



FINANCIAL RESULTS H1 2018

Analyst and Investor Conference Call, 27 July 2018

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III Strategy roadmap & update SHW activities

IV Outlook for FY 2018

DRIVE INTERNATIONAL GROWTH AND LEVERAGE INNOVATION LEADERSHIP

1.

Group sales and operating performance overall according to plan

2.

Non-recurring items in total of € 7.6 million burden earnings as per 06/2018

3.

Guidance adjusted for the full year 2018

4.

New production hall for the machining of composite brake discs started operations

5.

First significant orders as supplier of e-pumps

6.

Pankl SHW Industries GmbH (prior: SHW Beteiligungs GmbH) majority shareholder

7.

Wolfgang Plasser new CEO of SHW AG

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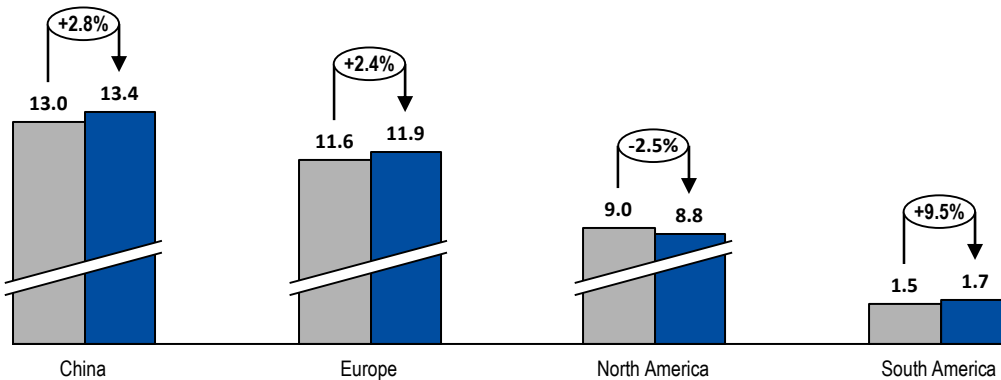
III Strategy roadmap & update SHW activities

IV Outlook for FY 2018

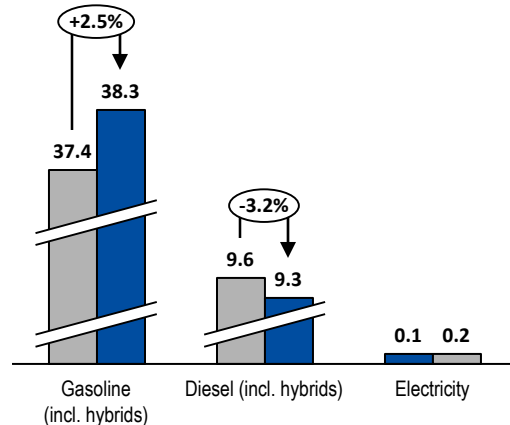
STABLE MARKET ENVIRONMENT

SHW WELL POSITIONED TO BENEFIT FROM STRUCTURAL MARKET CHANGES

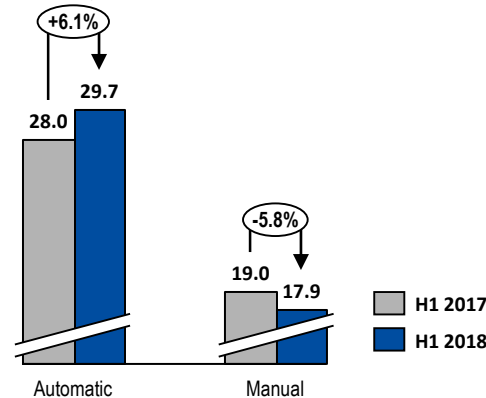
Light vehicle production (< 6 t) (m units)



Global engine production (m units)



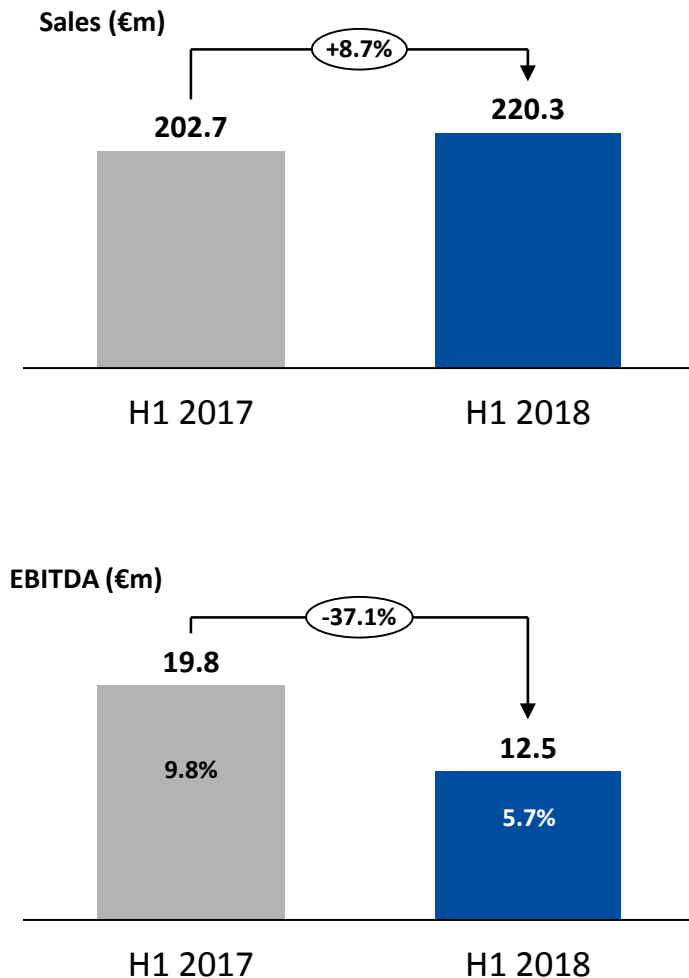
Global transmission production (m units)



Source: IHS July 2018

- Increase of worldwide light vehicle production by 1.7 per cent to 48.2 million units
- Production of diesel engines down by 3.2 per cent due to “Dieselgate”
- Automatic transmissions at higher growth rate; global production increased by 6.1 per cent to 29.7 million units, total market share of 61.7 per cent

GROUP SALES AND OPERATING PERFORMANCE OVERALL ON PLAN

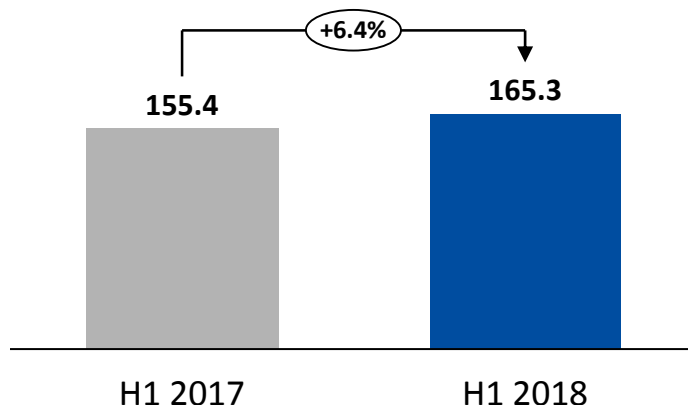


- Group sales influenced by:
 - lower sales for diesel engines
 - transition to a new generation of a specific transmission oil pump
 - First-time full year consolidation of Lust Hybrid-Technik
 - Significantly higher unit sales in Brake Discs
- EBITDA margin influenced by non-recurring items totalling € 7.6 million; EBITDA margin before non-recurring items: 9.1 per cent

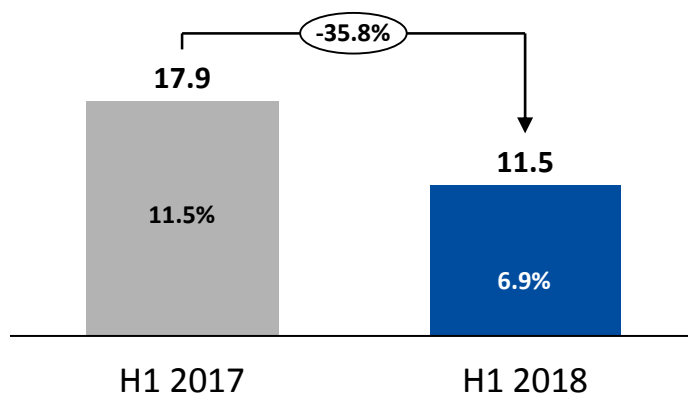
BUSINESS SEGMENT: PUMPS AND ENGINE COMPONENTS

SALES AND OPERATING PERFORMANCE OVERALL ON PLAN

Sales (€m)



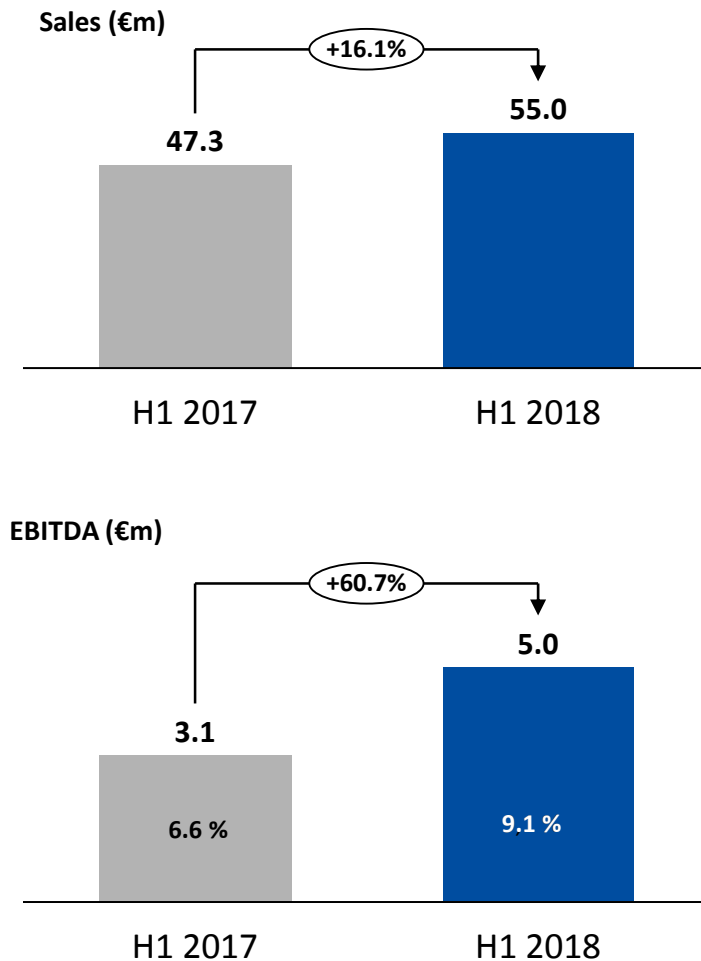
EBITDA (€m)



- Sales increase as budgeted by 6.4 per cent to € 165.3 million.
 - Passenger Cars: € 120.1 million (-2,5 per cent); stabilized by growing contribution of foreign entities (+329.8 per cent to € 7.7 million)
 - Truck & Off-Highway: € 19.1 million (+15.4 per cent)
 - Powder Metallurgy: € 18.5 million (+18.9 per cent)
 - LHT: 7.6 million
- EBITDA margin influenced by non-recurring items totalling € 5.5 million; EBITDA margin before non-recurring items: 10.3 per cent

BUSINESS SEGMENT: BRAKE DISCS

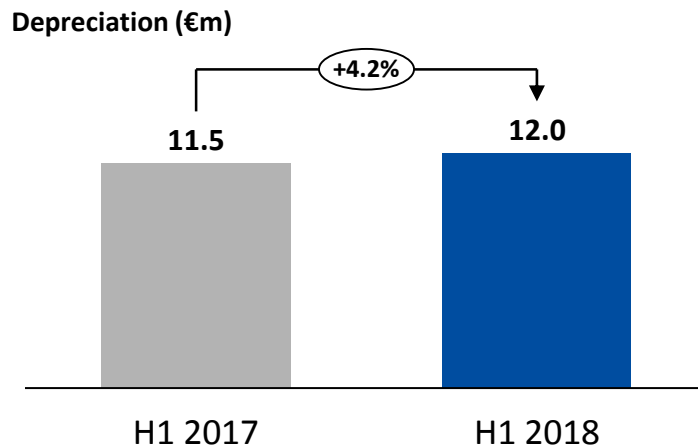
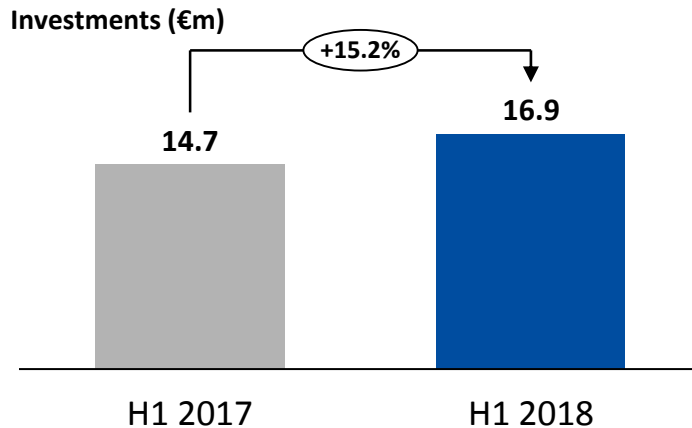
BRAKE DISCS ON TARGET



- Sales growth by 16.1 per cent to € 55.0 million
- Total number of brake discs sold: +8.8 per cent to 2.0 million units
- Total number of composite brake discs sold: +41.9 per cent to approx. 400 k units
- EBITDA margin positively influenced by volume and product mix effects as well as productivity gains
- In 2017 margin impacted by sharp increase in scrap prices; in 2018 scrap prices stabilized on high level; price escalation clauses are effective

INVESTMENTS AND DEPRECIATION

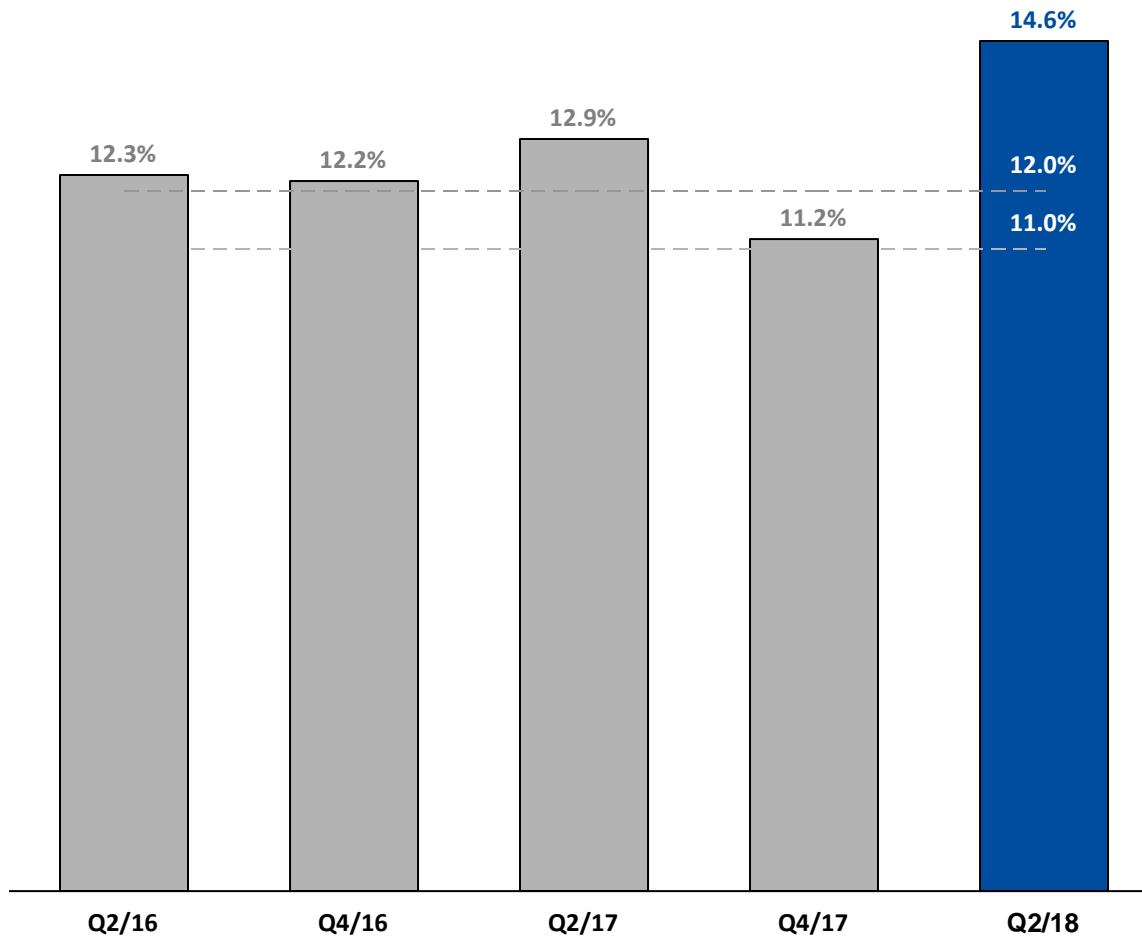
HIGH LEVEL OF INVESTMENTS IN NEW MARKETS



- Total investment in property, plant and equipment and intangible assets € 16.9 million
- Pumps & Engine Components: € 9.2 million; thereof € 5.2 million for the development and expansion of the international sites in China, Brazil, Canada and Romania
- Brake Discs: € 7.1 million mainly for new machining hall and machining lines
- Depreciation slightly increased in line with higher investments in 2017 and 2018

NET WORKING CAPITAL RATIO

NET WORKING CAPITAL RATIO TARGET IN A RANGE OF 11 TO 12 PER CENT



- Net working capital € 10.6 million above previous year's level
- Increase in inventories by € 11.7 million due to international growth, first-time full year consolidation of LHT and increased work in progress
- Increase in trade receivables by € 8.1 million due to quarter end payment carryovers, longer payments terms for international business and first-time full year consolidation of LHT
- Increase in trade payables by € 7.5 million due to business-related sales increase, higher asset additions and working capital management

CASH FLOW

HIGH WORKING CAPITAL NEEDS

€m ¹	H1 2018	H1 2017
Cash flow from operating activities	-7.9	18.5
Cash flow from investing activities - <i>tangible and intangible assets</i>	-16.9	-14.5
Operating free cash flow	-24.9	3.9
Cash flow from investing activities - <i>financial assets</i>	16.2	-6.8
Total free cash flow	-8.6	-2.9
Other (esp. dividend payments and net financial liabilities acquired in the course of business combinations)	-3.6	-6.7
Change in net cash	-12.3	-9.6

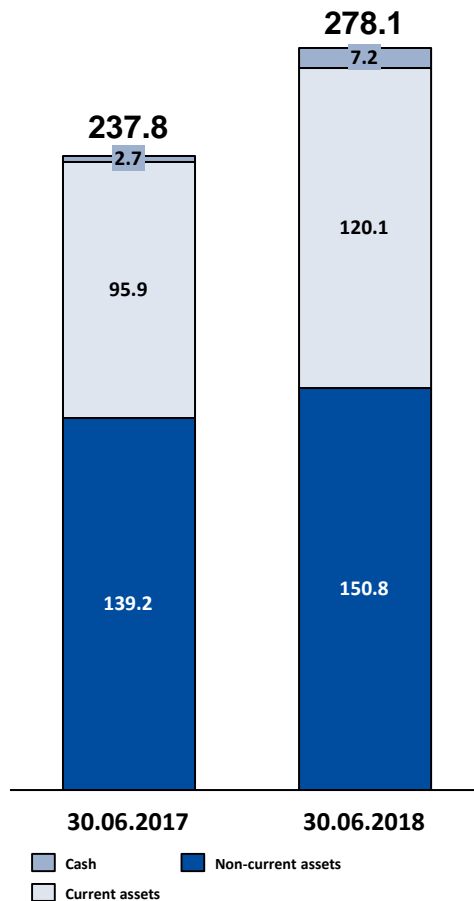
¹ Figures include rounding adjustments

- Cash flow from operating activities declined due to EBITDA, the higher in net working capital and changes in provisions
- Cash flow from investing activities increased due to a high level of investments in new markets and projects and Brake Discs
- Total free cash flow influenced by the cash inflow from the sale of the Brake Discs JV

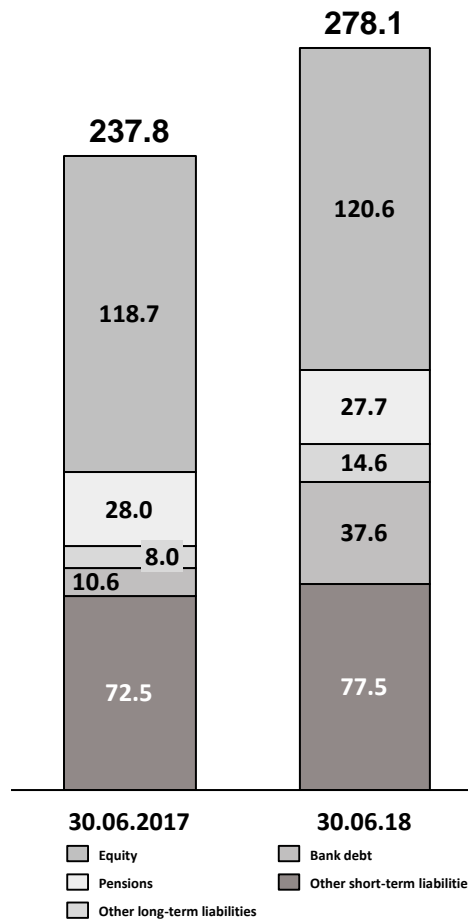
SOUND FINANCIAL PROFILE

SOUND BALANCE SHEET

Assets



Liabilities



- Non-current assets influenced by: first-time full year consolidation of LHT (€ 6.2 million) and high investments in fixed assets partially offset by the sale of the Brake Discs JV
- Current assets increased mainly due to higher inventories and trade receivables
- Equity ratio strong at 43.3 per cent
- Bank debt increased

FINANCIAL FIGURES H1 2018

GROUP SALES AND OPERATING PERFORMANCE OVERALL ON PLAN

€m ¹	H1 2018	H1 2017	Change
Group sales	220.3	202.7	8.7%
EBITDA	12.5	19.8	-37.0%
<i>as % of sales</i>	<i>5.7%</i>	<i>9.8%</i>	-
Depreciation	12.0	11.5	4.2%
EBIT	0.5	8.3	-94.1%
<i>as % of sales</i>	<i>0.2%</i>	<i>4.1%</i>	-
ROCE	5.4%	11.6%	-
Net profit	-0.7	5.4	-
EPS (in €)	-0.10	0.84	-
Investments ²	16.9	14.7	15.2%
<i>as % of sales</i>	<i>7.7%</i>	<i>7.3%</i>	-
Net working capital ratio (LTM)	14.6%	12.9%	-
Operating free cash flow	-24.9	3.9	-
Equity ratio	43.4%	49.9%	-
Net debt / net cash	-30.5	-7.9	-284.3%

¹ Figures include rounding adjustments

² Additions to tangible and intangible assets

- Sales development as budgeted; growing contribution of foreign entities and Brake Discs
- EBITDA influenced by non-recurring items totalling € 7.6 million
- High investments in new markets and projects and Brake Discs
- Sound financial profile; equity ratio 43.3 per cent

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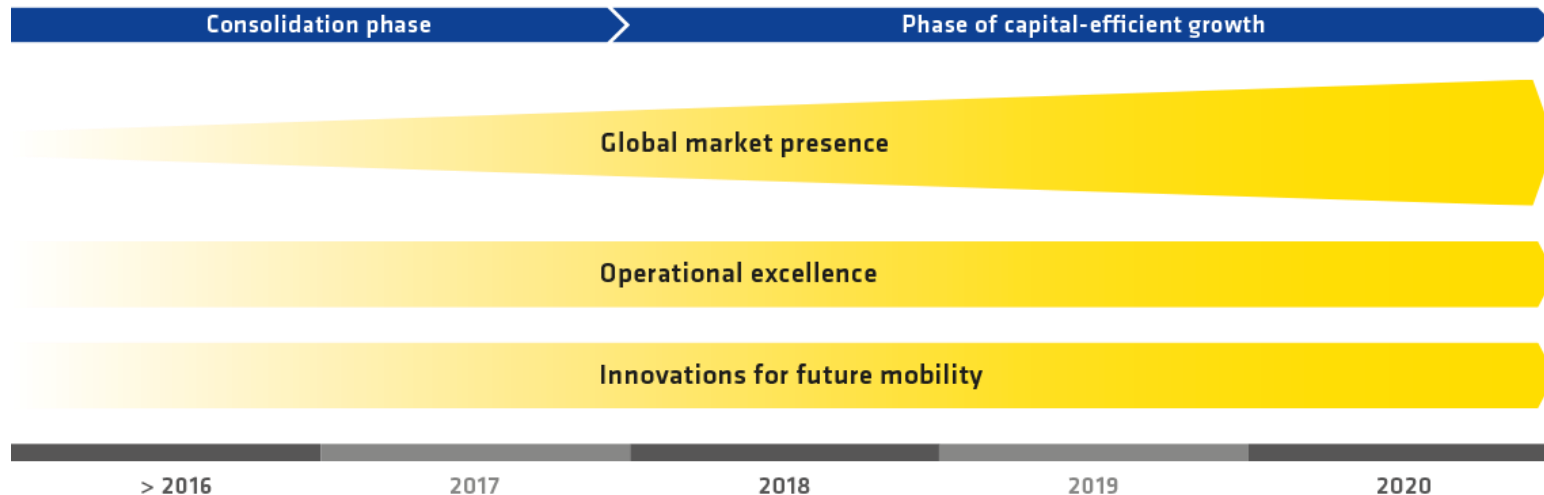
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STRATEGIC ROADMAP – SHW 2020

THREE STRATEGIC KEY LEVERS

- Presence in all **strategic automotive markets** as base to **leverage growth**
- Significant **investment programme** in international sites of **more than € 30** million until 2020
- In 2020 **approx. 30 per cent** of global **turnover outside of Europe**



GLOBAL PRESENCE – SHW PRODUCTION NETWORK

UPDATE GLOBAL SHW ACTIVITIES

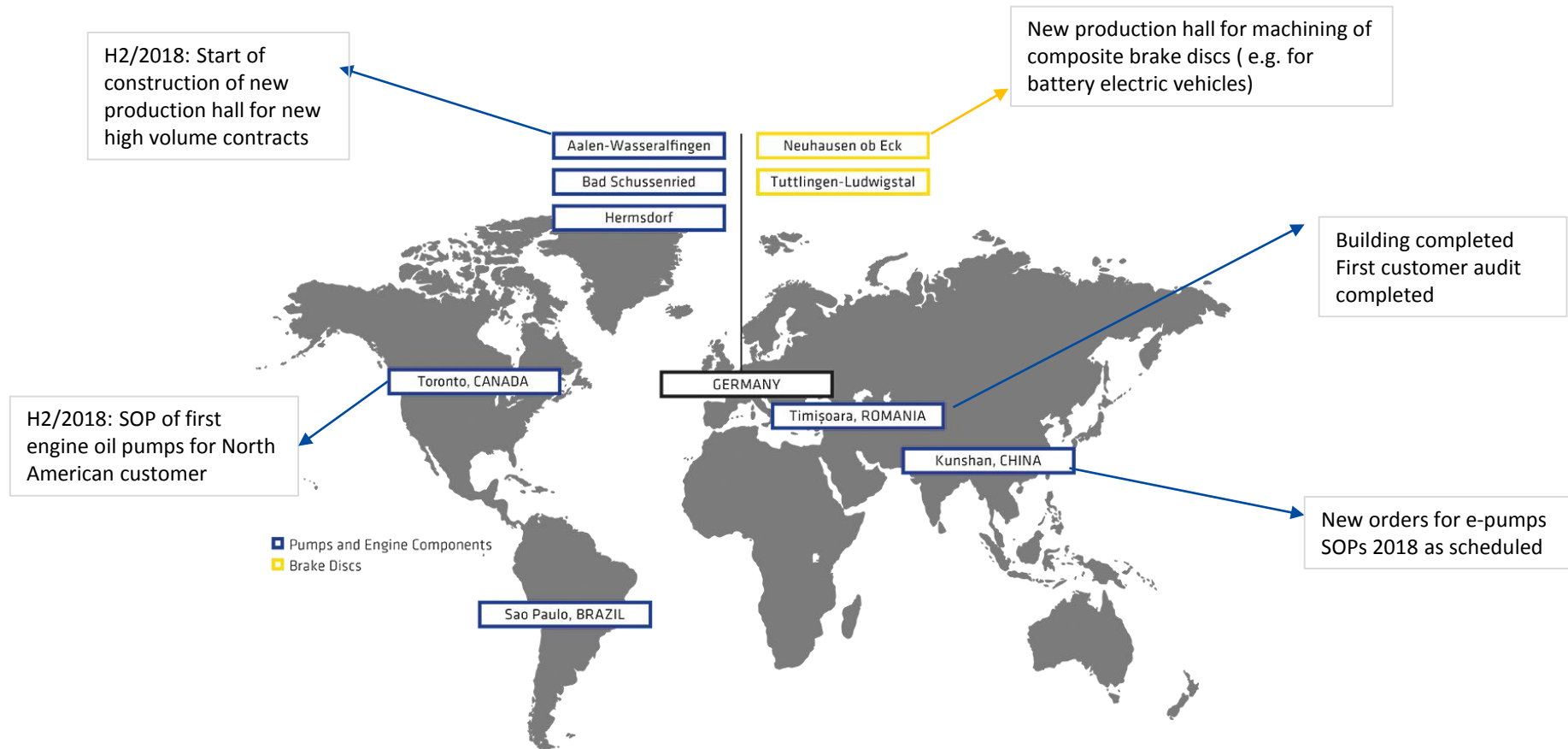


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OUTLOOK 2018

DRIVE INTERNATIONAL GROWTH AND LEVERAGE INNOVATION LEADERSHIP

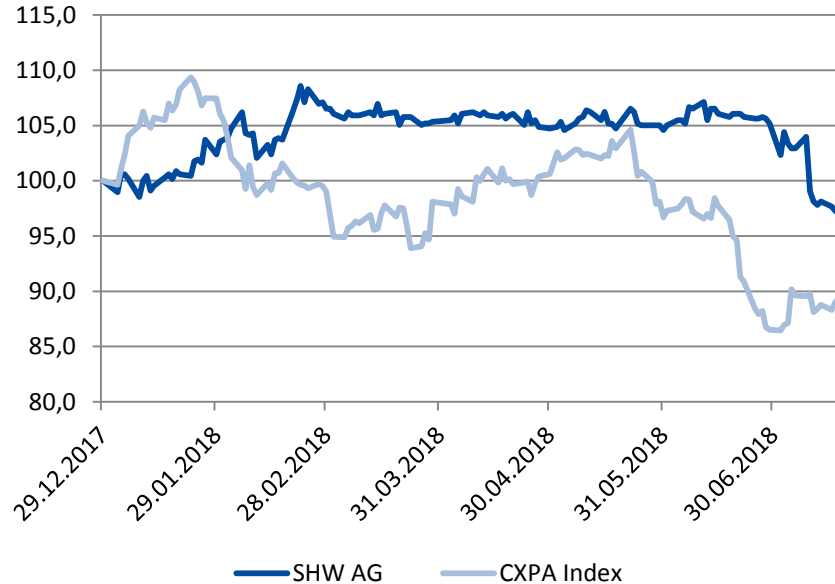
	January 2018	July 2018
Group sales	€ 450 – 470 million	€ 420 – 440 million
Sales Pumps & Engine Components	€ 345 – 360 million	315 – 330 million
Sales Brake Discs	€ 105 – 110 million	
EBITDA margin*	11 to 12 per cent	9 to 10 per cent
EBITDA*	€ 49,5 – 56,4 million	€ 37,8 – 44,0 million
Investments	€ 35 – 37 million	

*before non-recurring items

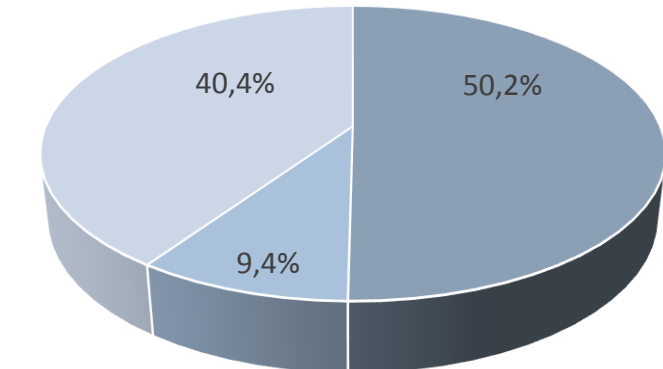
SHW SHARE PRICE PERFORMANCE

DRIVE INTERNATIONAL GROWTH AND LEVERAGE INNOVATION LEADERSHIP

SHW share price



Shareholder structure



- Pankl SHW Industries GmbH
- ARN International Holding
- Freefloat*

According to the definition of the Deutsche Börse

KEY TAKE AWAYS

DRIVE INTERNATIONAL GROWTH AND LEVERAGE INNOVATION LEADERSHIP



Internationalisation of pump activities on track

Strong volume increase of high-quality composite brake discs

Both business segments product portfolios contain marketable products to benefit from the trend towards e-mobility

Sound balance sheet plus syndicated loan safeguard strategic flexibility

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