



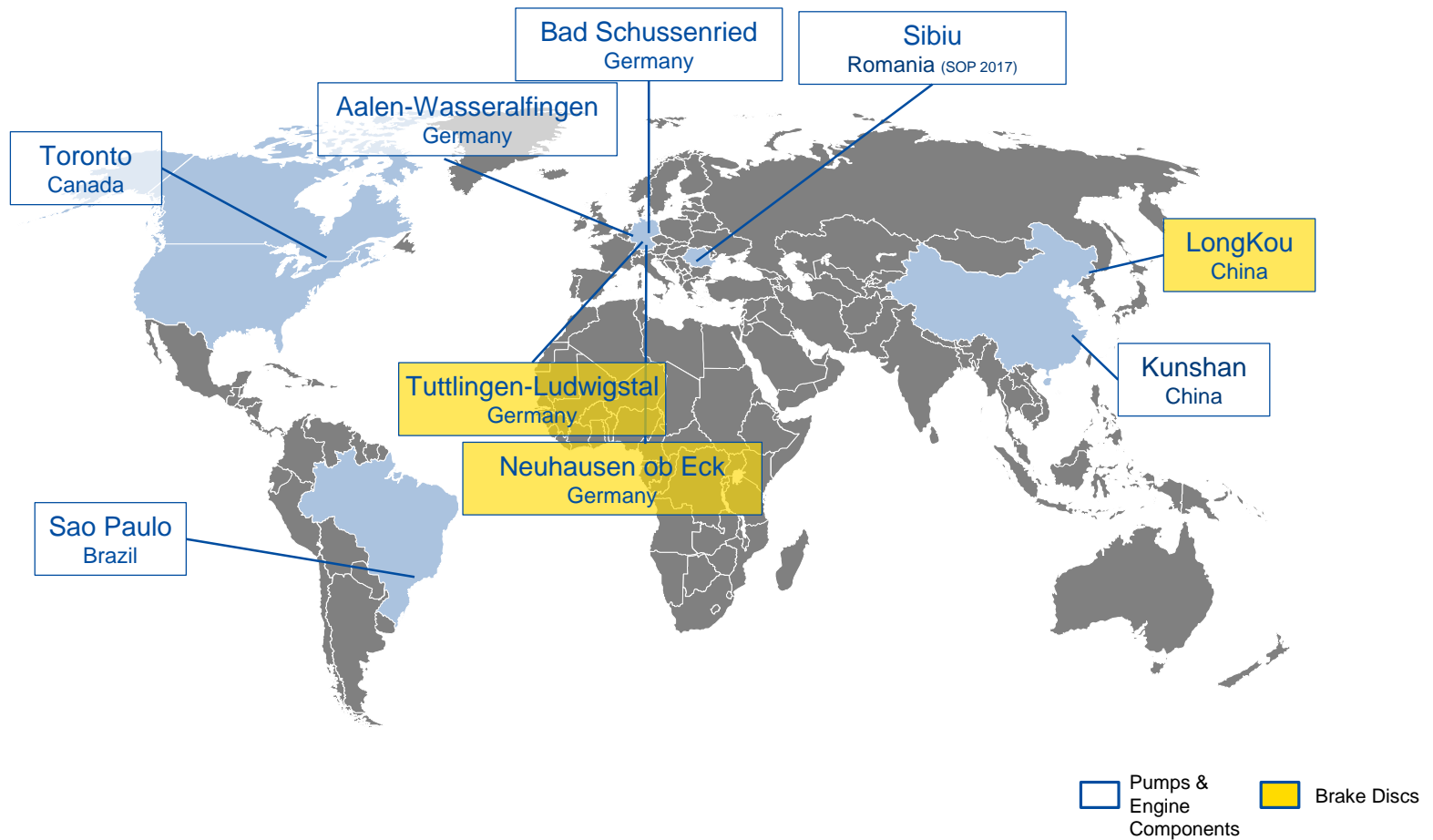
Returning to the path of capital-efficient growth

Kepler Cheuvreux German Corporate Conference

Frankfurt, 16 January 2017

Preparing the return to capital-efficient growth

- > Strategic roadmap for returning to capital-efficient growth
- > Financial goals 2016 and beyond
- > Financial results 9M 2016



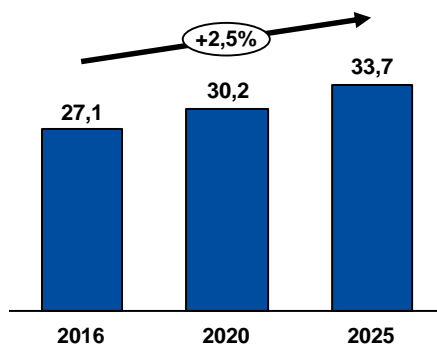
SHW is present in all strategic markets



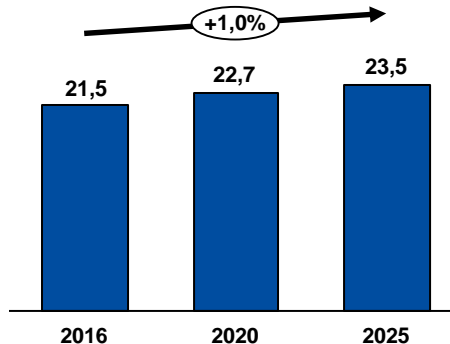
After a phase of consolidation SHW will get back on the track for capital efficient growth

Light vehicle production by region (m units)

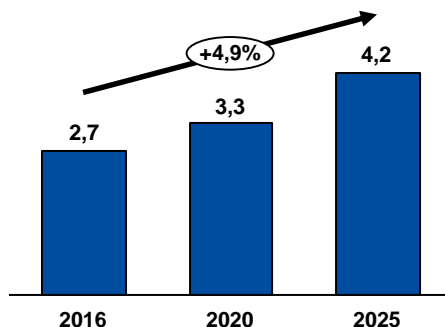
China



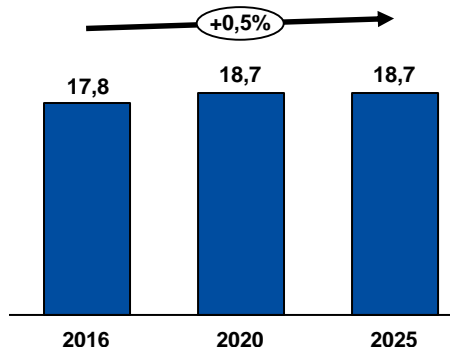
Europe



South America



North America



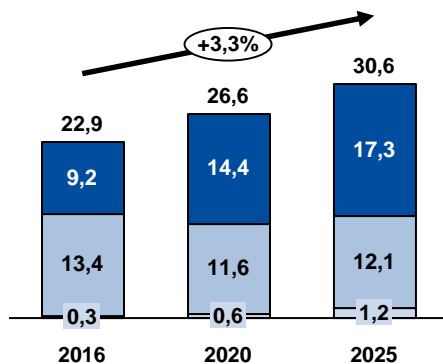
- Global light vehicle production expected to increase on average by 1.9 per cent to 110 m units until 2025
- China: main growth driver
- Europe: slight growth mainly driven by recovery in Russia
- North America: stable on current level
- South America: steady recovery after severe market slump



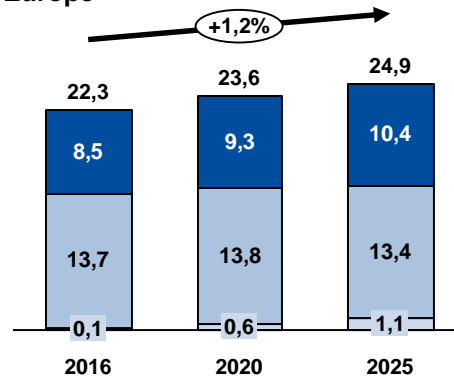
SHW present in all strategic markets to benefit from increasing production volumes

Transmission production by region (m units)

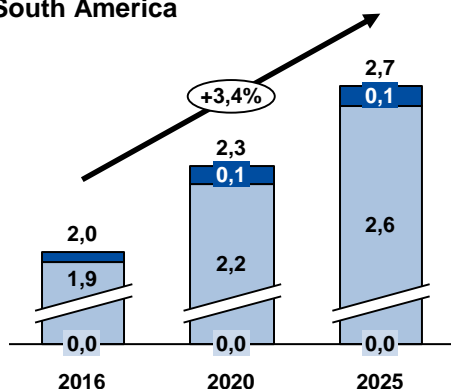
China



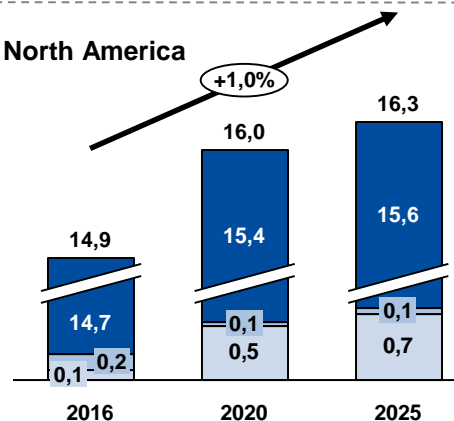
Europe



South America



North America



Automatic Manual Other

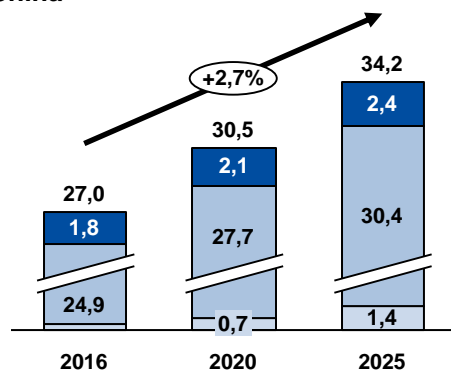
- China: automatic transmissions will grow above average by 7.3 per cent annually
- Europe: automatic transmissions will gain market shares step by step
- South America: manual transmissions will remain dominant transmission type
- > Majority of automatic transmissions require transmission oil pumps (primary and secondary)
- > Limited number of competitors



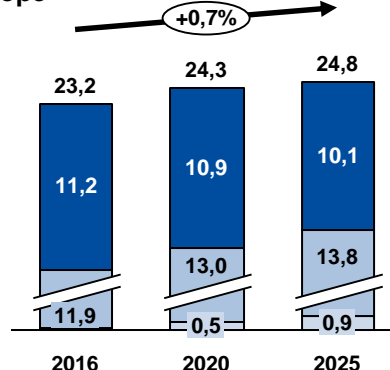
Transmission oil pumps further strategic growth segment for SHW

Engine production by region (m units)

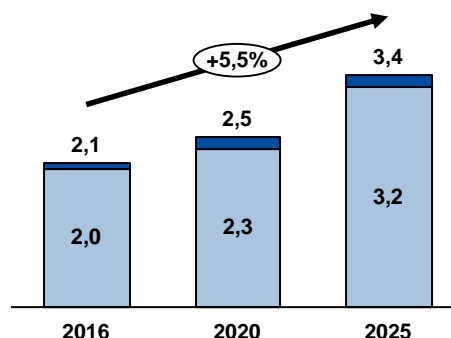
China



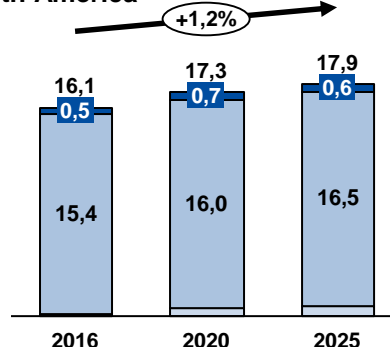
Europe



South America



North America



■ Diesel (incl. hybrids) ■ Gasoline (incl. hybrids) ■ Electricity ■ Other

- China: gasoline engines will remain dominant engine type
- Europe: gasoline engines will gain market shares
- North America: gasoline engines will be far remain dominant engine type
- Increasing hybridisation means growing number of pumps per car

Technology Trends



Electro
Mobility



Connectivity



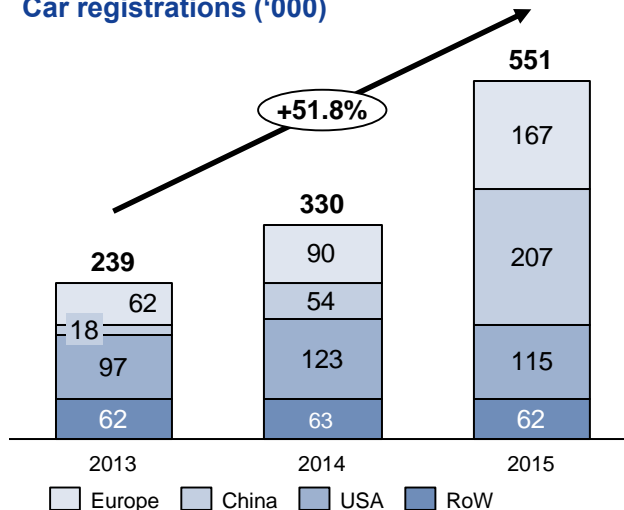
Autonomous
driving



New
Materials

Electric light vehicles

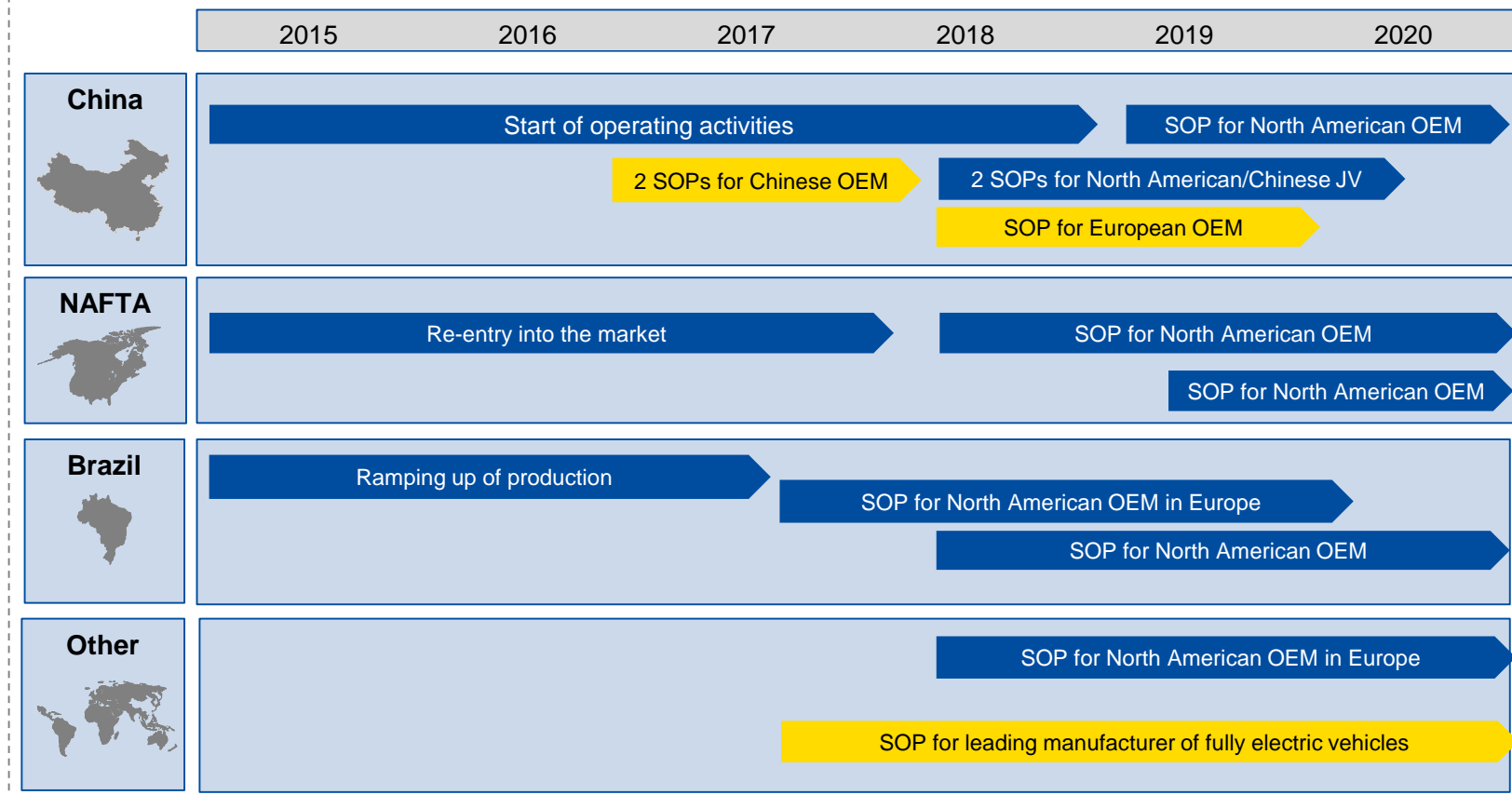
Car registrations ('000)



- Worldwide 1,3 m light electric light vehicles listed by the end of 2015
- USA and China are the largest single markets
- Germany far behind Japan, France, Netherlands, Norway
- BMW i3 worlds best selling battery electric light vehicle
- By October, the sales figures in China increased by 80 per cent, in Europe around 15 per cent



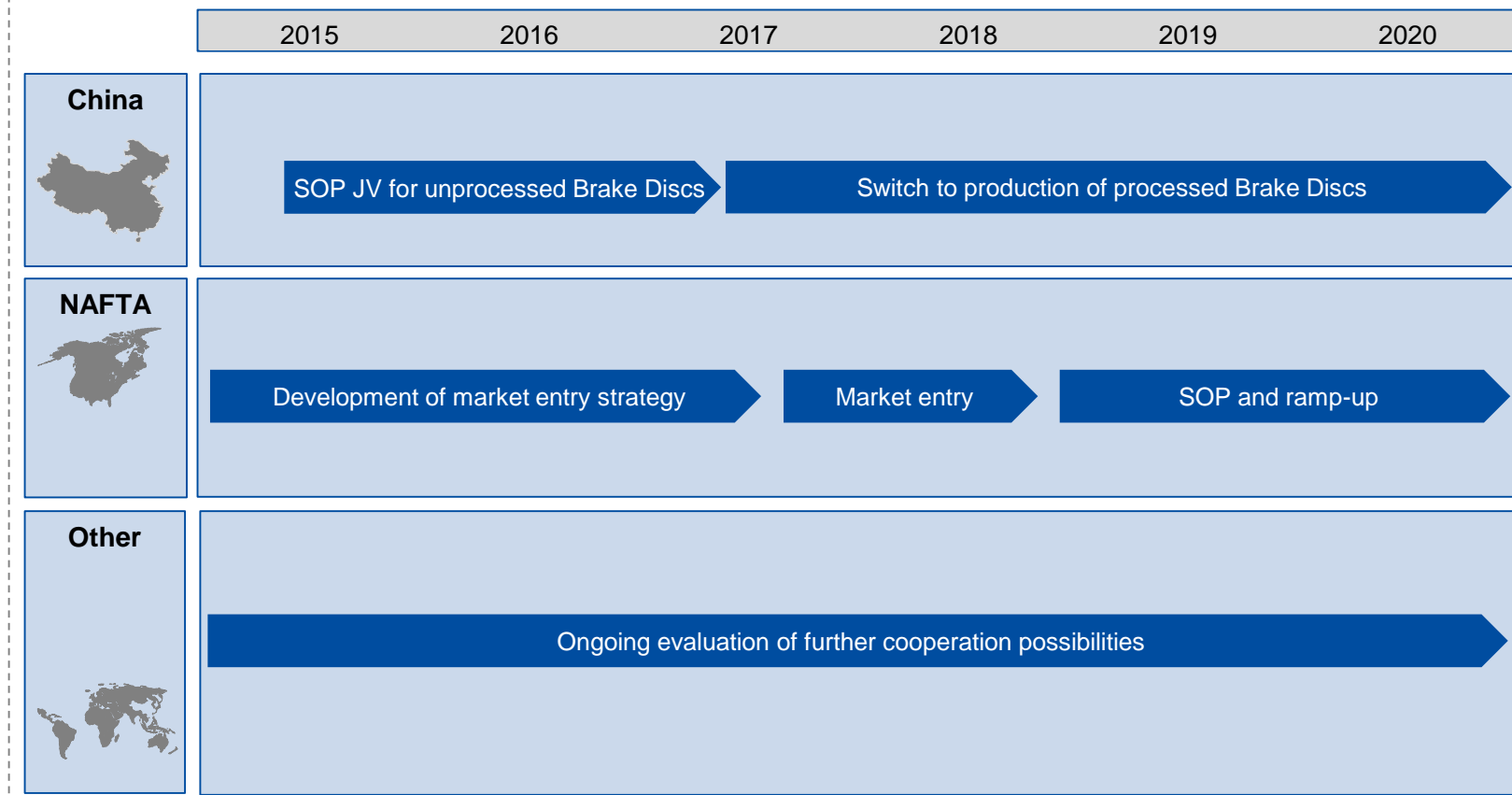
Pumps & Engine Components



■ Engine
 ■ Transmission

Enhanced international presence as a catalyst for future growth

Brake Discs

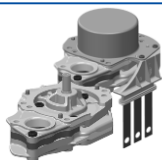


Enhanced international presence as a catalyst for future growth



**Two stroke
vane pump**

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



**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 weight reduction



SHW offers primary transmission oil pumps for vehicles powered by combustion engines (incl. hybrids)



Electric pump for cooling and lubricating

- Transmission applications becoming increasingly important also in electric cars
- Product solution serves as primary transmission pump for cooling and lubricating the transmission and the electric motor
- Needs-oriented cooling and lubrication of the electric powertrain
- Major contract from world's leading manufacturer of fully electric vehicles
- Lifetime sales volume of approx. € 100 million
- SOP scheduled for the first half of 2017

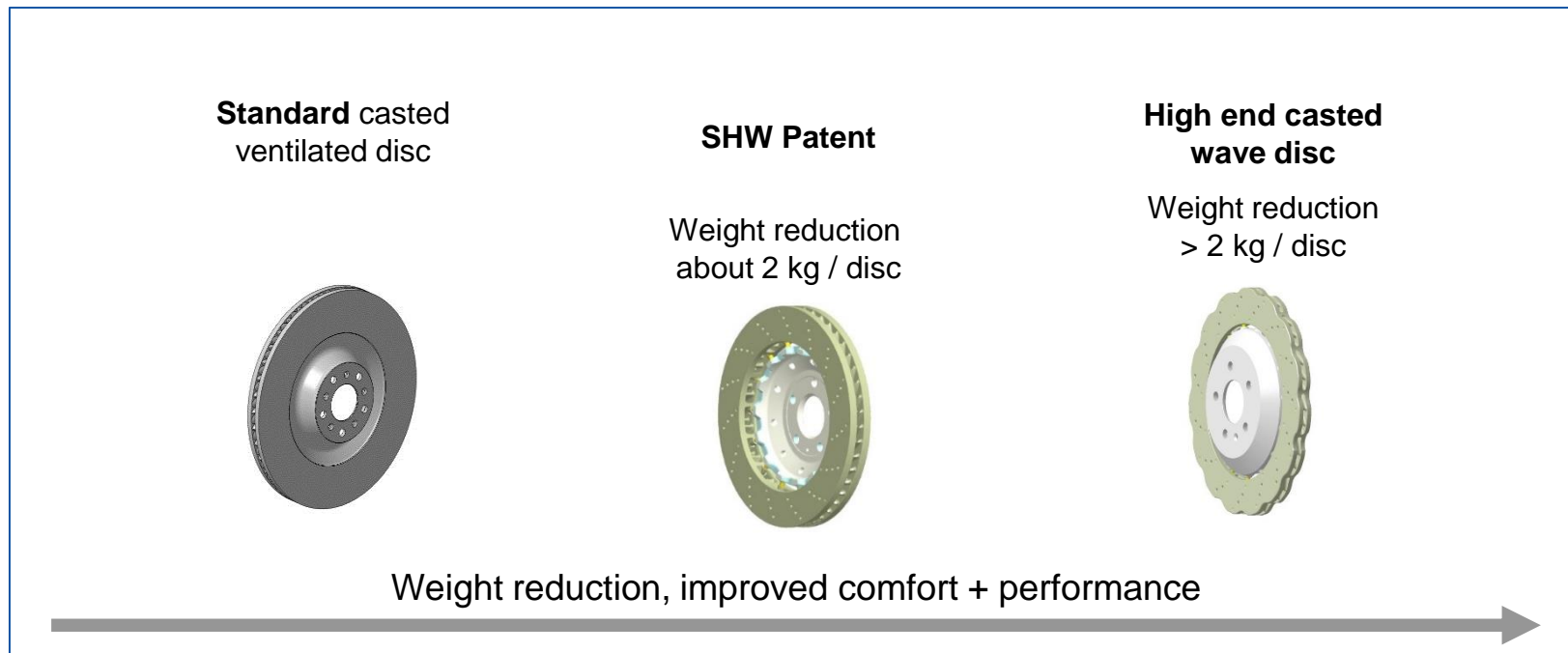


Composite brake disc for high performance electric powered passenger cars

- Electric vehicles also require high performance brake discs.
- Product solution serves as a
 - light weight brake disc
 - with best comfort characteristics
 - and high braking performance
- Platform strategy allows production synergies for these high end casted discs for an attractive price.



SHW offers primary transmission oil pumps and composite brake discs for battery electric vehicles



- > SHW is innovation leader for lightweight products in the automotive sector
- > Composite brake discs with aluminium pot significantly contribute to weight reduction
- > Weight reduction of unsprung masses improves driving performance



The megatrends weight reduction, corrosion resistance and reduction of brake dust are key drivers for the Brake Discs division

Further potential in process efficiency

Production excellence

- Shorter cycle times in Powder Metallurgy
- Press tool optimisation in order to achieve higher process stability
- Linking and automation of production processes in Powder Metallurgy and Brake Discs

Leadership

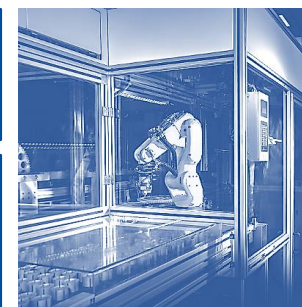
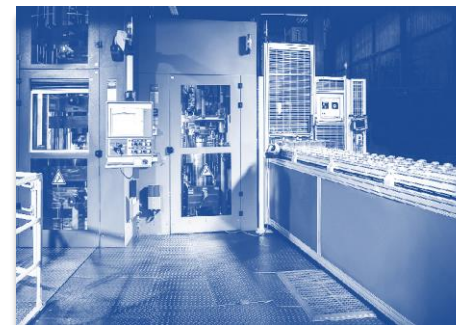
- Refinement of the implemented shopfloor management, CIP Management and strengthening of the KPI cockpit

Production planning software

- Implementation of MES System (Manufacturing Execution System)

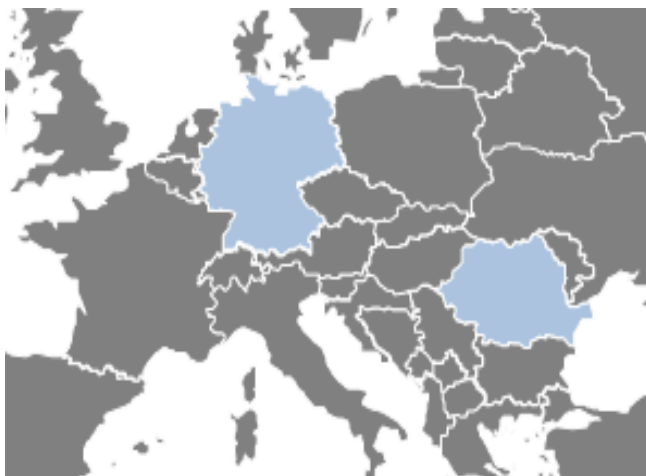
Powder Metallurgy Main CIP projects

- Further process automation: flexible connection between powder compaction and heat treatment
 - Reduction of manual handling
 - Saving of direct and indirect labour costs
- Optimization in Quality Management
 - Implementation of CRQ Software
 - Stabilization of QM processes and inspection plans
 - Reduction of reworking costs and number of complaints



Investments improve efficiency and profitability of Powder Metallurgy business, positively impacting also pump assembly division

Optimization of European production network



Bad Schussenried & Sibiu

- Relocation of specific productions lines to Romania starting in 2017
- Strengthening the competitiveness of Bad Schussenried site.
- Additional investments in Bad Schussenried of at least EUR 9 million for the competence center "Electric Transmission Oil Pumps" until 2022

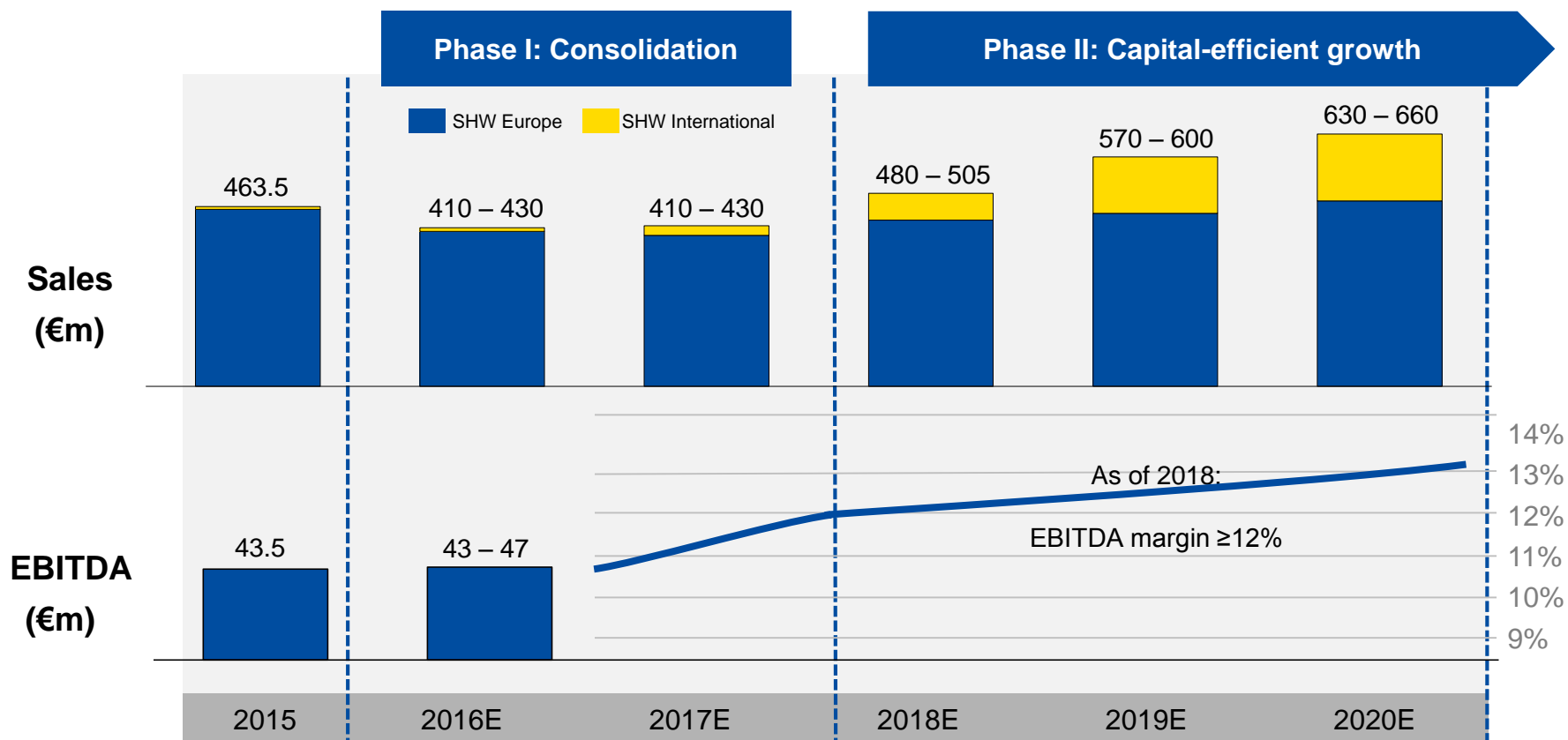
2017

- By relocating and by using locational advantages we will increase profitability
- Advantage of lower personnel expenses

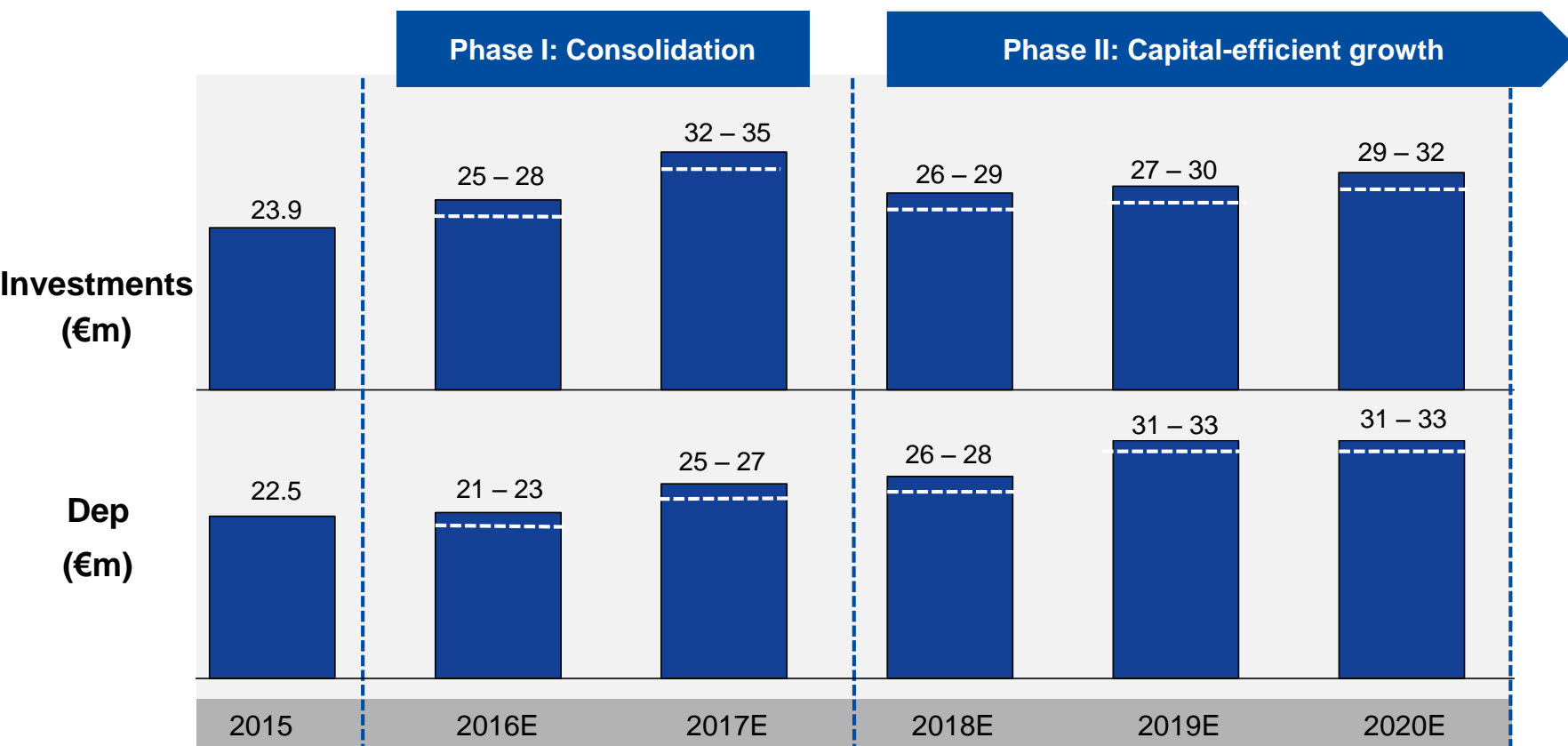


Earnings improvements should reach high single-digit million Euro range by 2020

Financial goals – Sales and EBITDA



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

Capital structure	> Sustainable and strong capital structure with a balance sheet equity ratio of at least 30 per cent to 40 per cent
Debt ratio	> Leverage potential to increase net debt / adj. EBITDA ratio 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



Sales for FY 2016 at the lower end of the € 410 million to € 430 million range

Driven by the effects from the efficiency measures the EBITDA is still expected at the lower end of the € 43 million to € 47 million range

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

Entry into the market of fully electric vehicles once again underlines innovation leadership

Dates	Events
17.01.2017	German Corporate Conference / Kepler Cheuvreux, Frankfurt
27.02.2017	Preliminary Key Financial Figures 2016 / Annual Press Conference / Analyst and Investor Conference
24.03.2017	Annual Report 2016
28.03.2017	German Conference / Bankhaus Lampe, Baden-Baden
30.03.2017	Corporate Conference / MainFirst, Copenhagen
03.05.2017	Interim Report Q1 2017
09.05.2017	Annual General Meeting (Congress Centre Heidenheim)
28.07.2017	Interim Report Q2 2017
26.10.2017	Interim Report Q3 2017



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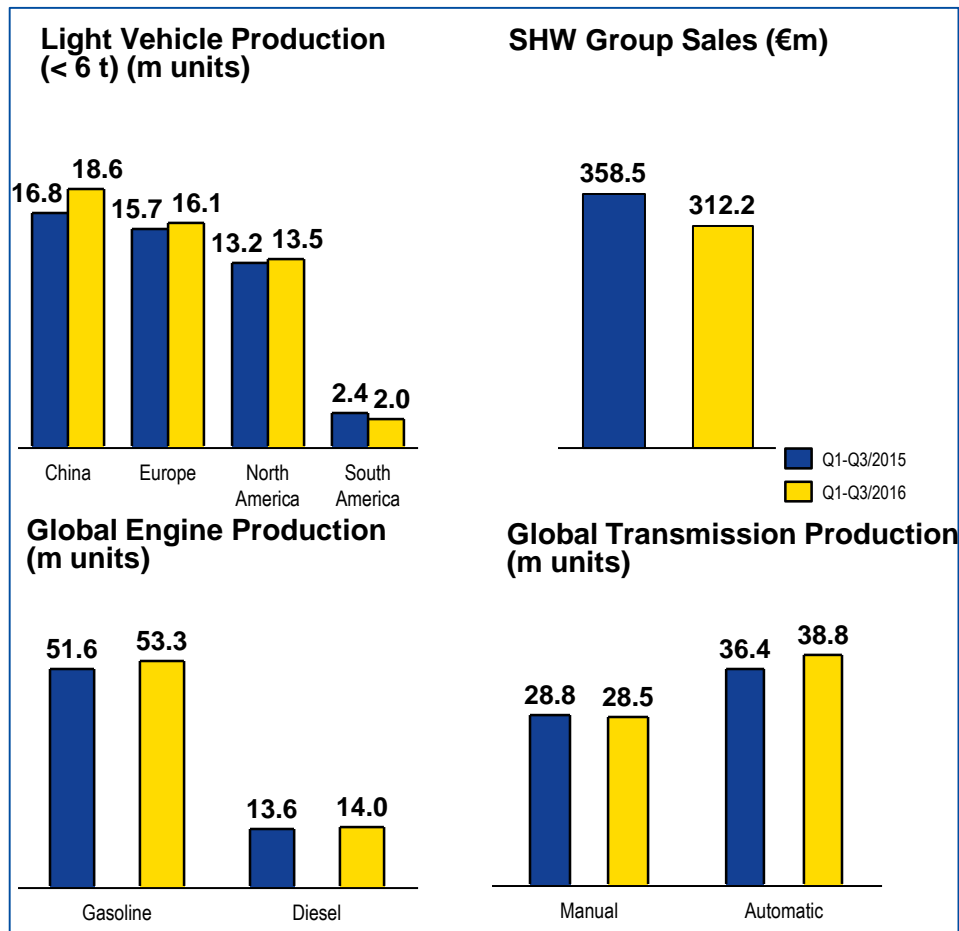


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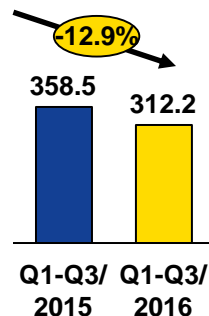
Source: IHS, October 2016

- > Moderate increase of global light vehicle production by 3.4 per cent to 67.7 million units with strong regional discrepancies
- > Combustion engines incl. hybrids continue to dominate
- > Diesel engine production in Europe above prior year
- > Above-average growth rates for automatic transmissions; global production increased by 6.6 per cent to 38.8 million units

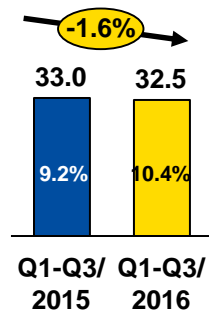


SHW well positioned to benefit from market trends and global demand for mobility from 2018 onwards

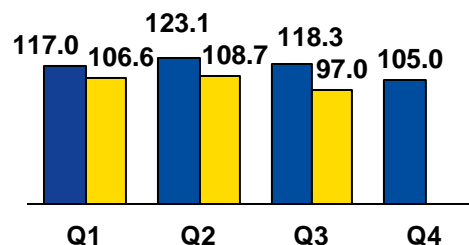
Sales (€m)



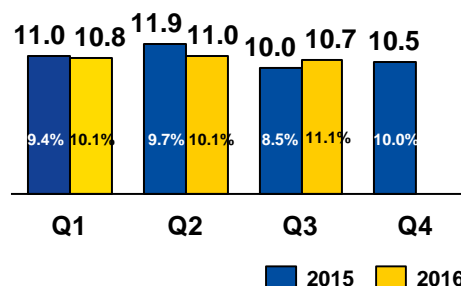
Adj. EBITDA (€m)



Sales by quarter (€m)



Adj. EBITDA by quarter (€m)



- > Sales decline in the Pumps and Engine Components business segment as expected
- > Sales in the Brake Discs business segment influenced by lower number of units sold and lower material surcharges
- > Adj. EBITDA margin increased from 9.2 per cent to 10.4 per cent despite reduced sales



Results within target range

€m ¹	Q1-Q3/ 2016	Q1-Q3/ 2015	Change
Group sales	312.3	358.5	-12.9%
Adj. EBITDA	32.5	33.0	-1.6%
as % of sales	10.4%	9.2%	
Depreciation (excl. PPA)	18.3	16.5	+11.5%
Adj. EBIT	14.1	16.5	-14.6%
as % of sales	4.5%	4.6%	
ROCE	11.6%	14.3%	
Net income for the period	9.9	12.4	-19.8%
EPS (in €)	1.54	1.95	-21.1%
Investments ²	16.7	19.3	-13.8%
as % of sales	5.3%	5.4%	
Working capital as % of sales	14.1%	11.7%	
Equity ratio	51.2%	46.6%	
Operating free cash flow	-13.5	-3.6	275.5%
Net cash / net debt	-7.8	-9.0	-14.0%

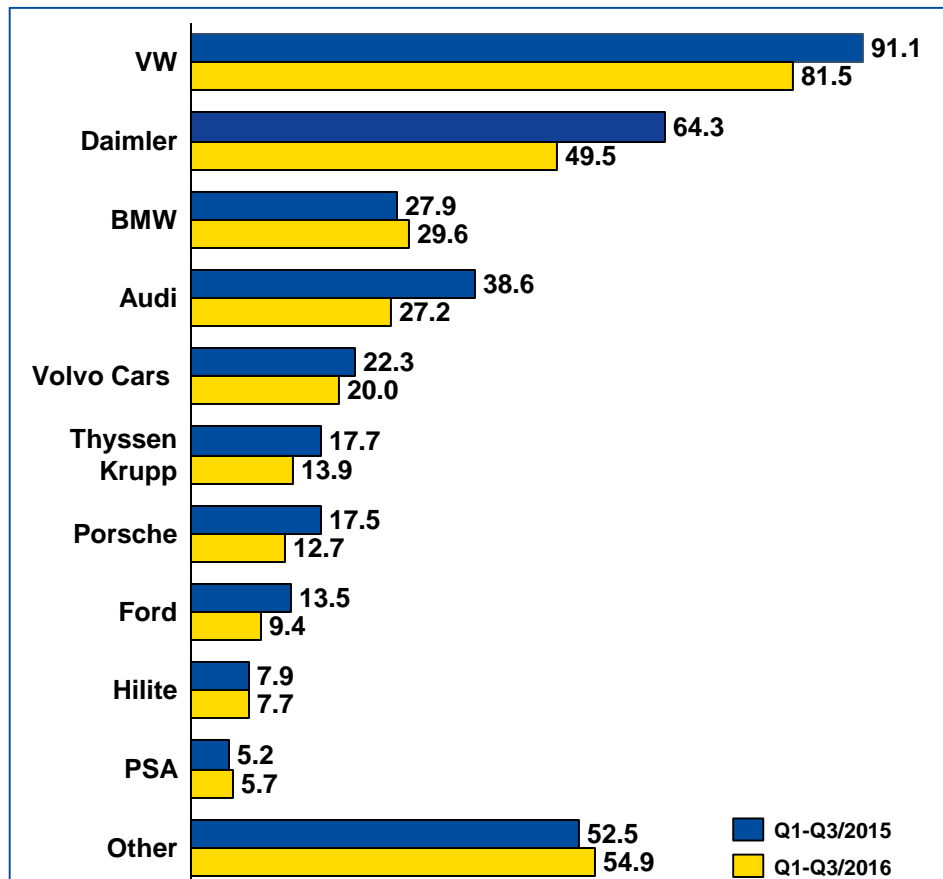
¹ Figures include rounding differences

² Additions to tangible and intangible assets

- > Sales development as expected
- > Adj. EBITDA margin of 10.4 per cent exceeds 2015
- > Net income influenced by an investment related increase in depreciation and a non-recurring consolidation effect in FY 2015
- > Working Capital increased
 - > Inventories up to ensure supply readiness
 - > Lower receivables due to lower sales and receivables management
 - > Payables lower following lower investments



Efficiency measures driving positive margin development in 2016

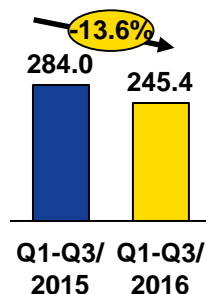


- > Expected decrease in sales with VW Group and Daimler Group
- > Decline in sales relates mainly to two volume products due to a customer's switchover of technology as well as the transition to a successor product

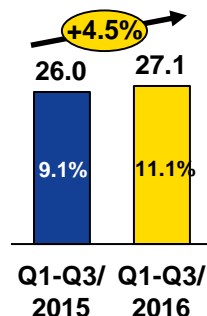


International growth and diversified product range will lead to a more balanced customer structure

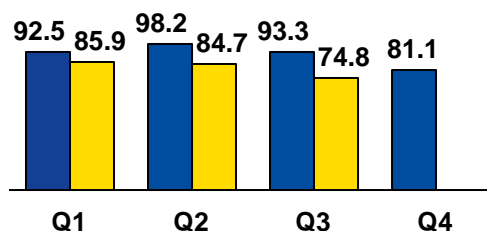
Sales (€m)



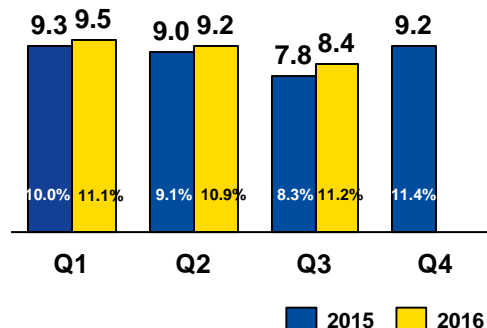
Adj. EBITDA (€m)



Sales by quarter (€m)



Adj. EBITDA by quarter (€m)

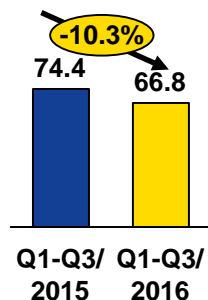


- > Sales decline as expected by 13.6 per cent to € 245.4 million
- > Adj. EBITDA margin improved from 9.1 per cent to 11.1 per cent despite reduced sales
- > Considerably lower costs for external processing, finishing and expedited freight

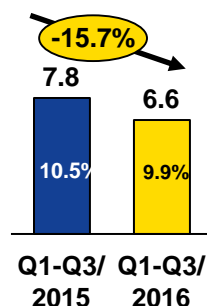


Operational efficiency programme with positive effects
on EBITDA and EBITDA margin

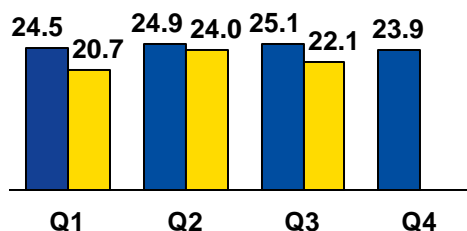
Sales (€m)



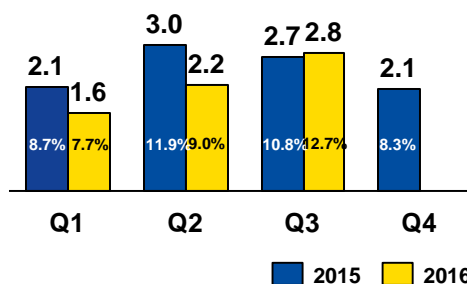
Adj. EBITDA (€m)



Sales by quarter (€m)



Adj. EBITDA by quarter (€m)



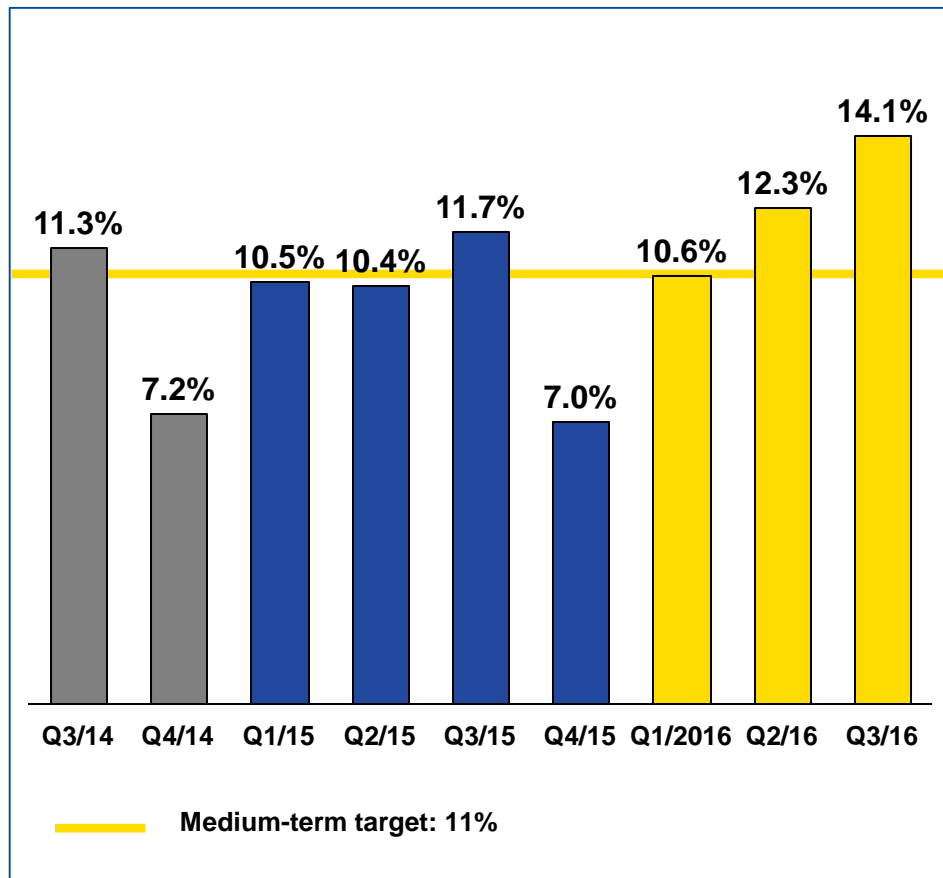
> Sales development mainly influenced by lower sales of one-piece brake discs. This was not completely offset by higher sales of composite brake discs

> Sales development further influenced by lower scrap prices

> Positive product mix effects and disciplined implementation of productivity measures partly compensated lower capacity utilisation



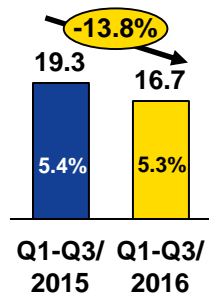
EBITDA margin close to target level of 10.0 per cent



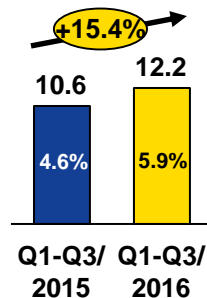
- > Working capital increased year-over-year by € 4.2 million to € 58.7 million
- > With 14.4 per cent, working capital ratio above previous year's 11.7 per cent
- > Inventory built-up to ensure supply readiness
- > Reduced trade payables due to lower business volume and lower investments to date than 2015



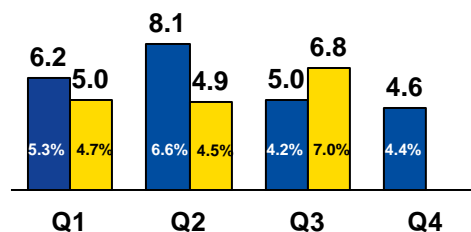
Investments (€m)



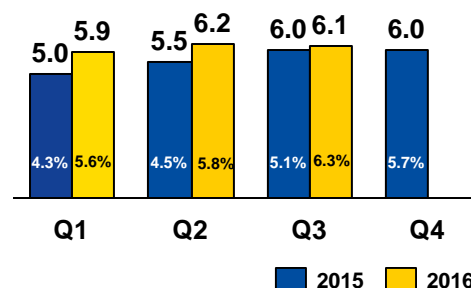
Depreciation (€m)



Investments by quarter (€m)



Depreciation by quarter (€m)



- > Investment ratio in Q1-Q3/2016 on the same level as previous year
- > Investments in Q4/2016 approx. between € 8 million and € 11 million
- > Depreciation ratio increased due to high investment levels in previous years



Investments in 2016 / 2017 basis
for capital-efficient growth in the subsequent years

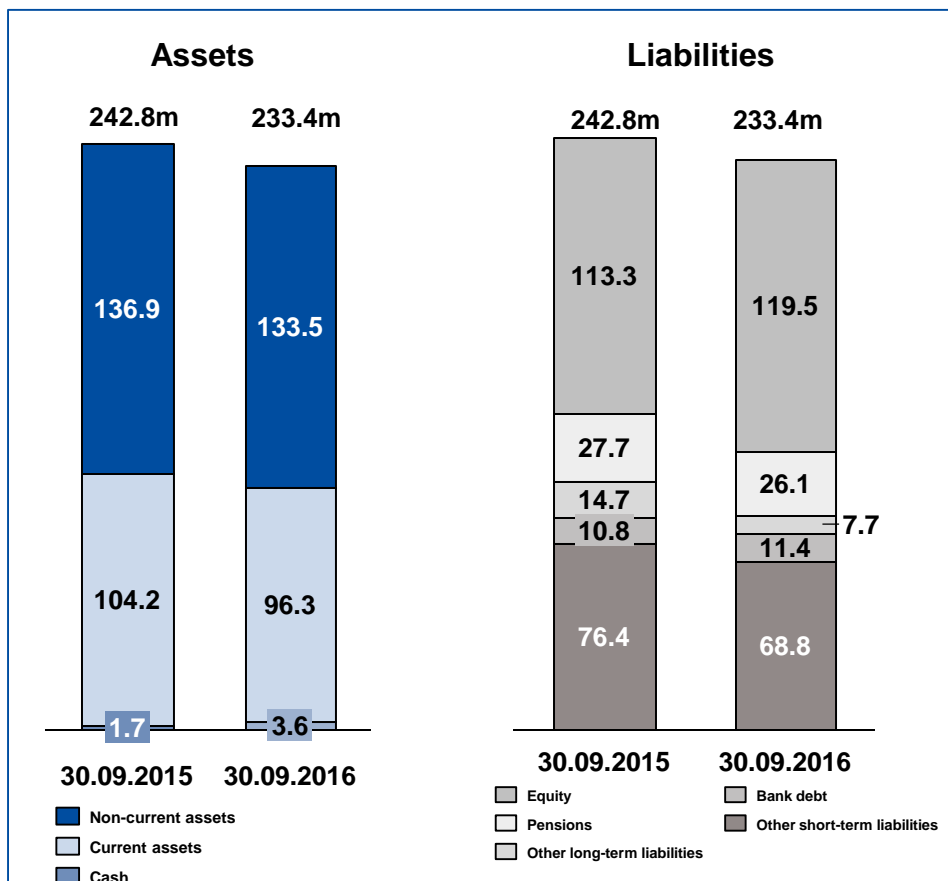
(€m) ¹	Q3 2016	Q3 2015	Q1-Q3/ 2016	Q1-Q3/ 2015
Cash flow from operating activities	3.2	4.8	2.9	18.0
Cash flow from investing activities				
- <i>tangible and intangible assets</i>	-6.7	-5.0	-16.4	-21.6
Operating free cash flow	-3.5	-0.1	-13.5	-3.6
Cash flow from investing activities				
- <i>financial assets</i>	0.0	0.0	0.0	-8.9
Total free cash flow	-3.5	-0.1	-13.5	-12.5
Other (esp. capital increase/dividend payment)	0.0	-0.1	-6.6	17.9
Change in net cash	-3.6	-0.2	-16.5	5.5

¹ Figures include rounding adjustments

- > Operating cash flow positively impacted by higher depreciation and other non-cash effective expenses and income
- > Operating cash flow negatively impacted by lower net income for the period, cash-effective changes in inventories, receivables, other assets and liabilities and a change in provisions



Strong focus on operating free cash flow in the future



- > Non-current assets decreased; depreciation above investments year-to-date
- > Current assets decreased due to accounts receivable management and lower sales
- > Short-term liabilities influenced by lower sales and comparatively low asset additions
- > Equity ratio increased from 46.6 per cent to 51.2 per cent mainly triggered by net period surpluses of the last 12 months



Guidance	2016
Sales	approx. € 410 m to € 430 m
thereof P&EC	approx. € 320 m to 340 m
thereof Brake Discs	approx. € 90 m
EBITDA	€ 43 m to € 47 m
Capex	€ 25 m to € 28 m (previously: € 32 m to € 35 m)

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