


Returning to the path of capital-efficient growth

Financial results Q1 2016

Analyst and Investor Conference Call, 3rd May 2016

Preparing the return to capital-efficient growth

> Q1 2016 in a nutshell

> Financial results January to March 2016

> Financial goals 2016 and beyond

> Strategic roadmap for returning to the path of capital-efficient growth

Q1 2016 in a nutshell

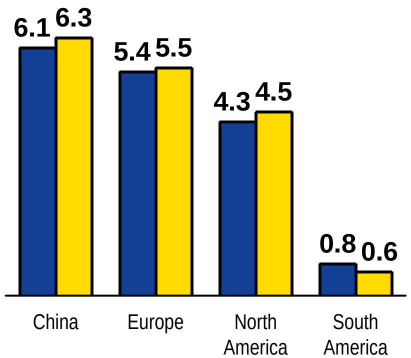
SHW

1.	**Sales** after three months **lower than previous year – as expected**
2.	**EBITDA margin increased** to 10.1 per cent
3.	**Sales and earnings forecast** for the year as a whole **confirmed**
4.	**The measures to boost productivity in Powder Metallurgy were completed as scheduled with positive margin effects -** further steady profitability gains expected
5.	**Final decision on eastern European production location** expected **in the course of Q2 2016**
6.	Successful ongoing development of **new products** to further penetrate the **fast growing market for transmission oil pumps**

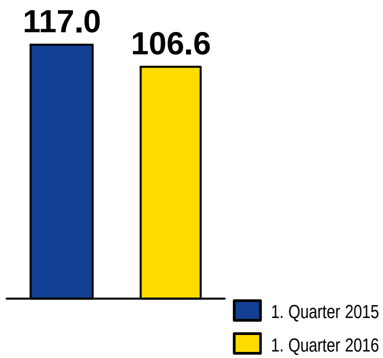
Stable market environment in Q1 2016

SHW

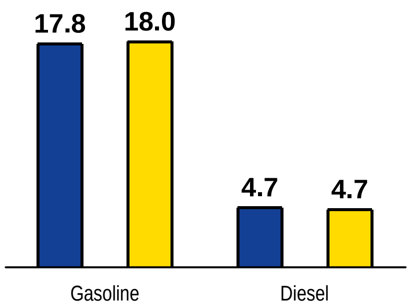
Light Vehicle Production (< 6 t) (m units)



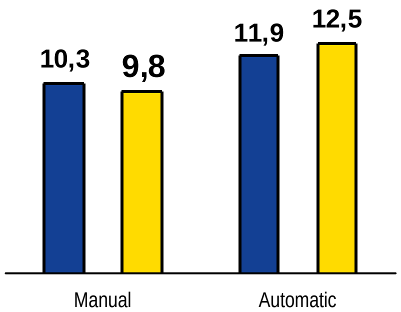
SHW Group Sales (€m)



Global Engine Production (m units)



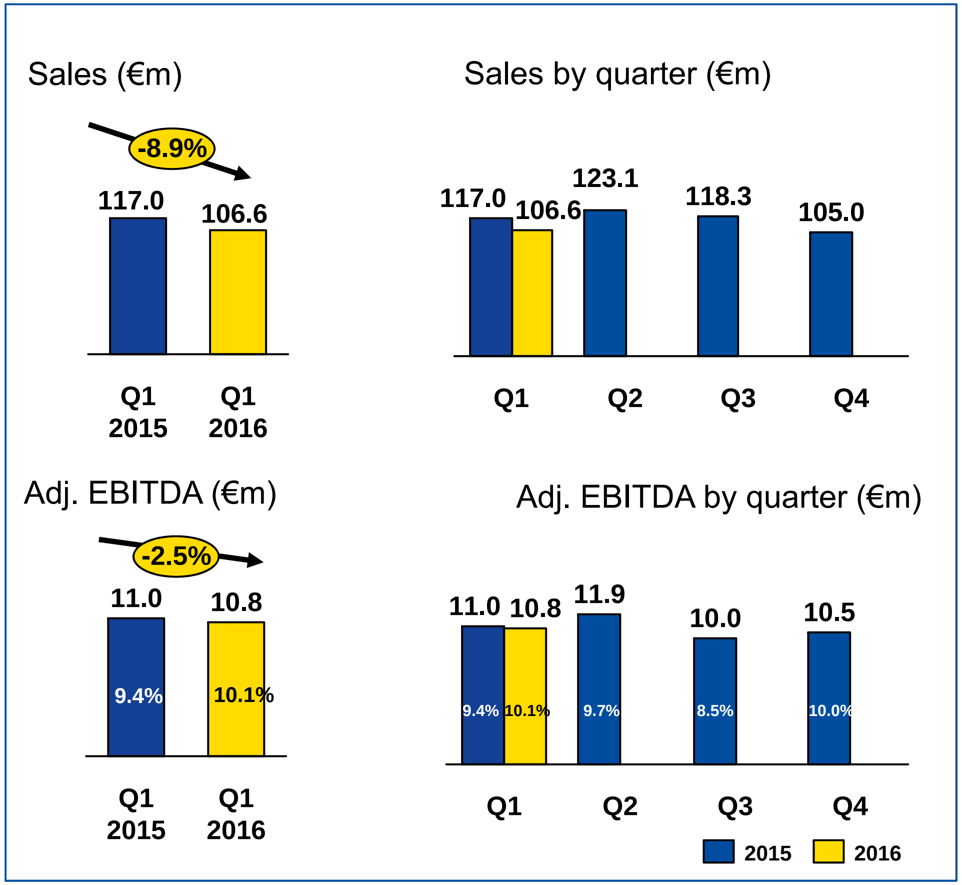
Global Transmission Production (m units)



Source: IHS, April 2016

- > Moderate increase of global light vehicle production by 0.9 per cent to 22.8 million units with strong regional discrepancies
- > Combustion engines incl. hybrids continue to dominate
- > Anticipated consumer reluctance regarding Diesel engines failed to appear
- > Europe stays most important Diesel market
- > Above-average growth rates for automatic transmissions – global production increased by 5.1 per cent to 12.5 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 due to factors including significantly lower scrap prices on account of reduced material surcharges.
- Despite a decline in sales adj. EBITDA margin increased from 9.4 per cent to 10.1 per cent amounting to € 10.8 million

Results within target range

Financial figures Q1 2016

€m[1]	Q1 2016	Q1 2015	Change
Group sales	106.6	117.0	-8.9%
Adj. EBITDA	10.8	11.0	-2.5%
as % of sales	10.1%	9.4%	
Depreciation (excl. PPA)	5.9	5.0	+19.3%
Adj. EBIT	4.8	6.1	-20.5%
as % of sales	4.5%	5.2%	
ROCE	14.4%	16.9%	
Net income for the period	3.3	4.1	-19.0%
EPS (in €)	0.51	0.67	-22.9%
Investments[2]	5.0	6.2	-19.6%
as % of sales	4.7%	5.3%	
Working capital as % of sales	10.6%	10.5%	
Equity ratio	51.0%	48.0%	
Operating free cash flow	-6.7	-9.9	-32.6%
Net cash / net debt	5.6	-8.9	

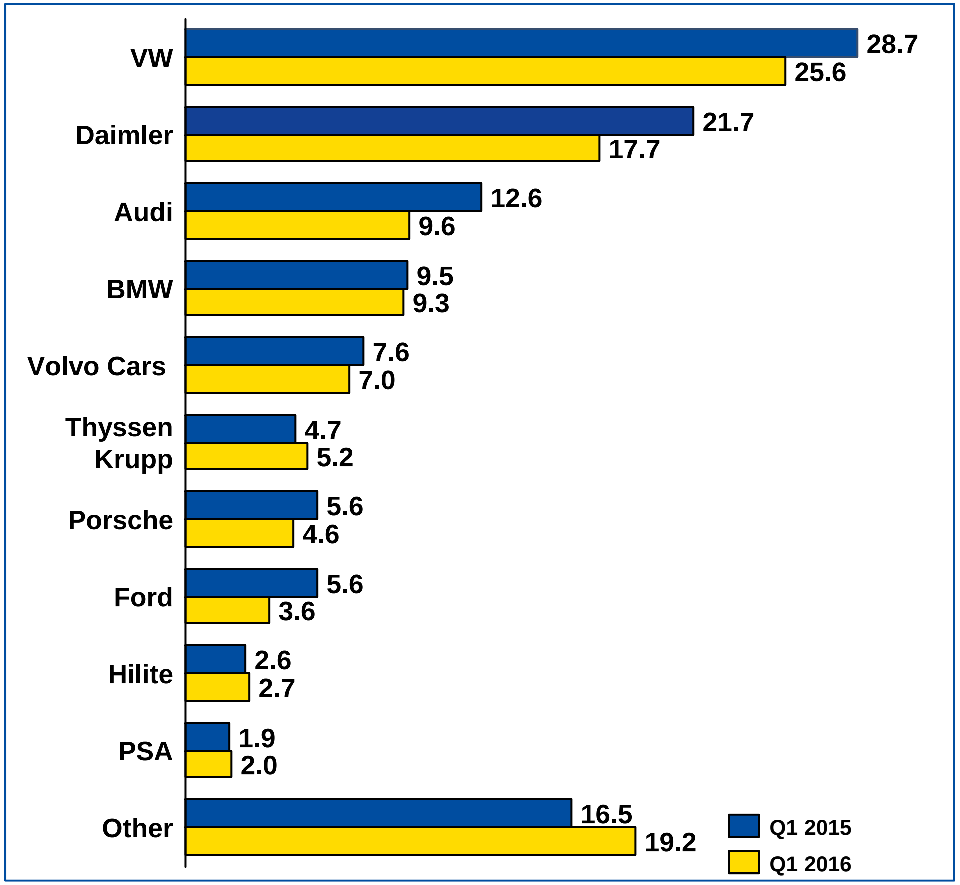
[1] Figures include rounding differences

[2] Additions to tangible and intangible assets

- Sales development as expected
- Adj. EBITDA margin of 10.1 per cent exceeds previous year’s and quarter level
- Investment-related upswing in depreciation influence adj. EBIT, net income for the period and ROCE
- Strong liquidity position due to high operating free cash flow of € 21.3 million in the last 12 months
- Dividend of € 1.00 per share proposed to the AGM to be held on May 10

Figures in line with the guidance for 2016

Customer sales

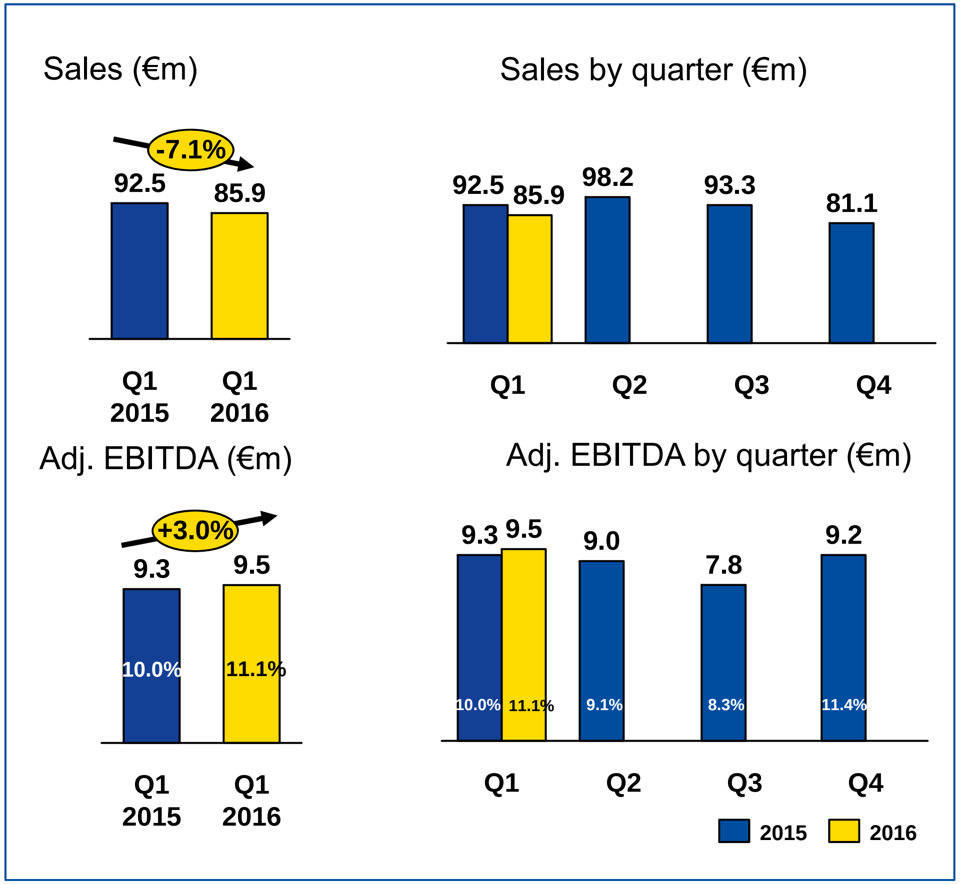


> Expected decrease in sales with Daimler Group and VW Group

> 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

Business segment: Pumps and Engine Components

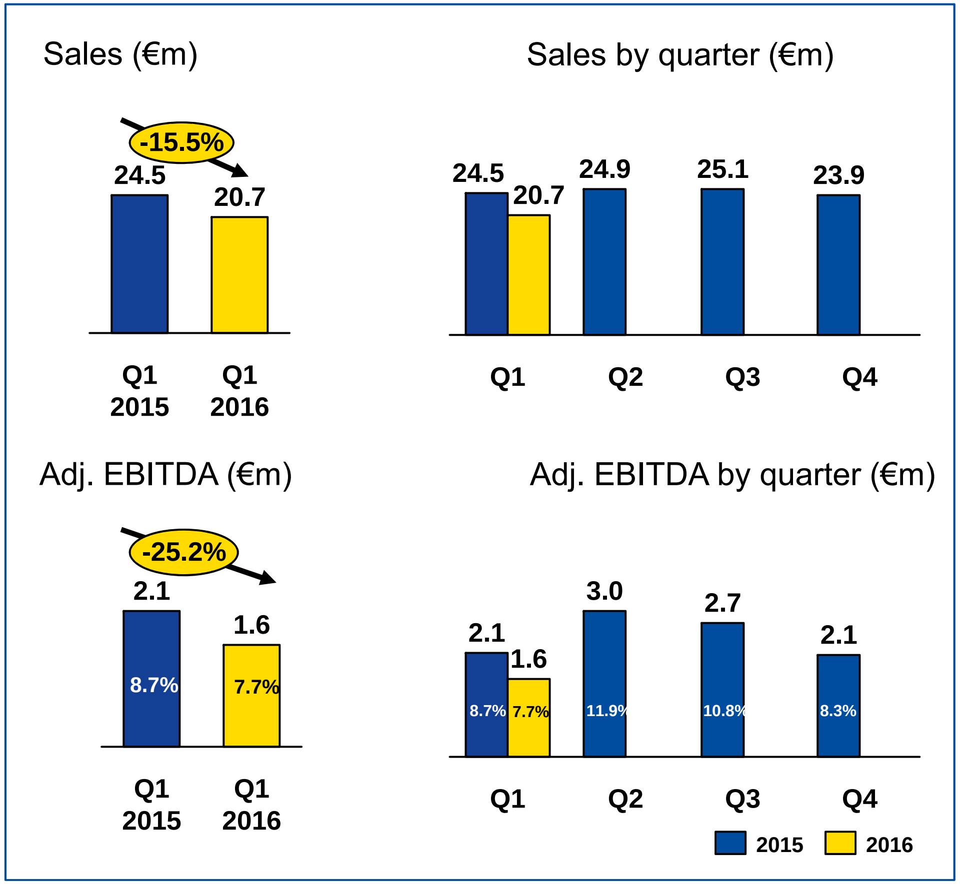


- Sales Passenger Cars: -7.5 per cent
- Sales Industry: -1.3 per cent
- Sales Powder Metallurgy[1]: -8.8 per cent
- Despite sales decrease rise in adj. EBITDA to € 9.5 million and a margin of 11.1 per cent
- Considerably lower costs for external processing, finishing and special shipments

[1] Excluding inter-company sales

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

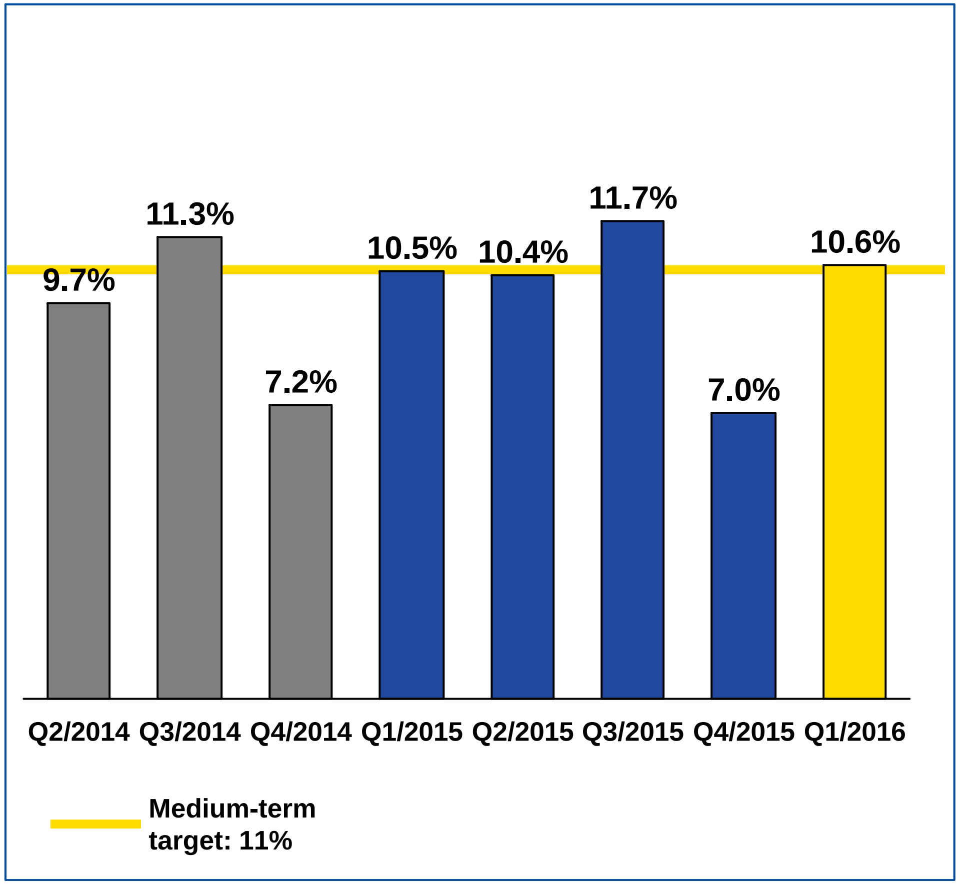
Business segment: Brake Discs



- Sales development influenced by a decline 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 made up for lower capacity utilisation
- Adj. EBITDA margin only decreased to 7.7 per cent

Due to product mix effects and improved process workflows the 10 per cent margin threshold remains attainable

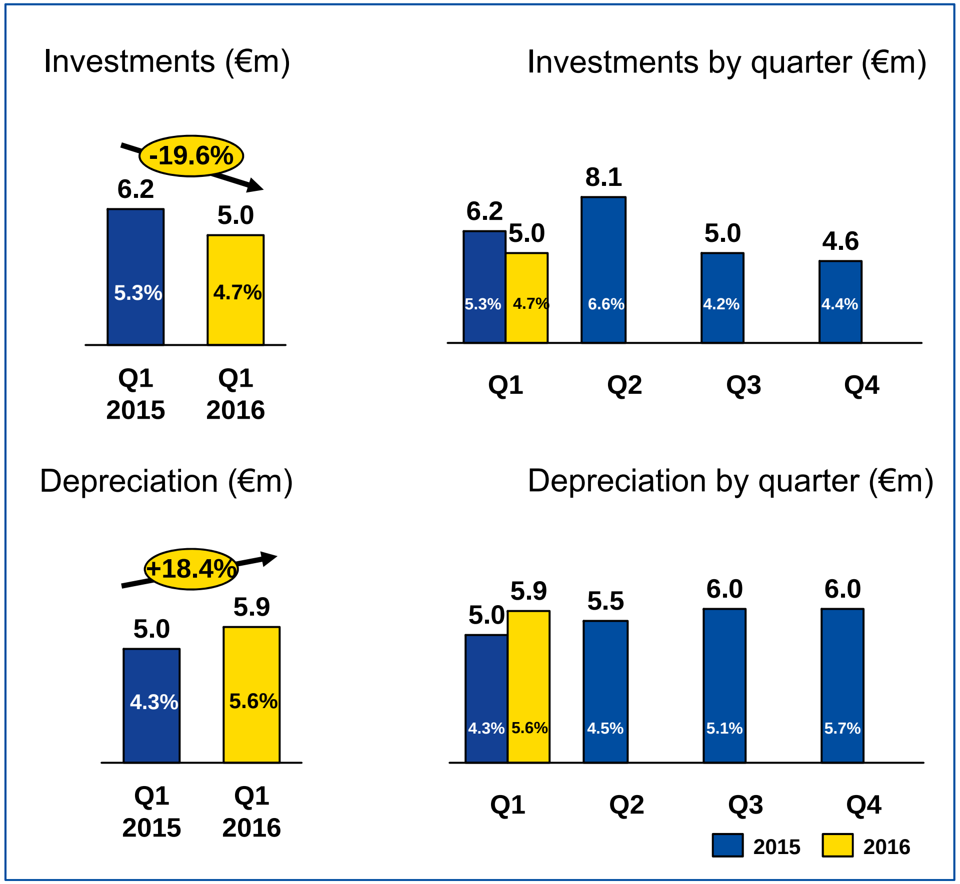
Net working capital ratio



- Net working capital increased year-over-year by € 1.6 million to € 48.0 million
- With 10.6 per cent, net working capital ratio lies slightly below the sustainable target of 11.0 per cent
- Particularly targeted trade receivables management contributed to a low net working capital ratio

SHW is building a track record of meeting its working capital goals

Investments and depreciation



> Investments in Q1 2016 declined to € 5.0 million

> Depreciation ratio increased due to high investment levels in previous years

> For 2016 an investment ratio of approx. 6 to 7 per cent is envisaged

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

Cash Flow

(€m)[1]	Q1/2016	Q1/2015
Cash flow from operating activities	-1.7	-1.4
Cash flow from investing activities - *tangible and intangible assets*	-5.0	-8.5
Operating free cash flow	**-6.7**	**-9.9**
Cash flow from investing activities - *financial assets*	-0.0	-8.9
Total free cash flow	**-6.7**	**-18.8**
Other (esp. capital increase)	-0.1	24.3
Change in net cash	**-6.8**	**5.5**

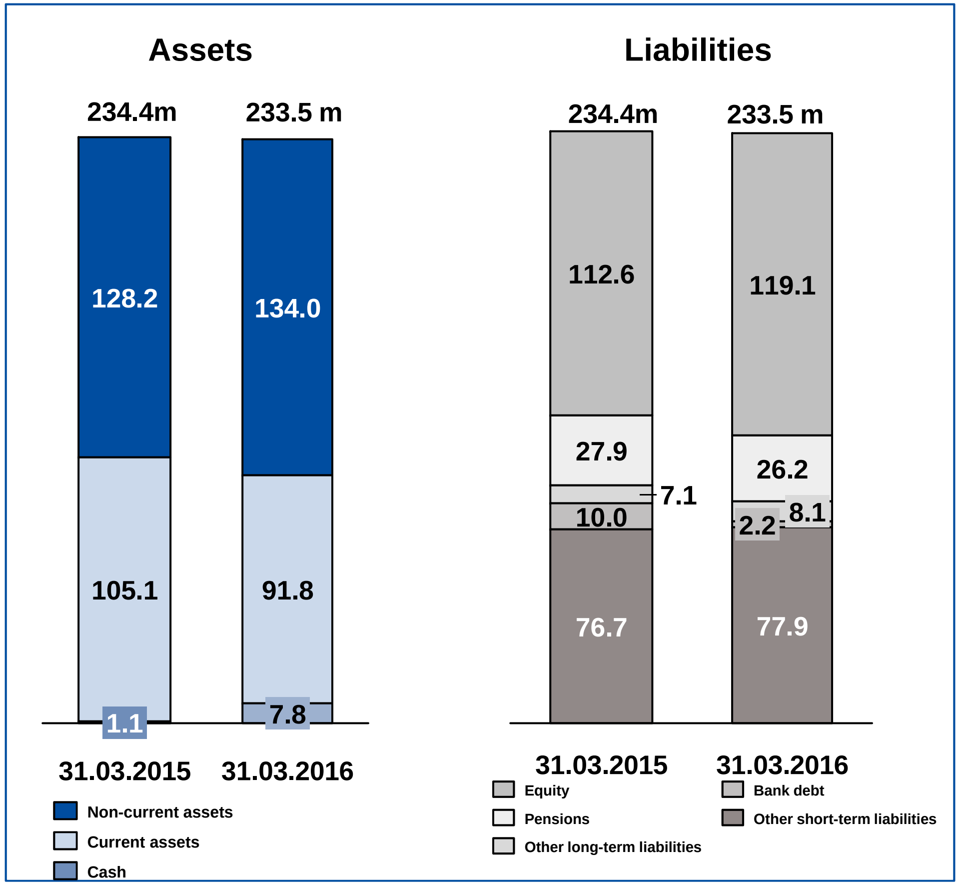
[1] Figures include rounding adjustments

> Operating free cash flow impacted by the business-driven build-up of inventories and receivables and positively affected by a lower degree of investing activities

> Cash flow from investing activities in financial assets in Q1 2015 amounting to € 8.9 million was caused by the first cash instalment into the Chinese Brake Discs joint venture

Operating free cash flow influenced by a lower degree of investments

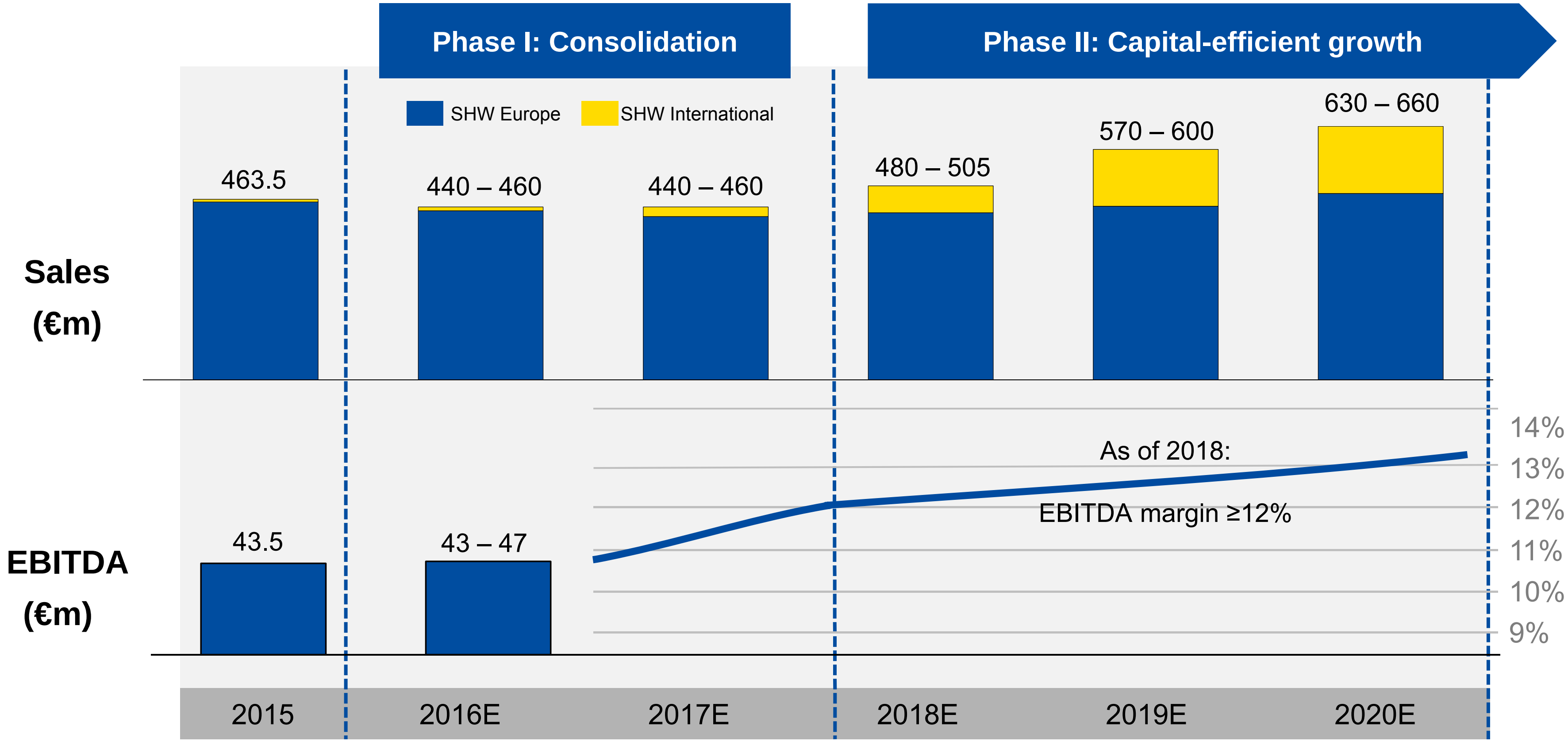
Sound financial profile



- > Non-current assets increased due to investments accounted for using the equity method
- > Current assets decreased due to an optimised accounts receivable and inventory management
- > Strong net liquidity position due to high operating free cash flow of € 21.3 million in the last 12 months
- > Equity ratio increased from 48.0 per cent to 51.0 per cent mainly triggered by the net period surpluses of the last 12 months

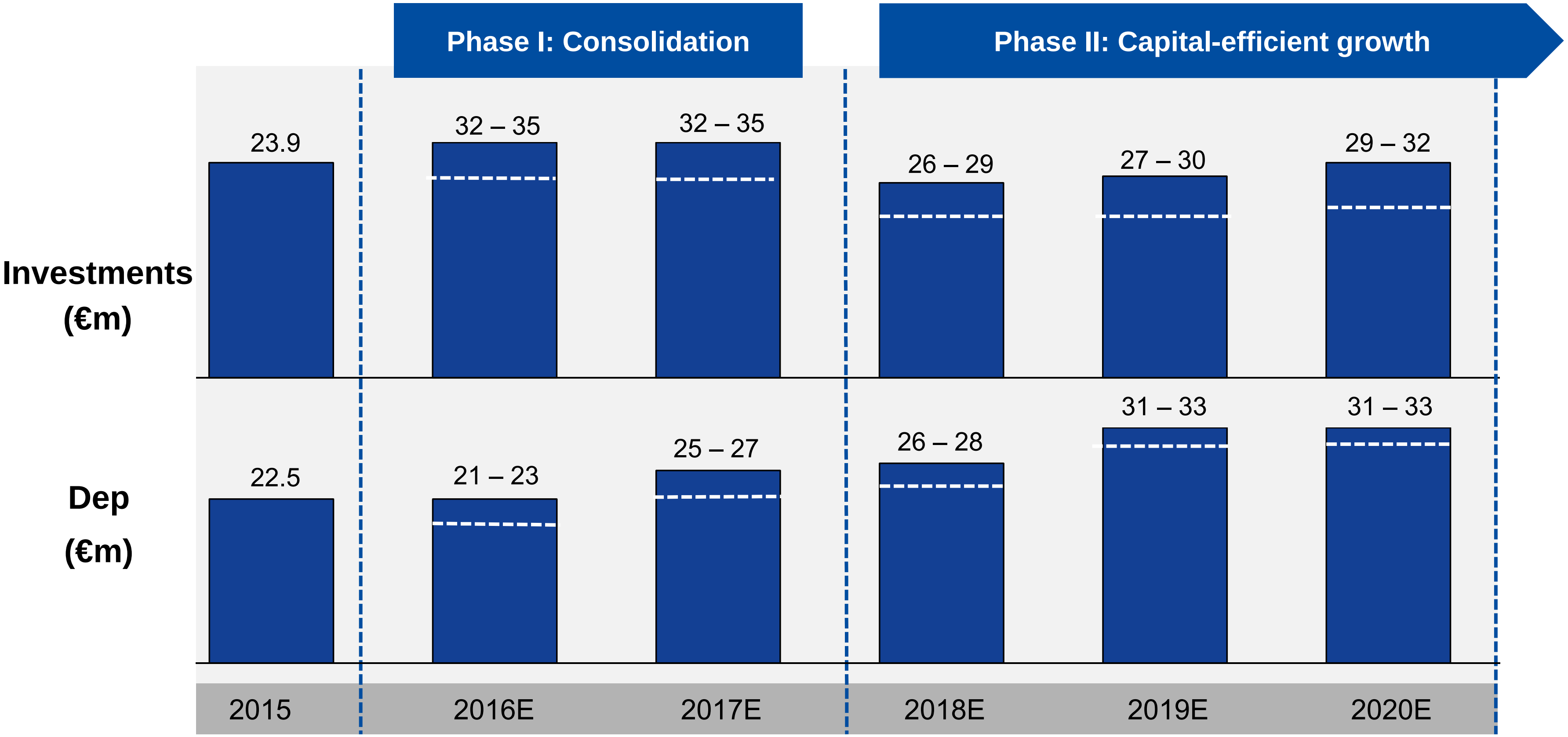
Sound balance sheet safeguards strategic flexibility

Financial goals – Sales and EBITDA



After years of strong sales growth SHW now enters into a phase of consolidation to pave the way for the next capital-efficient growth phase from 2018 onwards

Financial goals – Investments and depreciation



Investments in the consolidation phase trigger strong sales and profitability growth from 2018 onwards

Financial goals – Miscellaneous

Capital structure	> Sustainable and strong capital structure with an equity ratio of at least 30 per cent to 40 per cent
Debt ratio	> Leverage potential to increase “Net debt / adj. EBITDA” to a maximum of 2.5
Liquidity	> High flexibility in terms of financial and strategic headroom: syndicated loan facilities plus additional baskets
Free cash flow	> Focus on optimising operating free cash flow
Dividend policy	> Results-oriented dividend policy with a pay-out ratio of 30 per cent to 40 per cent of the net income for the year taking into account the financing requirements of SHW

SHW's strategic roadmap

SHW

After a phase of consolidation SHW will get back on the track for capital efficient growth

Your key takeaways

We have delivered results according to our guidance corridor and improved the operating margin to 10.1 per cent on a Group level and to 11.1 per cent in the P&EC business segment

We have successfully concluded the efficiency programmes in the Powder Metallurgy and are now entering a phase of continuous improvement processes

We prepare the ground for SHW's return to strong, capital-efficient growth

On our way to 2020, we will enhance our operational excellence, drive internationalisation and leverage our innovation leadership

With our focus on CO_2 saving and weight reduction technologies, we have an excellent exposure to fundamental industry trends

Financial Calendar 2016

Dates	Events
10 May	Annual General Meeting *Congress Centre Heidenheim*
07 June	Berenberg Energy Efficiency & Construction Sector Conference 2016 *Zürich*
29 July	Interim Report (January – June 2016)
28 October	Interim Report (January – September 2016)

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