



Drive international growth and leverage innovation leadership

Preliminary Full Year Results 2017

Analyst and Investor Conference Call – 30 January 2018

Drive international growth and leverage innovation leadership

I SHW at a glance

II Financial figures 2017

III Strategy roadmap „SHW 2020“

IV Outlook for FY 2018 to 2020

1.

Group sales and EBITDA margin within guidance range

2.

Start of the first two large-scale serial productions at our Chinese location in Kunshan as planned

3.

Investment programme to drive internationalisation of pump activities delivered according to schedule

4.

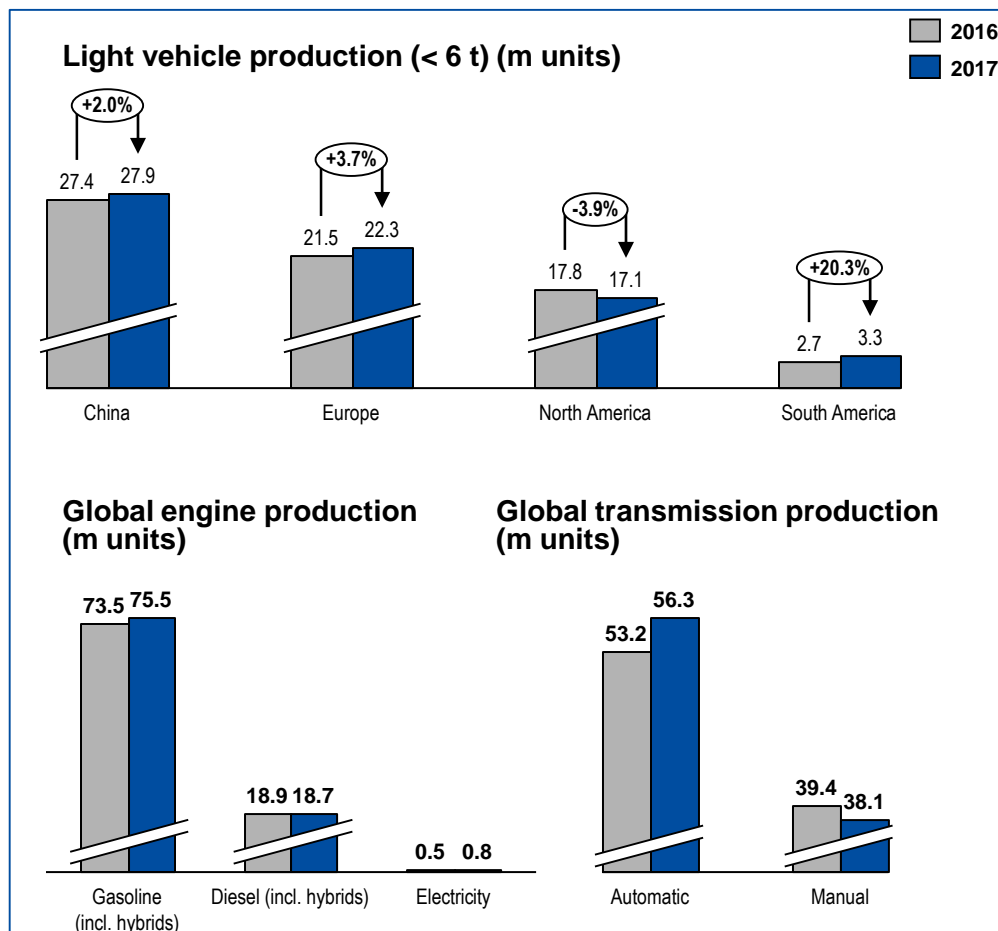
The acquisition of Lust Hybrid-Techniks process know-how in electronic circuit boards is making the difference in the development and production of integrated e-pumps

5.

Brake Discs Division to focus more strongly on high-quality composite brake discs and consequently divesting the 51 per cent share in the joint venture SHW Longji Brake Discs

6.

New syndicated bank loan of € 80 million allowing SHW to finance the coming years organic growth and giving the opportunity for bolt-on acquisitions

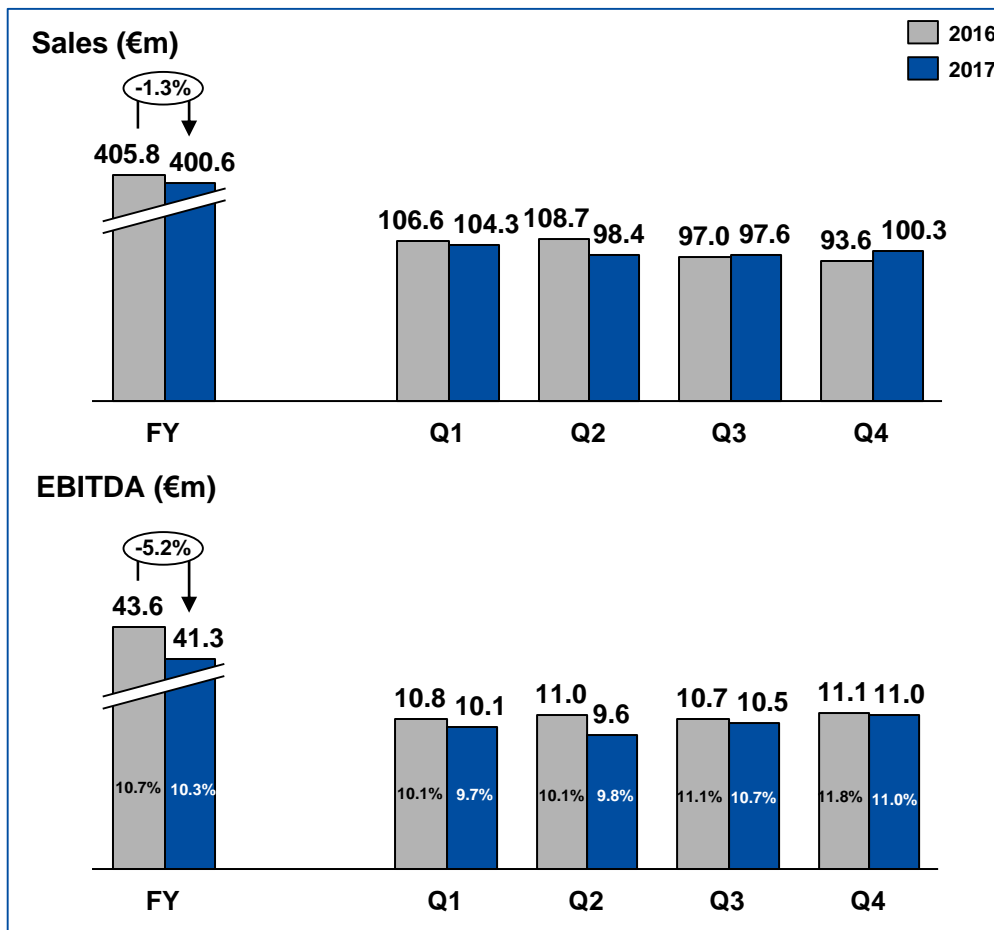


Source: IHS, January 2018

- Increase of the worldwide light vehicle production by 2.3 per cent to 95.3 million units
- Gasoline engines are gaining further market share
- Strong growth rates for automatic transmissions; global production increased by 5.8 per cent to 56.3 million units



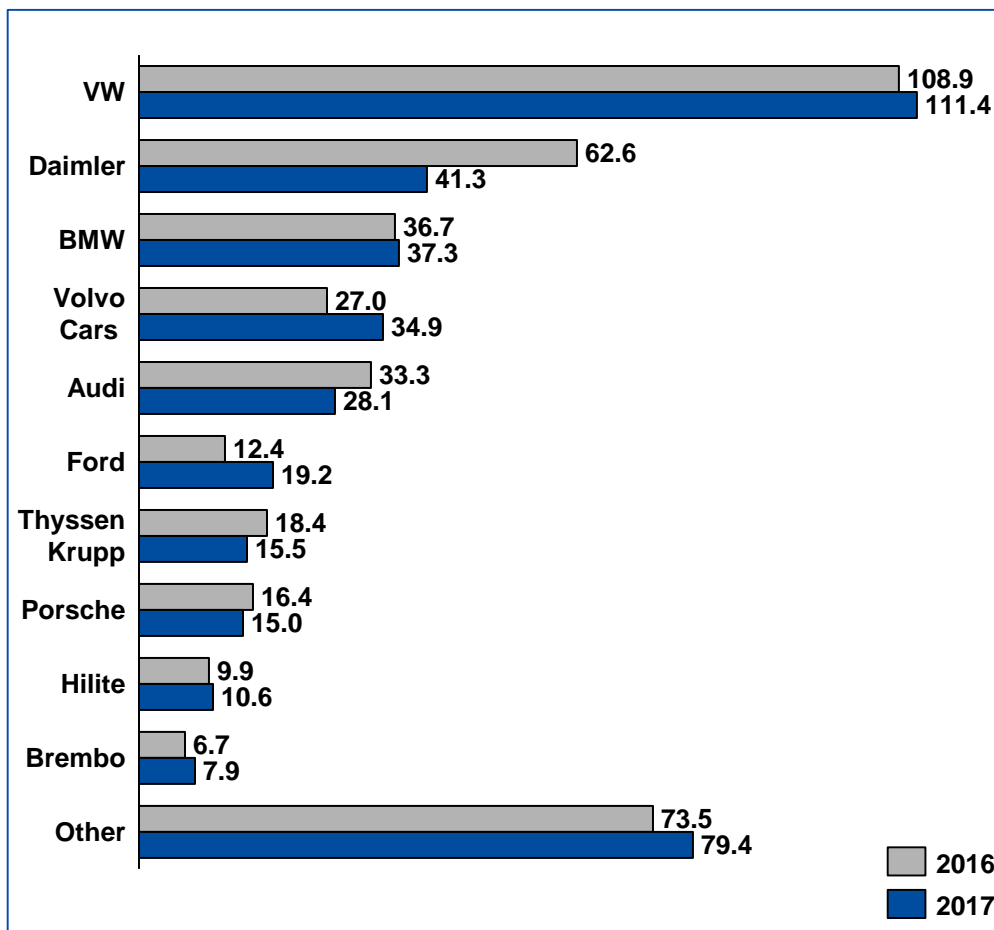
SHW well positioned to benefit from structural market changes and strong demand for environmentally friendly mobility solutions



- Group sales influenced by:
 - lower product sales for diesel engines
 - lower scope of supply for the second generation of an electrically driven transmission oil pump
 - higher unit sales in Brake Discs
- EBITDA margin below the previous year's level due to:
 - lower profitability of the Brake Discs business segment
 - non-recurring administrative costs



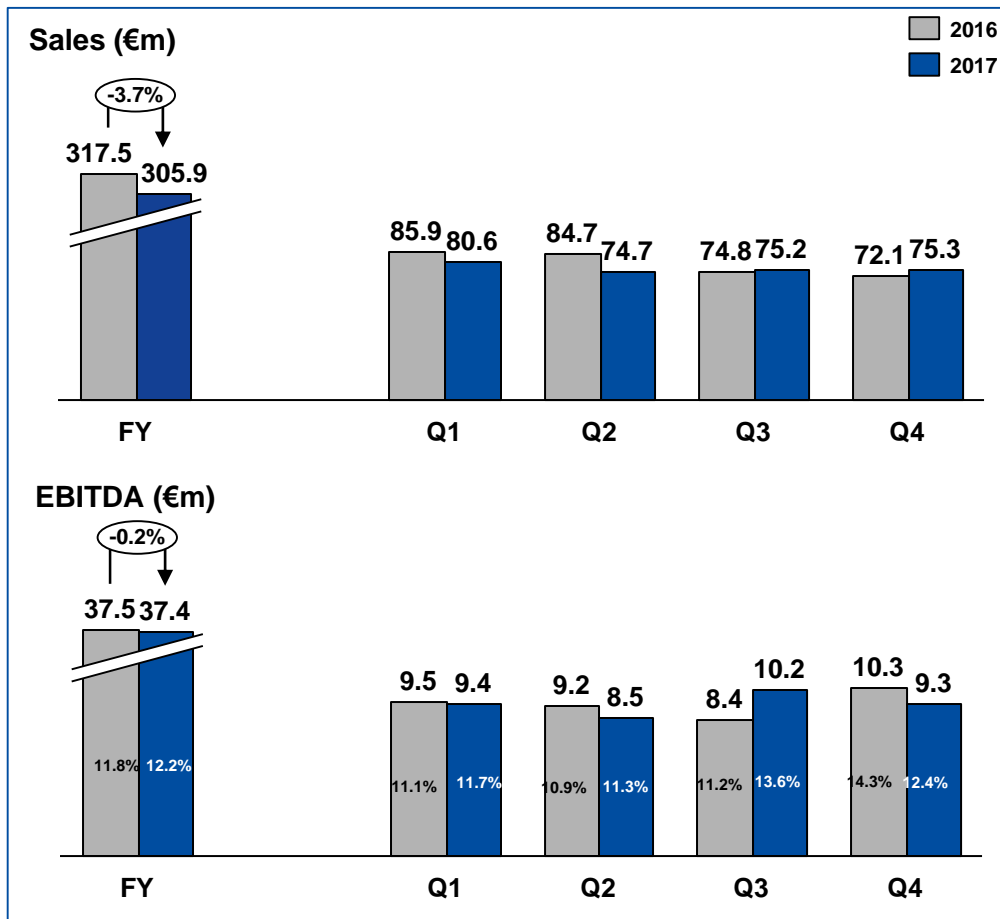
Group sales and EBITDA margin within guidance range



- Decline in sales related to lower product sales for diesel engines and the lower scope of supply for the second generation of an electrically driven transmission oil pump
- Lower sales partially offset by increased sales in powder metallurgy, brake discs and first-time consolidation of Lust Hybrid Technik (LHT)
- VW Group's share expected to decrease as consequence of internationalisation and diversification towards transmission oil pumps from more than 40 per cent to approx. 30 per cent in 2020

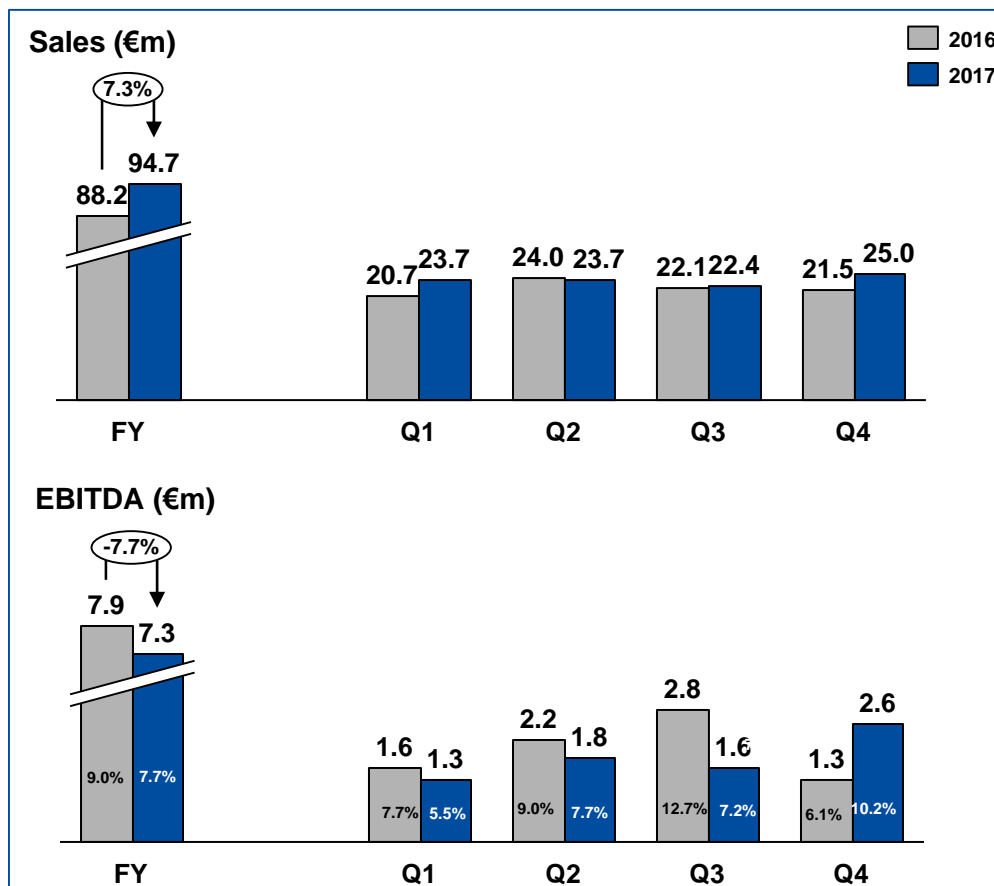


International growth and a more diversified product portfolio will lead to a more balanced customer structure



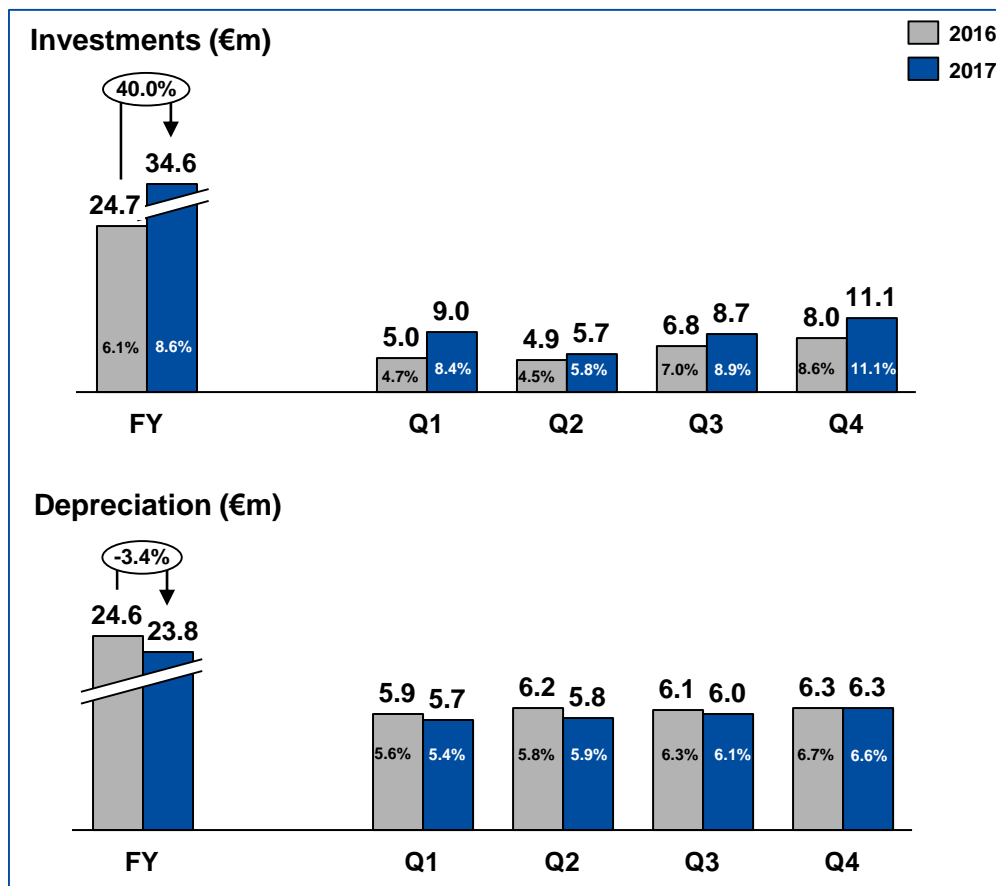
- Sales reduction as budgeted by 3.7 per cent to € 305.9 million
 - Passenger Cars: -10 per cent to € 237.7 million
 - Truck & Off-Highway: +18 per cent to € 32.6 million
 - Powder Metallurgy: +13 per cent to € 30.6 million
- EBITDA margin improved to 12.2 per cent due to positive product mix effects, productivity gains and one-time effects
- Development of international subsidiaries overall according to plan





- Total number of brake discs sold: +7.9 per cent
- Positive volume and product mix effects as well as productivity gains
- Negative effects resulting from higher purchase costs for scrap metal and other raw materials and the associated contractual delay in adjusting material surcharges



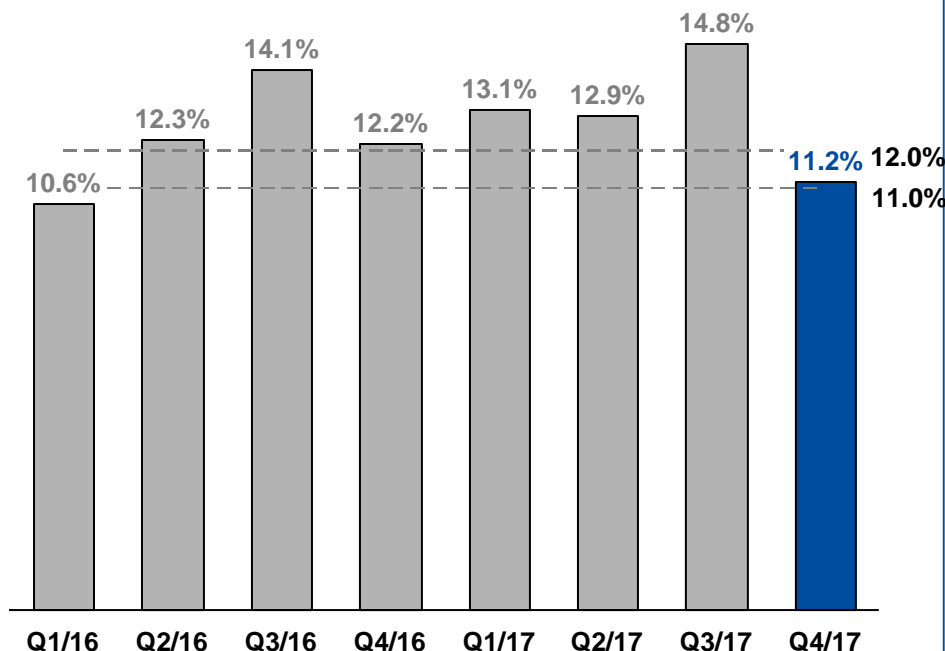


- Total investments in property, plant and equipment and intangible assets € 34.6 million
- Pumps & Engine Components: + 32.1 per cent to € 23.3 Million; thereof € 7.3 million for the development and expansion of the international sites in China, Brazil, Canada and Romania
- Brake Discs: + 55.8 per cent to € 10.1 million; mainly for the second automated aluminium casting line and machining lines for composite brake discs
- Depreciation decreased due to lower investments in 2015 und 2016 compared to prior years



High level of investments in new markets

Development of net working capital ratio



- Net working capital 9 per cent below previous year's end figure
 - Inventories slightly below previous year's level despite first-time consolidation of LHT (€ 2.2 million)
 - Higher trade receivables due to comparatively higher December sales volume, internationalisation and first-time consolidation of LHT
 - Significantly higher trade payables due to comparatively higher asset additions and working capital management



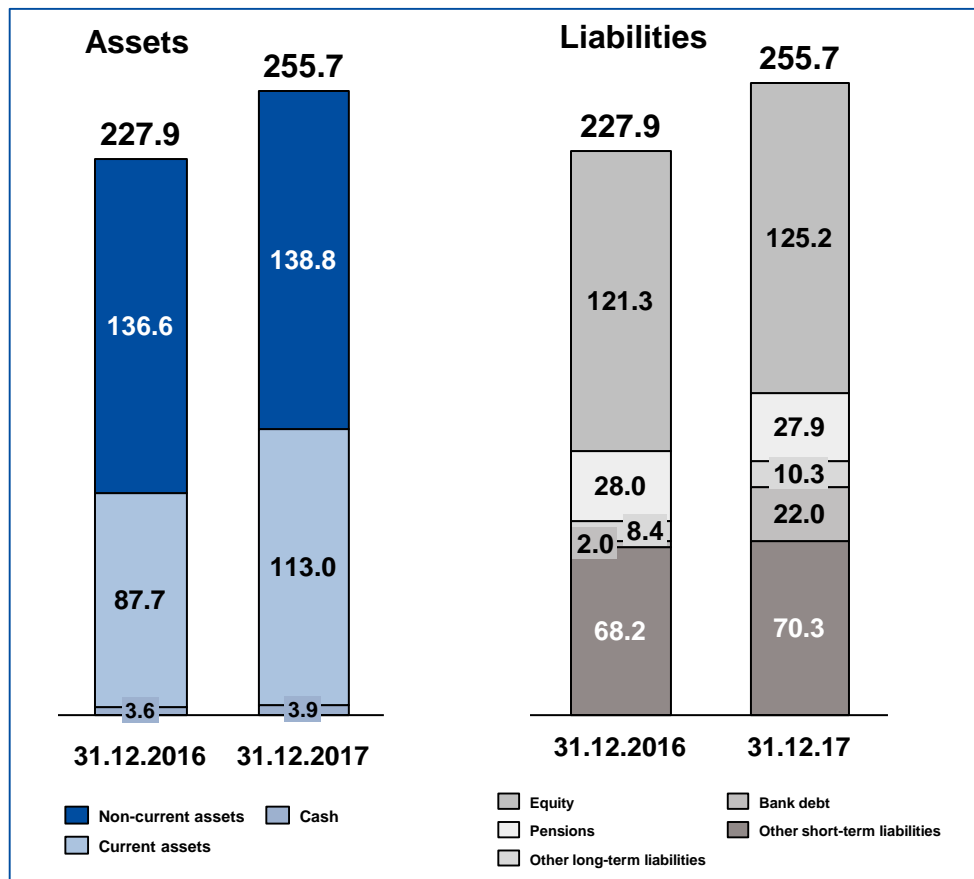
Net working capital ratio target in a range of 11 per cent to 12 per cent

€m ¹	Q4 2017	Q4 2016	FY 2017	FY 2016
Cash flow from operating activities	12.2	17.8	31.3	20.8
Cash flow from investing activities - <i>tangible and intangible assets</i>	-8.9	-8.4	-32.3	-24.8
Operating free cash flow	3.2	9.5	-0.9	-4.0
Cash flow from investing activities - <i>financial assets</i>	0.0	0.0	-9.1	0.0
Total free cash flow	3.2	9.5	-10.0	-4.0
Other (esp. dividend payments and net financial liabilities acquired in the course of business combinations)	-0.1	-0.1	-9.8	-6.7
Change in net cash	3.2	9.4	-19.8	-10.7

¹ Figures include rounding adjustments

- Operating cash flow significantly improved. Cash flow 2016 influenced by the increase in net working capital
- Total free cash flow influenced by
 - second capital tranche for the joint venture SHW Longji Brake Discs
 - first purchase installment for Lust Hybrid-Technik GmbH





- Non-current assets stable: high investments in tangible assets offset by the sale of the Brake Discs JV
- Current assets increased: mainly due to the Brake Discs JV reclassification into Other financial assets (€ 16.2m) and higher trade payables
- Equity ratio strong at 49.0 per cent
- New syndicated loan in place



Sound balance sheet plus new syndicated loan safeguard strategic flexibility

€m ¹	FY 2017	FY 2016	Change
Group sales	400.6	405.8	-1.3%
EBITDA	41.3	43.6	-5.2%
<i>as % of sales</i>	10.3	10.7	-
Depreciation	23.8	24.6	-3.4%
EBIT	17.5	18.9	-7.5%
<i>as % of sales</i>	4.4	4.7	-
ROCE	9.5	13.0	-
Net profit	10.5	12.8	-18.2%
EPS (in €)	1.63	1.99	-18.2%
Investments ²	34.6	24.7	40.0%
<i>as % of sales</i>	8.6	6.1	
Net working capital ratio	11.2	12.2	
Operating free cash flow	-0.9	-4.0	-
Equity ratio	49.0	53.2	
Net debt / net cash	-18.2	1.6	-

¹ Figures include rounding adjustments

² Additions to tangible and intangible assets

- Sales development as budgeted
- EBITDA margin 2017 temporarily impacted by brake disc business unit and non-recurring administrative costs
- Slightly lower depreciation due to lower investments in 2015 und 2016 compared to prior years
- High investments in new markets
- Net profit influenced by a non-recurring deconsolidation loss
- Improvement of operating free cash flow
- Sound financial profile plus new syndicated loan

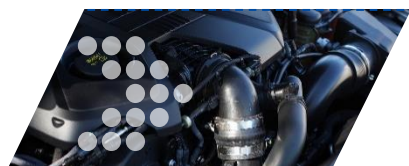


Financial results within guidance range

Drive international growth and leverage innovation leadership



Increasing global demand for mobility



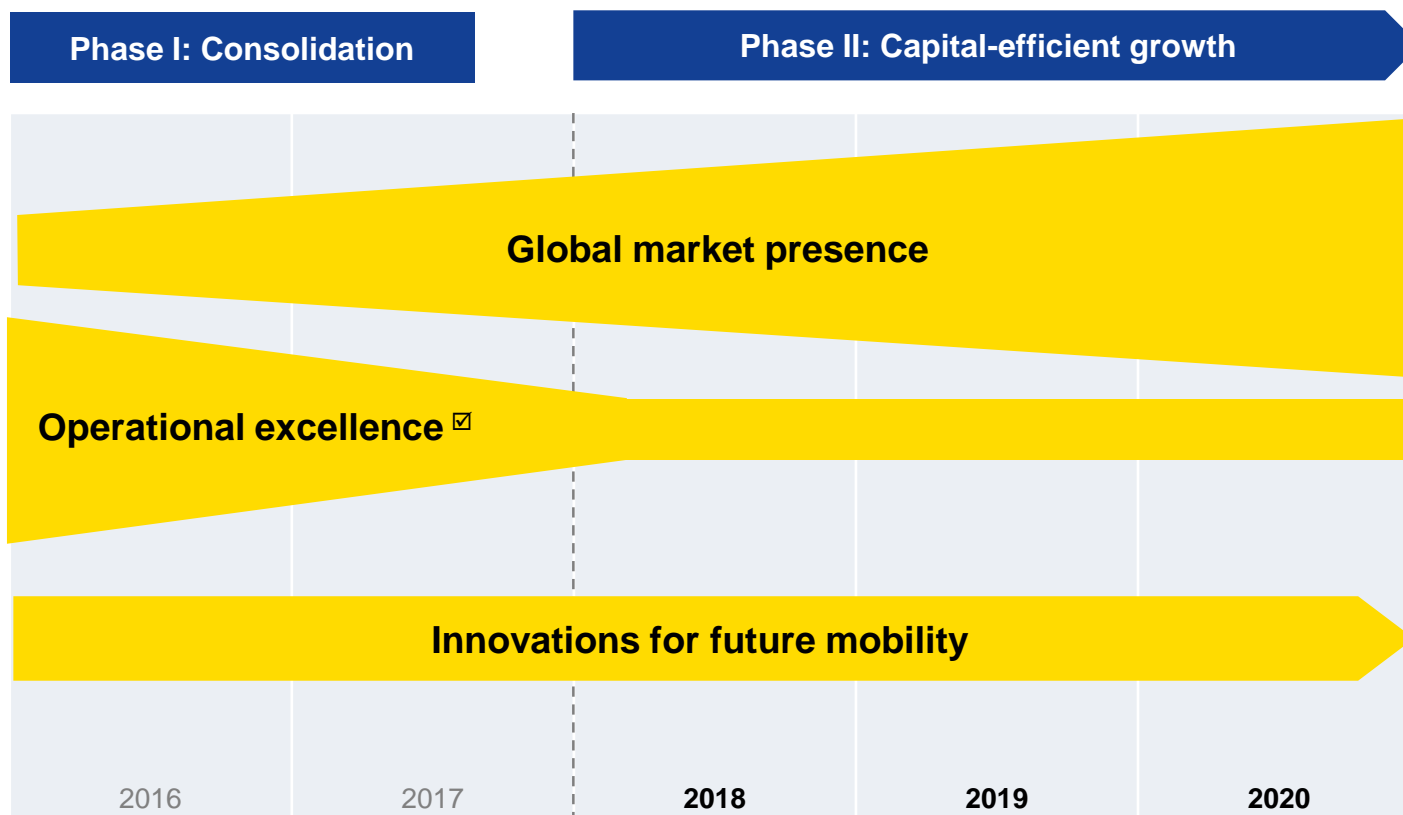
**Continued demand for combustion engines
including hybrids**



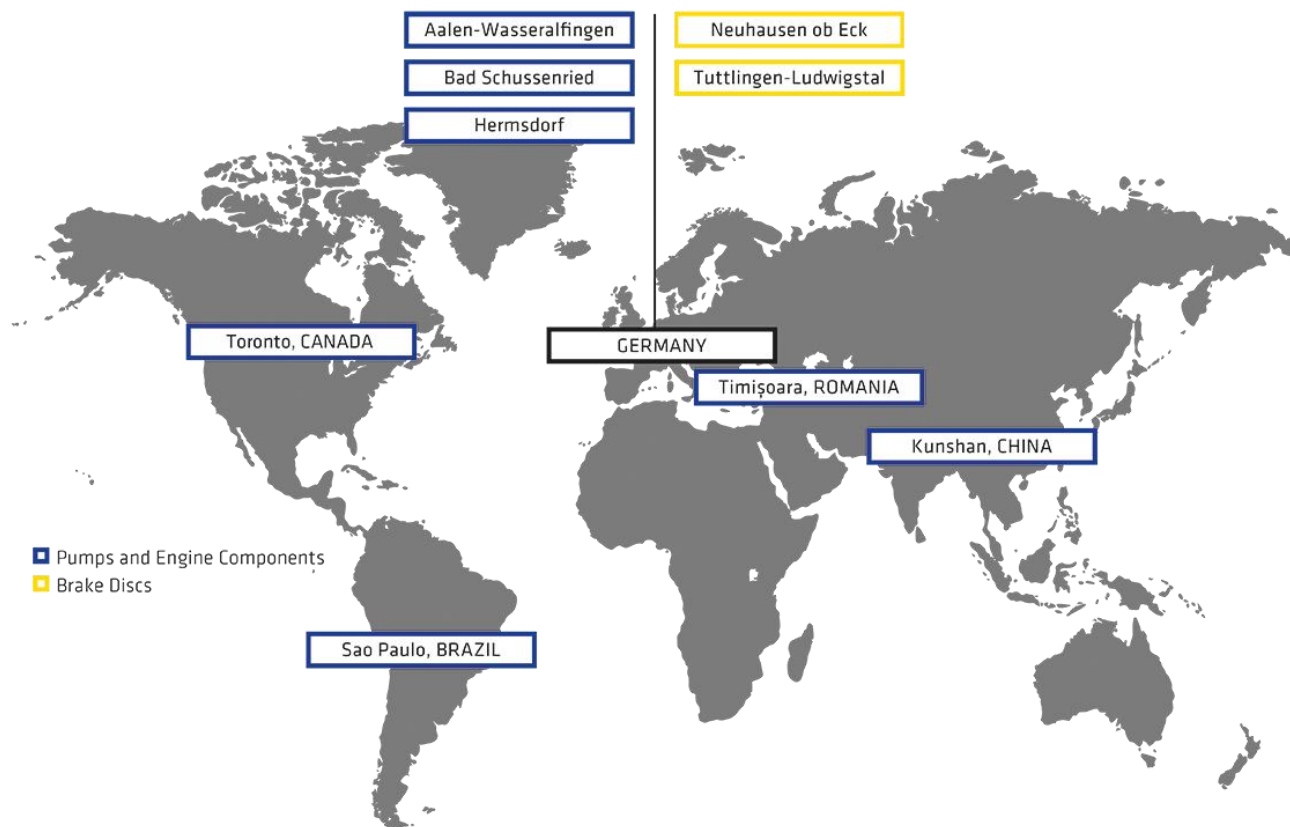
**E-mobility integral part for an environmentally
friendly automotive future**



Three strategic key levers



SHW on track for capital efficient growth



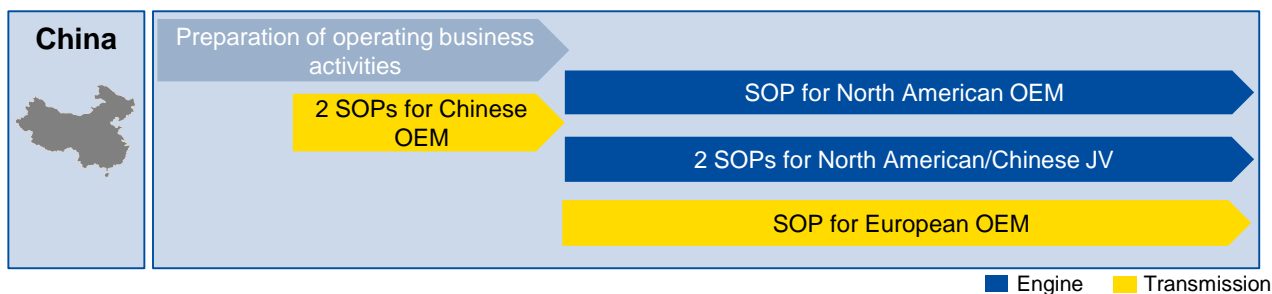
- Presence in all strategic automotive markets as base to leverage growth
- 2017 investment of more than € 7 million in international sites (China, Canada, Brazil and Romania)
- Significant investment programme in international sites of more than € 30 million until 2020
- In 2020 approx. 30 per cent of global turnover outside of Europe



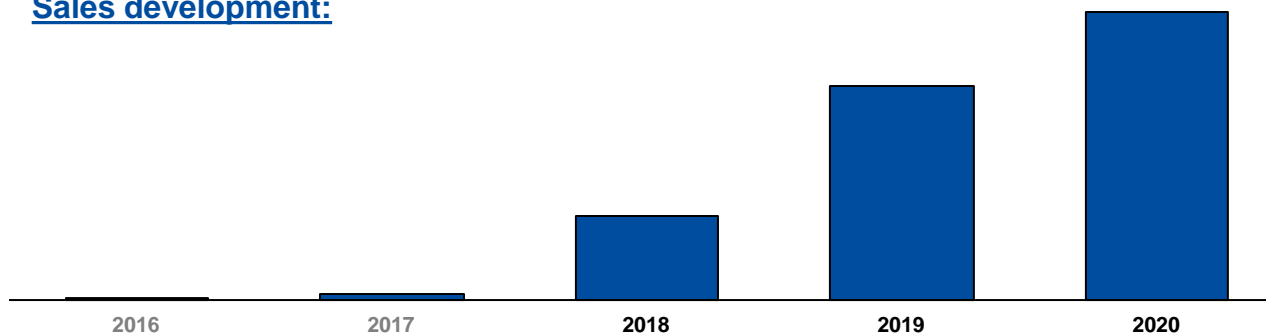
SHW is present in all strategic automotive markets

SHW China

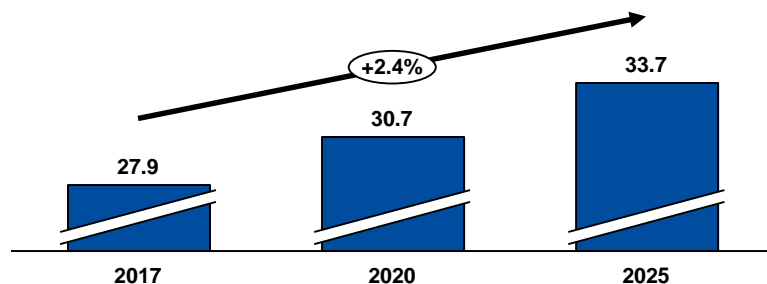
Orders:



Sales development:

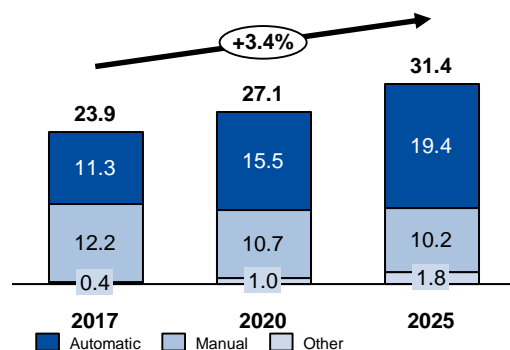


China – market environment



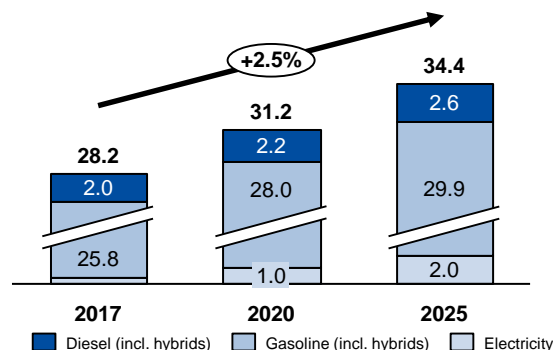
Light vehicle production

- China main growth driver for global light vehicle production increase



Transmission production

- Automatic transmissions will grow above average by 7.3 per cent annually



Engine production

- Gasoline engines dominate the market

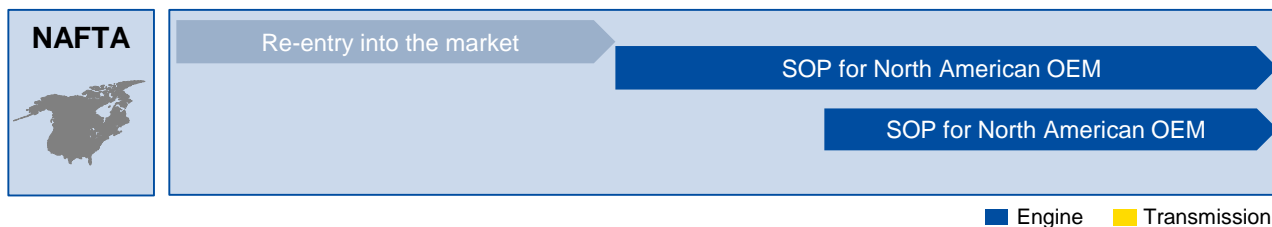


Source: IHS, January 2018

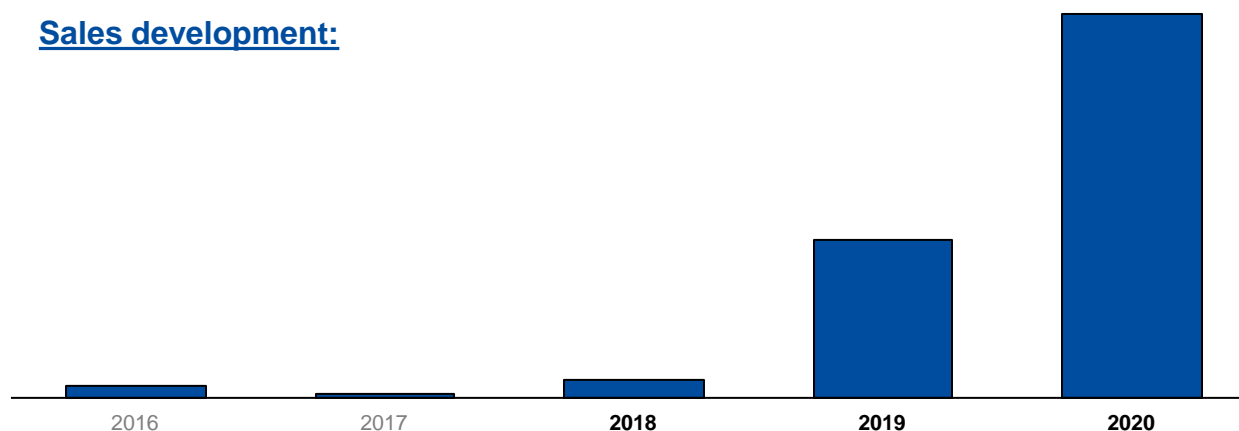


SHW Canada

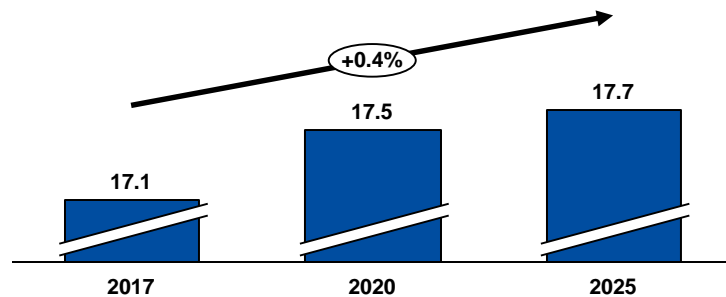
Orders:



Sales development:

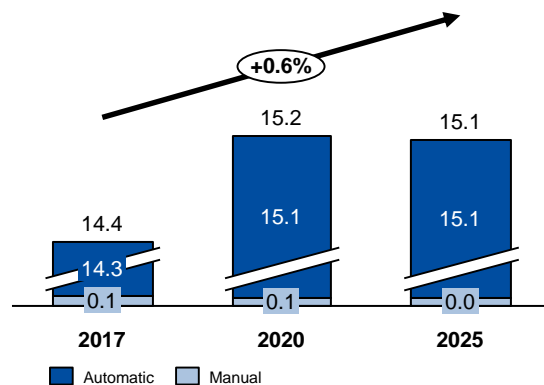


NAFTA – market environment



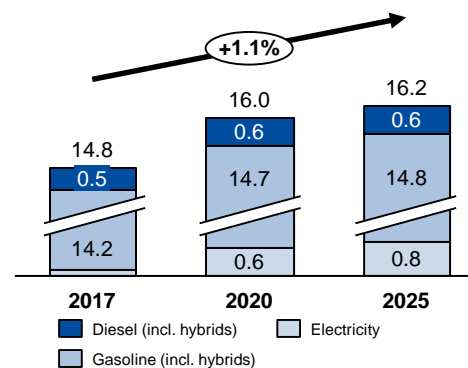
Light vehicle production

- North America: stable on current level



Transmission production

- Automatic transmissions dominate the market



Engine production

- Gasoline engines dominate the market

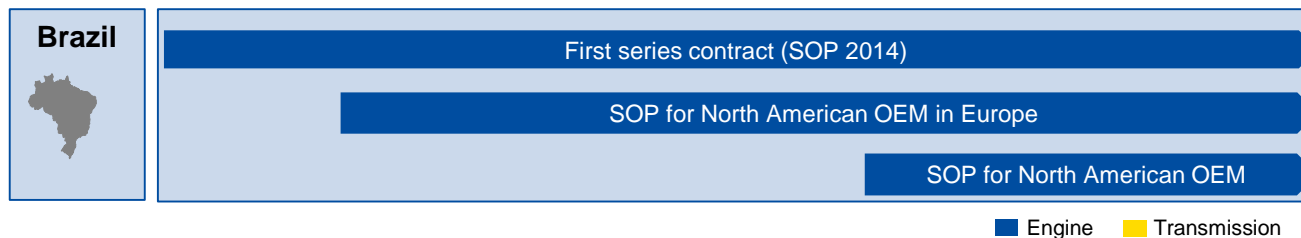


Source: IHS, January 2018

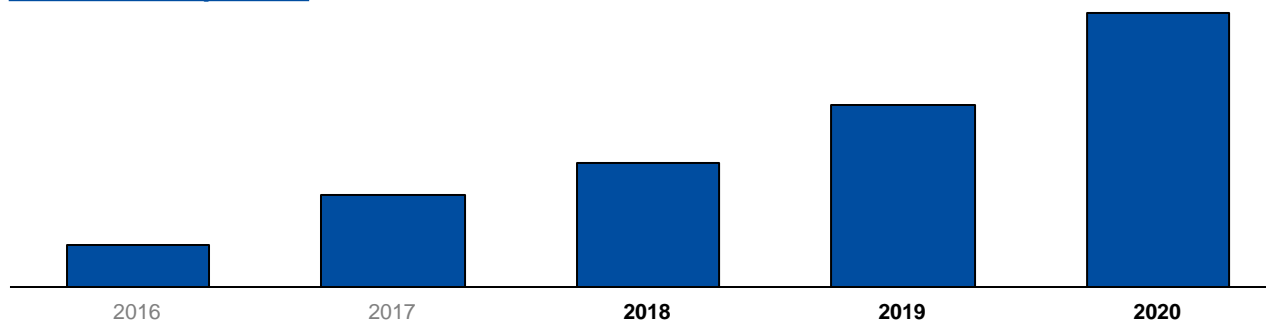


SHW Brazil

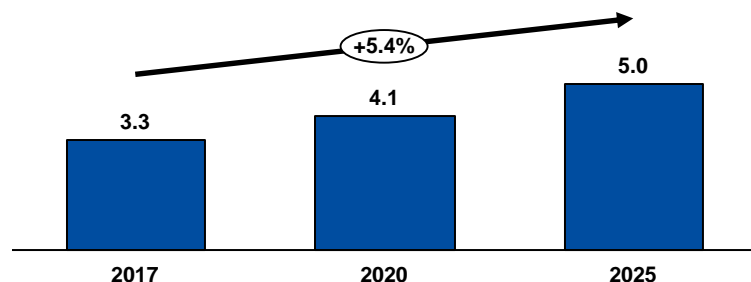
Orders:



Sales development:

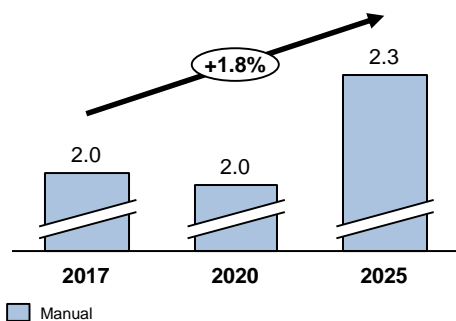


South America – market environment



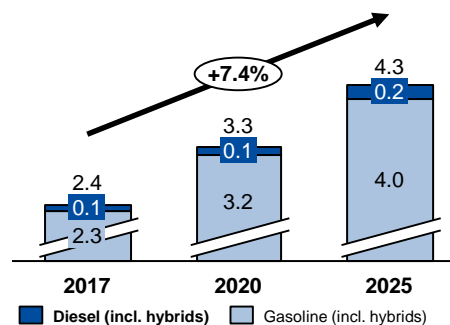
Light vehicle production

- Steady recovery after severe market slump



Transmission production

- Manual transmissions dominate the market



Engine production

- Gasoline engines dominate the market



Source: IHS, January 2018



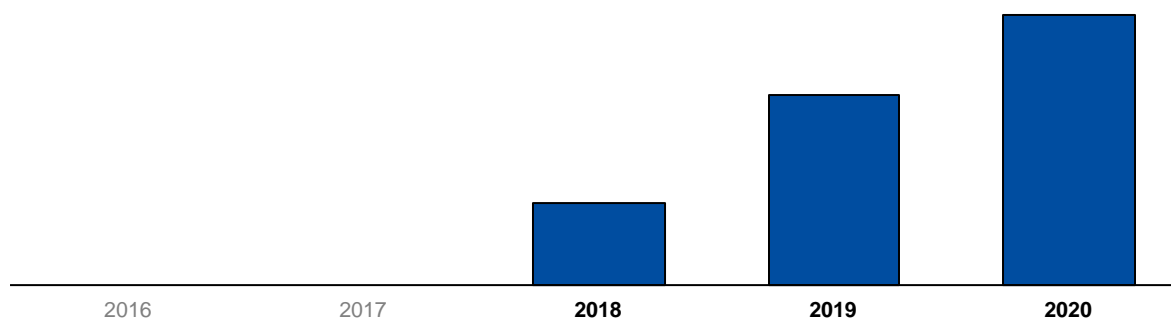
SHW Romania

Set up of new plant in Timișoara under way. Optimisation of European production network to **strengthen the relative cost position of SHW in Europe**

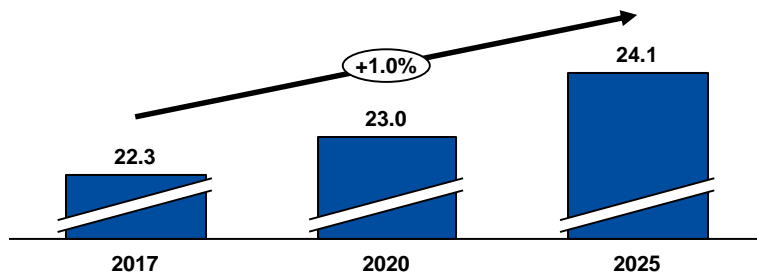
Current order position:

- Start with transfer of selected pump projects with limited technological complexity
- First new projects SOP 2019

Sales development:

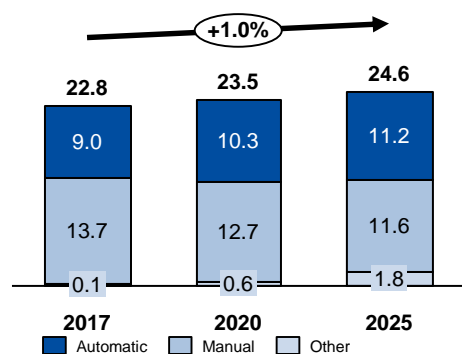


Europe – market environment



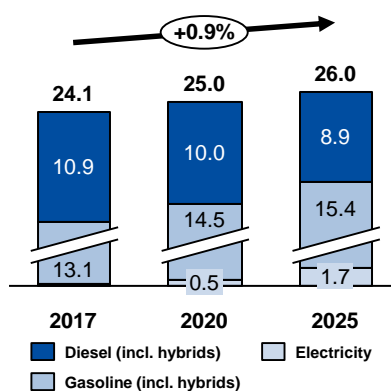
Light vehicle production

- Slight growth mainly driven by recovery in Russia



Transmission production

- Automatic transmissions will gain market share step by step



Engine production

- Gasoline engines will gain market shares



Source: IHS, January 2018



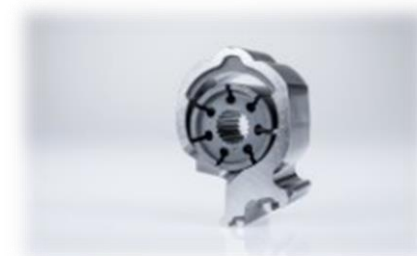
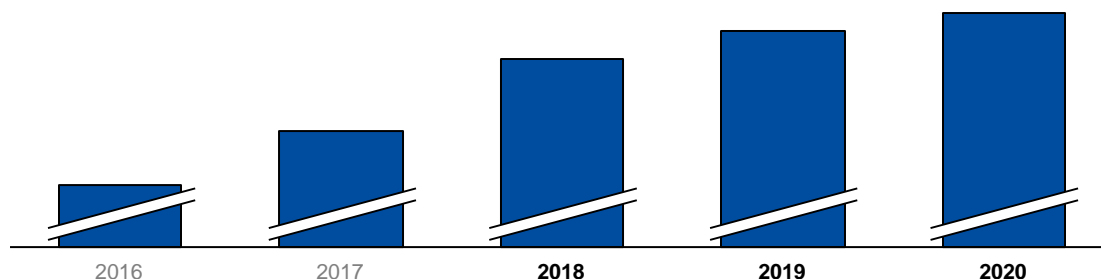
Powder Metallurgy

Product portfolio: sintered components for engines and transmissions, gear sets, sintered steel or aluminium components for camshaft phasers

Recent new orders:

- Due to stable quality and product performance
 - Engine component: lifetime sales volume of approx. € 120 million (SOP 2019)
 - Engine component: lifetime sales volume of nearly € 30 million (SOP 2018)

Sales development:



Applications for e-pumps

E-axle

Transmission (hybrids)

Engine cooling

Fuel cell

Fuel pre-feed

Battery cooling

Effective regeneration of
activated carbon filter (ACF)



Technology expertise by Lust Hybrid Technik GmbH

LUST
HYBRID-TECHNIK

Since 1992 - 90 employees - Sales: ~ € 10 million

Services:

Development, industrialization, production and qualification of complex, miniaturized electronics and micro-systems technology



Automotive

Insourcing of production, logistics and quality processes



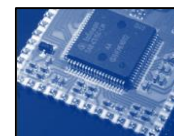
Industry

Development and production of small and high volume series



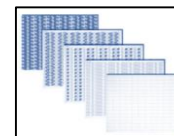
Medical & Other

Product design according to customer requirements



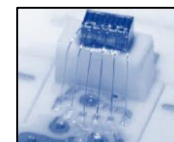
SMT

- down to 0201, CSP, BGA - components
- THT
- ceramics, PCB and flex-rigid printed board



Thick film

- CAD design
- screen printing technology
- laser trimming of printed resistors



Chip on Board

- screen printing / dispense bare die attach
- Au / Al wire bonding
- heavy wire bonding & glob top



Process- und Final inspection

- electrical test
- traceability
- SPC- & ERP recording



Acquisition optimises degree of vertical integration in electric pumps

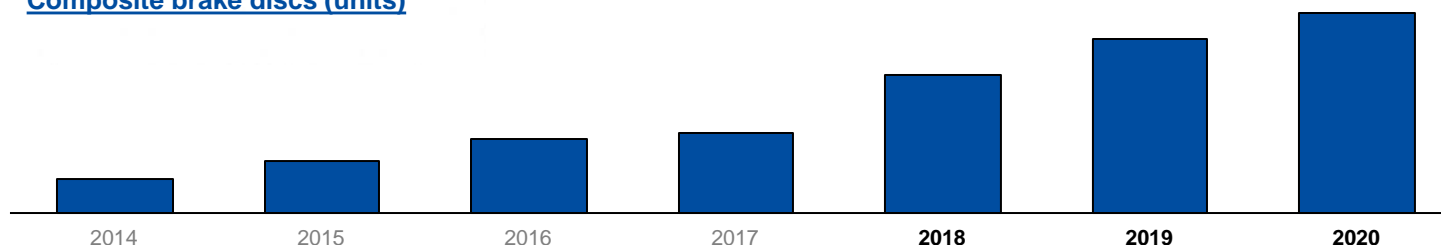
Composite brake discs



Key facts:

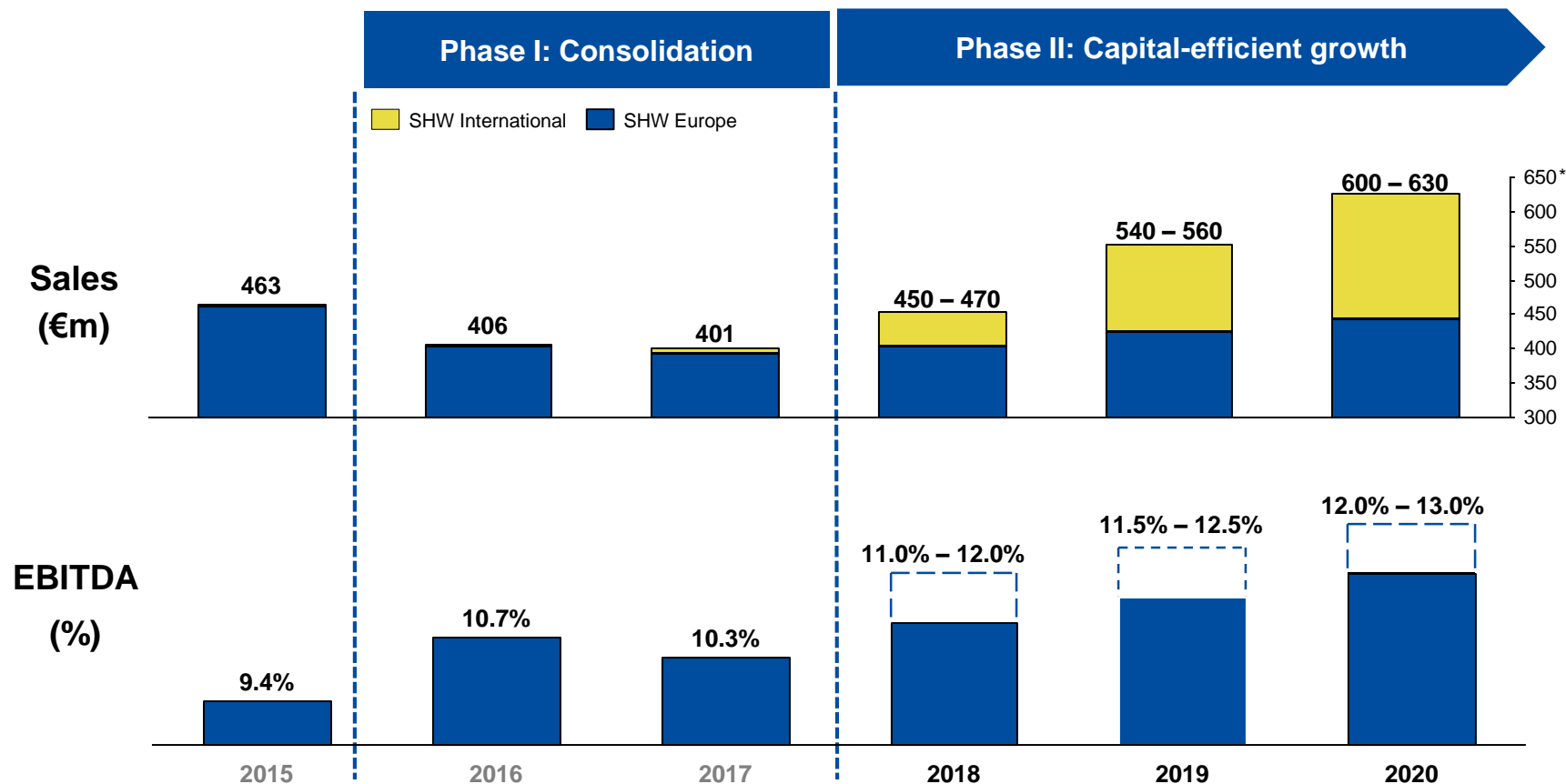
- SHW is innovation leader for lightweight brake disc in the automotive sector
 - Composite brake discs with aluminium pot contribute to weight reduction
 - Reduction of unsprung masses improves driving performance
-
- Electric vehicles require high performance brake discs
 - R&D activities focus on wear and corrosion resistant brake discs coating technology (HVOF and APS)

Composite brake discs (units)



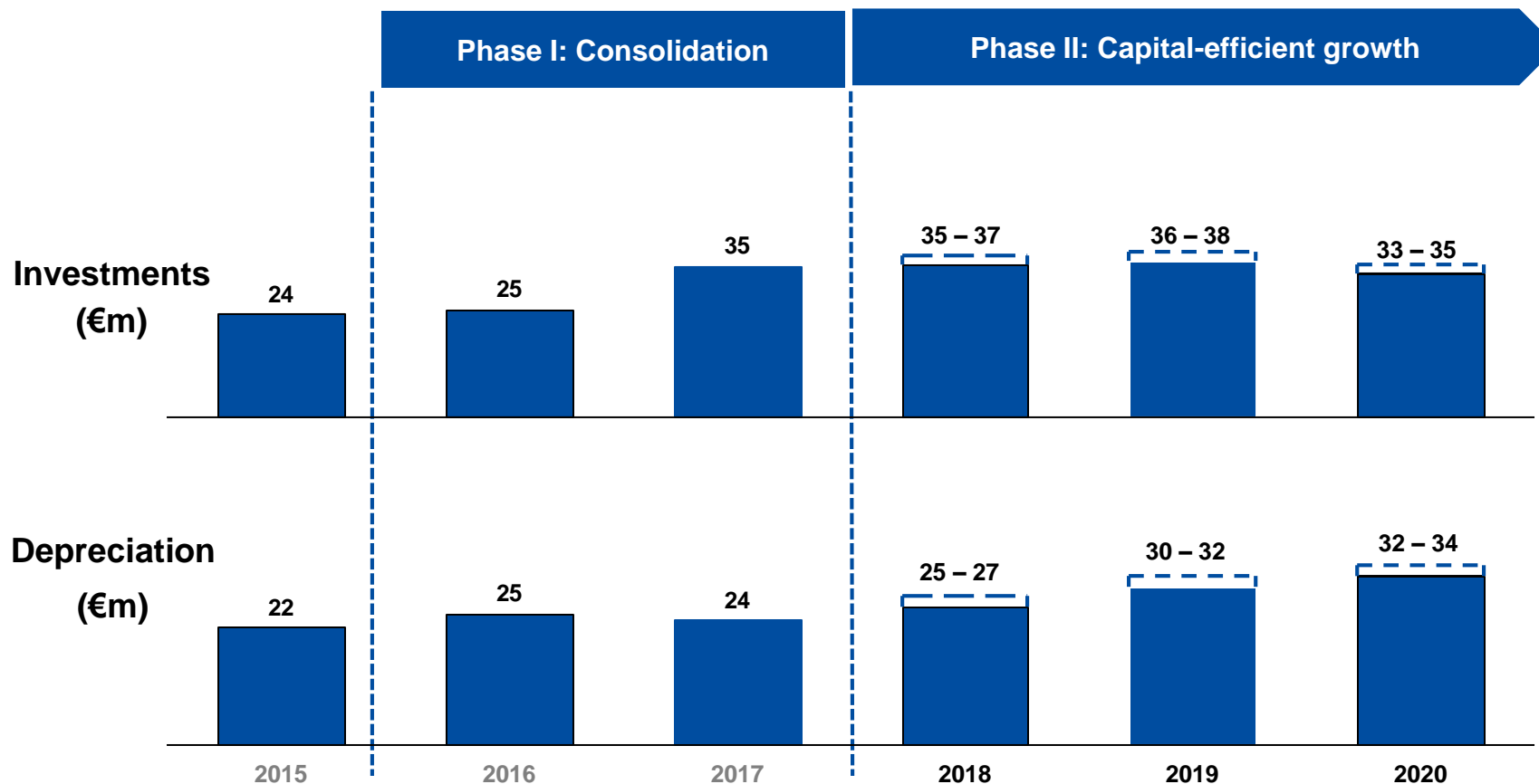
The megatrends weight reduction, corrosion resistance and reduction of brake dust are key drivers for the Brake Discs division

Financial goals – Sales and EBITDA



*Only for illustrative purposes





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 / EBITDA ratio to a maximum of 2.5
-------------------	--

Liquidity	High flexibility in terms of financial and strategic headroom due to syndicated loan facility
------------------	---

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
------------------------	--



Internationalisation of pump activities well 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

Significant improvement in sales and margins by 2020

Sound balance sheet plus new syndicated loan safeguard strategic flexibility

Dates	Events
15.01.2018	Kepler Cheuvreux – German Corporate Conference, Frankfurt
30.01.2018	Preliminary Full Year Results 2017 Annual press conference / Investor and Analyst telephone conference call
27.03.2018	Annual Report 2017
18.04.2018	Bankhaus Lampe – German Corporate Conference, Baden-Baden
08.05.2018	Annual General Meeting 2018 – Heidenheim
27.07.2018	Financial Report January to June 2018 Investor and Analyst telephone conference call
29.08.2018	Commerzbank – Sector Conference, Frankfurt
24.-26.09.2018	Berenberg Bank/Goldman Sachs – German Corporate Conference, Munich
02.10.2018	Berenberg Bank – Future Energy Conference, Zurich



Michael Schickling

Head of Investor Relations & Corporate Communications

Tel.: +49 (0) 7361 502-462

Fax: +49 (0) 7361 502-851

Mobile: +49 (0) 172 717 0959

E-Mail: michael.schickling@shw.de



Sandra Scherer

Junior Manager Investor Relations & Corporate Communications

Telephone: +49 (0) 7361 502-469

Tel.: + 49(0) 7361 502-420

Fax: +49 (0) 7361 502 852

E-Mail: sandra.scherer@shw.de

Disclaimer

No offer or investment recommendation

This document, which has been issued by SHW AG (the “Company” or “SHW”), does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any shares in the Company, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto.

The contents of this presentation are may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the Company nor any other party is under any duty to update or inform you of any changes to such information. In particular, it should be noted that financial information relating to the Company contained in this document has not been audited and in some cases is based on management information and estimates.

This material is given in conjunction with an oral presentation and should not be taken out of context.

Certain market data and financial and other figures (including percentages) in this document were rounded in accordance with commercial principles. Figures rounded may not in all cases add up to the stated totals or the statements made in the underlying sources. For the calculation of percentages used in the text, the actual figures, rather than the commercially rounded figures, were used. Accordingly, in some cases, the percentages provided in the text may deviate from percentages based on rounded figures.

Future Oriented Statements

Certain statements in this presentation are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial consequences of the plans and events described herein.

No obligation to update the information

The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable laws and regulations. You should not place undue reliance on forward-looking statements, which speak as only of the date of this presentation. Statements contained in this presentation regarding past trends or events should not be taken as a representation that such trends or events will continue in the future.