

**This document is a NON-BINDING CONVENIENCE TRANSLATION of the German-language joint reasoned statement of the Management Board and Supervisory Board of SHW AG pursuant to the German Securities Acquisition and Takeover Act (WpÜG).**

**IN CASE OF ANY DISCREPANCY BETWEEN THE ENGLISH AND THE GERMAN VERSION ONLY THE GERMAN VERSION IS BINDING.**

Mandatory disclosure pursuant to Secs. 27 para. 3 sent. 1, 14 para. 3 sent. 1  
of the German Securities Acquisition and Takeover Act (WpÜG)



**Joint statement by the  
Management Board and Supervisory Board**

of

**SHW AG,**  
Wilhelmstr. 67, 73433 Aalen (Germany),

**regarding the**

**Voluntary Public Takeover Offer (Cash Offer)**

by

**Pierer Industrie AG,**  
Edisonstraße 1, 4600 Wels (Austria),

to the

**Shareholders of SHW AG**

of July 11, 2017

as well as

**regarding the**

**subsequent amendment of the Offer**

of July 19, 2017

Shares in SHW AG: ISIN DE000A1JBPV9 (WKN A1JBPV)  
Shares in SHW AG submitted for sale: ISIN DE000A2E4M58 (WKN A2E4M5)

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### I. General information about this Statement

On July 11, 2017, Pierer Industrie AG, a stock corporation established under Austrian law with seat in Wels, Austria, (the “**Offeror**”), submitted, in accordance with Secs. 34, 29, 14 para. 2 sent. 1 and para. 3 sent. 1 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – “**WpÜG**”) through the publication of the offer document within the meaning of Sec. 11 WpÜG (the “**Offer Document**”), a voluntary public takeover offer (the “**Offer**”) to the shareholders of SHW AG with seat in Aalen, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Ulm under HRB 726621, having its business address at Wilhelmstr. 67, 73433 Aalen, Germany (“**SHW**” or the “**Company**” and together with its subsidiaries the “**SHW Group**”).

The Offer is addressed to all shareholders of the Company (the “**SHW Shareholders**”) and concerns the acquisition of all non-par value bearer shares (ordinary shares) (*auf den Inhaber lautender nennwertloser Stückaktien als Stammaktien*) (ISIN DE000A1JBPV9) held by them with a notional amount in the share capital of SHW of EUR 1.00 per share, (each a “**SHW Share**” and together the “**SHW Shares**”), which are not directly held by the Bidder, including all ancillary rights attached to such shares against a cash consideration of EUR 35.00 per SHW Share (cash offer).

The Offer Document was sent by the Offeror to the Management Board of SHW (the “**Management Board**”) on July 11, 2017 and was forwarded without undue delay after its transmission to the Supervisory Board of SHW (the “**Supervisory Board**”) and the responsible works council (*Betriebsrat*) of SHW.

On July 19, 2017 the Offeror has subsequently amended its Offer and for this purpose has published a corresponding amendment of the Offer pursuant to Secs. 21 para. 2 sent. 1, 14 para. 1 sent. 1 WpÜG (the “**Offer Amendment**”). With the Offer Amendment the Offeror has waived the closing condition regarding the Offer pursuant to Sec. 21 para. 1 sent. 1 no. 4 WpÜG which is referred to in Secs. 12.2 to 12.6 of the Offer Document. The Offer Amendment was sent by the Offeror to the Management Board on July 19, 2017 and was forwarded without undue delay after its transmission to the Supervisory Board and the responsible works council of SHW.

The Management Board and Supervisory Board of SHW have duly examined and discussed the Offer and the Offer Amendment. They herewith give their reasoned statement to the Offer and the Offer Amendment according to Sec. 27 para. 1 WpÜG as follows (the “**Statement**”). This Statement was approved by the Management Board and Supervisory Board on July 21, 2017, respectively.

To the extent this Statement subsequently makes references to the Offer, such references also refer to the Offer Amendment and should be read as references to the Offer as amended by the Offer Amendment, respectively, if this Statement does not provide otherwise.

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In conjunction with the Statement, the Management Board and Supervisory Board point out the following in advance:

### **1. Legal basis of the Statement**

In accordance with Sec. 27 para. 1 sent. 1 WpÜG, the Management Board and Supervisory Board of the Company have to submit and publish a reasoned statement on the Offer and each of its amendments, without undue delay after its transmission pursuant to Sec. 14 para. 4 sent. 1 WpÜG.

In their reasoned statement, the Management Board and Supervisory Board according to Sec. 27 para. 1 sent. 2 WpÜG have to discuss, in particular,

- the type and amount of the consideration offered,
- the expected consequences of a successful Offer for the employees and their representations, the employment conditions and the locations of the Company,
- the objectives pursued by the Offeror with the Offer, and
- the intention of the members of the Management Board and Supervisory Board to accept the Offer, insofar as they are holders of securities of the Company.

The reasoned statement may be submitted jointly by the management board and supervisory board of the target company. With regard to the Offer from the Offeror, the Management Board and Supervisory Board have opted for a joint statement.

### **2. Factual basis of this Statement**

All information, expectations, judgments, forecasts, assumptions, as well as statements and intentions concerning the future, in this Statement are based on the information available to the Management Board and Supervisory Board at the time of publication of this Statement and reflect their assessments and intentions at this time. The information, expectations, judgments, forecasts, assumptions, as well as statements and intentions concerning the future, may change after the date of publication of this Statement. The Management Board and Supervisory Board do not assume any responsibility to update this Statement to the extent such updates are not required under German law.

The information about the Offeror contained in this Statement is primarily based on information and notifications from the Offeror, which the Management Board and Supervisory Board cannot verify. This is also the case in respect of the information regarding the intentions of the Offeror. The Management Board and Supervisory Board therefore do not assume any liability for the accuracy and completeness of this information.

Insofar as this Statement refers to the Offer Document or the Offer Amendment or contains quotes of, or reproduces, it these are simple references, for which the Management Board and Supervisory Board neither take ownership of the Offer

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Document and the Offer Amendment, respectively, nor assume any liability for the accuracy and completeness of the information provided therein.

Unless expressly stated otherwise, times stated in this Statement are in Central European Time (“CET”). The currency designation “EUR” or “Euro” refers to the currency of the European Union. Unless expressly stated otherwise, insofar as terms such as “at this time”, “on this date”, “currently”, “at present”, “now”, “at the moment” or “today” are used, this information refers to the date of publication of this document, *i.e.*, to July 24, 2017.

### **3. Statement by the works council**

The responsible works council of SHW may, pursuant to Sec. 27 para. 2 WpÜG, submit a separate statement to the Management Board, which the Management Board has to enclose with its Statement. The responsible works council of SHW has notified the Management Board that it currently does not intend to submit a separate statement.

### **4. Publication of the Statement and any supplemental statements to possible amendments to the Offer**

The Statement and any further amendments and/or supplemental statements to any amendments to the Offer according to Secs. 27 para. 3, 14 para. 3 sent. 1 WpÜG are published on the company website of SHW under [http://www.shw.de/cms/en/investor\\_relations/takeover\\_offer/](http://www.shw.de/cms/en/investor_relations/takeover_offer/). Copies of the Statement can be obtained free of charge from SHW AG, Investor Relations, Wilhelmstr. 67, 73433 Aalen, Germany, and can be requested for shipping free of charge by email to [ir@shw.de](mailto:ir@shw.de) or by phone: +49 7361 502-469, or by fax: +49 7361 502-851. The publication and keeping available of copies free of charge will be indicated in the Federal Gazette (*Bundesanzeiger*).

This Statement and any further amendments and/or supplemental statements to possible amendments to the Offer are published in German and a non-binding English convenience translation. No liability is assumed for the accuracy and completeness of the English translation. Only the German-language version are binding.

### **5. Forward-looking statements**

This Statement contains certain forward-looking statements, including statements regarding the expected timetable and conclusion of the Offer. Forward-looking statements do express intentions, views or expectations and imply known or unknown risks and uncertainties as such statements refer to events and depend on circumstances, which will occur in the future. Words such as “should”, “will”, “expect”, “intend”, “strive”, “assume”, “believe”, “plan” or similar expressions refer to forward-looking statements. Even if the Management Board and Supervisory Board assume that the expectations included in such forward-looking statements are based on reasonable expectations and are correct and complete according to the best knowledge and in good faith at the present, it cannot be guaranteed that these expectations will occur or prove to be true. Nor can a guarantee for the future accuracy and completeness of such statements



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be assumed. With regard to each forward-looking statement, it must be considered that the actual events or results may differ significantly from the actual forward-looking statements due to political, economic or legal changes in the markets or environments, in which SHW is doing business, competitive conditions or risks that the business model of SHW implies, as well as uncertainties, risks, and the volatility of financial markets and other factors that may have an impact on the Company.

### 6. Independent decision by the SHW Shareholders

The Management Board and Supervisory Board point out that their statements and judgments in this Statement do not bind the SHW Shareholders and the Statement does not claim to be conclusive. The SHW Shareholders instead have to make their own decision regarding the acceptance or non-acceptance of the Offer based on the Offer Document, as well as on the basis of all other sources of information available to them (including individual advice obtained by them) and taking into account their individual tax situation and other matters. When recommending to reject the Offer, the Management Board and Supervisory Board have not considered the individual situation (including the personal tax situation) of SHW Shareholders.

The Management Board and Supervisory Board recommend in particular that all persons receiving the Offer Document outside the Federal Republic of Germany or who would like to accept the Offer but are subject to securities laws of a jurisdiction other than the Federal Republic of Germany should inform themselves about these laws and comply with these laws.

*Inter alia*, the Offeror has pointed out in Sec. 2.1 that registrations, admissions or approvals of the Offer Document and/or the Offer under any law other than German law have not been made and are not envisaged either.

## II. Information about the Company and the SHW Group

### 1. General information

SHW is a listed stock corporation under German law (*Aktiengesellschaft*) registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Ulm under HRB 726621. The registered office is in Aalen, Germany. Its business address is at Wilhelmstr. 67, 73433 Aalen, Germany.

The corporate purpose of the Company comprises (i) the production and further processing of metals and other materials, in particular, the production of foundry products, parts of steel formation, operating materials, machine and steel constructions, (ii) the production of industrial products, in particular for the automotive industry, and (iii) trading in the aforementioned products.

The financial year of SHW corresponds to the calendar year.

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### 2. Composition of the Management Board and Supervisory Board

The Management Board currently comprises the following members:

- Dr. Frank Boshoff (Chairman)
- Andreas Rydzewski
- Martin Simon

The Supervisory Board consists of six members of the Supervisory Board, all of whom are elected at the General Meeting (*Hauptversammlung*); the General Meeting is not bound by election proposals. The Supervisory Board currently consists of the following members:

- Georg Wolf (Chairman)
- Christian Brand (Deputy Chairman)
- Prof. Dr.-Ing. Jörg Ernst Franke
- Kirstin Hegner
- Edgar Kühn
- Eugen Maucher.

### 3. Capital structure of the Company

#### a) Share capital

The share capital of SHW amounts to EUR 6,436,209.00 and is divided into 6,436,209 no-par value bearer shares (*auf den Inhaber lautende nennwertlose Stückaktien*). The notional amount of one share in regard to the share capital, therefore, amounts to EUR 1.00.

SHW does currently not hold any treasury shares.

#### b) Authorized capital

By resolution of the General Meeting of May 12, 2015, the Management Board was authorized to increase the share capital of the Company subject to the Supervisory Board's approval by up to EUR 3,218,104.00 by issuing up to 3,218,104 new no-par value bearer shares against contributions in cash and/or in kind on one or more occasions until May 11, 2020 (inclusive) (Authorized Capital 2015). Additionally, the Management Board is authorized, with the approval of the Supervisory Board, to define the further content of the shareholder rights and the terms and conditions for the new stock issuance.

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Thereby, the profit participation rights of the new shares may be determined in deviation from Sec. 60 para. 2 of the German Stock Corporation Act (Aktiengesetz – “AktG”).

When the shares are issued, the shareholders have a statutory subscription right. The subscription right can also be granted by way of an indirect subscription right within the meaning of Sec. 186 para. 5 sent. 1 AktG.

However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders’ subscription right, in whole or in part, in accordance with the more detailed provisions of the following:

- The Management Board is authorized, with the Supervisory Board’s approval, to remove residual amounts from the shareholders’ subscription right.
- In addition, the Management Board is authorized, with the Supervisory Board’s approval, to exclude the subscription right of the shareholders for capital increases against contributions in kind– in particular, for the purpose of acquiring companies, parts of companies or interests in companies, as part of business combinations and/or for the purpose of acquiring other assets.
- Furthermore, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the shareholders’ subscription rights pursuant to Sec. 186 para. 3 sent. 4 AktG with respect to capital increases against cash contributions, if the issue price of the new shares is not substantially below the stock exchange price and the shares that are issued when this authorization for the exclusion of subscription rights is used, in total do not exceed 10 percent of the registered share capital, namely neither at the time this authorization becomes effective nor at the time it is used. To this limit of 10 percent, treasury shares have to be imputed that are sold during the term of this authorization on the basis of a different authorization with exclusion of subscription rights pursuant to Sec. 186 para. 3 sent. 4 AktG or by applying it accordingly; furthermore, shares of the Company are to be imputed, that are or still can be issued for the purpose of servicing conversion or option rights or fulfilling conversion or option obligations attached to convertible and/or option bonds, to participation rights and/or to participating bonds (or combination of these instruments) (together “bonds”) to the extent that the bonds were issued during the term of this authorization on the basis of a different authorization with exclusion of subscription rights by applying Sec. 186 para. 3 sent. 4 AktG accordingly.
- The Management Board is finally authorized, subject to the consent of the Supervisory Board, to also exclude the shareholders’ subscription right in order to grant to holders or creditors, respectively, of conversion or option rights and/or to holders or creditors of conversion or option rights attached to bonds, that are issued by the Company or by an affiliate (*abhängiges Unternehmen*) or by a subsidiary in which the Company holds a majority interest, a subscription right to the extent they are entitled to after exercising the conversion or option rights or after fulfilling a conversion or option obligation, respectively.

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The Authorized Capital 2015 may only be used to exclude the subscription rights for shares issued, whose proportionate amount of the share capital accounts for no more than 20 percent of the share capital, namely neither at the time that this authorization takes effect nor at the time it is exercised. Furthermore, shares in the Company which are issued or can still be issued during the term of this authorization to service conversion or option rights/conversion or option obligations arising from convertible or option bonds should also be offset against this limit if the bonds, which carry a corresponding conversion or option right or a conversion obligation, are issued during the term of this authorization on the basis of a different authorization of the General Meeting while excluding the shareholders' subscription right.

The Management Board has not yet made use of the Authorized Capital 2015.

### c) **Contingent capital**

The Company's share capital was contingently increased by resolution of the General Meeting of May 10, 2016 by up to a total of EUR 1,250,000.00 by issuing up to a total of 1,250,000 new bearer or – if the existing shares in the Company are registered at the time that the new shares are issued – registered no-par value shares (Contingent Capital 2016).

The purpose of the contingent capital increase is to grant shares to bearers/creditors of convertible bonds and to bearers of warrant rights arising from warrant bonds which are issued on the basis of an authorization pursuant to a resolution by the General Meeting on May 10, 2016 (see below Sec. II.3.d)), valid until May 9, 2021 (inclusive), of SHW or a domestic or foreign company in which SHW directly or indirectly holds a majority of the voting rights and capital. The contingent capital increase will only be conducted insofar as the conversion or option rights arising from the aforementioned bonds are actually utilized or conversion obligations arising from these bonds are fulfilled and insofar as they are not fulfilled by alternative means. The new shares will be issued at the option/conversion price to be stipulated on the basis of the aforementioned authorization resolution of the General Meeting on May 10, 2016. The new shares will participate in the Company's earnings from the start of the financial year in which the new shares are created as a result of the conversion/option rights being exercised or as a result of the conversion obligations being fulfilled; insofar as it is legally permitted, however, the Management Board, with the approval of the Supervisory Board, can alternatively stipulate that the new shares are entitled to participate in earnings from the start of the financial year before they are issued if, at the time that the new shares are issued, a resolution on the appropriation of earnings has not yet been passed by the General Meeting for earnings in this financial year. The Management Board is authorized to specify the further details regarding the execution of the contingent capital increase.

Until now no bonds with conversion or option rights which provide for an entitlement to subscribe for shares from the Contingent Capital 2016 have been issued.

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### d) **Authorization to issue bonds with option or conversion rights**

The General Meeting of SHW on May 10, 2016 authorized the Company, according to the resolution on agenda item 7 of the General Meeting, subject to the approval of the Supervisory Board, to issue bearer and/or registered convertible and/or option bonds (hereinafter jointly referred to as “bonds”) on one or more occasions until May 9, 2021 (inclusive) for a total nominal amount of up to EUR 65,000,000.00 with a limited or unlimited term to maturity. It will also be authorized to grant conversion or option rights to the bearers/creditors of bonds entitling them to subscribe for up to 1,250,000 new bearer or – if the existing shares in the Company are registered at the time that the new shares are issued – registered no-par value shares with a proportionate amount of the share capital of up to EUR 1,250,000.00 in total in accordance with the more detailed provisions of the terms and conditions of the convertible/option bonds and/or afford the Company corresponding conversion rights.

When the bonds are issued, the shareholders have, on principal, a statutory subscription right. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders’ subscription right, in whole or in part, in accordance with the more detailed provisions of the resolution.

To grant shares to bearers/creditors of convertible bonds and to bearers of option rights arising from option bonds, the General Meeting resolved on a contingent capital increase (Contingent Capital 2016; see above Sec. II.3.c)).

The Management Board has not yet made use of this authorization.

### 4. **Stock market listing**

SHW Shares are listed (ISIN: DE000A1JBPV9 / WKN: A1JBPV) for trading on the regulated market and in the sub-segment of the regulated market with additional post-admission duties (*Prime Standard*) on the Frankfurt stock exchange (*Frankfurter Wertpapierbörse*). In addition, SHW Shares are traded via the XETRA electronic trading system as well as on the over-the-counter markets (*Freiverkehr*) of the stock markets in Berlin, Dusseldorf, Hamburg, Hannover, Munich and Stuttgart.

SHW Shares are currently, *inter alia*, included in the CDAX, Prime All Share and DAXsector Automobile Performance indices.

### 5. **Shareholder structure**

On the basis of the notifications received by SHW pursuant to Secs. 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – “**WpHG**”), and based on the information provided in the Offer Document, the shareholders listed below hold more than three percent of the voting rights in SHW as of the date of this Statement:

Pursuant to Sec. 7.4.1 of the Offer Document, the Offeror and QCP Swiss AG, as a person acting jointly with the Offeror according to Sec. 2 para. 5 WpÜG, hold a total of 18.92 percent of the shares and voting rights in SHW, which are to be attributed in full to

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Mr. Dipl.-Ing. Stefan Pierer, to Pierer Konzerngesellschaft mbH and to Pierer Swiss AG, respectively.

Other shareholders with a stake of more than three percent of the voting rights are:

- Sterling Strategic Value Fund S.A. 10.38%
- ARN International Holding GmbH 9.38%
- Jeffrey Strong - Gilead Capital LP 5.06%
- Dimensional Holdings Inc. 3.00%

The information on shareholdings indicated above correspond respectively to the most recent notification of shareholdings received pursuant to Secs. 21, 22 and Secs. 25, 25a WpHG.

### 6. Overview of the structure and business activity of the SHW Group

SHW is the parent company of the SHW Group and operates as a management holding company. The operative business activities of the SHW Group are being carried out by the subsidiaries of SHW. A list of all subsidiaries of SHW can be found in **Annex 1**.

SHW Group is a supplier for leading automotive manufacturers, commercial vehicles as well as agricultural and construction vehicle manufacturers and other suppliers for the automotive industry. The business activity of the SHW Group focuses on the development and fabrication of products contributing to the reduction of fuel consumption and therefore of CO2 emissions in the automotive sector. The Company is divided into the two business units (i) pumps and engine components (ii) and brake discs.

The business unit pumps and engine components for its part is divided into the business segments passenger cars, industry and powder metallurgy.

- The business segment passenger cars develops and produces engine oil pumps and gear oil pumps and is represented in Bad Schussenried (Germany), Kunshan (China), Toronto (Canada) and São Paulo (Brazil).
- In the industry business segment, the SHW Group develops and produces engine oil pumps, gear oil pumps and fuel pumps for trucks, agricultural and construction vehicles, stationary engines and wind turbines.
- In the powder metallurgy business segment located at the plant in Aalen-Wasseralfingen, Germany, sintered engine and gear elements are manufactured which are delivered to external clients as well as to the plant in Bad Schussenried, Germany.

In the brake disc business segment located at the plants in Tuttlingen-Ludwigstal, Germany, and Neuhausen ob Eck, Germany, monobloc ventilated brake discs as well as

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composite brake discs are developed and manufactured. In the segment of composite brake discs the SHW Group is technology and market leader. Via a joint venture with the Chinese Shandong Longji Machinery Co., Ltd. the brake disc business segment also operates in China.

The SHW Group has employed about 1.300 people on an annual average in the financial year of 2016 and achieved with group revenues of about EUR 405.8 million an adjusted group operating result before interests, taxes and depreciations on property, plants and equipment (*Sachanlagen*) and intangible assets (*immaterielle Vermögenswerte*) (adjusted EBITDA) of about EUR 43.6 million.

### III. Information about the Offeror

The following information about the Offeror and the persons acting jointly with the Offeror is contained in the Offer Document of the Offeror. The Management Board and Supervisory Board of SHW have not checked this information and do not assume any responsibility for the accuracy of this information.

#### 1. General information

The Offeror is a stock corporation established under Austrian law with seat in Wels, Austria, registered with the companies register (*Firmenbuch*) of the regional court (*Landesgericht*) of Wels, Austria, under companies register number (*Firmenbuchnummer*) FN 290677 t and with the business address at Edisonstraße 1, 4600 Wels, Austria.

Pursuant to the articles of association, the company objective of the Offeror is to function as a holding company, in particular the acquisition and administration of industrial enterprises and participations in industrial enterprises. The Offeror is entitled to all businesses and measures that seem necessary or useful in realizing the company objective, in particular, the establishment of domestic branch offices and subsidiaries and abroad, the acquisition and participation in other enterprises and companies, managing and representing such companies as well as renting and leasing of economic goods. The Offeror is not authorized to conduct banking activities.

The financial year of the Offeror is the calendar year.

#### 2. Composition of management board and supervisory board of the Offeror

The management board of the Offeror currently consists of the following persons:

- Dipl.-Ing. Stefan Pierer
- Mag. Friedrich Roithner
- Mag. Michael Friepeß
- Mag. Klaus Rinnerberger

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- Mag. Johann Haunschmid

The supervisory board of the Offeror currently consists of the following persons:

- Dr. Ernst Chalupsky (chairman of the supervisory board)
- Josef Blazicek (vice-chairman of the supervisory board)
- Mag. Gerald Kiska
- Clemens Pierer
- Mag. Alex Pierer

### 3. Share capital and shareholdings

The share capital of the Offeror amounts to EUR 1,000,000.00.

The sole shareholder of the Offeror is Pierer Konzerngesellschaft mbH with seat in Wels, Austria. Pierer Konzerngesellschaft mbH is an Austrian industry holding company and functions as a holding of the group consisting of Pierer Konzerngesellschaft mbH and its affiliated (*verbundenen*) enterprises (the “**Pierer Group**”).

The sole shareholder of Pierer Konzerngesellschaft mbH is Dipl.-Ing. Stefan Pierer.

### 4. Overview of the business activity of the Offeror and the Pierer Group

The Offeror is a holding company which holds various participations in enterprises and companies set out in more detail in Sec. 7.2 of the Offer Document.

The Pierer Group, to which the Offeror belongs as a 100 percent subsidiary of Pierer Konzerngesellschaft mbH, focuses on the automotive sector according to the information of the Offeror. This includes majority participations of Pierer Konzerngesellschaft mbH in KTM Industries AG listed in Switzerland and Austria as well as – indirectly through KTM Industries AG – in Pankl Racing Systems AG listed in Austria.

The KTM Industries Group is divided into three strategic core segments (i) “Vehicles”, (ii) “High Performance”, and (iii) “Design and Concept Development”:

- The core segment “Vehicles” includes the majority participation in KTM AG (51.67 percent) indirectly held by KTM Industries AG through K KraftFahrZeug Holding GmbH. The KTM Group, led by KTM AG as holding company, is a worldwide manufacturer of off-road and on-road vehicles. Products of the KTM Group are distributed under the brands “KTM” and “Husqvarna”. The KTM Group develops, produces and distributes off-road and on-road powerful and fit for racing vehicles. Besides off-road and on-road motorcycles, the product portfolio includes small motorcycles, the KTM-X-Bow as well as brand-name accessories.



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- The core segment „High Performance“ includes the majority participation of KTM Industries AG in the publicly listed Pankl Racing Systems AG (94.53 percent) as well as a 100 percent shareholding in W Verwaltungen AG. The Pankl Group, led by Pankl Racing Systems AG as holding company, develops, produces, maintains and distributes mechanical motor and propulsion systems in the high-tech sector for dynamic components world-wide for motorsports, luxury automotive and aviation industry markets. The WP-Group, led by W Verwaltungen AG as holding company, is one of the leading European developers and producers of high-performance components in the motorcycle and vehicle industry.
- The core segment „Design and Concept Development“ includes participations of KTM Industries AG in KTM Technologies GmbH (74 percent) and Kiska GmbH (26 percent). The business activity is focused on technology, product development, consulting and designing with a focus on „High Performance Components“ and lightweight construction.

Worldwide, the Pierer Group currently employs more than 5,200 employees and has generated revenues of more than EUR 1.3 billion in the financial year 2016.

For further details of the structure and business activity of the Pierer Group, please refer to Sec. 7.2 of the Offer Document.

### 5. Persons acting jointly with the Offeror

The Offer Document contains the following information on persons acting jointly with the Offeror:

Pierer Konzerngesellschaft mbH and its sole shareholder, Dipl.-Ing. Stefan Pierer (collectively, the “**Controlling Persons**”), control the Offeror and, thus, qualify as persons acting jointly with the Offeror under Sec. 2 para. 5 sent. 3 WpÜG.

The subsidiaries of the Controlling Persons set out in more detail in Annex 1 to the Offer Document qualify as persons acting jointly with the Offeror pursuant to Sec. 2 para. 5 sent. 1 and sent. 3 WpÜG.

Between the Offeror and QCP Swiss AG exists a voting rights restriction agreement concluded on June 14, 2017 regarding the joint exercise of voting rights arising from the respectively held SHW Shares (the “**QCP Voting Rights Restriction Agreement**”). If the Offeror and QCP Swiss AG cannot agree on the exercise of their respective voting rights, Dipl.-Ing. Stefan Pierer has the right to decide on the exercise of voting rights (see Sec. 7.4.1 of the Offer Document). Therefore, QCP Swiss AG also qualifies as a person acting jointly with the Offeror pursuant to Sec. 2 para. 5 sent. 1 WpÜG. QCP Swiss AG is a subsidiary of the Controlling Persons with Pierer Konzerngesellschaft mbH holding indirectly through Pierer Swiss AG 75 percent of the registered share capital and the voting rights. Therefore, QCP Swiss AG also qualifies as person acting jointly with the Offeror pursuant to Sec. 2 para. 5 sent. 1 and sent. 3 WpÜG (see above).

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According to the information in the Offer Document, there are no further persons acting jointly with the Offeror pursuant to Sec. 2 para. 5 sent. 1 or sent. 3 WpÜG.

### **6. Shares in the Company held by the Offeror and persons acting jointly with the Offeror**

The Offer Document contains the following information on the participations in the Company of the Offeror and persons acting jointly with the Offeror:

- At the time of the publication of the Offer Document, the Offeror directly held 1,000 SHW Shares, *i.e.*, approximately 0.01554 percent of the share capital and the voting rights of the Company.
- At the time of the publication of the Offer Document, QCP Swiss AG directly held 1,217,000 SHW Shares, *i.e.*, approximately 18.91 percent of the share capital and the voting rights of the Company.
- Further, Pankl Racing Systems AG held another 100 SHW Shares at the time of publication of the Offer Document, *i.e.*, approximately 0.0016 percent of the share capital and the voting rights of the Company.

The voting rights arising from the SHW Shares held by the Offeror and by QCP Swiss AG are to be attributed mutually to the Offeror and QCP Swiss AG, respectively, pursuant to Sec. 30 para. 2 WpÜG on the basis of the QCP Voting Rights Restriction Agreement. The 1,218,000 SHW Shares held at the time of the publication of the Offer Document by the Offeror and QCP Swiss AG result in a joint voting rights quota of the Offeror and QCP Swiss AG of together approximately 18.92 percent.

The voting rights directly held by the Offeror are to be attributed to the Controlling Persons pursuant to Sec. 30 para. 1 sent. 1 no. 1 and sent. 3 WpÜG. This also applies to the voting rights directly held by QCP Swiss AG and by Pankl Racing Systems AG; the former are additionally to be attributed to Pierer Swiss AG and the latter are additionally to be attributed to KTM Industries AG pursuant to Sec. 30 para. 1 sent. 1 no. 1 and sent. 3 WpÜG.

Furthermore, pursuant to Sec. 7.4.1 of the Offer Document, as of the publication of the Offer Document, neither the Offeror nor persons acting jointly with the Offeror or their subsidiaries directly or indirectly held additional SHW Shares or voting rights attached to SHW Shares, nor were any voting rights attached to SHW Shares to be attributed to them pursuant to Sec. 30 WpÜG, nor held they directly or indirectly any instruments pursuant to Secs. 25 and 25a WpHG in respect to SHW Shares.

According to the publication by the Offeror pursuant to Sec. 23 para. 1 no. 1 WpÜG, as of July 18, 2017 no SHW Shares were submitted to the Offer until July 17, 2017, 24 hours (local time, Frankfurt am Main, Germany). Furthermore, at that date the shareholdings in the Company of the Offeror and the persons acting jointly with the

## **NON-BINDING CONVENIENCE TRANSLATION**

Offeror and their subsidiaries remained unchanged in comparison to the time of the publication of the Offer Document.

### **7. Information on securities transactions**

Sec. 7.4.2 of the Offer Document contains further information regarding the SHW Shares which were directly or indirectly acquired by the Offeror and persons acting jointly with the Offeror in the six-month period prior to the day of the publication of the Offeror's decision to make the Offer (= June 14, 2017) and of the publication of the Offer Document (= July 11, 2017), respectively.

The highest consideration granted or agreed upon by the mentioned persons for the acquisition of SHW Shares in the respective time period amounted to EUR 32.9183 per SHW Share. This was the purchase price per SHW Share for an acquisition of SHW Shares by QCP Swiss AG on June 13, 2017.

For further details, please refer to the information in Sec. 7.4.2 of the Offer Document.

### **8. Possible parallel acquisitions**

According to the Offer Document, the Offeror reserves the right to directly or indirectly acquire SHW Shares outside the Offer on, or outside, the stock exchange to the extent permitted by law. According to information in the Offer Document, the Offeror will announce any such acquisitions, specifying the number and price of the acquired SHW Shares on the internet under <http://www.piererindustrie.at> in the section "Capital Market" as well as pursuant to the applicable legal provisions, in particular, Sec. 23 para. 2 WpÜG.

## **IV. Information about the Offer**

### **1. Relevance of the Offer Document**

The following highlights some selected information from the Offeror's Offer, which the Management Board and Supervisory Board believe is significant for the purposes of this Statement. For further information and details (in particular, regarding the Offer conditions, the acceptance period, the acceptance modalities and the right of withdrawal), SHW Shareholders are referred to the information in the Offer Document. The following information merely summarizes the information contained in the Offer Document. The description of the Offer in this Statement should not be considered to be exhaustive. For the content and the settlement of the Offer, the conditions in the Offer Document alone are decisive. It is incumbent on each SHW Shareholder to read the Offer Document and to take the measures necessary for him/her.

### **2. Object of the Offer**

Object of the offer is the acquisition of all SHW Shares not directly held by the Offeror (ISIN DE000A1JBPV9) including all ancillary rights at the time of consummation of the offer, in particular, the respective dividend entitlement.

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### 3. Offer Price and Acceptance Period

The Offeror is offering an Offer Price of EUR 35.00 in cash per SHW Share, including all ancillary rights at the time of consummation of the offer, in particular, the respective dividend entitlement.

The period for accepting the Offer has commenced upon the publication of the Offer Document on July 11, 2017 and ends, subject to an extension of the Acceptance Period according to Sec. 5.2.2 of the Offer Document, on August 8, 2017 24:00 hours (local time, Frankfurt am Main, Germany).

### 4. Extension of the Acceptance Period

The Acceptance Period shall be extended automatically as follows under the following circumstances:

- Pursuant to Sec. 21 para. 1 WpÜG, the Offeror may amend the Offer up to one business day prior to the expiry of the Acceptance Period – *i.e.*, if the Acceptance Period expires on August 8, 2017, 24:00 hours (local time, Frankfurt am Main, Germany), up until the end of August 7, 2017. If an amendment of the Offer is published within the last two weeks prior to the expiry of the Acceptance Period, the Acceptance Period shall be extended by two weeks (Sec. 21 para. 5 WpÜG), *i.e.*, it would then presumably end on August 22, 2017, 24:00 hours (local time, Frankfurt am Main, Germany). This applies irrespective of whether the amended Offer violates the law.

The Offer Amendment published on July 19, 2017 did not cause an extension of the Acceptance Period as the Offer Amendment was published more than two weeks before the expiry of the Acceptance Period.

- If a third party makes a competing public offer within the meaning of Sec. 22 para. 1 WpÜG to acquire SHW Shares (“**Competing Offer**”) during the Acceptance Period and the Acceptance Period of the Offer ends prior to the expiry of the acceptance period for the Competing Offer, the Acceptance Period of the Offer will be extended to the end of the acceptance period of the Competing Offer (Sec. 22 para. 2 WpÜG). This applies irrespective of whether the Competing Offer is amended or prohibited or whether it violates the law.
- If SHW convenes an extraordinary General Meeting in conjunction with the Offer after the Offer Document has been published, the Acceptance Period will be, without prejudice to the aforementioned possible extensions of the Acceptance Period, ten weeks from the publication of the Offer Document (Sec. 16 para. 3 WpÜG).

The period for accepting the Offer, including any extensions of such period under the provisions of the WpÜG, is referred to in this Statement as “**Acceptance Period**”.

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### 5. Additional Acceptance Period

SHW Shareholders, who did not accept the Offer within the Acceptance Period, may still accept it within two weeks after the Offeror has published the results of the Offer pursuant to Sec. 23 para. 1 sent. 1 no. 2 WpÜG (the “**Additional Acceptance Period**”), if at the time of the expiry of the Acceptance Period all closing conditions of the Offer pursuant to Sec. 12 of the Offer Document have been satisfied or validly waived until one business day prior to the expiry of the Acceptance Period.

Subject to an extension of the Acceptance Period pursuant to Sec. 5.2.2 of the Offer Document, the Additional Acceptance Period is expected to start on August 12, 2017 and to end on August 25, 2017, 24:00 hours (local time, Frankfurt am Main, Germany).

### 6. Closing Conditions

According to the Offer Document, the Offer and the contracts concluded by the acceptance of the Offer were initially subject to various conditions. These were the following conditions precedent (*aufschiebende Bedingungen*) set out in more detail in Sec. 12 of the Offer Document:

- Approval of the proposed merger by the competent antitrust authorities (see Sec. 12.1 of the Offer Document).
- Reaching of a minimum acceptance threshold of 30 percent of voting rights of all SHW Shares outstanding at the time of the expiry of the Acceptance Period. For reaching the minimum threshold, besides voting rights attached to SHW Shares for which the Offer has been accepted, *inter alia*, also voting rights were to be considered which are attached to SHW Shares held by the Offeror or persons acting jointly with the Offeror at the time of the expiry of the Acceptance Period, or which are to be attributed to them (see Sec. 12.2 of the Offer Document).
- Absence of resolutions of the General Meeting of SHW on capital measures (see Sec. 12.3 of the Offer Document).
- No prohibition or invalidity of the Offer (see Sec. 12.4 of the Offer Document).
- Absence of a material adverse change and/or deterioration of the business and/or the structure of the Company (see Sec. 12.5 of the Offer Document).
- Absence of a material adverse change of the market environment (see Sec. 12.6 of the Offer Document).

By way of the Offer Amendment the Offeror, however, has waived all closing conditions except the in Sec. 12.1 of the Offer Document further described approval of the proposed merger by the competent antitrust authorities.

Thereby, the consummation of the Offer does no longer depend on, in particular, reaching the minimum acceptance threshold (Sec. 12.2 of the Offer Document).

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### 7. Waiver and non-occurrence of closing conditions

As set out in Sec. 12.7 of the Offer Document, the Offeror may according to Sec. 21 para. 1 sent. 1 no. 4 WpÜG waive all or individual closing conditions until one business day prior to the expiry of the Acceptance Period, unless their non-occurrence has already become certain. In case of an effective waiver, the respective closing conditions are deemed to have occurred.

As set out in Sec. 12.8 of the Offer Document, the Offer and the contracts concluded by the acceptance of the Offer do not become valid if not all closing conditions set out in Secs. 12.1 to 12.6 of the Offer Document have occurred until the expiry of the Acceptance Period or the Offeror has – to the extent permitted – waived them before the non-occurrence of the waived conditions has become certain.

By way of the Offer Amendment the Offeror has waived the closing conditions set out in Secs. 12.2 to 12.6 of the Offer Document (see above Sec. IV.6), which thereby are deemed to have occurred.

Furthermore, according to the publication of the Offeror dated July 19, 2017, the proposed merger was approved by the Federal Cartel Office (*Bundeskartellamt*) on July 18, 2017 so that also the closing condition in Sec. 12.1 lit. a. of the Offer Document as occurred.

Thus, the Offer is now only subject to the condition of the approval of the proposed merger by the competent antitrust authorities in Austria as described in more detail in Sec. 12.1 lit. b. of the Offer Document. For the status of the corresponding administrative proceeding, please refer to the information under Sec. 11.2 of the Offer Document.

### 8. Right to withdrawal

Shareholders who have accepted the Offer are entitled to withdrawal (*Rücktritt*) only in certain cases determined by statutory law. For details, please refer to Sec. 15 of the Offer Document.

A statutory right to withdrawal exists, in particular, in case of amendments to the Offer. Due to the Offer Amendment, the shareholders who have accepted the Offer with respect to their SHW Shares prior to the publication of the Offer Amendment on July 19, 2017 have the right to withdrawal pursuant to Sec. 21 para. 4 WpÜG; they may exercise their right to withdrawal until the end of the Acceptance Period (see Sec. 3 of the Offer Amendment and Sec. 15 of the Offer Document).

### 9. Financing the Offer

Prior to the publication of the Offer Document, according to Sec. 13 para. 1 sent. 1 WpÜG, the Offeror has to take the necessary measures in order to ensure that it has sufficient funds for the complete fulfillment of the Offer at the time the consideration becomes due.

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According to the information provided by the Offeror in Sec. 13 of the Offer Document, the Offeror has complied with this obligation.

### a) **Maximum consideration**

According to the information provided by the Offeror in Sec. 13.2 lit. d. of the Offer Document, the Offeror and QCP Swiss AG have agreed on June 19, 2017 that QCP Swiss AG will not accept the Offer for the 1,217,000 SHW Shares held by QCP Swiss AG at the time of publication of the Offer Document and will not sell or dispose them in any other way until the end of the Additional Acceptance Period (the “**Non-Acceptance Agreement**”). The Offeror, therefore, expects that for these SHW Shares the Offer will not be accepted.

According to the Offeror’s calculation, the total maximum amount which the Offeror requires for the consummation of the Offer amounts to approximately EUR 182.6 million plus transaction costs. This is the result if the Offer was accepted for all SHW Shares outstanding at the time of publication of the Offer Document except for a total of the 1,000 SHW Shares held directly by the Offeror and the 1,217,000 SHW Shares held by QCP Swiss AG which are subject to the Non-Acceptance Agreement. According to the Offer Document, the Offeror assumes that the transaction costs will not exceed a total of EUR 0.3 million. Accordingly, the Offeror quantifies its maximum costs of the Offer with approximately EUR 182.9 million.

### b) **Financing of the Offer**

According to Sec. 13.2 of the Offer Document, the Offeror has taken the following measures to ensure the listed maximum total costs:

The Offeror states that it has equity capital in the amount of EUR 78 million which it intends to use primarily before the following debt funds. Further, QINO AG, from which the Pierer Group acquired its majority participation in QCP Swiss AG, promised cash funds in the amount of EUR 25 million to finance the Offer by way of a financial commitment. Furthermore, the Offeror claims that there is a loan commitment in the amount of EUR 80 million from the Raiffeisen Landesbank Oberösterreich Aktiengesellschaft with seat in Linz, Austria. Both aforementioned debt funds may according to the Offeror only be used by the Offeror to finance the Offer. The available funds amount to a total of approximately EUR 183.0 million and, therefore, cover the maximum costs for the consummation of the Offer as indicated by the Offeror.

For further details regarding the financing, please refer to Sec. 13 of the Offer Document.

### c) **Financing confirmation**

Raiffeisenlandesbank Oberösterreich Aktiengesellschaft with seat in Linz, Austria, has issued the required financing confirmation pursuant to Sec. 13 para. 1 sent. 2 WpÜG through its branch office Süddeutschland, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under HRB 221623, which is attached as Annex 3 to the Offer Document.

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### V. Type and amount of the consideration offered

#### 1. Type of consideration

The Offeror's Offer is a voluntary public takeover offer, which only foresees a contribution in cash. Statutory minimum price provisions apply to this. Compensation in the form of liquid shares is not envisaged.

#### 2. Offer Price

The Offeror is offering an Offer Price, *i.e.*, compensation as defined in Sec. 27 para. 1 sent. 2 no. 1 WpÜG, of EUR 35.00 in cash for each SHW Share including all associated ancillary rights at the time of consummation of the offer, in particular, the respective dividend entitlement.

#### 3. Statutory minimum offer price

Insofar as the Management Board and Supervisory Board are able to assess this on the basis of the information available to them, the Offer Price fulfils the minimum price requirements according to Sec. 31 WpÜG in connection with Secs. 4 and 5 WpÜG Offer Regulation (WpÜG-Angebotsverordnung – "**WpÜG-AngebVO**"):

##### a) Lowest price determined by previous purchases

Pursuant to Sec. 4 WpÜG-AngebVO, for takeover offers pursuant to Secs. 29 et seq. WpÜG the consideration for the shares must at least be equal to the value of the highest consideration paid or agreed by the Offeror, a person acting jointly with it as defined in Sec. 2 para. 5 WpÜG or their subsidiaries for the acquisition of SHW Shares within the last six months prior to the publication of the Offer Document (=July 11, 2017). Thus, the relevant period for such previous purchases is the period from January 11, 2017 until and including July 10, 2017.

According to information from the Offeror, the highest consideration paid or agreed by it, a person acting jointly with it or its subsidiaries within the last six months prior to the publication of the Offer Document for the purchase of SHW Shares amounts to EUR 32.9183.

Based on this information in the Offer Document, the Offer Price complies with the prerequisites of Sec. 4 WpÜG-AngebVO.

##### b) Lowest price calculated as a three-month average

Pursuant to Sec. 5 WpÜG-AngebVO, for takeover offers pursuant to Secs. 29 et seq. WpÜG the consideration must further at least be equal to the weighted average domestic stock exchange price for the respective shares during the last three months prior to the publication of the decision to make the Offer (= June 14, 2017) ("**Three-month Average Price**"). Thus, the relevant period for the determination of the Three-month Average Price is the period from March 14, 2017 until and including June 13, 2017.



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According to the Offer Document, the Three-month Average Price determined by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) as of June 13, 2017 amounts to EUR 32.24.

The Offer Price exceeds this amount and complies, therefore, with the prerequisites of Sec. 5 WpÜG-AngebVO.

#### 4. Evaluation of adequacy of the consideration offered

The Management Board and Supervisory Board have diligently analyzed and evaluated the adequacy of the offered consideration for the SHW Shares from a financial point of view based on the current strategy and financial planning of SHW, the historic share price development of the SHW Shares, certain valuation methods and based on further assumptions and information. The Management Board and Supervisory Board were assisted in their considerations by Berenberg Joh. Berenberg, Gossler & Co. KG, with its registered office in Neuer Jungfernstieg 20, 20354 Hamburg („**Berenberg**“).

##### a) Fairness Opinion

The Company asked Berenberg to prepare a statement regarding the adequacy of the offered consideration from a financial point of view for both the Management Board and Supervisory Board („**Fairness Opinion**“). The Fairness Opinion is meant to support the Management Board and Supervisory Board in their assessment of the adequacy of the consideration.

In its Fairness Opinion, Berenberg concludes that, subject to the assumptions contained in the Fairness Opinion, the consideration offered by the Offeror per SHW Share is not adequate from a financial point of view as of the date of issuance of the Fairness Opinion. The Fairness Opinion, which is meant for publication, is attached to this Statement as **Annex 2**.

The Management Board and Supervisory Board have intensively discussed the statement of Berenberg and subjected it to an independent, critical assessment, and assured themselves, based on their own experiences, especially of the plausibility as well as of the adequacy of the procedures, methods and analyses applied by Berenberg.

The Management Board and Supervisory Board point out that the Fairness Opinion exclusively serves as information and support for the Management Board and Supervisory Board of SHW in conjunction with the assessment of the consideration for the SHW Shareholders. The Fairness Opinion is neither addressed to third parties (including the SHW Shareholders) nor is it designed to protect third parties (including the SHW Shareholders). Third parties cannot derive rights or duties from the Fairness Opinion. In particular, the Fairness Opinion does not contain a recommendation to the SHW Shareholders in connection with the Offer. The Fairness Opinion does also not refer to the relative advantages of the Offer compared to other business strategies or transactions that would also have been possible in respect of SHW.

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As part of the assessment of the adequacy of the consideration offered by the Offeror from a financial perspective, Berenberg performed a series of analyses, as they are performed and appear reasonable in comparable capital market transactions, in order to provide a sound basis for the Management Board and Supervisory Board for their own assessment of the adequacy of the offered consideration from a financial perspective. Berenberg examined various factors, assumptions, procedures, restrictions and valuations, which are described in more detail in the Fairness Opinion.

The studies and analyses of Berenberg are based on, *inter alia*, the mid-term planning until 2021 made available by the Company as well as explanatory material, the outlook on the current financial year until and including December 31, 2017, various discussions with representatives of the Company regarding the explanation and assessment of the planning, publicly available information on SHW and enterprises deemed comparable by Berenberg, as well as certain capital market information.

Further, Berenberg has:

- compared the consideration offered by the Offeror with certain historical stock market prices as well as the general stock market trend of the Company as well as that of a selection of other listed companies
- evaluated historical premiums paid in public takeovers in Germany
- reviewed and assessed recommendations and share price targets from equity research analysts
- compared certain financial data of the Company with that of other listed companies considered comparable
- evaluated selected transactions with companies from the sector of the Company
- carried out a cash value analysis of the future financial surpluses to be expected (cash flows) (*discounted cash-flow analysis*).

For the preparation of the Fairness Opinion, Berenberg assumed accurate and complete the publicly available information as well as the information provided by SHW, or on behalf of SHW, or further information reviewed by Berenberg without independent verification and relied on this information. Furthermore, Berenberg did not undertake an independent evaluation or review of the assets or liabilities (contingent liabilities or otherwise) of SHW.

In respect of financial forecasts and estimates prepared by SHW, Berenberg assumed that these have been prepared with diligence on a basis which reflects the currently, *i.e.*, at the point of time of the submission of the statement of Berenberg, best possibly available estimate and assessment by the management of the Company in respect of the future development of the Company.

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The assessment of Berenberg is not based on a valuation as typically performed by auditors and may not be understood as such. Instead, the assessment of the Company is based on methods typically used by investment banks in comparable transactions. In particular, Berenberg did not perform a valuation based on the guidelines published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) regarding Principles for the Performance of Business Valuations (*Grundsätze zur Durchführung von Unternehmensbewertungen*) (IDW S1) or Principles for Creating Fairness Opinions (*Grundsätze für die Erstellung von Fairness Opinions*) (IDW S8).

Further, Berenberg did not make a statement on whether the conditions of the Offer, including the Offer Price, are in line with the provisions of WpÜG.

For its activities as advisor of the Management Board and Supervisory Board regarding the assessment of the economic adequacy of the consideration of the Offer and for the Fairness Opinion, Berenberg receives a remuneration by SHW in line with market standards which does not depend on the success or failure of the Offer. Further, SHW committed to reimburse certain expenses of Berenberg and to indemnify Berenberg from certain liability risks in connection with the Fairness Opinion.

### **b) Future value of SHW as an independent company**

According to the Offer Document, the Offeror bases its assessment of the adequacy of the consideration exclusively on historical stock market prices.

The Management Board and Supervisory Board have considered intensively the chances and risks relevant for SHW and opine, on the basis of this analysis, that a retrospective assessment does not adequately reflect the current enterprise value. The following aspects have to be considered:

After a period marked by operative and logistic challenges at the business locations in Aalen-Wasseralfingen and Bad Schussenried as well as by exogenous factors, the Company presented the strategy “SHW 2020” by press release of December 1, 2015.

Against the background of market and sector trends, the focus hereby lies on the improvement of operative excellence, the expansion of international presence and the reinforcement of leadership in technology and innovation. As a supplement to its hydraulic core competence, SHW pursues a focused M&A strategy with the objective of acquiring the required propulsion and steering know-how by acquisitions or cooperation. Pursuant to this, the financial years 2016 and 2017 should be a period of revenue consolidation and higher investments with sequentially improved profitability. The implemented measures to improve operative excellence are effective; a substantial investment program of more than EUR 30 million for the internationalization of the pump activities in China and North America has started. Thus, the course is set for a significant growth both in revenue and profits from 2018 onwards. Until 2020, the Company estimates a group revenue 50 percent higher than in the financial year 2017 as well as a significant improvement of margins and profit. The objective is to generate at this time one quarter of the group revenue outside of Europe.

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The Company believes that SHW benefits from three major trends in the automotive sector:

- Global vehicle production continues to grow. Global production numbers of so-called light vehicles (vehicles < 6 tons) are expected to grow until 2025 by 1.9 percent per annum on average to approximately 110 million units. The biggest growth is expected for China and South-East Asia.
- Combustion engines will – in absolute figures – continue to propel the vast majority of light vehicles in the next years. The growing number of hybrid propulsion engines – a combination of combustion and electric engine – will correlate with a growing number of pumps per vehicle.
- Reduction of CO2 emissions is promoted in all strategic markets – with ambitious target figures. This requires a continuous optimization of motor and gears, a task for which SHW has the fitting product portfolio. Further, the Company is developing product solutions in line with the market for all-electric vehicles.

From the Management Board's and Supervisory Board's perspective, the mid-term planning, which the strategy "SHW 2020" reflects, constitutes from today's view a realistic assessment of the profit potential of SHW as well as of the development expected for the Company, and the assumptions underlying the planning were made with due diligence and caution.

Hence, in the opinion of the Management Board and Supervisory Board, the offered consideration, with a view to the growth strategy "SHW 2020", which is currently being implemented, does not adequately reflect the value which SHW can achieve as an independent company.

### c) **Valuation multiples of companies which are considered comparable**

The Management Board and Supervisory Board believe that in solely considering historical stock market prices, the Offeror neglects to take into account significant information. For an adequate assessment, the Company considers relevant, *inter alia*, an analysis of the relation between the enterprise value of the Company (EV) to published current equity research analysts' estimates of expected earnings before interest and tax (EBIT) of SHW (valuation multiple).

The implicit enterprise value of SHW is calculated by the value of the equity pursuant to the consideration of the Offer per share (EUR 35.00) and the number of outstanding shares of the Company (6,436,209), plus the net position of the financial liabilities and liquid assets (EUR 4.1 million) plus the net position of other assets and liabilities with financial character (*inter alia*, pension obligations, minority participations, financial investments and shares valued "at equity") in the amount of EUR 11.5 million. All references to balance sheet positions refer to the figures last published by the Company for the first quarter of 2017.

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The Management Board and Supervisory Board have critically assessed the strategy “SHW 2020” and are convinced that in the past 18 months, the Company has laid the grounds for an accelerated profitable growth from 2018 onwards. Therefore, the Management Board and Supervisory Board consider the expected earnings before interest and tax (EBIT) of SHW for the financial year 2018 as the relevant point of reference for a valuation based on multiples.

In this Statement, the Management Board and Supervisory Board used the implicit multiple valuation of companies considered comparable. The multiple valuation of SHW derivable from the Offer Price lies significantly below the median of multiple valuations for companies considered comparable at the time of publication of this Statement.

### **d) Comparison with historical premiums in public takeovers in Germany**

The Offer of the Offeror is a voluntary public takeover offer within the meaning of Sec. 29 WpÜG which according to the Offer Document aims to the acquisition of all SHW Shares not directly held by the Offeror and, thereby, to the acquisition of the control of SHW. In considering the adequacy of the consideration, the Management Board and Supervisory Board, therefore, have also considered an analysis of historical premiums paid in non-mandatory public takeover offers. This analysis only reflects takeover offers, *i.e.*, such offers explicitly or implicitly aimed to reach or exceed the control threshold at 30 percent of the voting rights. The premiums (control premium) were calculated by comparing the offer price with the three-months average volume weighted stock market price of the target company prior to the publication of the decision to make an offer (three-months average price).

Since the WpÜG came into force on January 1, 2002, the consideration offered in voluntary public takeover offers exceeded the three-months average price by approximately 23.5 percent on average.

Whereas the consideration offered by the Offeror exceeds the three-months average price of the SHW Share prior to the publication of the decision to make the Offer on June 14, 2017 by only approximately 8.6 percent.

On the basis of the foregoing considerations, the implicit premium of the Offer Price does not adequately honor the strategic objective of the Offeror to generally acquire the control in SHW.

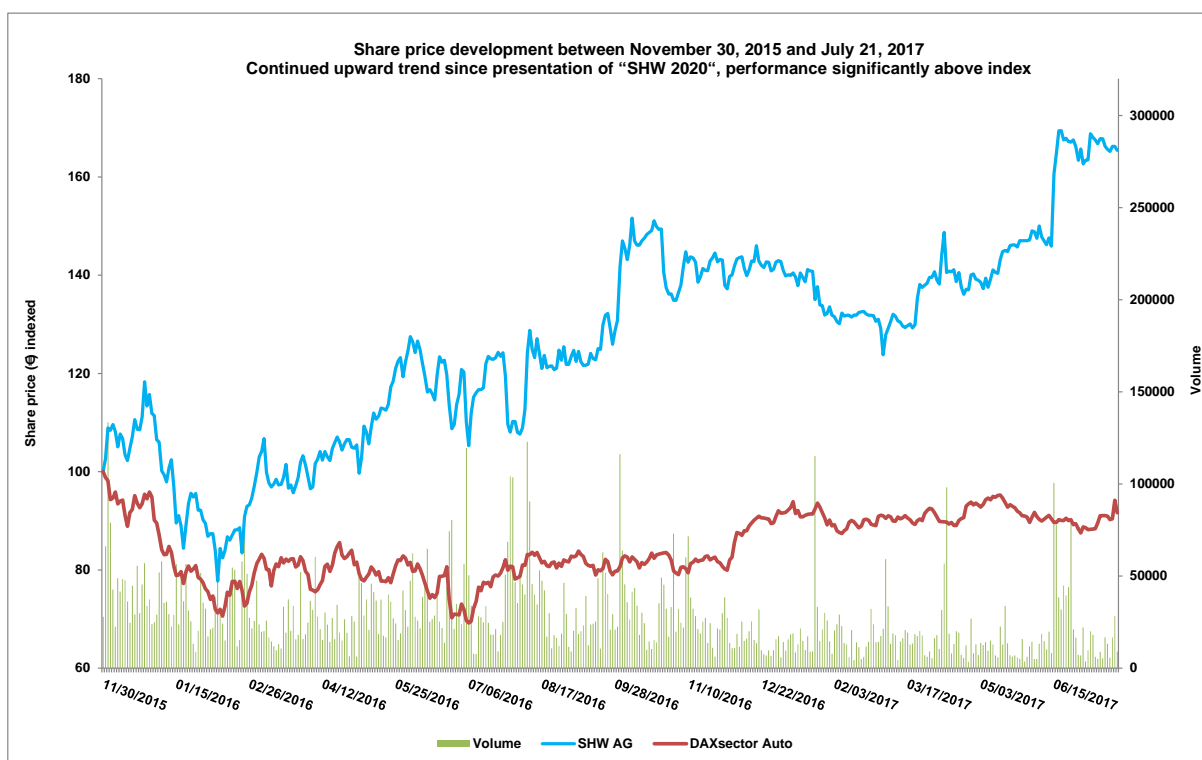
### **e) Historic and current stock market prices**

In this Statement, the Management Board and Supervisory Board have also considered the development of the stock market price of SHW. In this context, the Management Board and Supervisory Board recommend all SHW Shareholders who consider accepting the Offer of the Offeror to consider a sale of their SHW Shares on the stock market and to obtain information about the current stock market price of the SHW Share before deciding to accept the Offer for their SHW Shares.

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In this context, the Management Board and Supervisory Board point to the fact that the respective closing stock market price of SHW Shares in the electronic trading system XETRA of the Frankfurt Stock Exchange since June 15, 2017 – the first trading day after the publication of the decision to make the Offer – has continuously been above the Offer Price of EUR 35.00.

The following chart shows the stock market price development of the SHW Share between November 30, 2015, the last trading day before the publication of the strategy “SHW 2020”, and July 21, 2017, the last trading day prior to the publication of this Statement (XETRA closing prices, source: FactSet). Since the company strategy “SHW 2020” was announced, the SHW Share has achieved a continuously higher overall return in comparison to the benchmark index DAXsector Automobile Performance.



A comparison of historical stock market prices of the SHW Share and the Offer price of EUR 35.00 shows in the following premiums and discounts, respectively:

- On July 21, 2017, the last trading day prior to the publication of this Statement, the closing price was EUR 37.12. The Offer Price corresponds to a discount of approximately 5.7 percent on this price.
- On July 10, 2017, the last trading day prior to the publication of the Offer Document, the closing price was EUR 37.60. The Offer Price corresponds to a discount of approximately 6.9 percent on this price.

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- On June 13, the last trading day prior to the announcement of the decision to make the Offer, the closing price was EUR 33.12. The Offer prices corresponds to a premium of approximately 5.7 percent on this price.
- The three-months average price as of July 10, 2017, the last trading day prior to the publication of the Offer Document, was EUR 34.79. The Offer Price corresponds to a premium of approximately 0.6 percent on this price.
- The three-months average price as of June 13, 2017, the last trading day prior to the announcement of the decision to make the Offer, was EUR 32.24. The Offer Price corresponds to a premium of approximately 8.6 percent on this price.
- The highest closing price in the 52 weeks period prior to June 14, 2017, the day of the publication of the decision to make the Offer, was EUR 35.08, the highest closing price within the 52 weeks period prior to July 11, 2017, the day of the publication of the Offer Document, was EUR 38.03. The Offer Price corresponds to a discount of approximately 0.2 percent and approximately 8.0 percent, respectively, on this price.

### f) Valuation by equity research analysts

The Management Board and Supervisory Board have assessed the available target prices for the SHW Share by equity research analysts. The valuations refer to SHW as a stand-alone and independent company. Some equity research analysts have adjusted their price targets for SHW after the publication of the decision to make the Offer on June 14, 2017. The median of target prices published prior to June 14, 2017 is EUR 30.50. The median of target prices published by equity research analysts prior to July 24, 2017, the day of the publication of this Statement, is EUR 35.00.

Equity research analyst	Target prices prior to June 14, 2017 (in EUR)		Target prices prior to July 24, 2017 (in EUR)	
	Date	Target price	Date	Target price
<b>Bankhaus Lampe</b>	May 24, 2017	<b>35.00</b>	July 14, 2017	<b>35.00</b>
<b>Kepler Cheuvreux</b>	June 08, 2017	<b>28.00</b>	June 23, 2017	<b>28.00</b>
<b>Commerzbank</b>	May 03, 2017	<b>30.00</b>	July 21, 2017	<b>35.00</b>
<b>LBBW</b>	May 03, 2017	<b>31.00</b>	-/-	
<b>Median</b>		<b>30.50</b>		<b>35.00</b>

The Management Board and Supervisory Board point out that equity research analysts base their expectation for the stock market price of the valuated company in the next

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twelve months for the determination of the target price. As set out, the Management Board and Supervisory Board believe that substantial value potentials of SHW will be reflected in a material growth of revenue and profits from 2018 onwards. This potential is not fully reflected in a valuation aiming at the next twelve months.

### g) Overall assessment of the consideration

The Management Board and Supervisory Board have, on the basis of the afore-mentioned statements, intensively considered the adequacy of the consideration offered by the Offeror and taken into account in the assessment, *inter alia*, the following aspects:

- From the point of view of the Management Board and Supervisory Board, the offered consideration does not adequately reflect the value which SHW is able to achieve as an independent company. By way of the implementation of its strategy “SHW 2020”, the Company has initiated growth impulses for which the grounds were laid in the past 18 months. As a consequence, SHW expects a substantial growth of revenue and profits from 2018 onwards.
- Furthermore, the multiple valuation of SHW which can be derived from the Offer Price is significantly below the median of multiple valuations from companies considered comparable at the time of publication of this Statement.
- In comparison to historical takeover premiums, the implicit premium of the Offer Price does not honor the strategic objective of the Offeror to generally acquire a controlling majority in SHW.

As a result, the Management Board and Supervisory Board believe that the consideration of EUR 35.00 offered by the Offeror is financially **not adequate**.

## VI. Objectives pursued by the Offeror with the Offer

### 1. Background of the Offer and intentions of the Offeror

The Offeror has described the economic and strategic background of the Offer as well as the intentions of the Offeror and the Controlling Persons regarding SHW and the Offeror in Sec. 9 of the Offer Document; it is recommended that the shareholders read this section carefully.

In Sec. 9.3 of the Offer Document, the Offeror explicitly points out that – also to the extent only the Offeror is mentioned with respect to intentions regarding SHW – the Controlling Persons have no further intentions.

### a) Economic and strategic background

Pursuant to Sec. 9.1 of the Offer Document, the Offeror regards the participation of Pierer Group in SHW as a long-term investment. In this context, the Offeror refers to the existing majority participations of Pierer Group in enterprises in the automotive sector which focus on the global motorcycle and automotive high-tech components segment as



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well as to the strategic potentials in the automotive sector (customer and components segment). The Offeror believes that by the participation in SHW opportunities and synergies can be realized. However, the Offeror also points out that the Offeror did not quantify such opportunities or synergies. The Offer Document does not contain any further information regarding the intentions of the Offeror regarding a potential cooperation between Pierer Group and SHW.

Further, Sec. 9.1 of the Offer Document lays out that the Offeror supports the corporate strategy and business policy publicly communicated by the Management Board and pursues the objective of strategically expanding the automotive activities of SHW and the Offeror, among others in the high performance segment, on a long-term basis.

**b) No mandatory offer in case of acquisition of control by the Offeror on the basis of the Offer**

In Sec. 9.2 of the Offer Document, the Offeror points out that in case of the acquisition of control within the meaning of Sec. 29 para. 2 WpÜG on the basis of the Offer, pursuant to the statutory provision in Sec. 35 para. 3 WpÜG, not only the Offeror, but also the Controlling Persons as well as QCP Swiss AG and Pierer Swiss AG are exempted from the obligation to make a mandatory offer.

**c) Future business activities of SHW**

According to Sec. 9.3.1 of the Offer Document, the Offeror intends to support the Management Board of SHW in further developing and expanding the business activities of the SHW Group as well as the Management Board's growth strategy. For that purpose, the Offeror – according to its own statement – aims at the position as SHW's largest anchor investor. However, the Offeror points out that it has neither reviewed in detail the "Strategy 2020" communicated by the Management Board nor its financial implications.

According to Sec. 9.3.1 of the Offer Document, the Offeror has no further intentions regarding the future business activities and strategy of SHW.

**d) Use of assets and future obligations of SHW**

According to Sec. 9.3.2 of the Offer Document, the Offeror has no intentions regarding the use of assets of SHW, especially no intention to cause SHW to dispose of (parts of) activities or assets of the SHW Group.

Further, according to information from the Offeror, there are no agreements which would give rise to future liabilities of SHW and no intentions the implementation of which would increase the liabilities of SHW beyond the ordinary course of business. Neither are there, pursuant to the Offeror, any intentions of otherwise transferring liabilities of the Offeror or persons acting jointly with the Offeror to SHW.

To the opposite, according to the Offer Document, the Offeror intends to consider reducing the distribution quota to support the growth of SHW.

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### e) **The Management Board and Supervisory Board of SHW**

According to the information in Sec. 9.3.3 of the Offer Document, the Offeror does not intend to change the composition of the Management Board of SHW and the service agreements with the Management Board members. However, the Offeror reserves the option to influence the Management Board's composition through the relevant corporate bodies; but the Offeror claims that no specific intentions exist so far.

Regarding the size and composition of SHW's Supervisory Board, the Offeror states that it intends to be adequately represented in the Supervisory Board according to its participation quota with the objective to promote the growth strategy adopted by SHW and to contribute strategic synergy potentials from the Pierer Group in the automotive sector. The Offeror points out that it could also cause a premature reappointment of the Supervisory Board by a shareholders' resolution in order to reach its objective.

### f) **Employees, employment conditions and employee representations**

According to information from the Offeror under Sec. 9.3.4 of the Offer Document, the Offeror aims at a long-term employee retention of the SHW Group. Therefore, the Offeror does not intend to terminate or change the employment relations of employees of the SHW Group as a consequence of the Offer. Further, the Offeror states that it does not intend to cause changes of the employee representations at the level of SHW or its subsidiaries and that it will respect the rights of all bodies under the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG). Further, it will not initiate measures aiming to change the existing collective bargaining arrangements or the current level of employee participation.

### g) **Seat of SHW and business location of significant business units**

According to information from the Offeror under Sec. 9.3.5 of the Offer Document, the Offeror does not intend to change the seat of SHW or the business location of significant business units.

### h) **Possible structural measures**

According to information from the Offeror under Sec. 9.3.6 of the Offer Document, the Offeror is not planning to enter into a domination and/or profit and loss transfer agreement with SHW, nor to implement measures pursuant to the German Transformation Act (Umwandlungsgesetz – UmwG), to support a delisting or a so-called squeeze-out, *i.e.*, the compulsory exclusion of minority shareholders against cash compensation.

Plans regarding other possible structural measures are not discussed in the Offer Document.

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### i) **Future business activities of the Offeror**

In Sec. 9.3.7 of the Offer Document, the Offeror points out its aim to strategically expand the automotive activities of the Offeror in the high performance segment long term. Further, the Offeror states that it does not have any intentions with a view to the Offeror itself, especially changing the future business activities of the Offeror, the company seat and the business location of significant business units. Further, the Offeror states that with the Offer, it does not intend to change the members of the management bodies of the Offeror. It states that no employee representations exist at the Offeror.

The Offeror claims that there are no intentions that could affect the use of assets or the future obligations of the Offeror except for the effects on the asset, profit and financial situation of the Offeror set out in more detail in the Offer Document.

### 2. **Statement by the Management Board and Supervisory Board to the objectives and intentions pursued by the Offeror with the Offer**

First, the Management Board and Supervisory Board point out that any information in the Offer Document regarding the objectives and intentions of the Offeror and the Controlling Persons reflects the status as of the publication of the Offer Document and may change subsequently. Therefore, there is no guarantee that the intentions of the Offeror and/or the Controlling Persons are maintained or implemented. It can further not be excluded that the Offeror or the Controlling Persons, respectively, develop and implement new or additional intentions which are not mentioned in the Offer Document.

### a) **Economic and strategic background of the Offer**

The Management Board of SHW pursues a corporate strategy which is oriented towards long-term and sustainable growth. Therefore, the Management Board and Supervisory Board welcome both the announcement of the Offeror to consider the shareholding by the Pierer Group in SHW as a long-term investment of the Offeror and the Pierer Group, respectively, as well as the Offeror's statement that it supports the corporate strategy and business policy which has been publicly communicated by the Management Board of SHW. The Management Board and Supervisory Board further take notice that the Offeror aspires the position as the largest (anchor) shareholder of the Company.

As the current business activities of the SHW Group as well as the growth strategy pursued by the Management Board both focus on the automotive segment, the objective pursued by the Offeror with the Offer which is, according to its own statement, a long-term strategic expansion of the automotive activities of SHW, is in accordance with the existing corporate strategy of the Management Board, and is also welcomed by the Management Board and Supervisory Board.

Against the background of the further participations of the Pierer Group in the automotive industry, the Management Board and Supervisory Board may currently not assess to what extent the strategic potential, opportunities and synergies in the automotive industry, as mentioned by the Offeror but not further specified in the Offer Document, exist and may be made use of in favor of SHW. However, they welcome the willingness

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of the Pierer Group expressed hereby for a constructive dialogue on options for a future cooperation. The Management Board is happy to engage in such dialogue while maintaining the independence of SHW and taking into consideration the interests of SHW and all SHW Shareholders.

Meanwhile, a first discussion took place in a meeting of the Offeror and the Company on July 14, 2017 which was attended, on the side of the Offeror, by the management board members of the Offeror Dipl.-Ing. Stefan Pierer (CEO) and Friedrich Roithner (CFO) and, on the side of SHW, by CEO Dr. Frank Bosshoff and by the chairman of the Supervisory Board Georg Wolf. The purpose of the meeting was to get to know each other and a non-binding exchange of ideas on options for a future cooperation, without entering, however, in any agreement or contract of any kind in this regard.

**b) No mandatory offer in case of acquisition of control by the Offeror on the basis of the Offer**

In Sec. 9.2 of the Offer Document, the Offeror has referred to the provision of Sec. 35 para. 3 WpÜG pursuant to which in case of an acquisition of control on the basis of a takeover offer no obligation exists to make a mandatory offer, and has pointed out that this exemption from a mandatory offer in case of an acquisition of control by the Offeror on the basis of the Offer also applies to the Controlling Persons, QCP Swiss AG and Pierer Swiss AG. An acquisition of control within the meaning of said provision occurs if the portion of the voting rights of the Offeror in SHW arising from voting rights held by and/or attributed to it in the context of the Offer reaches at least 30 percent of the total voting rights in SHW.

The Management Board and Supervisory Board point to the following in this context:

The Offeror has waived the initially required minimum acceptance threshold by its Offer Amendment published on July 19, 2017 so that the Offer will also be consummated if the control threshold is not reached until the expiration of the Acceptance Period (taking into account the SHW Shares submitted until then) (see Sec. IV.6 and IV.7).

However, if the portion of voting rights in SHW of the Offeror or the further above mentioned companies of the Pierer Group arising from (i) voting rights held by itself/themselves and/or attributed to them and/or (ii) SHW Shares submitted to the Offer, reaches or exceeds the threshold of 30 percent of voting rights in the context of the settlement of the Offer or also otherwise in the period until the expiration of the Additional Acceptance Period and subsequently until the settlement of the Offer, the mentioned exemption from the mandatory offer nevertheless applies. In such case, the Offeror may subsequently increase its shareholdings in SHW without limitation and without being obliged to make another takeover or mandatory offer to the SHW Shareholders.

The Management Board and Supervisory Board further point out that the Offeror is not obliged to subsequently adjust the Offer Price for the SHW Shares submitted to the Offer in case of an acquisition of SHW Shares for a consideration exceeding the Offer Price in

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terms of value if the acquisition or the agreement, respectively, occurs after the expiration of a period of one year from the publication of the preliminary results of the Offer required after the end of the Acceptance Period. The Offeror may furthermore acquire through the stock exchange SHW Shares for a stock price exceeding the Offer Price already from the time of said publication on – and, hence, also during the Additional Acceptance Period – without being obliged to subsequently adjust the Offer Price (see also Sec. VIII.1 of the Statement below).

### c) **Future business activities as well as assets and obligations of SHW**

The Management Board and Supervisory Board welcome the Offeror's statement that it intends to support the Management Board of SHW in the implementation of its growth strategy as well as the further development and the expansion of the business of the SHW Group, and it furthermore has no intentions regarding the future business activity and strategy nor the use of assets or the imposition of obligations of SHW.

As a matter of precaution, the Management Board and Supervisory Board point to the explicit reservation by the Offeror, pursuant to which the Offeror has not examined in detail the "Strategy 2020" communicated by SHW and its financial effects. Thus, such examination might give reason for a subsequent adjustment of the Offeror's intentions documented in the Offer document, as the case may be, even though the Management Board and Supervisory Board of SHW are of the opinion that the "Strategy 2020" and its financial effects were planned carefully and communicated transparently.

The Offeror has declared that it considers a reduction of the distribution ratio in the future in order to support the growth of SHW. The dividend policy communicated by the Management Board, pursuant to which – duly taking into account legal restrictions and the financing requirements of the SHW Group – between 30 percent and 40 percent of the group annual net income shall be distributed to the shareholders of the Company as dividend, is aligned with the growth strategy and the respective capital requirements and at the same time takes into consideration the interests of the SHW Shareholders in an adequate distribution. It is furthermore sufficiently flexible in order to appropriately take account of a temporary increase of investment and capital requirements of the Company, if any. From today's perspective of the Management Board and Supervisory Board, an adjustment of the dividend policy for the implementation of the growth strategy is, thus, not necessary.

### d) **The Management Board and Supervisory Board of SHW**

The Management Board and Supervisory Board welcome that the Offeror does not intend to change the existing composition of the Management Board or the terms and conditions of the employment of its members, and that the Offeror explicitly declared that it wants to cooperate with the Management Board in a constructive and trustful manner. From the perspective of the Supervisory Board as the corporate body in charge of personnel decisions, the Management Board in its current composition manages the Company's business successfully.

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The Management Board and Supervisory Board take the following position regarding the Offeror's intention to be adequately represented in the Supervisory Board in accordance with its shareholding quota and to cause, as the case may be, a premature reappointment of seats in the Supervisory Board by the General Meeting: The members of the Supervisory Board are each bound to the interests of the Company and all shareholders. Against this background, the Management Board and Supervisory Board do generally not deem necessary to reflect the respective shareholding quotas also in the Supervisory Board and, thus, to take the opportunity of changes in the shareholder base during a running term of office for a premature reappointment of the Supervisory Board. This is in line with the recommendations of the German Corporate Governance Codex which, the other way round, intend to guarantee that in the supervisory board also a sufficient number, from the supervisory board's perspective taking into account the shareholder structure, of independent members is represented (see Sec. 5.4.2 of the German Corporate Governance Code). A premature adjustment of the composition of the Supervisory Board may be seen differently in case of an entry of a long-term committed shareholder if its shareholding reaches a respective level and its representation in the Supervisory Board – as long as such shareholder itself does not have a majority in the General Meeting – has the required support of the other shareholders. In this context it must be taken into account that the Company's Supervisory Board consists of six members of whom two members – without statutory obligation but as a proven and voluntary emulation of the co-determination of a third of the supervisory board seats on the level of Schwäbische Hüttenwerke Automotive GmbH as the most important operating subsidiary of the Company – belong to the workforce. Under the assumption that this representation of the workforce currently conceded by the shareholders on a voluntary basis will be maintained, a representation in the Company's Supervisory Board in accordance with the shareholding quota, thus, requires mathematically a participation in the capital of at least 25 percent.

These principals should also apply to a future representation of the Offeror in the Supervisory Board in the view of the Management Board and Supervisory Board. Under these circumstances and under the assumption that the representation of the Offeror in the Supervisory Board is implemented by candidates who fit in the competency profile of the Supervisory Board, the Management Board and Supervisory Board consider the Offeror's objective to support the growth strategy of the Company and to contribute synergy potentials, as the case may be, by way of a according representation in the Supervisory Board, generally positive.

### e) **Employees, employment conditions and employee representations**

The Management Board and Supervisory Board welcome the declaration of the Offeror that a long-term commitment of the employees as one essential factor of success of the SHW Group is important to the Offeror; this corresponds to the position of the Management and Supervisory Board. They further welcome that the Offeror does neither intend any changes or a termination of employment relations of the employees of the SHW Group as a consequence of the Offer, nor planes any changes of employee representations of the SHW Group nor other measures aiming to change existing collective bargaining arrangements or the existing level of co-determination by

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employees. From the Management Board's and Supervisory Board's perspective, the latter includes the voluntary emulation of the co-determination of a third of the seats in the Supervisory Board of the Company itself – which in the SHW Group only exists by virtue of law on the level of Schwäbische Hüttenwerke Automotive GmbH – by two representatives of the workforce in the Supervisory Board (see also already above Sec. d)).

Against this background, the Management Board and Supervisory Board expect that a successful implementation of the Offer will have no effects on the employees of the SHW Group and their representations as well as on the employment conditions at the SHW Group.

### **f) Seat of SHW and business location of significant business units**

The Management Board and Supervisory Board consider equally positive the Offeror's intention not to change the seat of SHW or the business location of significant business units and, therefore, expect that a successful implementation of the Offer will not have any impacts insofar as this topic is concerned.

### **g) Structural measures**

The Management Board and Supervisory Board welcome that the Offeror explicitly does not intend to take any structural measures mentioned under Sec. 9.3.6 of the Offer Document, the implementation of which could otherwise adversely affect the Company's continued existence as an independently managed listed enterprise.

### **h) Future business activities of the Offeror**

The Management Board and Supervisory Board take note of the Offeror's statement in the Offer Document regarding the intended long-term strategic expansion of the automotive activities of the Offeror in the high performance segment under otherwise unchanged continuation of the Offeror's business activity.

## **VII. Tax consequences**

The consummation of the Offer may impact in principle on the tax situation of SHW and/or its subsidiaries. The Management Board and Supervisory Board do currently not have any specific indications for such effects.

## **VIII. Impacts on the shareholders**

The following information serves to give shareholders of the target company indications for assessing the impacts of accepting or not accepting the Offer. The following aspects are not meant to be conclusive. It is incumbent upon each shareholder of the target company to evaluate the impacts of accepting or not accepting the Offer. The Management Board and Supervisory Board advise the shareholders of the target company to seek professional advice if required.

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The Management Board and Supervisory Board also point out that they cannot assess whether shareholders will suffer possible tax disadvantages (in particular any tax liability on the profit of the sale) or enjoy tax benefits from the acceptance or non-acceptance of the Offer.

The Management Board and Supervisory Board recommend that the shareholders of the target company seek tax advice, in which the personal circumstances of the respective shareholder can be taken into account, before deciding whether to accept or not accept the Offer.

### 1. Possible impacts in case of accepting the Offer

SHW Shareholders, who accept the Offer, lose their shareholder and asset rights in SHW upon consummation of the Offer by transferring their SHW Shares to the Offeror in return for a cash payment. The following must be considered here:

- SHW Shareholders, who accept the Offer, no longer benefit from a favorable development of the share price of the SHW Share or a positive business development of the SHW Group.
- SHW Shareholders, who accept the Offer, will not enjoy an adequate control premium corresponding to general market practice and which compensates them for the loss of the future potential of the SHW Share. The Offer is below the current share price and is not considered to be financially adequate by the Management Board and Supervisory Board (see Sec. V.4)
- SHW Shareholders are restricted in their disposal freedom for those SHW Shares, for which they have accepted the Offer. According to the Offer Document, SHW Shares, for which the Offer is accepted during the Offer Period (“**SHW Shares Submitted for Sale**”) can no longer be traded. A withdrawal from the acceptance of the Offer is only possible under the narrow conditions specified in the Offer Document.
- If the Offeror, persons acting jointly with the Offeror or their subsidiaries, purchase SHW Shares outside the stock market within one year of publication of the number of its or their SHW Shares, respectively, after expiration of the Offer Period and from the acceptance of the Offer (Sec. 23 para. 1 no. 2 WpÜG) and a in terms of value higher consideration is granted or agreed therefore than the consideration of the Offer, the Offeror is obliged to pay a consideration in the amount of the respective differential amount to the SHW Shareholders who accepted the Offer. For purchases outside the stock market in return for higher consideration after the expiration of this follow-up purchase period of one year, no claim for an additional compensation under the Offer exists. Moreover, within the aforementioned one-year follow-up purchase period, the Offeror can purchase SHW Shares on the stock market at a higher price without having to adjust the consideration paid to SHW Shareholders who have already accepted the Offer.



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- SHW Shareholders, who accept the Offer, are not entitled to compensation payments in the case of specific structural measures after consummation of the Offer (in particular, in the case of a domination and/or profit and loss transfer agreement or a so-called squeeze-out); for the sake of completeness, it should be noted that the Offeror currently is not intending to implement any such structural measures according to the information of the Offer Document. These compensation payments are determined on the basis of the full value of SHW and are subject to judicial review within the framework of appraisal proceedings (*Spruchverfahren*). Such compensation payments may be higher or lower than the Offer Price. Even if they are higher, SHW Shareholders, who accept the Offer, are not entitled to such compensation payments or to any other additional payments.

### 2. Possible impacts in case of not accepting the Offer

SHW Shareholders, who do not accepted the offer and who do not sell their SHW Shares otherwise, continue to remain SHW Shareholders. However, among other things they should note the statements by the Offeror in Sec. 16 of the Offer Document and the following:

- SHW Shareholders directly bear the risk of the future development of SHW and the SHW Group and of the further development of the stock market price of the SHW Share and of the future dividend policy.
- The future development of the share price of the SHW Share cannot be predicted. It is subject to all external influences of the macroeconomic situation and depends on the future development of the SHW Group, the permanent securing of sufficient financing and on the supply and demand of SHW Shares. It cannot be ruled out that the current price of the SHW Share is at present being affected by the Offeror's announcement of submission of the Offer and by the publication of the Offer and will not remain at the current level.
- Insofar as the Offeror, after consummation of the takeover offer, holds 30 percent or more of the voting rights in SHW, it is possible for it to further increase its stake in SHW without being obliged to make a mandatory offer to the remaining SHW Shareholders according to Secs. 35, 29 WpÜG or having to grant the remaining SHW Shareholders another possibility to sell (so-called creeping-up).
- SHW Shares, for which the Offer is not accepted, can initially continue to be traded on the stock market. However, it cannot be ruled out that the demand for SHW Shares will be lower than at present and that, therefore, the liquidity of SHW Shares will decline. This can lead to sale orders not being executed or not being executed promptly. In addition, the possible decline of liquidity of the SHW Shares may lead to significantly greater price fluctuations than in the past. If, because of the reduced liquidity of SHW Shares, ordinary trading can no longer be guaranteed, it is possible that the listing of SHW Shares on the stock market will be withdrawn (delisting), also without corresponding actions by the Company or the Offeror. In the case of a delisting, there would not be an organized public

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market for trading in SHW Shares anymore. If the SHW Shares are delisted, this could considerably restrict the sale options of SHW Shares.

- After consummation of the Offer, the Offeror could have the necessary majority to pass structural corporate measures at the General Meeting of SHW or other resolutions of considerable importance. Such measures include (where legally permitted) for example, removing and appointing members of the Supervisory Board, changes to the articles of incorporation, capital increases (also under exclusion of the shareholders' subscription rights), approving of a domination and/or profit and loss transfer agreement, the compulsory exclusion of minority shareholders against cash compensation (so-called squeeze-out), dissolution of SHW, merger or change of legal form of SHW and other transformation measures under the German Transformation Act (Umwandlungsgesetz – UmwG), including measures resulting in a termination of the listing of SHW. For the sake of completeness, it should be noted that according to information by the Offeror, the Offeror does not intend, as of the time of the publication of the Offer Document, the conclusion of a domination and/or profit and loss transfer agreement or the implementation of a squeeze-out or transformation measures under the German Transformation Act; however, it reserves the option to cause a premature reappointment of Supervisory Board members.
- In case of a domination and profit and loss transfer agreement, the Offeror as controlling company could give binding instructions to the Management Board of SHW concerning the management. Because of the obligation to transfer profits, the Offeror could demand the transfer of the entire profits of SHW.
- In various measures, which the Offeror could implement on the basis of its voting majority in the General Meeting of SHW or because of its controlling position as majority shareholder, SHW Shareholders do not necessarily have to be offered any kind of compensation. However, it cannot be ruled out that such measures would have a negative impact on the share price or the value of the SHW Shares mathematically derived from the company value.
- After consummation of the Offer or even at a later point in time, the Offeror could instruct SHW, to the extent legally possible, to apply for the withdrawal of the admission of the SHW Shares to trading on the regulated market of the Frankfurter Stock Exchange (Frankfurter Wertpapierbörse) with the additional post-admission obligations (Prime Standard) after the required conditions are fulfilled (so-called delisting). In this case, SHW Shareholders would no longer profit from the increased reporting duties of the regulated market and, if trading at the other market places is also discontinued, not be able to trade their shares on the stock market. For the sake of completeness, it should be noted according to information of the Offeror, the Offeror does not intend to cause a delisting as of the time of the publication of the Offer Document.
- Insofar as SHW Shareholders have to be offered a compensation and/or exchange by virtue of law within the context of structural corporate measures on the basis of

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the company valuation – taking, as the case may be, the stock market price into account –, the asset and profit situation of SHW at the time of the structural measure in the future as specified by law depending on the type of measure, or based on the stock market price in timely connection with the corresponding resolution or announcement thereof, will be decisive. Such compensation and/or exchange offer could correspond to the value of the Offer Price, but could also be above or below it. It would be subject to judicial review in an appraisal proceeding (*Spruchverfahren*). This is also the case for the adequate annual compensation in the case of a domination and/or profit and loss transfer agreement to be provided for therein.

- According to Sec. 39c WpÜG, shareholders who have not accepted the Offer can still accept the Offer within three months after the expiration of the Acceptance Period (the “**Disposal Right**”), insofar as the Offeror is entitled to apply to the competent court according to Sec. 39a WpÜG for the transfer of the shares of the remaining shareholders to the Offeror in return for an adequate compensation by court order (takeover squeeze-out). This right for the Offeror to make an application according to Sec. 39a WpÜG only exists if it owns at least 95 percent of the share capital in SHW after consummation of the Offer. According to Sec. 39a para. 3 WpÜG, the consideration has to be a cash payment corresponding to the consideration in the Offer. The EUR 35.00 granted as part of the Offer is deemed an adequate consideration according to Sec. 39a para. 3 WpÜG if the Offeror has purchased at least 90 percent of the share capital affected by the Offer on the basis of the Offer. If the Offeror does not comply with its duty of disclosure according to Sec. 23 para. 1 sent. 1 no. 4 or sent. 2 WpÜG regarding reaching 95 percent of the share capital in SHW required for an exclusion according to Sec. 39a para. 1 and para. 2 WpÜG, the period of three months, during which the Disposal Right can be exercised, shall not start until this duty of disclosure has been complied with.
- Insofar as the Offeror holds at least 95 percent of the share capital in SHW after implementing the Offer or at a later point in time, the Offeror could pass a resolution at the General Meeting of SHW according to Secs. 327a et seq. AktG regarding a transfer of the shares of the minority shareholders to the Offeror in return for an adequate cash compensation subject to judicial review (stock corporation law squeeze-out). If the General Meeting of SHW decides to transfer the shares of the remaining shareholders to the main shareholder in return for an adequate cash compensation according to Sec. 327a AktG, the circumstances of SHW at the time of the General Meeting’s resolution regarding the transfer of shares would be decisive for the amount of the cash compensation. The compensation amount could be reviewed in a court appraisal proceeding. The amount of the adequate compensation could correspond to the Offer Price of EUR 35.00 per SHW Share, but could also be higher or lower.
- According to Sec. 62 para. 5 German Transformation Act (Umwandlungsgesetz – UmwG), a shareholding of 90 percent suffices for the exclusion of minority shareholders if the exclusion of minority shareholders is resolved in conjunction

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with a merger of group companies (transformational law squeeze-out). With regard to the compensation payable to the excluded SHW Shareholders, the above information regarding a stock corporation law squeeze-out applies correspondingly.

- Insofar as the Offeror holds the required majority of SHW Shares, the Offeror alone can decide in the General Meeting on the use of a possible balance sheet profits.

### **IX. Interests of the members of the Management Board and Supervisory Board**

#### **1. Shareholdings of the Management Board members**

As of the publication of this Statement, the members of the Management Board hold the following respective number of SHW Shares:

Dr. Frank Boshoff	8,500 SHW Shares
Andreas Rydzewski	2,600 SHW Shares
Martin Simon	1,000 SHW Shares

#### **2. Shareholdings of the Supervisory Board members**

As of the publication of this Statement, the chairman of the Supervisory Board Georg Wolf holds 10,000 SHW Shares.

The remaining Supervisory Board members do not hold any SHW Shares.

#### **3. Agreements with members of the Management Board or Supervisory Board**

Neither the Offeror nor other persons acting jointly with the Offeror have concluded agreements with members of the Management Board or Supervisory Board. Changes or extensions of their employment contracts have not been proposed to the members of the Management Board by the Offeror or persons acting jointly with the Offeror.

#### **4. No cash or other benefits in connection with the Offer**

No cash or other benefits have been granted, promised or proposed to the members of the Management Board and Supervisory Board by the Offeror or by other persons acting jointly with the Offeror.

#### **5. Conflicts of interest and voting behavior of the Management Board and Supervisory Board adopting this Statement**

No conflicts of interest occurred in the consultation and adopting this Statement by the Management Board and Supervisory Board.

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The Management Board and Supervisory Board each adopted this Statement unanimously.

### **X. Intention of the members of the Management Board and Supervisory Board regarding the acceptance of the Offer**

To the extent members of the Management Board and Supervisory Board hold SHW Shares (see above Secs. IX.1 and IX.2 of this Statement), they intend to accept the Offer with respect to none to the SHW Shares held by them.

### **XI. Final assessment**

Based on the considerations in this Statement, the Management Board and Supervisory Board consider the consideration offered by the Offeror in the amount of EUR 35.00 per SHW Share to be financially inadequate. The Management Board and Supervisory Board, therefore, recommend the shareholders of the Company **not** to accept the Offer.

Each SHW Shareholder must make his/her own decision as to whether to accept or reject the Offer, taking into account the overall circumstances and including his/her individual situation and personal assessment of the possibilities of the future development of the value and the share price of the SHW Share. The Management Board and Supervisory Board do not assume any liability if the non-acceptance or acceptance of the Offer is subsequently found to have adverse economic effects.

Aalen, July 24, 2017

SHW AG

The Management Board

The Supervisory Board

**NON-BINDING CONVENIENCE TRANSLATION****Annex 1****List of the subsidiaries of SHW AG**

<b>SHW Company</b>	<b>Subsidiary</b>	<b>Direct Holding in %</b>
SHW AG	Schwäbische Hüttenwerke Automotive GmbH	100
SHW AG	SHW do Brasil	99
Schwäbische Hüttenwerke Automotive GmbH	SHW do Brasil	1
Schwäbische Hüttenwerke Automotive GmbH	SHW Automotive Industries GmbH	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Pumps & Engine Components Inc., Kanada	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Automotive Pumps (Kunshan) Co. Ltd., China	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Pumps & Engine Components S.R.L, Rumänien	100
Schwäbische Hüttenwerke Automotive GmbH	Joint Venture SHW Longji Brake Discs (LongKou) Co. Ltd., China	51

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**Annex 2**

Fairness Opinion of Berenberg dated July 21, 2017

## NON-BINDING TRANSLATION

The following Opinion Letter was delivered to the Board of Management (*Vorstand*) and Supervisory Board (*Aufsichtsrat*) of SHW AG by Joh. Berenberg, Gossler & Co. KG in German language. In the event of an inconsistency between this version and the German language version, only the German version is binding.

### *Strictly confidential*

To the Board of Management and the Supervisory Board of  
SHW AG  
Wilhelmstraße 67  
73433 Aalen  
GERMANY

July 21, 2017

### **Voluntary Public Tender Offer of Pierer Industrie AG**

#### **OPINION LETTER**

Dear Members of the Board of Management and Supervisory Board,

On June 14, 2017, Pierer Industrie AG (subsequently referred to as “**bidder**”), announced to the Board of Management of SHW AG (subsequently referred to as “**SHW**” or “**Company**”) its decision to launch a voluntary public tender offer (subsequently referred to as “**Tender Offer**”) for all shares outstanding of SHW for an all-cash consideration of EUR 35,00 per SHW share (subsequently referred to as “**Consideration**”). The comprehensive regulations and conditions of the Tender Offer are outlined in the offer document dated July 11, 2017 and the change of the Tender Offer (condition waiver) dated July 19, 2017, made public by the bidder on its website <https://www.piererindustrie.at>.

The Company has engaged Joh. Berenberg, Gossler & Co. KG (“**Berenberg**“) to provide an opinion (subsequently referred to as “**Opinion Letter**”) on whether the Consideration is adequate from a financial perspective. In connection with the compilation of this Opinion Letter, we have:

- a) held discussions with senior staff of the Company on the commercial development of the Company;
- b) surveyed business planning documents provided by the Company;
- c) analyzed historical share prices and trading volumes of the Company’s share;
- d) reviewed studies and other publications of equity research analysts on the Company;



- e) conducted a Discounted Cash Flow analysis under assumptions we deemed viable and applicable;
- f) surveyed information such as premiums of other tender offers and valuation multiples of listed companies as well as comparable transactions which we deemed to be comparable to the Company in principle;
- g) conducted other analyses and made additional assumptions we, based on our own view, deem appropriate and applicable.

In compiling this Opinion Letter, we have assumed that the information referred to above is correct and complete and accordingly relied on it. This includes information provided by the Company as well as publicly available data used by us. Moreover, Berenberg assumes that the business plan as well as any other documentation with forward-looking statements as provided by the Company had been prepared with diligence and on the foundation of the best possible assessment on the part of the Company, and that those accurately describe the future commercial development of the Company on the basis of the currently available status of information. This Opinion Letter does make a statement with regard to the applicability of forward-looking information or the underlying assumptions. Berenberg did not conduct an independent verification of the information provided by the Company or by other sources. Hence, Berenberg cannot assume any liability with regard to accuracy or completeness of this information, including the business plan. In addition, Berenberg did not use any information in the context of the compilation of this Opinion Letter which had been transmitted in any other capacity than as author of this Opinion Letter.

In connection with the compilation of this Opinion Letter, Berenberg has neither conducted an independent valuation, an assessment or an evaluation of the assets or liabilities (contingent liabilities or other liabilities) of SHW or any other party, nor was Berenberg provided with such a valuation or appraisal. Moreover, Berenberg did neither conduct a physical evaluation of the Company's assets, nor assumed liability for such an assessment. In addition, Berenberg did not assess the solvency of any legal entity or individual party involved in the Tender Offer. Berenberg was also not assigned to do so. Berenberg was also not provided with an according valuation or appraisal.

This Opinion Letter is based on information available to Berenberg upon compilation of this Opinion Letter, as well as on commercial and economic conditions prevalent at the time of issuance of this Opinion Letter. Any events, developments or one-off items which may occur post this date could potentially impact the Opinion Letter as well as the assumptions considered in the context of its compilation. Berenberg has no obligation to update or reconfirm its Opinion Letter with regard to events, developments or one-off items occurring subsequent to the issuance of this Opinion Letter. We point out in this context that in case of an alteration of the previously made conditions or legal regulations, we are under no obligation to update, assess, confirm or change this Opinion Letter. This does also include potential changes to the Tender Offer (e.g. with regard to conditions or the Consideration).

The opinion contained in this letter is not based on a valuation typically prepared by auditors with regard to German corporate law requirements, and in particular does not constitute a fairness opinion as compiled by an auditor. This Opinion Letter and the valuations shall not be interpreted as such an opinion. In particular, Berenberg has not prepared a valuation on the basis of IDW Standards S 1 Principles for the Performance of Business Valuations (*Grundsätze zur Durchführung von Unternehmensbewertungen*) published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW). Also, the opinion contained in this letter has not been prepared in accordance with the IDW Standard S 8

Principles for the preparation of fairness opinions (*Grundsätze für die Erstellung von Fairness Opinions*). It cannot be excluded that analyses conducted pursuant to these standards or other methods could come to a result differing from that contained in this Opinion Letter. The underlying analyses instead rather rely on methods as applied by investment banks in the context of corporate transactions. The analyses may potentially deviate in material aspects from valuations as conducted by auditors.

Berenberg is active in the business areas private banking, asset management, corporate banking, and investment banking. Berenberg is acting on behalf of the Company on the one hand in the context of the assessment, preparation, and execution of potential strategic options in relation to a Tender Offer addressed to the shareholders of SHW AG in the capacity of exclusive strategic M&A advisor, and on the other hand as advisor assigned in the capacity of an investment bank compiling a so-called fairness opinion in connection with the Tender Offer, and is entitled to an according fee as compensation for its services as specified in the mandate agreements which are neither dependent on the result of the Tender Offer, nor on the content of this Opinion Letter. The company and Berenberg have agreed that the Company reimburses Berenberg for expenses and costs incurred in connection with executing its respective tasks as an advisor, and that the Company indemnifies Berenberg from certain liabilities and other conditions. It is possible that Berenberg, or entities associated with Berenberg, have performed, are performing, or will perform services on behalf of the Company, or the bidder, or entities or individuals associated with those. Berenberg or entities associated with Berenberg potentially also have acquired or sold shares of the Company on behalf of third parties, or on own account.

This Opinion Letter is exclusively provided to the Board of Management and the Supervisory Board of SHW for informational purposes, and to support both bodies in carrying out their respective duties. It does not replace a proprietary appraisal of the offer and in particular of the Consideration on the part of the bodies of the Company. It does not constitute a recommendation with regard to the reasoned opinion pursuant to Sec. 27, paragraph 1 of the German Securities Acquisition and Takeover Act (“WpÜG”), for which the Board of Management and the Supervisory Board are solely responsible. We inform the client that it pertains to his sphere of responsibility to resolve any conflict of interest with regard to the Tender Offer. The Opinion Letter of Berenberg also does not make any reference as to whether the Tender Offer or the conditions of the Tender Offer, and in particular the offered Consideration are in accordance with the WpÜG. The Opinion Letter solely assesses the financial adequateness of the Consideration without taking into account any other aspect or potential effect of the projected takeover. It does not constitute a recommendation to the shareholders of SHW to accept or reject the Tender Offer. The Opinion Letter in particular does not make any statement with regard to the advantages or disadvantages of the projected takeover in comparison to alternative transactions which shareholders of the Company may be able to carry out alternatively individually. This Opinion Letter also does not refer to any legal, regulatory, fiscal or auditory aspects.

This Opinion Letter may not be used for any other purpose than specified above, made available to third parties, or published completely or in parts without prior written approval by Berenberg. Publication of this Opinion Letter as addendum to the Reasoned Opinion of the Board of Management or the Supervisory Board, respectively, pursuant to Sec. 27, paragraph 1 WpÜG is explicitly approved. This Opinion Letter is governed by the regulations of the mandate agreement between the Company and Berenberg. Neither this Opinion Letter nor the underlying mandate agreement, nor any other document obtained in this context constitute rights of third parties, or concludes that third parties are included in the respective scopes of protection. Berenberg cannot be held liable by third parties on the basis of this Opinion Letter.

Based on the assumptions and remarks contained above, we are, as of the publication date of this Opinion Letter, of the opinion that the Consideration of the Tender Offer is not adequate from a financial perspective.

With kind regards

Joh. Berenberg, Gossler & Co. KG

/signed/ **Christoph Lippa**  
Associate Director

/signed/ **Vanessa Harms**  
Vice President