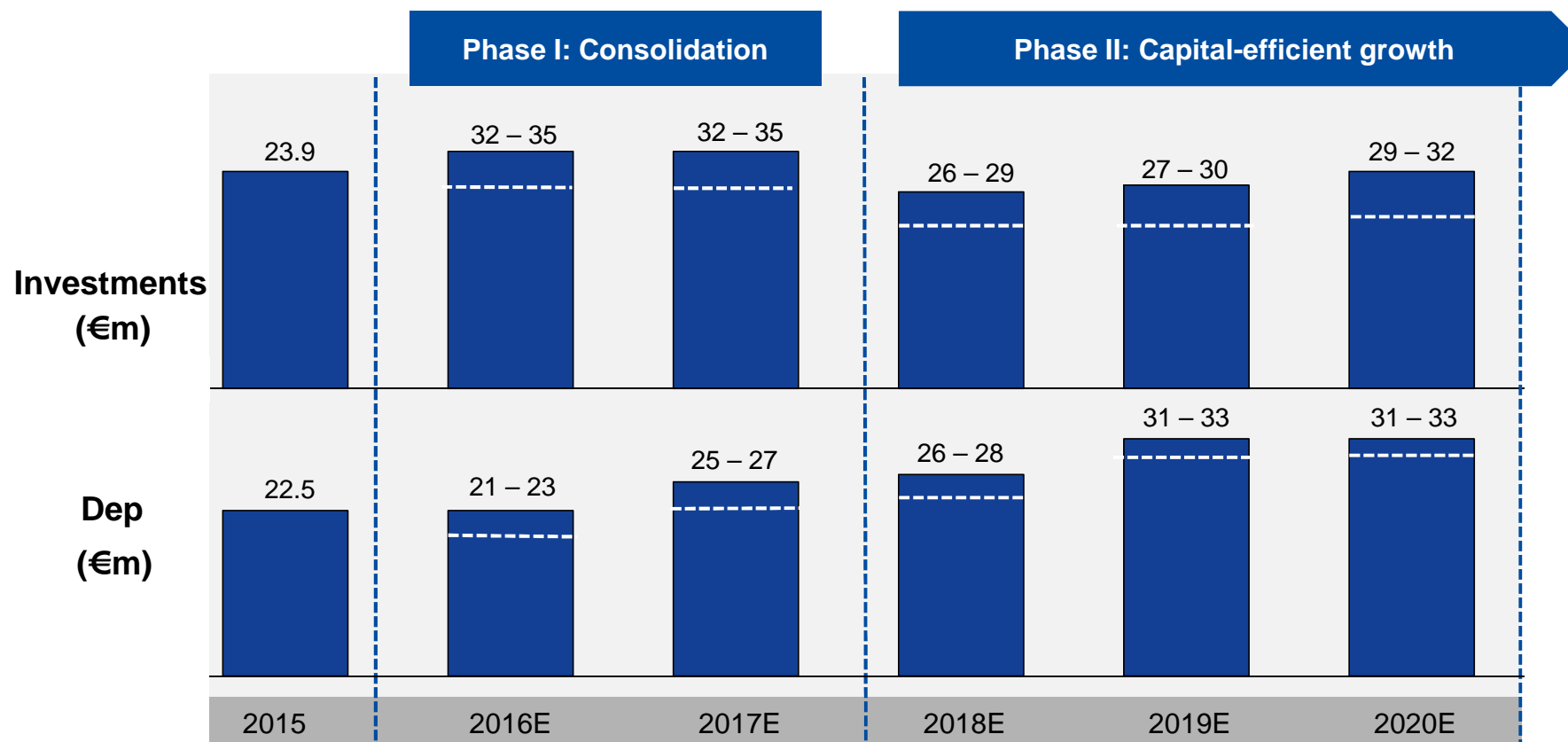
Preparing the return to capital-efficient growth

- > Sales forecast for fiscal year 2016 lowered to € 410 to € 430 million
- > Operating profit for fiscal year 2016 still within target range
- > New orders in China and Brazil safeguard growth strategy 2020
- > Product solutions for pure electric vehicles developed and on hand
- > Preliminary financial results January to June 2016

Operating result 2016 confirmed despite sales adjustment



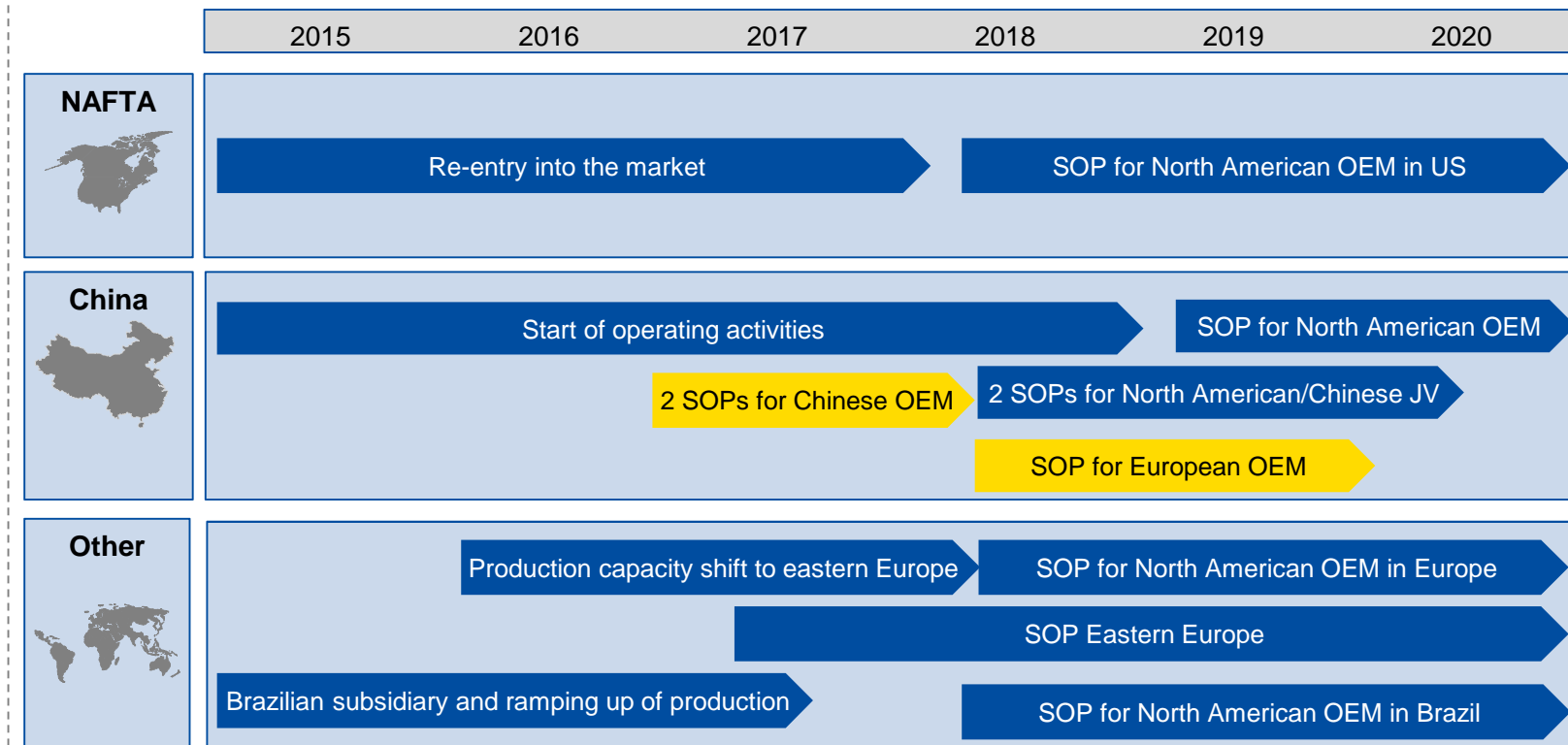
Margin improvement in 2016 sustained by positive effects resulting from efficiency measures in both business segments



Investments in the consolidation phase trigger capital-efficient growth from 2018 onwards



Pumps & Engine Components



■ Engine ■ Transmission



Enhanced international presence as catalyst for further international growth



Two stroke vane pump

- > SHW's prototypes delivered to OEMs and Tier 1 suppliers
- > R&D experts were able to optimise performance of two stroke vane pump:
 - > Weight reduction
 - > Efficiency increase up to 85 per cent
 - > CO₂ emission reduction in NEDC of up to 2g per CO₂/km



Electric pump for cooling and lubricating

- > Electric vehicles also require transmission applications
- > Product solution serves as primary transmission pump for cooling and lubricating the transmission and the electric motor in an electric car
- > Needs-oriented cooling and lubrication of the electric drivetrain

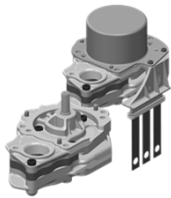


SHW offers primary transmission oil pumps for both combustion engine and hybrid drivetrain as well as pure electric vehicles



Auxiliary transmission oil pump

- > Pump helps to reduce CO₂ due to a reduced capacity of the primary pump
- > Serves as secondary, needs-oriented transmission pump
- > Enables start-stop and sailing function in cars

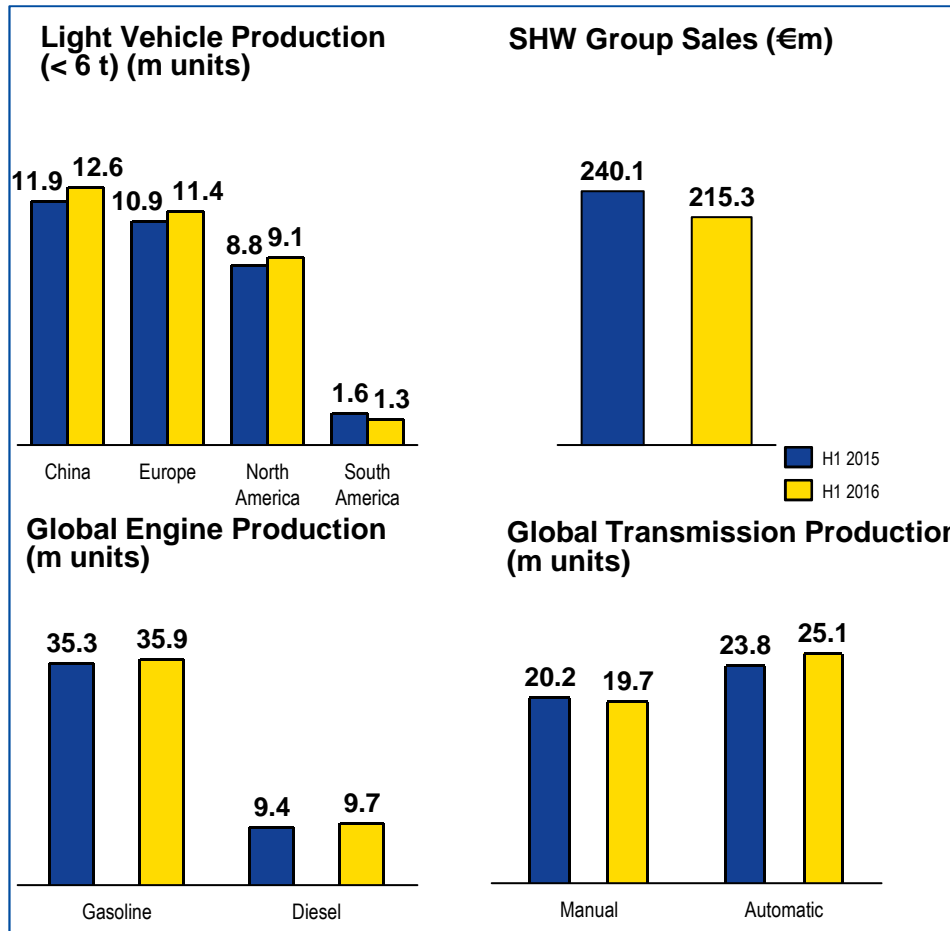


Scalable electric power pack transmission oil pump

- > Electrical double stage oil pump combines two pumps in one solution
- > Offers two pressure stages:
 - > High pressure stage enabling gear and clutch actuation
 - > Low pressure stage serving as coolant and lube oil pump
- > Savings in space and thus weight reduction



Increasing customer demand for electrically driven pumps which is reflected in a greater amount of transmissions with electrical solutions

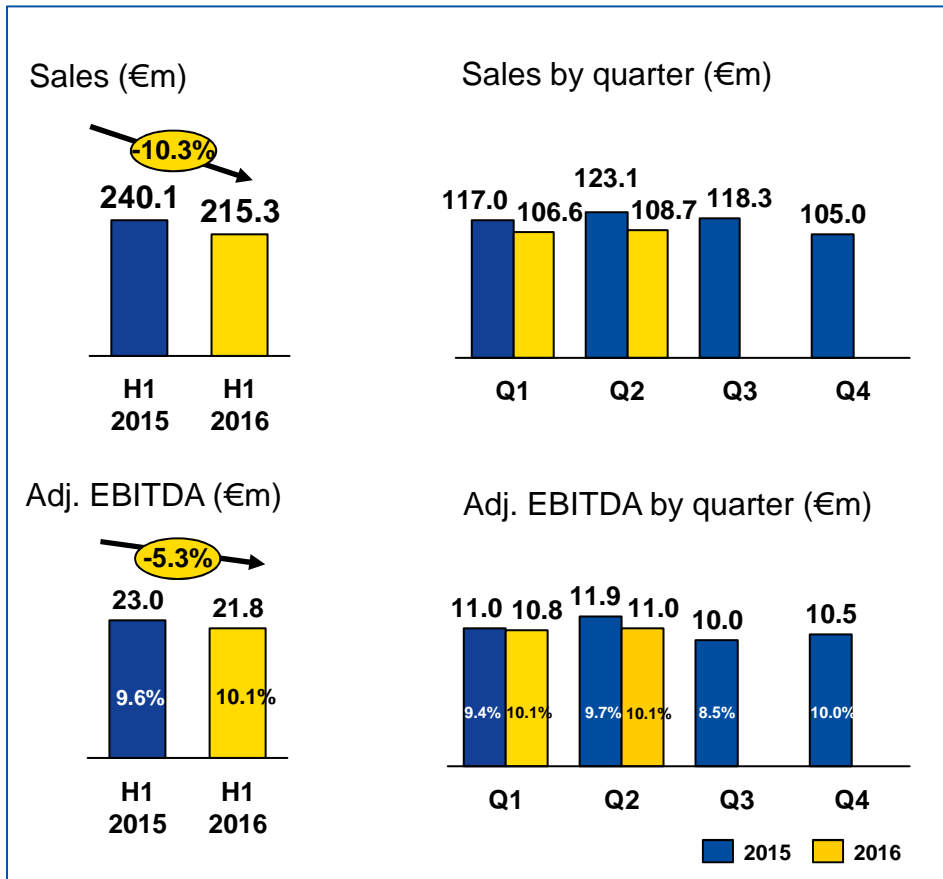


Source: IHS, July 2016

- > Moderate increase of global light vehicle production by 2.2 per cent to 44.9 million units with strong regional discrepancies
- > Combustion engines incl. hybrids continue to dominate
- > Europe stays most important Diesel market
- > Above-average growth rates for automatic transmissions – global production increased by 5.2 per cent to 25.1 million units



SHW well positioned to benefit from market trends and global mobility demand



- > Sales development in the Pumps and Engine Components business segment as expected
- > Sales in the Brake Discs business segment suffered from weaker unit sales and lower material surcharges.
- > Despite a decline in sales adj. EBITDA margin increased from 9.6 per cent to 10.1 per cent amounting to € 21.8 million



Results within target range

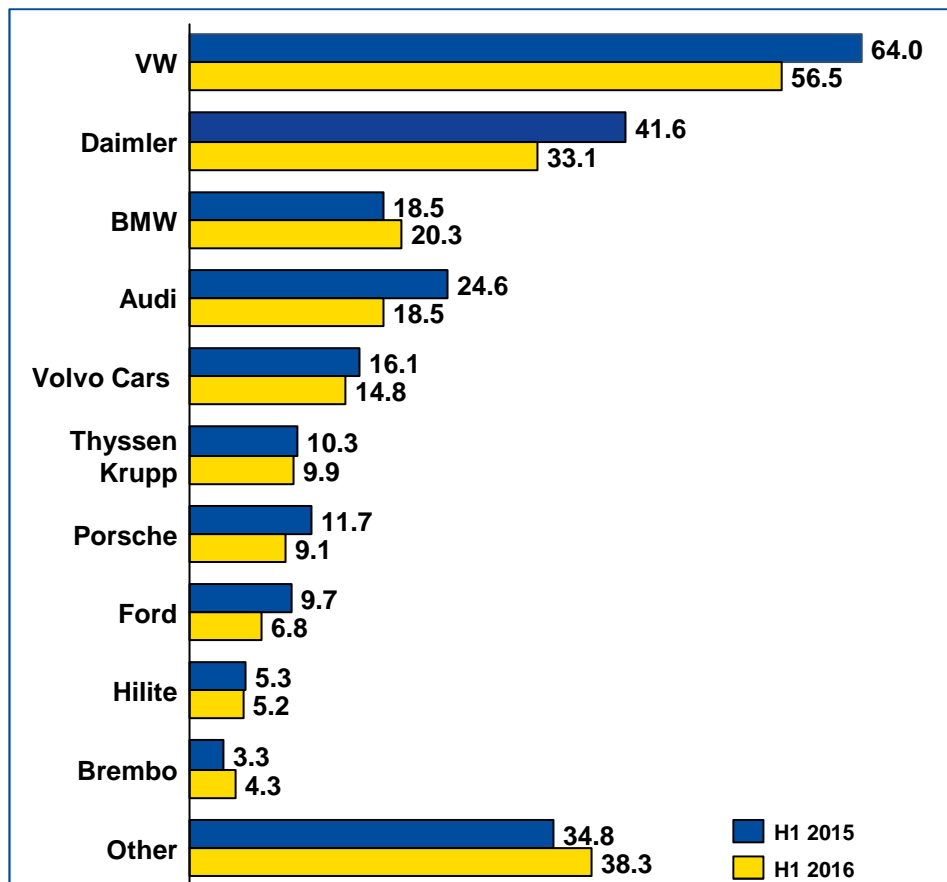
€m ¹	H1 2016	H1 2015	Change
Group sales	215.3	240.1	-10.3%
Adj. EBITDA	21.8	23.0	-5.3%
as % of sales	10.1%	9.6%	
Depreciation (excl. PPA)	12.2	10.5	+16.2%
Adj. EBIT	9.6	12.5	-23.4%
as % of sales	4.4%	5.2%	
ROCE	11.9%	16.0%	
Net income for the period	6.5	9.6	-32.0%
EPS (in €)	1.02	1.53	-33.7%
Investments ²	9.9	14.3	-31.1%
as % of sales	4.6%	6.0%	
Working capital as % of sales	12.3%	10.4%	
Equity ratio	50.7%	45.8%	
Operating free cash flow	-10.0	-3.5	-187.3%
Net cash / net debt	-4.2	-8.9	-52.4%

- > Sales development as expected
- > Adj. EBITDA margin of 10.1 per cent exceeds previous year's level
- > Net income influenced by higher depreciation and the non-recurring consolidation effect of the JV
- > Slight increase of working capital due to an increase in inventories resulting from an improved readiness for supply and lower trade payables

¹ Figures include rounding differences

² Additions to tangible and intangible assets

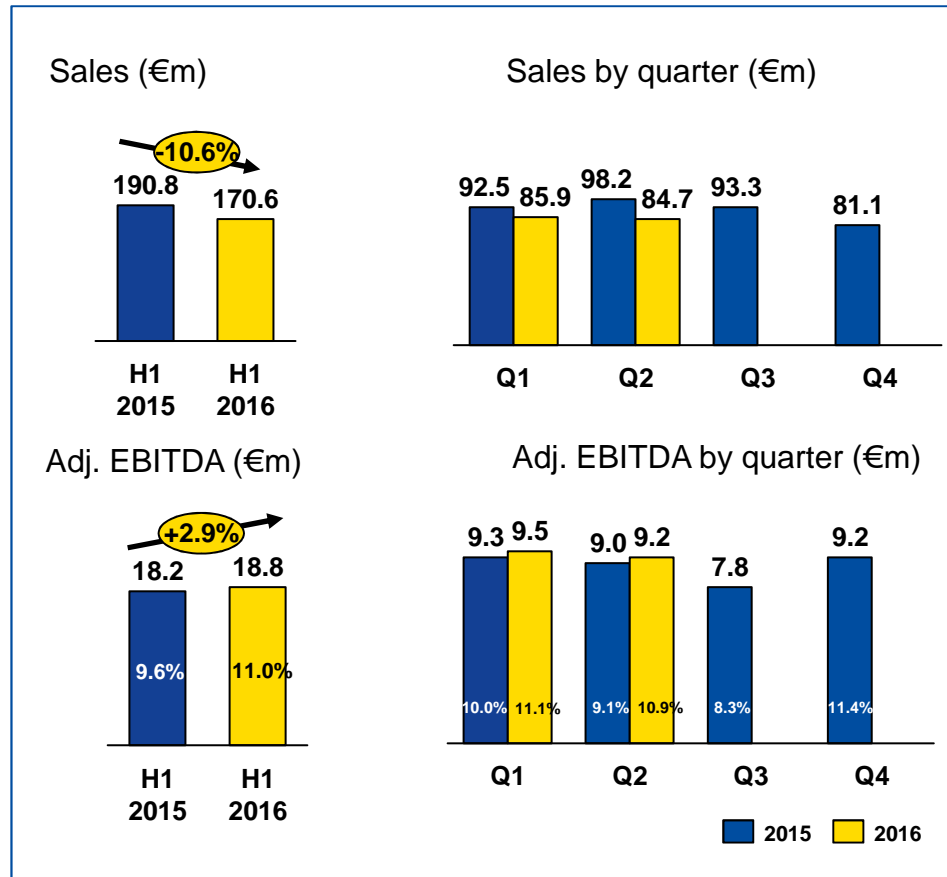




- > Expected decrease in sales with Daimler Group and VW Group
- > Decline relates to two volume products whose sales figures were lower than in the previous year due to a customer's switchover of technology as well as the transition to a successor product

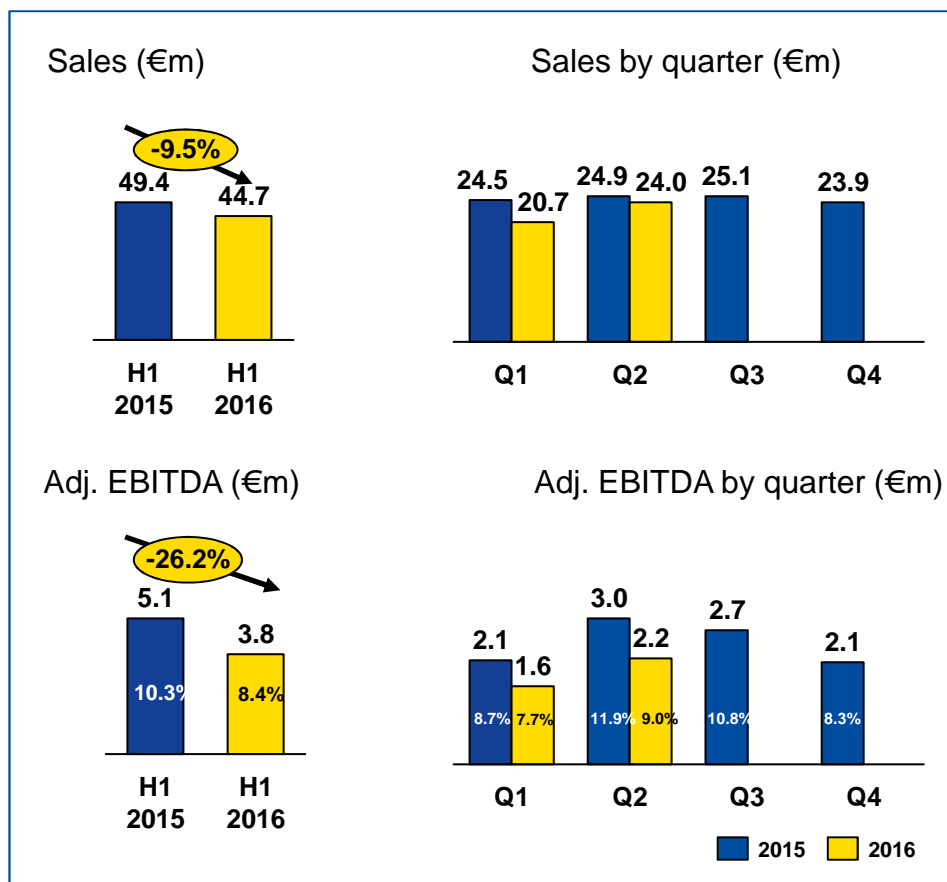


International growth and diversified product range will lead to a more balanced customer structure



- > Sales declined as expected to 10.6 per cent to € 170.6 million
- > Despite sales decrease rise in adj. EBITDA to € 18.8 million and a margin of 11.0 per cent
- > Considerably lower costs for external processing, finishing and special shipments

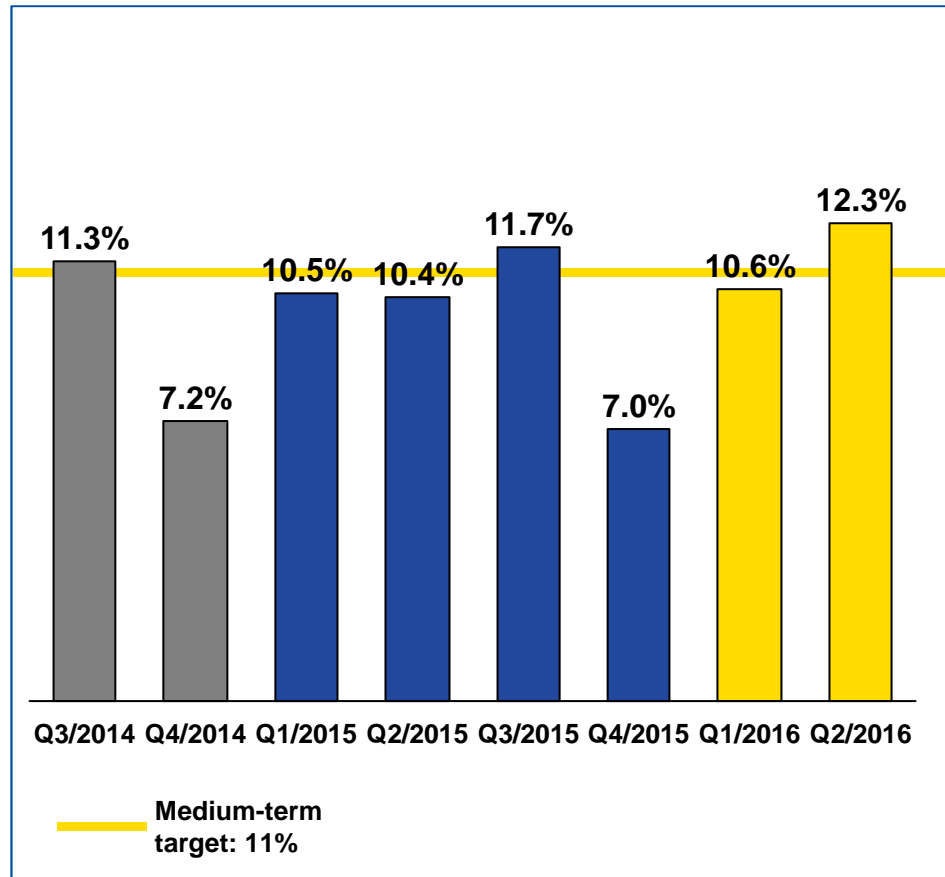
Operational efficiency programme successfully concluded by the end of Q1 2016 with positive effects on operating result and margin



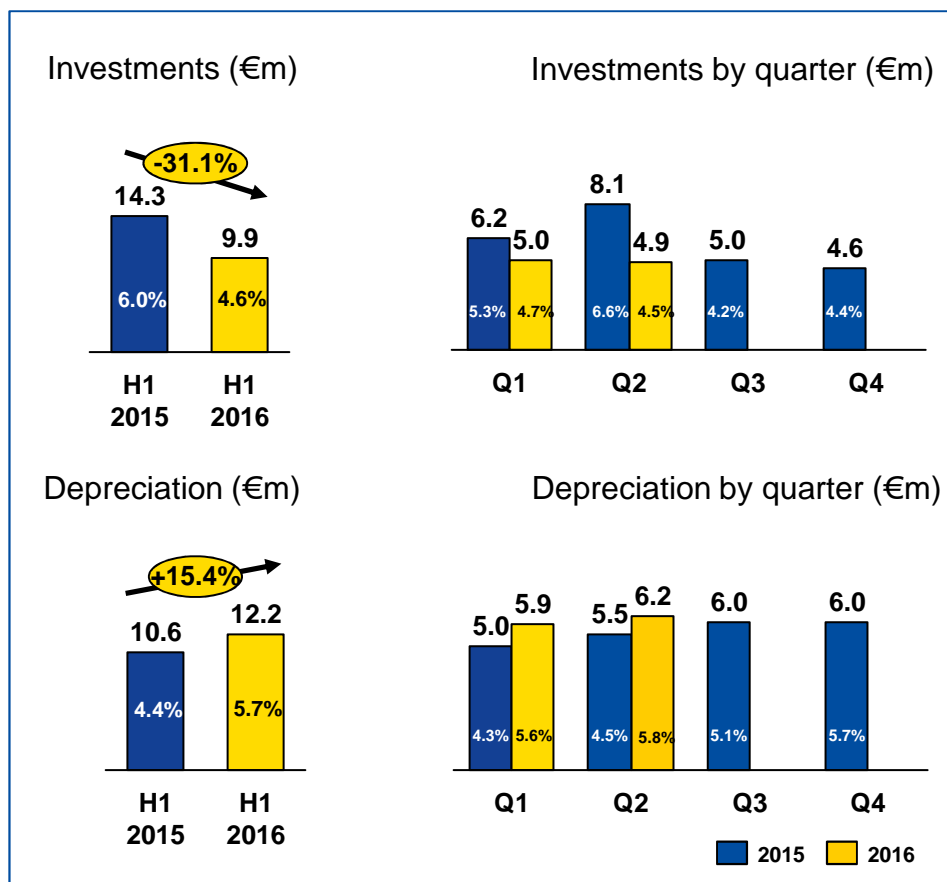
- > Sales development influenced by a decline, mainly in the first quarter, in one-piece brake discs and a rise in composite brake discs
- > Sales development further influenced by significantly lower scrap prices
- > Positive product mix effects partly made up for lower capacity utilisation
- > Adj. EBITDA margin stabilised to 9.0 per cent in the second quarter and to 8.4 per cent in the first half of 2016



Product mix effects partly compensate the underutilization



- > Working capital increased year-over-year by 13.5 per cent to € 53.9 million
- > With 12.3 per cent, working capital ratio lies slightly above the medium-term target of 11.0 per cent
- > Inventory built-up for safeguarding optimised supply readiness
- > Reduced trade payables due to a decrease in sales and less asset additions



- > Investments in H1 2016 declined to € 9.9 million
- > Depreciation ratio increased due to high investment levels in previous years



Higher investments in 2016 / 2017 as basis for capital-efficient growth in the subsequent years

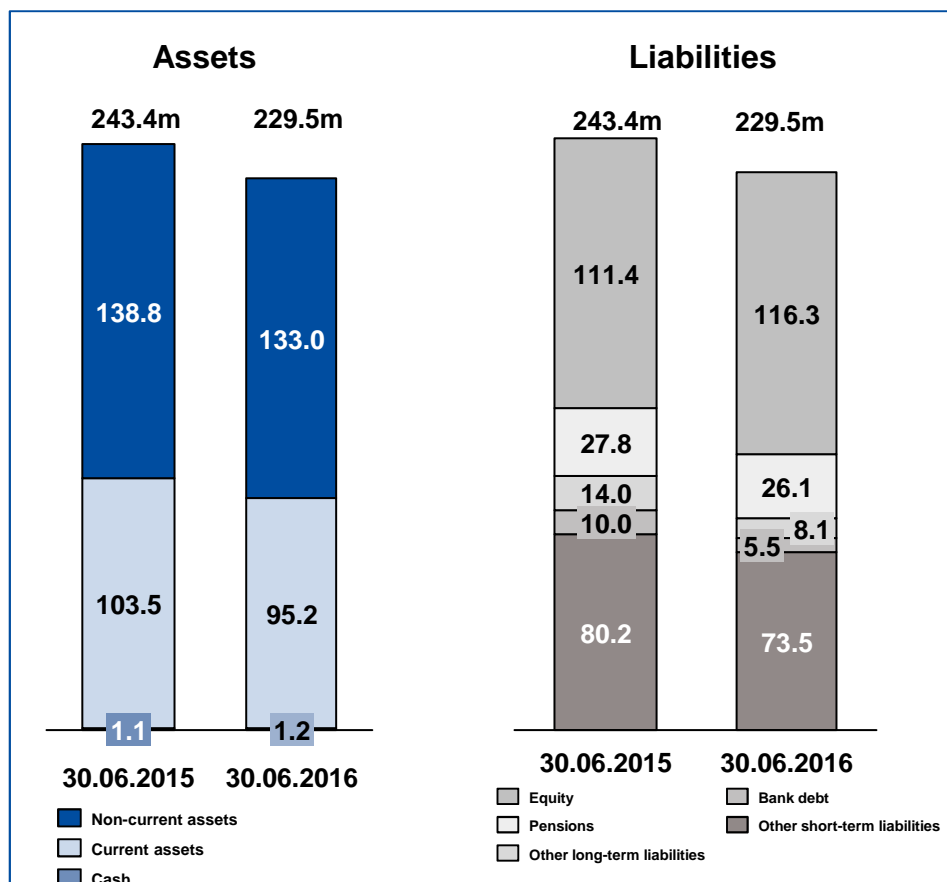
(€m)	Q2 2016	Q2 2015	H1/2016	H1/2015
Cash flow from operating activities	1.4	14.6	-0.3	13.2
Cash flow from investing activities - <i>tangible and intangible assets</i>	-4.7	-8.1	-9.7	-16.6
Operating free cash flow	-3.3	6.5	-9.9	-3.4
Cash flow from investing activities - <i>financial assets</i>	0.0	0.0	0.0	-8.9
Total free cash flow	-3.3	6.5	-9.9	-12.3
Other (esp. capital increase/dividend payment)	-6.5	-6.4	-6.6	17.9
Change in net cash	-9.8	0.1	-16.5	5.5

- > Operating free cash flow impacted by seasonal driven build-up of working capital and positively affected by a lower degree of investing activities
- > Change in net cash influenced by dividend payment of € 6.4 million in the second quarter of 2016

¹ Figures include rounding adjustments



Operating free cash flow will improve in the second half of 2016



- > Non-current assets decreased due to less asset additions
- > Current assets decreased due to an optimised accounts receivable management
- > Short-term liabilities influenced by sales decline and less asset additions
- > Equity ratio increased from 45.8 per cent to 50.7 per cent mainly triggered by the net period surpluses of the last 12 months and the dividend payment



Sound balance sheet safeguards strategic flexibility



We have reduced our sales guidance for 2016 but we remain firm in our outlook for the operative results

Driven by the effects from the efficiency measures the operative result is expected to achieve the lower half of the earnings corridor in 2016

We confirm our SHW 2020 strategy – we believe in capital-efficient growth from 2018 onwards

With new orders from China we safeguarded more than € 100 million turnover in China in 2020

We developed product solutions for all powertrain concepts – we are on the brink of entering the pure electric vehicle market

Dates	Events
29 July	Interim Report (January – June 2016)
31 August	Sector Conference Week – Commerzbank <i>Frankfurt</i>
21 September	German Corporate Conference – Goldman Sachs / Berenberg Bank <i>München</i>
26 October (previously 28 October)	Interim Report (January – September 2016)
5 December	European Corporate Conference – Berenberg Bank <i>Pennyhill (London)</i>



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