

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 Acquisition Offer in the Form of a Partial Offer (Cash Offer)

by

SHW Beteiligungs GmbH,
Edisonstraße 1, 4600 Wels (Austria),

to the

Shareholders of SHW AG

to purchase up to a total of 1,655,540 non-par value bearer shares (*auf den Inhaber lautende Stückaktien*) of SHW AG against payment of a compensation of EUR 35.00 per share

of March 29, 2018

Shares in SHW AG: ISIN DE000A1JBPV9 (WKN A1JBPV)
Shares in SHW AG Submitted for Sale: ISIN DE000A2LQ165 (WKN A2LQ16)

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I. General information about this Statement

On March 29, 2018, SHW Beteiligungs GmbH, a limited liability company established under Austrian law with seat in Wels, Austria, (the “**Offeror**”), submitted, in accordance with Sec. 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 acquisition offer in the form of a partial 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 up to 1,655,540 non-par value bearer shares (*auf den Inhaber lautender nennwertloser Stückaktien*) (ISIN DE000A1JBPV9) with a notional amount in the share capital of EUR 1.00 per share, (each a “**SHW Share**” and together the “**SHW Shares**”) including all rights attached to such shares as of the consummation of the Offer 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 March 29, 2018 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.

The Management Board and Supervisory Board of SHW have duly examined and discussed the Offer. They herewith give their joint reasoned statement to the Offer according to Sec. 27 para. 1 WpÜG as follows (the “**Statement**”). This Statement was approved by the Management Board and Supervisory Board on April 11, 2018, respectively.

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

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- 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 contains quotes of, or reproduces it, these are simple references, for which the Management Board and Supervisory Board neither take ownership of the Offer Document 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 Summer Time (“CEST”). 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 April 12, 2018.

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 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 internet on the company website of SHW under

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<https://www.shw.de/investor-relations/erwerbs-und-uebernahmeangebot/>. 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 under the indicated address, by email to ir@shw.de 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 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 is 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 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.

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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 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.

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, 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:

- Klaus Rinnerberger (Deputy Chairman)
- Prof. Dr.-Ing. Jörg Ernst Franke
- Stefan Pierer
- Edgar Kühn
- Eugen Maucher.

One Supervisory Board seat is currently vacant due to the recent resignation with effect as of the end of April 6, 2018 of the former Supervisory Board chairman, Georg Wolf.

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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**"). 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. 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 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 per cent 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 per cent, 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

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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.

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 per cent 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 Sec. II.3.d) below) 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

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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.

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 Sec. II.3.c) above).

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 (*General 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 Hamburg, Hannover, Berlin, Dusseldorf, Munich and Stuttgart as well as on the Tradegate Exchange with its seat in Berlin.

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

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5. Shareholder structure

On the basis of the notifications received by SHW pursuant to Secs. 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – “WpHG”) and the respective previous provisions (Secs. 21 et seq. WpHG (former version)), and based on the information provided in the Offer Document, the shareholders listed below hold more than three per cent of the voting rights in SHW as of the date of this Statement:

Largest shareholder of SHW is the Offeror, holding pursuant to Sec. 7.4 of the Offer Document a total of 49.38 per cent of the shares and voting rights in SHW, which are to be attributed in full to each of Pierer Industrie AG, Pierer Konzerngesellschaft mbH and Stefan Pierer. Given normal attendance rates, the Offeror holds with this participation a secured simple majority in the General Meeting of SHW. Therefore, the Offeror is a company controlling SHW and SHW is dependent company of the Offeror within the meaning of Sec. 17 AktG.

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

- ARN International Holding GmbH 9.38 per cent
- Fidelity Management & Research Company 3.04 per cent
- Dimensional Holdings Inc. 3.00 per cent

The information on shareholdings indicated above correspond respectively to the most recent notification of shareholdings received pursuant to Secs. 33, 34 WpHG (or Secs. 21, 22 WpHG (former version)).

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, truck & off-highway and powder metallurgy.

- In the business segment passenger cars, especially variable engine oil pumps, gear oil pumps, oil/vacuum pumps with or without balancer shaft unit and electric pumps are developed. The Company is represented in Bad Schussenried (Germany), Timisoara (Romania), Kunshan (China), Toronto (Canada) and São Paulo (Brazil).

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- In the truck & off-highway 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 Bad Schussenried location.

The development, industrialization, production and qualification of complex miniaturized electronic and microsystems technology for the business segments passenger cars as well as truck & off-highway takes place at the Hermsdorf location.

- In the powder metallurgy business segment located at the plant in Aalen-Wasseraffingen, Germany, sintered engine and gear elements are produced. The product portfolio comprises, *inter alia*, adjustment rings and rotors for variable oil pumps offering reduced consumption, camshaft phaser parts out of steel and aluminium powder as well as geared balancer shaft systems backlash-free gear wheel systems 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 lightweight composite brake discs are developed and manufactured. In the segment of composite brake discs, the SHW Group is technology and market leader.

The SHW Group employed about 1,350 employees on an annual average in the financial year of 2017 and achieved with group revenues of about EUR 400.6 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 41.3 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 limited liability company 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 395143 v 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, holding and administration of participations in other companies and enterprises, especially in the form of a holding as well as the assumption of personal liability and management and representation of other companies and enterprises. The Offeror is entitled to all businesses and measures that seem necessary or useful in realizing the company objective.

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The financial year of the Offeror is the calendar year.

2. Composition of the management of the Offeror

Currently, the following persons form the management of the Offeror:

- Stefan Pierer
- Friedrich Roithner
- Klaus Rinnerberger

3. Share capital and shareholdings

The share capital of the Offeror amounts to EUR 70,000.00.

The shareholders of the Offeror are

- Pierer Industrie AG with its seat in Wels, Austria, holding 75 per cent of the share capital and the voting rights of the Offeror; and
- QINO AG with its seat in Hünenberg, Switzerland, holding 25 per cent of the share capital and the voting rights of the Offeror.

Sole shareholder of Pierer Industrie AG is Pierer Konzerngesellschaft mbH with its 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 Stefan Pierer.

Pierer Group entails the subsidiaries set out in Annexes 1 and 2 to the Offer Document.

The Offeror is SHW’s largest shareholder, holding currently approx. 49 per cent of the share capital and the voting rights. Given normal attendance rates, the Offeror holds with this participation a secured simple majority in the General Meeting of SHW. Therefore, the Offeror is controlling company of SHW and SHW is dependent company of the Offeror within the meaning of Sec. 17 AktG. Thus, SHW and its subsidiaries are indirect subsidiaries of Pierer Konzerngesellschaft mbH and part of Pierer Group as well.

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

The Offeror is, according to the information in the Offer Document, a holding company which holds the abovementioned participation in SHW in the amount of approx. 49 per cent of the share capital and the voting rights in SHW.

The Pierer Group, to which the Offeror belongs as an indirect subsidiary of Pierer Konzerngesellschaft mbH, focuses on the automotive sector according to the information of the Offeror. Next to the indirect participation of currently approx. 49 per cent in SHW, held indirectly through the Offeror, this includes majority participations

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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. For further participations of Pierer Group, please refer to Sec. 7.2 of the Offer Document.

KTM Industries AG, in which Pierer Konzerngesellschaft mbH holds a participation of approx. 63 per cent, is the holding company of the KTM Industries Group. KTM Industries Group is an Austrian industry participation group focusing on the motorcycles and vehicles sector as well as on the automotive high-tech component sector.

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 per cent) 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 Motorcycles”. 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. The WP-Group, led by its holding company KTM Components GmbH, in which KTM AG indirectly holds 99.9 per cent, is one of the leading European developers and producers of high-performance components in the motorcycle and vehicle industry.
- The core segment „High Performance“ includes Pankl Racing Systems AG as holding company of the Pankl Group. KTM Industries AG holds a majority participation of 94.53 per cent in Pankl Racing Systems AG. The Pankl Group 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 core segment „Design and Concept Development“ includes participations of KTM Industries AG in KTM Technologies GmbH (74 per cent) and Kiska GmbH (26 per cent). The companies engage in technology, product development, consulting and designing with a focus on „High Performance Components“ and lightweight construction.

Worldwide, the Pierer Group employs according to information provided in the Offer Document as of the date of its publication globally more than 7,000 employees and has generated revenues of more than EUR 2.0 billion in the financial year 2017.

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 Industrie AG, Pierer Konzerngesellschaft mbH and its sole shareholder, 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. 1 and sent. 3 WpÜG.

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

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. In particular, QINO AG, which holds 25 per cent of the share capital and the voting rights of the Offeror, and its parent companies are according to Sec. 7.3 of the Offer Document no persons acting jointly with the Offeror pursuant to Sec. 2 para. 5 WpÜG.

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

At the time of the publication of the Offer Document, according to the information provided there in Sec. 7.4, the Offeror directly held 3,178,053 SHW Shares, *i.e.*, approximately 49.38 per cent of the share capital and the voting rights of the SHW. The 49.38 per cent of voting rights from SHW Shares directly held by the Offeror were to be attributed in full to each of Pierer Industrie AG, Pierer Konzerngesellschaft mbH and Mr. Stefan Pierer pursuant to Sec. 30 para. 1 sent. 1 no. 1 and sent. 3 WpÜG.

Furthermore, pursuant to Sec. 7.4 of the Offer Document, as of the time 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. 38 and 39 WpHG in respect to SHW Shares.

According to the publication by the Offeror pursuant to Sec. 23 para. 1 no. 1 WpÜG, as of April 5, 2018, no SHW Shares were submitted to the Offer until April 4, 2018, 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 Offeror and their subsidiaries remained unchanged in comparison to the time of the publication of the Offer Document.

7. Information on securities transactions

Sec. 7.5 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 (= February 19, 2018) and in the six-month period

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prior to the day of the publication of the Offer Document (= March 29, 2018), respectively.

On July 11, 2017, Pierer Industrie AG, which holds a majority participation in the Offeror and is, hence, a person acting jointly with the Offeror, published an offer document for its previous public takeover offer to the SHW Shareholders pursuant to Secs. 29 et seq. WpÜG (the “**2017 Takeover Offer**”). In the 2017 Takeover Offer, Pierer Industrie AG offered to the SHW Shareholders to acquire their SHW Shares against payment of EUR 35.00 per SHW Share. According to its notification pursuant to Sec. 23 para. 1 sent. 1 no. 3 WpÜG published on August 30, 2017, Pierer Industrie AG acquired in the course of the 2017 Takeover Offer a total of 1,834,057 SHW Shares for a purchase price of EUR 35.00 per SHW Share. This amounts to approx. 28.50 per cent of the share capital and the voting rights in SHW. According to information provided in the Offer Document, this was the highest consideration paid by or agreed upon with the Offeror and persons acting jointly with it or their subsidiaries in both of the abovementioned time periods. Including previously owned voting rights and voting rights attributable pursuant to Sec. 30 para. 2 WpÜG, the voting rights share of Pierer Industrie AG in SHW on the day of the consummation of the 2017 Takeover Offer amounted to a total of approx. 47.45 per cent of voting rights according to information provided in the Offer Document. Therefore, Pierer Industrie AG acquired control over SHW within the meaning of Sec. 29 para. 2 WpÜG with consummation of the 2017 Takeover Offer.

On October 18, 2017, the Offeror acquired, as set out in Sec. 7.5 of the Offer Document, in the course of a reorganization of Pierer Group by way of three share purchase agreements

- (i) 1,837,281 SHW Shares against payment of EUR 34.9987 per SHW Share from Pierer Industrie AG;
- (ii) 1,239,099 SHW Shares against payment of EUR 32.1240 per SHW Share from QCP Swiss AG;
- (iii) 100 SHW Shares against payment of EUR 32.50 per SHW Share from Pankl Racing Systems AG.

Furthermore, the Offeror acquired a total of further 101,573 shares in the months October and November 2017 for payments ranging from EUR 34.15 to EUR 34.765.

For further details, please refer to the information in Sec. 7.5 of the Offer Document.

8. Possible parallel acquisitions

According to the Offer Document, the Offeror reserves the right to directly or indirectly acquire further SHW Shares outside the Offer on, or outside, the stock exchange to the extent permitted by law.

Please note that, pursuant to applicable law, such parallel acquisitions through the Offeror (or persons acting jointly with it or their subsidiaries) do not lead to an increase of the Offer Price even if the granted or agreed compensation exceeds the Offer Price. This is because statutory minimum offer price provisions which would lead to a respective adjustment of the Offer Price are applicable only to takeover and mandatory

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offers (Secs. 31, 39 WpÜG), but not to the current Offer in the form of a voluntary public acquisition offer.

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 condition, 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 and further sets out single explanations where deemed useful by the Management Board and Supervisory Board. However, 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. Voluntary public acquisition offer, no takeover or mandatory offer

The offer is a voluntary public acquisition offer pursuant to the regulations of the WpÜG, which, however, neither constitutes a takeover offer pursuant to Sec. 29 para. 1 WpÜG nor a mandatory offer pursuant to Secs. 35 et seq. WpÜG.

The Offeror holds, as set out in Sec. 9.2 of the Offer Document, at the time of the publication of the Offer Document already approx. 49 per cent of the share capital and the voting rights in SHW and, therefore, already controls SHW within the meaning of Sec. 29 para. 2 WpÜG. The same applies to the Controlling Persons, to each of which the voting rights in SHW held by the Offeror are attributable in full pursuant to the information in Sec. 7.4 of the Offer Document. In this context, the Offeror explicitly states that for this reason neither the Offeror itself nor any of the Controlling Persons are obliged to issue a mandatory offer. Additionally, the Management Board and Supervisory Board note that this is true irrespective of the success of the current Offer or of any other increase of the existing participation of the Offeror or any of the Controlling Persons in SHW.

3. Object of the Offer

Object of the Offer is the acquisition of a total of up to 1,655,540 SHW Shares not directly held by the Offeror (ISIN DE000A1JBPV9), equivalent to approx. 25.72 per cent of the share capital and the voting rights in SHW, including all ancillary rights linked to such shares at the time of consummation of the Offer, in particular, the respective dividend entitlement.

The Offer is a partial offer. In case the number of SHW Shares for which the Offer is accepted exceeds 1,655,540 SHW Shares, the acceptance declarations will be considered pursuant to Sec. 19 WpÜG on a pro-rata basis only. For further details, please see Sec. 6.6 of the Offer Document.

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4. Note on the dividend entitlement for the expired financial year 2017

With respect to the dividend entitlement for the expired financial year 2017, the Management Board and Supervisory Board of SHW draw attention to the following:

This year's ordinary General Meeting of SHW (the "**General Meeting 2018**") which was convened by way of the announcement in the Federal Gazette dated March 27, 2018 (the "**General Meeting Invitation**") will take place on May 8, 2018 and, therefore, before the end of the Acceptance Period and the subsequent consummation of the Offer.

The Management Board and the Supervisory Board of the Company have proposed to the General Meeting 2018 in the General Meeting Invitation to resolve upon a dividend in the amount of EUR 0.50 per dividend-bearing SHW Share for the expired financial year (the "**Dividend Proposal of the Boards**"). The Offeror has announced in Sec. 10 of the Offer Document that it is going to vote in favor of the Dividend Proposal of the Boards at the General Meeting 2018.

As a rule, those shareholders are entitled to a dividend resolved upon by the General Meeting 2018 for the expired financial year who hold the respective SHW Shares on the day of the General Meeting 2018. On the first trading day after the General Meeting 2018 (= May 9, 2018), the SHW Shares will for the first time be traded "ex dividend", *i.e.*, without dividend entitlement for the expired financial year, on the stock exchange. Since the expiration of the Acceptance Period and the consummation of the Offer will occur after the General Meeting 2018, the entitlement to a dividend resolved upon by the General Meeting 2018 will not be an ancillary right any more as of the consummation of the Offer. As a rule, the dividend may, therefore, be collected also by those shareholders themselves who accept the Offer for their SHW Shares (prior to or after the General Meeting 2018), as is also mentioned by the Offeror in Sec. 10 of the Offer Document. This is subject to the condition that such shareholders are owner of the respective SHW Shares on the day of the General Meeting 2018 and have not otherwise disposed of these shares and/or the dividend rights linked to them. In case of a disposal of SHW Shares over the stock exchange prior to May 9, 2018 as the first "ex-dividend" day, the acquirer is, as a rule, entitled to the dividend for the disposed SHW Shares. For such acquirers, the abovementioned applies accordingly; such acquirers can, therefore, themselves collect the dividend for SHW Shares acquired by them if they decide to accept the Offer for these shares.

5. Offer Price

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.

As a rule, also shareholders who accept the Offer for their SHW Shares are themselves entitled to a dividend resolved upon by the General Meeting 2018 for the expired financial year 2017. The respective dividend, which will amount to EUR 0.50 per dividend-bearing SHW Share according to the Dividend Proposal of the Boards, may, therefore, possibly be collected in addition to the Offer Price (for more details, please refer to Sec. IV.4 of this Statement).

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6. No application of statutory provisions on parallel and subsequent acquisitions

The Management Board and Supervisory Board draw attention to the fact that the statutory provisions on so-called parallel and subsequent acquisitions are not applicable to the current Offer, as they only apply to takeover and mandatory offers (cf. Secs. 31, 39 WpÜG).

Even if the Offeror or Persons acting jointly with it or their subsidiaries should acquire further SHW Shares outside the Offer on or off the stock exchange during or after the expiration of the Acceptance Period for a consideration exceeding the Offer Price or if they should agree on such acquisition, this would not result in an increase of the Offer Price or in a right to subsequent payments of those shareholders who accepted the Offer for their SHW Shares.

7. Acceptance Period

The period for accepting the Offer has commenced upon the publication of the Offer Document on March 29, 2018 and ends, subject to an extension of the Acceptance Period according to Sec. 5.2.2 of the Offer Document, on May 16, 2018, 24:00 hours (local time, Frankfurt am Main, Germany).

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**”.

8. 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 May 16, 2018, 24:00 hours (local time, Frankfurt am Main, Germany), up until the end of May 15, 2018. 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 May 30, 2018, 24:00 hours (local time, Frankfurt am Main, Germany). This applies irrespective of whether the amended Offer violates the law.
- 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 a 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).

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As a matter of precaution, the Management Board and Supervisory Board point out that the General Meeting 2018 was not convened in connection with the Offer and also not before the publication of the Offer Document and hence, does not result in an extension of the Acceptance Period.

9. No “additional” Acceptance Period

As a matter of precaution, the Management Board and Supervisory Board of SHW further point out that an acceptance of the Offer within a time period of two weeks after the expiration of the Acceptance Period (a so-called “additional acceptance period”), as applicable for the 2017 Takeover Offer, is provided for by the law only for takeover offers (Sec. 16 para. 2 WpÜG). The current Offer, which does not constitute a takeover offer, therefore does not have any such “additional acceptance period”).

10. No trading on the stock exchange with SHW Shares Submitted for Sale

SHW Shares for which the Offer is accepted during the Acceptance Period (“**SHW Shares Submitted for Sale**”) may not be traded on the stock exchange any longer. The tradability of SHW Shares for which the Offer has not been accepted remains unaffected.

11. Closing Conditions

According to the Offer Document, the Offer and the contracts concluded by the acceptance of the Offer are subject to approval of the proposed merger by the competent antitrust authorities in Germany and Austria prior to the expiration of the Acceptance Period (see Sec. 12.1 of the Offer Document).

For the status of the respective administrative proceedings, please refer to the information in Sec. 11 of the Offer Document. According to the information provided there, the Offeror intends to file the envisaged acquisition in such timely manner with the competent authorities that the respective regular scrutiny period in Germany (Sec. 40 Act against Restraints of Competition (GWB)) and Austria (Sec. 11 Austrian Cartel Code) will expire prior to the expiration of the Acceptance Period.

The Management Board and Supervisory Board of SHW do not expect that the competent cartel authorities in Germany or Austria will have any objections against the envisaged acquisition. SHW cannot fully assess whether the administrative scrutiny and clearance proceedings can be closed prior to expiration of the Acceptance Period.

12. Waiver and non-occurrence of closing conditions

As set out in Sec. 12.2 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 final before. In case of an effective waiver, the respective closing conditions are deemed to have occurred.

As set out in Sec. 12.3 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 Sec. 12.1 of the Offer Document have occurred until the expiry of the Acceptance

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Period or the Offeror has – to the extent permitted – waived them before the non-occurrence of the waived conditions has become certain.

13. Right to withdrawal

Shareholders who have accepted the Offer are entitled to withdrawal (*Rücktritt*) only in certain cases determined by statutory law. A statutory right to withdrawal exists, in particular, in case of amendments to the Offer including amendments in the form of a waiver of closing conditions. For details, please refer to Sec. 15 of the Offer Document.

14. 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.

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

a) Maximum total cost

According to the Offeror's calculation, the total maximum amount which the Offeror requires for the consummation of the Offer amounts to EUR 57,943,900.00 plus transaction costs. This is the result if the Offer is accepted for the maximum possible number of 1,655,540 SHW Shares outstanding at the time of publication of the Offer Document. According to the Offer Document, the Offeror further assumes that the transaction costs will not exceed a total of EUR 100,000.00. Accordingly, the Offeror quantifies its maximum costs for the consummation of the Offer with EUR 58,043,900.00.

b) Financing of the maximum total cost

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 received a financial commitment of Pierer Industrie AG dated March 13, 2018, in which Pierer Industrie AG irrevocably provided cash in the amount of EUR 58,043,900.00 to finance the Offer. The therewith available funds cover completely the maximum costs for the consummation of the Offer as indicated by the Offeror.

c) Financing confirmation

Oberbank with seat in Linz, Austria, has issued the required financing confirmation pursuant to Sec. 13 para. 1 sent. 2 WpÜG through its branch office Deutschland, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under HRB 122267, 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 acquisition offer in the form of a partial offer, which only foresees a contribution in cash. 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.

However, even those shareholders who accept the Offer for their SHW Shares (see for more details Sec. IV.4 above of this Statement) will in principle be entitled to a dividend resolved upon by the General Meeting 2018 for the expired financial year 2017. Therefore, the respective dividend may in case of an acceptance of the Offer be collected additionally to the Offer Price. It amounts to EUR 0.50 per dividend-bearing SHW Share according to the Dividend Proposal of the Boards. The Offeror has announced in Sec. 10 of the Offer Document that it will vote in favor of the Dividend Proposal of the Boards at the General Meeting 2018.

3. No application of statutory minimum offer price provisions

Statutory minimum offer price provisions apply according to Secs. 31, 39 WpÜG only to takeover and mandatory offers. Therefore, they do not apply to the Offer, which is not a takeover or mandatory offer, but a voluntary public acquisition offer.

However, the Offeror has set out in Sec. 10 of the Offer Document that the Offer Price would also fulfil the minimum price requirements applicable to takeover offers according to Sec. 31 WpÜG in connection with Secs. 4 and 5 WpÜG Offer Regulation (WpÜG-Angebotsverordnung – “WpÜG-AngebVO”).

Based on the information contained in the Offer Document, this is correct in the view of the Management Board and Supervisory Board:

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 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 (= March 29, 2018). Thus, the relevant period for such previous purchases would be the period from September 29, 2017 until and including March 28, 2018.

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 35.00.

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Based on such information as contained in the Offer Document, the Offer Price would, if the Offer was a takeover offer, comply 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 (= February 19, 2018) ("**Three-month Average Price**"). Thus, the relevant period for the determination of the Three-month Average Price would be the period from December 19, 2017 until and including February 18, 2018.

According to the Offer Document, the Three-month Average Price as of February 19, 2018 as determined by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) amounts to EUR 34.60.

The Offer Price exceeds this amount and would, therefore, according to this information, also comply 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 assessed 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 Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf („**Deloitte**“).

a) **Fairness Opinion**

The Company asked Deloitte to prepare a statement regarding the assessment of 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, Deloitte concludes that, subject to the assumptions contained in the Fairness Opinion, the consideration offered by the Offeror per SHW Share is not financially fair as of the date of issuance of the Fairness Opinion. The Fairness Opinion of Deloitte, 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 Deloitte 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 Deloitte.

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

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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.

As part of the assessment of the adequacy of the consideration offered by the Offeror from a financial perspective, Deloitte 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. Deloitte examined various factors, assumptions, procedures, restrictions and valuations, which are described in more detail in the Fairness Opinion.

The studies and analyses of Deloitte are based on, *inter alia*, the mid-term planning until 2022 made available by the Company as well as explanatory material, the outlook on the current financial year until and including December 31, 2018, 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 Deloitte, as well as certain capital market information.

Further, Deloitte 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;
- 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; and
- carried out a cash value analysis of the future financial surpluses to be expected (cash flows) (*discounted cash-flow analysis*).

Deloitte assumed accurateness and completeness of the publicly available information as well as the information provided by SHW, or on behalf of SHW, or further information reviewed by Deloitte for purposes of the Fairness Opinion without independent verification and relied on this information. The information on which the Fairness Opinion was based were neither audited nor subjected to audit review by Deloitte. Furthermore, Deloitte did not undertake an independent evaluation or review of the assets or liabilities and contingent liabilities of SHW and SHW Group.

In respect of financial forecasts and estimates prepared by SHW, Deloitte 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 Deloitte, best possibly available

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estimate and assessment by the management of the Company in respect of the future development of the Company.

The assessment of Deloitte was based on the guidelines published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) regarding Principles for Creating Fairness Opinions (*Grundsätze für die Erstellung von Fairness Opinions*) (IDW S8). A business valuation based on the Performance of Business Valuations (*Grundsätze zur Durchführung von Unternehmensbewertungen*) (IDW S1) was not conducted by Deloitte.

Further, Deloitte did not make a statement on whether the conditions of the Offer, including the Offer Price, are in line with the provisions of WpÜG. Neither did the activities of Deloitte include an assessment of the completeness or correctness of this Statement pursuant to Sec. 27 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, Deloitte 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 Deloitte and to indemnify Deloitte from certain liability risks in connection with the Fairness Opinion.

b) Future value of SHW in case of an implementation of the growth strategy

According to the Offer Document, the Offeror bases its assessment of the adequacy of the consideration on historical stock market prices as well as on the offer price of the 2017 Takeover Offer, which also amounted to EUR 35.00.

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 to the public.

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 were 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, *inter alia*, 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 per cent higher than in the financial year 2017 as well as a significant improvement of margins and profit. The objective is to

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generate at this time at least a share of one quarter to one third of the group revenue outside of Europe.

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 per cent 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 – can 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, with a view to the growth strategy "SHW 2020" which is currently being implemented, the offered consideration does not adequately reflect the value which SHW can achieve in the future.

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

This assessment of the Management Board and Supervisory Board is confirmed by an analysis of so-called multiple valuations of companies which are considered comparable to the Company.

In the course of such valuation based on multiples, the enterprise value is displayed as multiple of an earnings figure which is considered representative and sustainable. In the case of SHW, the implementation of the growth strategy leads to an investment level which is high compared to the industry peers and hence, also leads to a depreciation level above average. In the opinion of the Management Board and Supervisory Board, it is, therefore, appropriate to use the expected earnings before interest, tax, depreciations and amortizations (EBITDA) as relevant earnings figure for a valuation based on multiples. This eliminates effects from differing volumes of investments and depreciations within the peer group. Given the background of the strategy "SHW 2020", which laid the foundations for an accelerated and profitable growth beginning as of the current financial year 2018, the Management Board and Supervisory Board further deem it appropriate to use the current financial year 2018, being the first of a period of

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expected growth in revenue and earnings, as reference period rather than a period in the past.

The comparative valuation based on multiples which was conducted for purposes of this Statement was, therefore, based on published current analyst estimates of the EBITDA of companies considered comparable for the year 2018 and the valuation multiples which could be derived from them. As of the time of the publication of this Statement, the valuation based on multiples of SHW as derived from the Offer Price lies significantly below the median of valuations based on multiples for companies considered comparable.

d) Current target prices of equity research analysts

The Management Board and Supervisory Board have further assessed the available target prices for the SHW Share by equity research analysts, to which also the Offeror refers to in Sec. 10 of the Offer Document.

The underlying 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 preliminary numbers for the financial year 2017 on January 30, 2018. There was no re-adjustment of published target prices and analyses after the publication of the Offeror's decision to make the Offer on February 19, 2018.

The current published target prices of analysts are displayed in the following table. The median of these target prices is EUR 35.00.

Financial analyst	Date	Recommendation	Target price (in EUR)
Commerzbank	October 26, 2017	Hold	35.00
Bankhaus Lampe	January 30, 2018	Hold	35.00
Kepler Cheuvreux	January 30, 2018	Reduce	30.00
LBBW	February 1, 2018	Buy	41.00
		Median:	35.00

The Management Board and Supervisory Board point out that equity research analysts base their determination of the target price on expectations for the stock market price of the valuated company in the next twelve months. As set out, the Management Board and Supervisory Board are convinced that, given the background of the "Strategy 2020", substantial value potentials of SHW will be reflected in a material growth of revenue and profits which will only begin in the current financial year. This potential is not fully reflected in a valuation aiming at the next twelve months.

e) Premiums in public takeovers in Germany

Since the WpÜG came into force on January 1, 2002, the consideration offered in voluntary public takeover offers in the average considerably exceeded the Three-month Average Price prior to the announcement of the decision to make an Offer, which is an important element of the statutory minimum price for public takeover offers.

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However, the Management Board and Supervisory Board point out that the substantial premiums which are usually offered on the Three-month Average Price in the case of takeover offers reflect in particular the fact that the offeror, in connection with such a takeover offer, acquires control over the target company for the first time. Hence, premiums offered in the course of takeover offers typically contain a so-called control premium. In the case at hand, however, Pierer Group acquired control in SHW within the meaning of the WpÜG already in the course of the 2017 Takeover Offer and, therefore, prior to the current Offer. The current Offer, therefore, does not constitute a takeover offer but, as voluntary other acquisition offer, serves the purpose of increasing the Offeror's participation with already existing control. Against this background, generally, a control premium cannot be expected any more as part of the Offer Price of the Offer.

f) 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, next to accepting the Offer, 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 submit their SHW Shares for sale in the course of the Offer.

In this context, the Management Board and Supervisory Board point to the fact that the respective closing stock market price of SHW Shares on February 16, 2018 – the last trading day prior to the announcement of the Offeror's decision to make the Offer – as well as in the time period afterwards until April 11, 2018, the last trading day prior to the publication of this Statement, has continuously (slightly) exceeded the Offer Price of EUR 35.00.

The Management Board and Supervisory Board further refer to the following aspects which, in their opinion, can be of relevance in assessing the Offer Price based on current and historic stock market prices:

- Until and including May 8, 2018, the day of the General Meeting 2018, the stock market price of the SHW Share contains a so-called dividend premium, reflecting the expectation of a dividend to be adopted by the General Meeting 2018. Only from May 9, 2018 onwards, SHW Shares will be traded on the stock exchange "ex dividend", *i.e.*, without the dividend right.

As a rule, also shareholders who accept the Offer for their SHW Shares are still themselves entitled to a dividend resolved upon by the General Meeting 2018 for the expired financial year 2017. As the case may be, the respective dividend may, therefore, be collected in addition to the Offer Price if the Offer is accepted (for more details, please refer to Sec. IV.4 of this Statement). According to the Dividend Proposal of the Boards, such dividend will amount to EUR 0.50 per dividend-bearing SHW Share. The Offeror has announced in Sec. 10 of the Offer Document that it will vote in favor of the Dividend Proposal of the Boards.

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When comparing the Offer Price to stock market prices until and including May 8, 2018, therefore, the Offer Price has to be increased by the dividend premium to create comparability. Insofar as such premium is referred to in this section, it is deemed to be EUR 0.50 per SHW Share in accordance with the Dividend Proposal of the Boards.

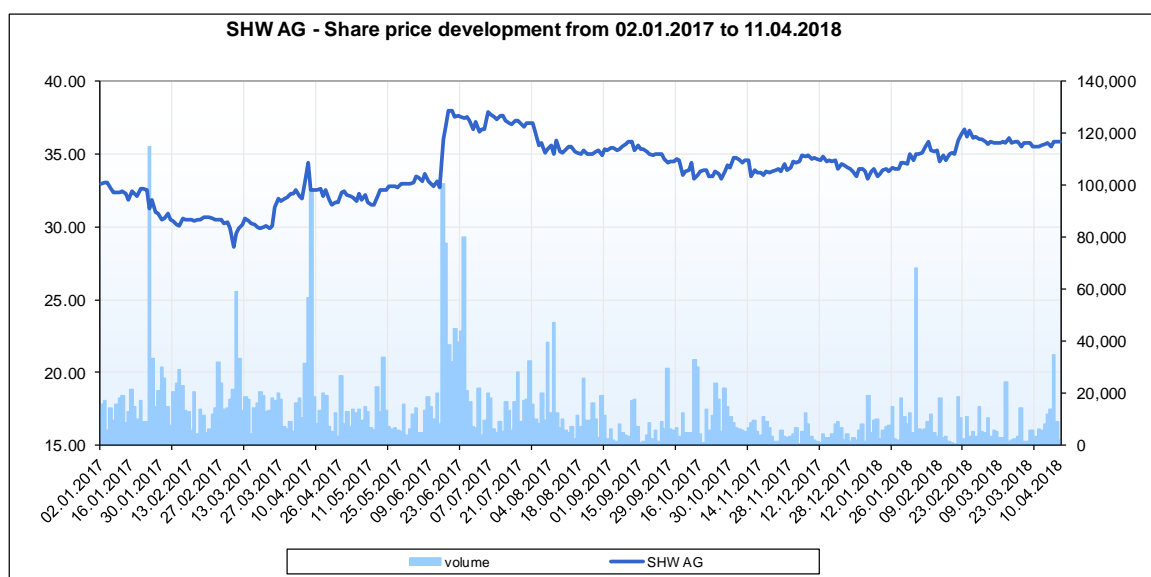
- In analyzing historic stock market prices, it has to be taken into account that on July 11, 2017 Pierer Industrie AG announced its decision to make the 2017 Takeover Offer, which also contained an offer price of EUR 35.00 per SHW Share.

Therefore, it cannot be ruled out that the subsequent stock price development of the SHW Share was impacted by the 2017 Takeover Offer as well as, after its consummation, by the expectation of a further increase of the participation of Pierer Group in SHW.

Likewise, it cannot be ruled out that the current stock price level of the SHW Share is impacted by the current Offer and the Offer Price of EUR 35.00 per SHW Share offered thereunder.

- In the course of the acquisition of the current participation of Pierer Group in SHW of approx. 49 per cent of the share capital and the voting rights as well as the 2017 Takeover Offer which was made in this context, the free float and, hence, the trading liquidity of the SHW Share has decreased proportionately. In the case of a further increase of the participation of Pierer Group in SHW by way of this Offer or otherwise, the trading liquidity of the SHW Share may be reduced even further.

The following chart shows the stock market price development of the SHW Share between January 2, 2017, the first trading day of 2017, and April 11, 2018, the last trading day prior to the publication of this Statement (XETRA closing prices, source: Capital IQ of financial service provider Standard & Poor's).



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A comparison of historical stock market prices of the SHW Share and the Offer price of EUR 35.00 plus the expected dividend premium in the amount of EUR 0.50 per SHW Share (please see above) shows in the following premiums and discounts, respectively:

- On April 11, 2018, the last trading day prior to the publication of this Statement, the closing price¹ was EUR 35.80. The Offer Price as increased by the expected dividend corresponds to a discount of approximately 0.8 per cent on this price.
- On February 16, 2018, the last trading day prior to the announcement of the decision to make the Offer, the closing price¹ was EUR 35.05. The Offer Price as increased by the expected dividend corresponds to a premium of approximately 1.28 per cent on this price.
- The Three-month Average Price² until and including April 11, 2018, the last trading day prior to the publication of this Statement, was EUR 35.34. The Offer Price as increased by the expected dividend corresponds to a premium of approximately 0.5 per cent on this price.
- The Three-month Average Price² until and including February 16, 2018, the last trading day prior to the announcement of the Offeror's decision to make the Offer, was EUR 34.48. The Offer Price as increased by the expected dividend corresponds to a premium of approximately 3.0 per cent on this price.
- The highest closing price¹ in the 52 weeks period prior to February 19, 2018, the day of the publication of the Offeror's decision to make the Offer, as well as prior to April 12, 2018, the day of the publication of this Statement, was EUR 38.03. The Offer Price as increased by the expected dividend corresponds to a discount of approximately 6.7 per cent on this price.

g) Overall assessment of the consideration

SHW Shareholders who wish to participate in the value potential of SHW resulting from the growth strategy of SHW which is currently being implemented are offered by the Offer Price a consideration which does not adequately reflect this value potential.

SHW Shareholders who want to sell their SHW Shares on the current stock price level (given a currently already restricted trading liquidity of the SHW Share, which may possibly be further reduced in the future as the result of a further decrease of the free float participation) or who want to hedge against future price fluctuations and stock price declines in a market with restricted liquidity, are offered by virtue of the Offer (within the volume restriction of the Offer to a total of 1,655,540 SHW Shares) a reliable exit opportunity.

¹ XETRA closing price (source: Capital IQ of financial service provider Standard & Poor's).

² Based on the XETRA closing prices weighted with the daily trading volume on XETRA (source: Capital IQ of financial service provider Standard & Poor's).

NOTE: This calculation is not identical with the calculation of the official Three-month Average Price communicated by the BaFin for the time prior to the announcement of the decision of the Offeror to make the Offer (see Sec. V.3.b above of this Statement).

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, 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 pursues the strategic objective to increase its participation in SHW from currently approx. 49 per cent up to 75.1 per cent of the share capital and the voting rights. 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 other enterprises in the automotive sector which focus on the global motorcycle and automotive high-tech components segment as 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, by increasing its participation in SHW, pursues the objective of strategically expanding the automotive activities of SHW and the Offeror on a long-term basis.

b) 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 wants to offer the Management Board a constructive dialogue in accordance with the law to develop possible growth potentials. The single measures which are to be taken have not yet been determined, according to information provided by the Offeror.

c) 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.

Further, according to information from the Offeror, there are 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.

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On the other hand, according to the Offer Document, the Offeror intends to consider in the future reducing the dividend distribution quota announced by SHW of 30 per cent to 40 per cent of the consolidated annual result to support the growth of SHW.

d) 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.

The increase of the participation which is the aim of the Offer does in principle not directly affect the composition of SHW's Supervisory Board, according to the Offeror. However, the Offeror refers to the following changes which have already been implemented or which are due independently from the Offer:

Currently, already two representatives of the Pierer Group, Stefan Pierer and Klaus Rinnerberger, who both, *inter alia*, are managing directors of the Offeror and members of the management board of Pierer Industrie AG, are part of the six-member Supervisory Board of SHW. They were appointed by way of a court ruling with effect as of January 2, 2018 as members of the Supervisory Board of SHW as successors of the former members Christian Brand and Kirstin Hegner who resigned from their office with effect as of the end of the year 2017. The office of these two court-appointed members ends with the election of a successor by the General Meeting.

In the General Meeting Invitation to the General Meeting 2018, the Supervisory Board of SHW proposes that the General Meeting elect Stefan Pierer and Klaus Rinnerberger as members of the Supervisory Board. Further, the Management Board and Supervisory Board propose an enlargement of the Supervisory Board from hitherto six to nine members in the future. In this regard, the Supervisory Board proposes for election as new Supervisory Board members two further representatives of Pierer Group, Alfred Hörtenhuber, member of the management board of Pierer Industrie AG, and Wolfgang Plasser, member of the management board of KTM Industries AG, and one representative of the workforce, Frank-Michael Meißner, who in this capacity is already member of the supervisory board of Schwäbische Hüttenwerke Automotive GmbH, a subsidiary of SHW.

The Offeror states in Sec. 9.3.3 of the Offer Document that it intends to vote in the General Meeting 2018 for the abovementioned persons as proposed for election by the Supervisory Board as well as for the envisaged enlargement of the Supervisory Board from six to nine members.

According to its own statements, the Offeror reserves the right to increase its influence on SHW by electing at least one other member of the Supervisory Board and to this effect, as the case may be, to also prematurely replace members of the Supervisory Board of SHW by respective resolution in a General Meeting within the statutory legal framework.

e) 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

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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.

f) 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.

g) Possible structural measures

aa) Delisting

Pursuant to Sec. 39 para. 2 sent. 3 no. 1 Stock Exchange Code (“**BörsG**”), the existing admission of SHW Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) may be revoked by the management of the stock exchange upon application of SHW as issuer (“**Delisting**”) if the application is made with reference to an offer under the WpÜG which complies with the requirements set out in more detail in Secs. 39 para. 2 and 3 WpÜG (“**Delisting Offer**”). As set out in such provisions, a Delisting Offer must, *inter alia*, cover all shares affected by the revocation of the admission and, therefore, as a rule may not be a partial offer. Further, a Delisting Offer may not be made subject to conditions and must provide for a cash compensation which fulfils the minimum offer price requirements set out in more detail in the law. These provide that the compensation which has to be offered in a Delisting Offer must in principle correspond at least to the weighted average domestic stock exchange price for the respective shares during the last six months prior to the publication of the decision to make the Delisting Offer.

According to the information provided by the Offeror in Sec. 9.3.6 of the Offer Document, the Offeror does not deem the public listing of SHW strictly necessary any longer, given the background of the envisaged increase of its stake in SHW and a corresponding further restriction of trading liquidity of the SHW Share. In particular, the public listing of the target company causes, in the Offeror’s opinion, due to extensive additional requirements for SHW as well as for the Offeror, significant financial and administrative expenses. According to its own statements, the Offeror, therefore, intends, to the extent economically reasonable, to support a possible application of the Management Board of SHW pursuant to Sec. 39 BörsG to revoke the admission of SHW Shares to trading on the regulated market on the Frankfurt Stock Exchange, or to completely terminate the notification of SHW Shares, by way of a future Delisting Offer under certain circumstances and conditions which are not specified in more detail by the Offeror. In this context, the Offeror additionally points to the fact that the compensation which would have to be offered in a future Delisting Offer may correspond to the Offer Price, but may also be higher or lower.

bb) Other possible structural measures

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Apart from the possible Delisting, according to information from the Offeror under Sec. 9.3.6 of the Offer Document, the Offeror has no intentions regarding any other structural measures. In particular, the Offeror explicitly does not intend 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*) at SHW (merger, split, transfer of fortune or change of legal form), nor to implement a so-called squeeze-out, *i.e.*, the compulsory exclusion of minority shareholders against cash compensation.

h) Future business activities of the Offeror

In Sec. 9.3.7 of the Offer Document, the Offeror points to its aim to strategically expand, in the long term, the automotive activities including those of the Offeror in the high performance segment. Further, the Offeror states that, otherwise, 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 it has no employees and that no employee representations exist at the Offeror.

The Offeror points further out that there are also 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 resulting from the implementation of the Offer 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 time 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 confirmation of the Offeror to consider the shareholding by the Pierer Group in SHW as a long-term investment.

According to its own statements, the Offeror pursues with the Offer and the envisaged increase of its participation in SHW to up to 75.1 per cent of the share capital and the voting rights the strategic aim of a long-term strategic extension of automotive business of SHW. 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, this objective is in accordance with the existing corporate strategy of the Management

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Board, and is also explicitly welcomed by the Management Board and Supervisory Board.

Due to the existing participation of the Offeror in SHW of approx. 49 per cent of the share capital and voting rights, SHW is already part of the Pierer Group. In the opinion of the Management Board and Supervisory Board, the Pierer Group with its long-term investment horizon and its focus on vehicle sector enterprises offers a welcomed platform to SHW for the implementation of its strategic objectives. The increase of the participation in SHW which the Offeror pursues with the Offer confirms SHW in continuing its growth strategy and is welcomed by the Management Board and Supervisory Board for the further development of SHW.

The Management Board of SHW has entered already some time ago into a constructive dialogue with Pierer Group to assess, with a view to the further participations of the Pierer Group in the automotive industry, to what extent the strategic potential in the customer and components business sector mentioned by the Offeror may be turned into concrete opportunities and synergies, which could result therefrom in the opinion of the Offeror. Reliable results have not yet been achieved so far. The Management Board is happy to continue this dialogue while maintaining the independence of SHW and taking into consideration the interests of SHW and all SHW Shareholders.

b) Future business activities 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. The Management Board is happy to engage in, and to continue, respectively, the constructive dialogue mentioned by the Offeror to jointly assess possible development potentials.

c) Use of assets and future obligations of SHW

Management Board and Supervisory Board further welcome that the Offeror has, according to its own statement, no intentions as to the use of assets or the establishment of obligations of SHW.

The Offeror has declared that it considers a reduction of the dividend distribution ratio communicated by the Company in the future in order to support the growth of SHW. However, the Offeror has also declared that it will vote in the General Meeting 2018 for the Dividend Proposal of the Boards (see Sec. 10 of the Offer Document) which provides, in alignment with the communicated dividend policy of SHW, for a distribution of a dividend of EUR 0.50 per dividend-bearing SHW Share.

Pursuant to the current dividend policy of SHW, as a rule and taking into account legal restrictions and financing requirements of the SHW Group, between 30 per cent and 40 per cent of the group annual net income shall be distributed to the shareholders of the Company as dividend. This dividend policy is aligned with the growth strategy of the Company and the respective capital requirements and, at the same time, takes into consideration the interests of the SHW Shareholders in an adequate distribution. However, it is not ruled out that such dividend policy will be adjusted in the future to changing framework conditions, such as a sustainably higher level of investments.

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Management Board and Supervisory Board further point out that due to its existing participation in SHW of approx. 49 per cent of the share capital and voting rights, the Offeror already has a secured simple majority in the case of normal rates of attendance at a General Meeting, so that a dividend may in principle only be distributed if the Offeror agrees. With a view to future dividend distributions, Management Board and Supervisory Board will therefore aim to coordinate with the Offeror and the Pierer Group, respectively, to come to a balanced proposal to the General Meeting which is supported by the Offeror as largest shareholder.

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 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.

The Management Board and Supervisory Board further welcome that the increase of the participation of the Offeror which is the purpose of the Offer shall not, as the Offeror declares, directly impact the composition of the Supervisory Board.

The enlargement of the Supervisory Board from six to nine members which was proposed independently from the Offer in the General Meeting Invitation to the General Meeting 2018 and the election of candidates for the Supervisory Board proposed in the General Meeting Invitation (for more details, please refer to Sec. VI.1.d of this Statement above) aim on the one hand at allowing a representation of Pierer Group in the Supervisory Board which corresponds to its participation. On the other hand, in line with the recommendations of the German Corporate Governance Codex, an appropriate number of independent members should continue to be part of the Supervisory Board. Further, it is envisaged that a third of the members of the Supervisory Board shall continue – 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 – to belong to the workforce.

After implementation of these proposals to the General Meeting 2018 which have been coordinated with the Pierer Group, the Supervisory Board of SHW, which will in the future consist of nine members in total, will continue to comprise two thirds of shareholder representatives in the narrow sense of the word (including one seat which is vacant due to the recent resignation from office of the former Supervisory Board chairman) and one third of workforce representatives which are elected by the General Meeting on a voluntary basis. Out of the six shareholder representatives in the narrow sense of the word, four Supervisory Board members will be representatives of the Offeror and the Pierer Group, respectively and one will be independent within the meaning of the German Corporate Governance Codex; the last seat which is reserved for a shareholder representative in the narrow sense of the word, which was recently occupied by the former Supervisory Board chairman as a further independent member, will be temporarily vacant due to his recent resignation from office. Thus, the Offeror and the Pierer Group, respectively, will in the future, independently from the Offer, be

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represented by at least two thirds of the shareholder representatives in the narrow sense of the word and, hence, from the point of view of the Management Board and the Supervisory Board, be adequately represented in the Supervisory Board of SHW.

The Offeror states, however, that it reserves the right to increase its influence on SHW by electing at least one further Supervisory Board member and to this effect, as the case may be, to also prematurely replace members of the Supervisory Board of SHW by respective resolution in a General Meeting within the statutory legal framework. Provided that the members of the Supervisory Board will continue to include workforce representatives (on a voluntary basis) and additionally a sufficient number of independent members which are not workforce representatives, the Management Board and Supervisory Board have no concerns in this regard.

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 Board 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, nor plans 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 employees. From the Management Board's and Supervisory Board's perspective, the latter includes continuing the voluntary election of workforce representatives as members of the Supervisory Board of SHW (for details see also Sec. VI.2.d) above of this Statement).

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 or 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 in this regard.

g) **Structural measures**

aa) *Delisting*

The Offeror states that it intends, to the extent economically reasonable, to support a possible application of the Management Board of SHW pursuant to Sec. 39 BörsG to revoke the admission of SHW Shares to trading on the regulated market of the Frankfurt Stock Exchange or to completely terminate the listing of SHW Share under certain circumstances and conditions, which are not set out in more detail by the Offeror, through a future Delisting Offer. In this context, the Offeror refers to the financial and administrative expenses which come with the statutory additional requirements of the admission of SHW Shares to trading on a stock exchange, as well as to the point that

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maintaining the public listing will not be strictly necessary in the view of the Offeror, given the envisaged increase of its participation in SHW and a corresponding further restriction of trading liquidity of the SHW Share.

The Company currently has no intention to apply for a revocation of admission of SHW Shares to trading on the regulated market of the Frankfurt Stock Exchange pursuant to Sec. 39 BörsG. The proportion of SHW Shares held in free float, which continues to be high, justifies in the opinion of the Management Board and the Supervisory Board the expenses which come with the additional requirements of the admission of SHW Shares to public trading. In its essence, such expenses serve the purpose of fulfilling the transparency and disclosure obligations linked to the public listing which ensure that investors are provided with the information on SHW relevant for their investment decisions. As long as a material free float proportion continues to exist, the Management Board and Supervisory Board do not consider the respective expenses a relevant aspect for a Delisting and for a respective application by the Company for revocation of the admission to trading on the stock exchange. If in the future, in the course of the envisaged increase of the participation of the Offeror, the question of a Delisting is posed to the Company, the Management Board and Supervisory Board will assess this question and the conditions of a potential Delisting with due consideration of the interests of the Company and of all of its shareholders.

bb) Other structural measures

The Management Board and Supervisory Board welcome that the Offeror explicitly does not intend to take any of the further 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 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. In the view to the Management Board and Supervisory Board of SHW, this will have no direct impact on SHW.

VII. Effects of the Offer to financing and assets of SHW; tax consequences for SHW

The Management Board and Supervisory Board expect that the Offer and its consummation will as such have no substantial effects on the financing or assets of SHW. In this context, the Management Board and Supervisory Board point out that the debt financing agreements of SHW Group do not provide for an extraordinary termination right of the respective creditors which are linked to the consummation of the current Offer or any other form of increase of the participation of Pierer Group in SHW.

However, the consummation of the Offer or any other form of increase of the participation of Pierer Group in SHW may impact in principle the tax situation of SHW and/or its subsidiaries. The Management Board and Supervisory Board cannot rule out that this may restrict the usability of existing loss carry-forwards.

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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.

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 are restricted in their disposal freedom for SHW Shares Submitted for Sale. This is because, according to the Offer Document, SHW Shares Submitted for Sale can no longer be traded on a stock exchange. A withdrawal from the acceptance of the Offer is only possible under the narrow prerequisites specified in the Offer Document.
- SHW Shareholders who accept the Offer are not entitled to an increase of the Offer Price or to a subsequent payment if the Offeror, persons acting jointly with it or their subsidiaries should during or after the Acceptance Period acquire further SHW Shares for which a compensation is granted or agreed upon which exceeds the value of the Offer Price. This is because respective parallel and subsequent acquisition provisions apply to takeover and mandatory offers only and, therefore, do not apply to this Offer (for details, see Sec. IV.2 of this Statement).
- 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). However, it should be noted that the Offeror currently is not intending to implement any such structural measures according to the information contained in the Offer Document. The respective compensation payments have to be determined on the basis of the full value of

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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.

- SHW Shareholders who consider accepting the Offer should also note that the Offer is a partial offer which is restricted to the acquisition of a maximum of 1,655,540 SHW Shares in total. In case that the number of SHW Shares for which the Offer is accepted exceeds 1,655,540 SHW Shares, the acceptance declarations will only be considered on a pro-rata basis pursuant to Sec. 19 WpÜG. For further details, please refer to Sec. 6.6 of the Offer Document. Therefore, it is possible that not all SHW Shares for which the Offer is accepted can actually be sold to the Offeror under the Offer.

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 to make the Offer and by the publication of the Offer and that it may not remain at the current level.
- 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 admission of SHW Shares to trading on the regulated market of the Frankfurt Stock Exchange will be withdrawn (Delisting) ex officio also without corresponding applications by the Company or the Offeror. In this case, SHW Shareholders would no longer benefit from the increased reporting obligations of the regulated market. In case that trading would stop also on the other market places, SHW Shareholders might in case of a Delisting not be able to trade their SHW Shares on any stock exchange any more.

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- Further, the Company itself could in the future, to the extent permitted by law, apply for such Delisting. Such applications would require the publication of a so-called Delisting Offer to the SHW Shareholders (for more details see Sec. VI.1.g of this Statement). The Offeror has announced that it will support a potential application for Delisting by way of the required Delisting Offer under certain circumstances and conditions. The consideration which would have to be offered under a Delisting Offer could correspond to the Offer Price of this Offer, but also be higher or lower.
- The Offeror already has, due to its current participation of approx. 49 per cent of the share capital and voting rights, already a secured simple majority of voting rights in General Meetings of SHW assuming usual attendance rates. With this majority, the Offeror alone can take any resolution in a General Meeting which requires a simple majority of the votes. This includes in particular resolutions on profit distribution and, therefore, on the question whether and to what extent the Company will distribute dividends in the future, resolutions on the appointment and revocation of Supervisory Board members and, with few exceptions, resolutions on amendments to the articles of association. In this context, it should be noted that the Offeror states that it considers the reduction of the dividend distribution quota which has been communicated by the Company so far. Further, the Offeror has explicitly reserved working towards the premature revocation and appointment of Supervisory Board members to further increase its influence in the Supervisory Board.
- In relation to 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 derived from the company value.
- After consummation of the Offer, the Offeror could further have the necessary qualified majority to adopt structural corporate measures at the General Meeting of SHW or other resolutions of specific importance. Such measures include (where legally permitted) for example, capital increases also under exclusion of the shareholders' subscription rights, approving of a domination and/or profit and loss transfer agreement, 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 Offeror, according to its own statement, 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 transformation measures under the German Transformation Act. 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.

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- 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 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 higher or lower. 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.
- Insofar as the Offer holds at least 95 per cent 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 (squeeze-out under stock corporation law). According to Sec. 62 para. 5 German Transformation Act (*Umwandlungsgesetz – UmwG*), under certain further conditions, a shareholding of 90 per cent of the share capital suffices for the exclusion of minority shareholders if the exclusion of minority shareholders is resolved in conjunction with a merger of group companies (squeeze-out under the German Transformation Act). For the sake of completeness it should be noted that the Offeror, according to its own statements, does not intend to exclude minority shareholders as of the time of the publication of the Offer Document. If the General Meeting of SHW resolves on an exclusion of minority shareholders in return for an adequate cash compensation, 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, but could also be higher or lower.

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

1. Shareholdings of the Management Board members

As of the time 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

The Supervisory Board member Stefan Pierer is the sole shareholder of Pierer Konzerngesellschaft mbH, which indirectly holds a share of 75 per cent of the share

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capital and the voting rights in the Offeror. According to its publication pursuant to Sec. 23 para. 1 no. 1 WpÜG dated April 5, 2018, the Offeror, in turn, held a total of 3,178,053 SHW Shares as per April 4, 2018; this corresponds to a participation of 49.38 per cent of the share capital and the voting rights in SHW. The voting rights from the shares held by the Offeror are attributable in full to Stefan Pierer according to Sec. 30 para. 1 sent. 1 no. 1 and sent. 3 WpÜG. However, the Supervisory Board member Stefan Pierer himself holds no SHW Shares.

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

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 or their subsidiaries.

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 or their subsidiaries.

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

The members of the Supervisory Board, Stefan Pierer and Klaus Rinnerberger, are also part of, *inter alia*, the management of the Offeror and the Management Board of Pierer Industrie AG. Stefan Pierer further indirectly holds a 75 per cent participation in the share capital and the voting rights of the Offeror. With a view to their connections to the Offeror, the afore-mentioned Supervisory Board members have abstained from voting when this Statement was adopted by the Supervisory Board.

No further conflicts of interest occurred in the discussion and adoption of this Statement by the Management Board and Supervisory Board.

The Management Board and Supervisory Board each adopted this Statement unanimously (in the Supervisory Board with abstention from voting of Supervisory Board members Stefan Pierer and Klaus Rinnerberger).

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 directly hold SHW Shares (see Secs. IX.1 above of this Statement), each of them intends to accept the Offer with respect to none to the SHW Shares held by them.

The members of the Supervisory Board do not hold any SHW Shares (see Sec. IX.2 above of this Statement).

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XI. Final assessment

For the assessment of the adequacy of the Offer Price by the Management Board and Supervisory Board, please refer to Sec. V.4 of this Statement. Based on the overall assessment laid out there under lit. g), the Management Board and Supervisory Board do not issue a recommendation to the shareholders of the Company regarding the acceptance or non-acceptance of 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 as well as the future trading liquidity. 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, this April 11, 2018

SHW AG

The Management Board

The Supervisory Board

List of the subsidiaries of SHW AG

SHW Company	Subsidiary	Direct Holding in per cent
SHW AG	Schwäbische Hüttenwerke Automotive GmbH, Aalen/Germany	100
SHW AG	SHW do Brasil Ltda., Sao Paulo/Brasil	99
Schwäbische Hüttenwerke Automotive GmbH	SHW do Brasil Ltda., Sao Paulo/Brasil	1
Schwäbische Hüttenwerke Automotive GmbH	SHW Automotive Industries GmbH, Aalen/Germany	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Pumps & Engine Components Inc., Brampton/Ontario/Canada	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Automotive Pumps (Kunshan) Co. Ltd., Kunshan/Shanghai/China	100
Schwäbische Hüttenwerke Automotive GmbH	SHW Pumps & Engine Components S.R.L, Timisoara/Romania	100
Schwäbische Hüttenwerke Automotive GmbH	Lust Hybrid-Technik GmbH, Hermsdorf/Germany	100
Lust Hybrid-Technik GmbH	SensDev GmbH, Chemnitz/Germany	90

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Annex 2

Fairness Opinion of Deloitte dated April 11, 2018

**English translation of the original German version
of the Opinion Letter**

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft
Schwannstraße 6
40476 Düsseldorf
P.O. Box 30 02 26
40402 Düsseldorf
Germany
Tel: +49 (0)211 8772 01
Fax: +49 (0)211 8772 2277
www.deloitte.com/de

STRICTLY PRIVATE & CONFIDENTIAL

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

Andreas Becker
Tel: +49 211 8772 2004
Mobile: +49 151 5800 3890
anbecker@deloitte.de

11 April 2018

SHW AG - Fairness Opinion in accordance with IDW S 8

Dear Sirs,

In view of the acquisition offer pursuant to Sec. 10 et seq. WpÜG ("Wertpapiererwerbs- und Übernahmegesetz": German Securities Acquisition and Takeover Act) made by SHW Beteiligungs GmbH to the shareholders of SHW AG (the "Offer") and published on 29 March 2018, we have in accordance with our engagement with SHW AG (the "Company") assessed in our capacity as independent and impartial experts whether the consideration offered of EUR 35.00 per share in the Company ("Offer Price") is financially fair within the meaning of *IDW Standard: Grundsätze für die Erstellung von Fairness Opinions (IDW S 8)* (*IDW Standard: Principles for the Preparation of Fairness Opinions (IDW S 8)*).

Our opinion is rendered for the sole purpose of informing the management board and the supervisory board of the Company in connection with the drafting of a statement pursuant to Sec. 27 WpÜG. It is no substitute for an independent assessment of the Offer Price by the Company's governing bodies. It does not contain any recommendation to accept or reject the Offer. Moreover, it does not include any assessment as to whether the statement pursuant to Sec. 27 WpÜG is complete and accurate and whether the terms and conditions of the transaction meet the legal requirements.

We conducted our assessment in accordance with IDW S 8. Under that standard, it is our responsibility to express an opinion, in accordance with the methods presented in IDW S 8, as to whether the consideration offered is financially fair within the meaning of IDW S 8.

Our work in accordance with IDW S 8 does not include an audit or review of information presented to us by the Company or third parties.

Sitz der Gesellschaft:
München
Amtsgericht München
HRB 83442
Vorsitzender des Aufsichtsrats:
Prof. (em.) Dr. Dr. h.c. Wolfgang Ballwieser

Geschäftsführer:
WP/StB Prof. Dr. Martin Plendl
(Vorsitzender)
WP/StB Prof. Dr. Frank Beine
WP/StB Manfred Bögle
WP/FCA Adrian Crampton

StB Marion Döhle
WP/StB Stefan Fröhlich
WP/StB Heiner Kompenhans
WP/StB Lutz Meyer
Christopher Nürk

WP/StB Reinhard Scharpenberg
WP Fred Strottmann
WP/StB Jörg Tesch
RA/StB Prof. Dr. Felix Wurm

Our engagement with the Company is governed by the attached "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" dated 1 January 2017. This engagement terms also apply to third parties as long as their liability claim is covered by the scope of this engagement. The agreed on liability limit is EUR 5 million and will only be owed once. In case of any justified claim against Deloitte GmbH by the client and/or third party the client and the third party are joint creditors with respect to the liability limit within the meaning of Sec. 428 BGB.

1 Fairness of the Offer Price for the purposes of this fairness opinion

The term "fairness" is not defined in the WpÜG. In accordance with IDW S 8, an offer is financially fair when the consideration offered lies within a range of values determined using an income approach and reference transaction prices.

2 Opinion date

The opinion date is 11 April 2018.

3 Execution of engagement and basis of information

We performed our work from 6 March 2018 to 11 April 2018 in our office in Düsseldorf.

In the course of the engagement, we held various discussions with the Company's management board and with other persons named by the board. The focus of the discussions was the Company's assessment of business performance to date and of future performance and the Company's budget and forecasts on that basis. We wish to point out that budgeting and forecasting, including the underlying factors and assumptions, is the sole responsibility of the Company.

The main documents made available to us were:

- Business plan of SHW AG from 2018 to 2022;
- Annual reports for 2015 to 2017 (the 2017 annual report was provided as a draft);
- Historical business plans;
- Market data from IHS;
- Sales and profits per customer.

The management board of the Company confirmed to us that all the information and documents required for our work were made available completely and correctly and all foreseeable circumstances, chances and risks are reflected and the provided business plan remained unchanged.

In addition, we considered publicly available information in our work such as Capital IQ and Merger Market for analyzing cost of capital and transaction data.

4 Benchmark for the assessment of financial fairness

To determine the range of values determined by applying income approaches and reference transaction prices (the benchmarking function) for the fairness opinion, we used the following methods:

4.1 Income approach

The income approach we used was a discounted cash flow method.

When the discounted cash flow method is used, the business value is determined by discounting cash flows. The relevant cash flows used were those cash flows to which all debt and equity owners (Free Cash Flow to the firm ("FCFF") method) are entitled according to the Company's budget and forecasts.

Our work was based on the Company's budget and forecasts made available to us at 12 March 2018. We analyzed these in accordance with *IDW S 8*. The Free Cash Flows relevant to the valuation were discounted using a capitalization rate for an equivalent term and risk.

4.2 Market approach

The market approaches we used were the multiples of earnings method based on available financials from comparable listed companies (trading multiples) and the multiples of earnings method based on indicators from comparable company shares (transaction multiples).

When pricing methods based on indicators from comparable listed companies (trading multiples) are used, the transaction price is the product of an earnings figure for the Company that is considered representative and sustainable and the earnings multiple of the peer group companies. The multiple is derived from the ratio of market price to earnings of the peer group companies.

When pricing methods based on indicators from comparable, recently traded companies or company shares are used, the transaction price is the product of an earnings figure for the Company that is considered representative and sustainable and the multiple derived from the ratio of the purchase prices to various key performance indicators.

4.3 Analysis of further information from the capital and transaction markets

We analyzed the following additional information from the capital and transaction markets:

4.3.1 Stock exchange price

We included the stock exchange price of the Company's shares as additional information from the capital markets in our assessment.

As the stock exchange price could be influenced by the offer process, we analyzed the stock exchange price for various periods both before and after the announcement of the Offer. In doing so, the provisions of the WpÜGAngebV ("WpÜG-Angebotsverordnung": Ordinance for Offers Pursuant to the German Securities Acquisition and Takeover Act) were observed.

Special factors that could affect the price were considered in the analysis.

4.3.2 Target stock prices

We analyzed the price targets published by financial analysts for the stock market price of the Company's shares in the period from 26 October 2017, 30 January 2018 and 1 February 2018 as additional information.

5 Conclusion

Based on the work we performed in accordance with IDW S 8, it is our opinion that the consideration offered of EUR 35.00 per share of SHW AG is not financially fair within the meaning of IDW S 8.

Kind regards,

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Andreas Becker
Wirtschaftsprüfer

ppa. Dr. Matthias Knabe

Attachment

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
(English and German language)

General Engagement Terms

for
Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "Textform" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.