



SHW AG, Aalen

– ISIN DE000A1JBPV9 –
– WKN A1JBPV –

Invitation to the ordinary Annual General Meeting

We would hereby like to invite our shareholders to the ordinary Annual General Meeting of SHW AG, Aalen

on Tuesday, 10 May 2016
at 10.00 a.m.

at the Congress Centrum Heidenheim, Kleiner Saal, Hugo-Rupf-Platz 1, 89522 Heidenheim, Germany.

AGENDA

- 1. Presentation of the adopted Annual Financial Statements and the approved Consolidated Financial Statements of SHW AG, the combined Management Report and Group Management Report for SHW AG and the SHW Group, including the Management Board's explanatory report on the disclosures in accordance with Sections 289 (4), 315 (4) of the German Commercial Code (*Handelsgesetzbuch - HGB*) and the Supervisory Board's Report, in each case for the fiscal year 2015, and the Management Board's proposal for the appropriation of net earnings for the fiscal year 2015**

The Supervisory Board has approved the Annual Financial Statements and Consolidated Financial Statements prepared by the Management Board; the Annual Financial Statements are thus adopted. It is therefore not necessary for the Annual General Meeting to adopt the Annual Financial Statements or approve the Consolidated Financial Statements. Instead, the aforementioned documents need only be made available to the Annual General Meeting in accordance with the corresponding legal regulation (Section 176 (1) sentence 1 of the German Stock Corporation Act (*Aktiengesetz - AktG*)). As a result, no resolution will be taken by the Annual General Meeting for agenda item 1.

- 2. Resolution regarding the appropriation of net earnings**

The Management Board and Supervisory Board propose to appropriate the net earnings for the fiscal year 2015 amounting to € 12,949,649.08 as follows:

Distribution of a dividend of € 1.00 per dividend-eligible no-par value bearer share	€ 6,436,209.00
Transfer to other revenue reserves	€ 6,400,000.00
<u>Carryforward to the new fiscal year</u>	<u>€ 113,440.08</u>
	<u>€ 12,949,649.08</u>

The proposal for the appropriation of earnings takes into consideration that, at the time of the announcement to convene the Annual General Meeting, SHW AG does not hold any treasury shares which would be ineligible for dividends in accordance with Section 71b AktG. If the number of dividend-eligible shares changes by the time of the Annual General Meeting, the Management Board and Supervisory Board will submit a proposal to the Annual General Meeting for the appropriation of earnings which has been adjusted to reflect the Company's

portfolio of treasury shares at the time of the Annual General Meeting with an unchanged distribution of € 1.00 per dividend-eligible share.

3. Resolution regarding the formal approval of the actions of the Management Board members for the fiscal year 2015

The Management Board and Supervisory Board propose to grant formal approval to the Management Board members in office in the fiscal year 2015 for their actions in the fiscal year 2015.

4. Resolution regarding the formal approval of the actions of the Supervisory Board members for the fiscal year 2015

The Management Board and Supervisory Board propose to grant formal approval to the Supervisory Board members in office in the fiscal year 2015 for their actions in the fiscal year 2015.

5. Resolution regarding the selection of the auditor for the fiscal year 2016 and the auditor for an auditor's review of the Interim Financial Reports in the fiscal year 2016 and fiscal year 2017 until the next Annual General Meeting

The Supervisory Board proposes – based on the recommendation of its Audit Committee – to appoint Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart,

- a. as auditor of the Annual Financial Statements and Consolidated Financial Statements of SHW AG for the fiscal year 2016 and as auditor for a possible auditor's review of the Interim Financial Reports of SHW AG for the fiscal year 2016; and
- b. as auditor for a possible auditor's review of the Interim Financial Reports for the fiscal year 2017 until the next Annual General Meeting in 2017.

6. Resolution regarding new elections to the Supervisory Board

In accordance with Sections 95, 96 (1), 101 (1) AktG and Section 8 (1) of the Articles of Association, the Supervisory Board shall comprise six members, all of whom are elected at the Annual General Meeting. The Annual General Meeting is not bound by election proposals.

The current Annual General Meeting on 10 May 2016 will take a resolution regarding the formal approval of the actions of the Supervisory Board members for the fiscal year 2015 as per agenda item 4 above. When the Annual General Meeting ends, the term of office of the current Supervisory Board members will also end. As a result, all six positions on the Supervisory Board will be newly elected.

The Supervisory Board proposes – based on the recommendation of the Nomination Committee – to elect

- a. Mr Georg Wolf,
Independent consultant, resident in Dietzenbach;

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- b. Mr Christian Brand,
Independent consultant, resident in Ettlingen;
- c. Prof. Dr Jörg Ernst Franke,
Head of the Institute for Factory Automation and Production Systems at the University of Erlangen-Nuremberg, resident in Marloffstein;
- d. Ms Kirstin Hegner-Cordes,
Independent consultant, resident in Munich;
- e. Mr Edgar Kühn,
Chairman of the General Works Council of Schwäbische Hüttenwerke Automotive GmbH and Chairman of the Works Council of the Wasseralfingen plant of Schwäbische Hüttenwerke Automotive GmbH, resident in Aalen; and
- f. Mr Eugen Maucher,
Chairman of the Works Council of the Bad Schussenried plant of Schwäbische Hüttenwerke Automotive GmbH, resident in Ingoldingen-Winterstettendorf,

to the Supervisory Board. The election will take effect at the end of the current Annual General Meeting and be valid for the period until the end of the Annual General Meeting which takes a resolution regarding the formal approval of the actions of each Supervisory Board member for the fiscal year 2020 (Section 8 (2) of the Articles of Association).

* * *

It is planned to conduct the above-mentioned new elections to the Supervisory Board by means of a single election.

The above-mentioned election proposals take into consideration the objectives decided by the Supervisory Board for its composition. In addition, the Supervisory Board has obtained assurances from each of the candidates that they can provide the time expected of them for their activities.

As independent and expert members, Mr Christian Brand and Ms Kirstin Hegner-Cordes both fulfil the requirements in accordance with Sections 100 (5) AktG.

The current Chairman of the Supervisory Board, Mr Georg Wolf, has indicated that he will run for the position of Chairman of the Supervisory Board again if he is re-elected.

The candidates' CVs can be viewed on the Company's website at http://www.shw.de/cms/en/investor_relations/annual_general_meetings/agm_2016.

* * *

Disclosures regarding the memberships which the persons proposed for election hold on other legally required supervisory boards and similar domestic and foreign controlling bodies of commercial enterprises:

- a. Mr Georg Wolf:
 - (i) Membership of legally required supervisory boards:
Schwäbische Hüttenwerke Automotive GmbH, Aalen-Wasseralfingen (Chairman)
 - (ii) Membership of similar controlling bodies:

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WEBER-HYDRAULIK GMBH, Güglingen (Deputy Chairman of the Advisory Board)

b. Mr Christian Brand:

(i) Membership of legally required supervisory boards:

- Schwäbische Hüttenwerke Automotive GmbH, Aalen-Wasseraffingen (Deputy Chairman of the Supervisory Board)
- Landesbank Baden-Württemberg, Stuttgart (Chairman of the Supervisory Board);
- Wüstenrot & Württembergische AG, Stuttgart;
- Wüstenrot Holding AG, Ludwigsburg (Deputy Chairman of the Supervisory Board).

(ii) No membership of similar controlling bodies.

c. Prof. Dr Jörg Ernst Franke:

(i) Membership of legally required supervisory boards:

- Schwäbische Hüttenwerke Automotive GmbH, Aalen-Wasseraffingen

(ii) No membership of similar controlling bodies.

d. Ms Kirstin Hegner-Cordes:

(i) Membership of legally required supervisory boards:

- Schwäbische Hüttenwerke Automotive GmbH, Aalen-Wasseraffingen

(ii) No membership of similar controlling bodies.

e. Mr Edgar Kühn:

(i) Membership of legally required supervisory boards:

- Schwäbische Hüttenwerke Automotive GmbH, Aalen-Wasseraffingen

(ii) No membership of similar controlling bodies.

f. Mr Eugen Maucher:

No membership of legally required supervisory boards or similar controlling bodies.

Disclosures regarding personal and business relationships which the persons proposed for election have with the Company, the bodies of the Company and shareholders with a significant interest in the Company and which the Supervisory Board considers to be relevant for the election decision:

With the exception of Mr Maucher, all of the persons proposed for election are already members of the Supervisory Board of the Company.

In addition, all of the persons proposed for election, with the exception of Mr Maucher, are members of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, which is based in Aalen-Wasseraffingen and is a wholly owned subsidiary of SHW AG, as follows:

a) Ms Hegner-Cordes, Mr Brand, Mr Franke and Mr Wolf (Chairman) as members elected by the Shareholders' General Meeting;

b) Mr Kühn as a member elected by the employees.

7. Resolution regarding an authorisation of the Management Board to issue convertible and/or warrant bonds including authorisation to exclude the subscription right, the creation of contingent capital and a corresponding change to the Articles of Association in Section 4 (share capital)

The Management Board of the Company is currently not authorised to issue convertible and/or warrant bonds, nor is there corresponding contingent capital. To expand the Company's financing options, the Management Board should be authorised to issue convertible and/or warrant bonds which can be securely serviced using contingent capital.

The Management Board and Supervisory Board propose the following resolution:

7.1 Authorisation of the Management Board to issue convertible and/or warrant bonds including authorisation to exclude the subscription right

a) Authorisation period, nominal amount, term to maturity, share capital amount

The Management Board will be authorised, with the approval of the Supervisory Board, to issue bearer and/or registered convertible and/or warrant bonds (hereinafter jointly referred to as "bonds") on one or more occasions until 9 May 2021 (inclusive) for a total nominal amount of up to € 65,000,000.00 with a limited or unlimited term to maturity. It will also be authorised to grant conversion or warrant 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 € 1,250,000.00 in total in accordance with the more detailed provisions of the terms and conditions of the convertible/warrant bonds (hereinafter referred to as the "terms and conditions of the bonds") and/or afford the Company corresponding conversion rights.

The bonds can be issued in exchange for cash payment and/or non-cash payment. In addition to euros, they can be issued in the legal currency of an OECD country, limited to the corresponding euro value. They can also be issued by a domestic or foreign company in which SHW AG directly or indirectly holds a majority of the voting rights and capital (hereinafter referred to as a "controlling interest company"); in this case, the Management Board will be authorised to assume the guarantee for the repayment of the bonds and the payment of the interest due on them on behalf of the issuing controlling interest company and to grant conversion or warrant rights to the bearers/creditors of these bonds entitling them to shares in SHW AG.

The bonds will be divided into partial bonds.

b) Conversion right, conversion obligation

In the event that convertible bonds are issued, the bearers (in the case of bearer bonds) or creditors (in the case of registered bonds) of the partial bonds will have the right to convert them into shares in the Company in accordance with the more detailed provisions of the terms and conditions of the bonds. The terms and conditions of the bonds can also include a conversion obligation at the end of the term to maturity or at an earlier time; in particular, a conversion obligation can also be linked to a corresponding conversion requirement made by the Company or by the issuing controlling interest company. In addition to or instead of a conversion right and/or conversion obligation linked to it on the part of the bearers/creditors of the bonds, the Company can also be afforded its own right to convert the bonds into shares in the Company in accordance with the more detailed provisions of the terms and conditions of the bonds.

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The conversion ratio is calculated by dividing the nominal amount of a partial bond by the fixed conversion price for a share in the Company. The conversion ratio can also be calculated by dividing an issuing amount below the nominal amount of a partial bond by the fixed conversion price for a share in the Company. It can also be stipulated that the conversion ratio is variable and/or can be changed as a result of dilution protection provisions in accordance with d) below. The terms and conditions of the bonds can also stipulate that the conversion ratio is rounded up or down to a whole number (or also to a decimal place to be specified); furthermore, an additional cash payment can also be specified. If conversion rights arise which provide entitlement to fractions of shares, it can be stipulated that these fractions are added together to give rise to conversion rights which provide entitlement to subscribe for whole shares – if necessary, in exchange for an additional payment – or which are compensated in cash.

The proportionate amount of the share capital accounted for by the shares to be issued when each partial bond is converted may not exceed the nominal amount of the partial bond or an issuing amount below the nominal amount of the partial bond. In all cases, the conversion rights and conversion obligations cease to apply at the latest twenty (20) years after the convertible bonds are issued.

c) Warrant right

In the event that warrant bonds are issued, each partial bond will include one or more warrants entitling the bearer/creditor to subscribe for shares in the Company in accordance with the more detailed provisions of the terms and conditions of the bonds. The warrants in question can be detachable from the respective partial bonds.

When exercising the warrant right, shares are subscribed in exchange for payment of the fixed warrant price. It can also be stipulated that the warrant price is variable and/or will be adjusted as a result of dilution protection provisions in accordance with d). The terms and conditions of the bonds can also stipulate that the warrant price can be paid by transferring partial bonds and, if necessary, making an additional cash payment. In this case, the subscription ratio is calculated by dividing the nominal amount of a partial bond by the warrant price for a share in the Company. The subscription ratio can also be calculated by dividing an issuing amount below the nominal amount of a partial bond by the fixed warrant price for a share in the Company. The subscription ratio can be rounded up or down to a whole number (or also to a decimal place to be specified); furthermore, an additional cash payment can also be specified. If subscription rights arise which provide entitlement to fractions of shares, it can be stipulated that these fractions are added together to give rise to subscription rights which provide entitlement to subscribe for whole shares – if necessary, in exchange for an additional payment – or which are compensated in cash.

The proportionate amount of the share capital which is accounted for by the shares in the Company to be subscribed for each partial bond may not exceed the nominal amount or an issuing amount below the nominal amount of the partial bond. The term to maturity of the warrant right may not be longer than twenty (20) years.

d) Conversion/warrant price, dilution protection

The conversion or warrant price per share – including in the case of a variable conversion/warrant price – must be at least 80 per cent of the average price of the SHW AG share in XETRA trading (or a similar successor system) during the period mentioned below:

- If the bonds are not offered to the shareholders for subscription, the average price during the last ten trading days on the Frankfurt Stock Exchange prior to the day on which the Management Board makes its final decision about the bond issue, i.e. about the allocation as part of a bond issue, is decisive.
- If the bonds are offered to the shareholders for subscription, the average price during the last ten trading days on the Frankfurt Stock Exchange prior to the

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day on which the subscription period is announced in accordance with Section 186 (2) sentence 1 AktG is decisive. However, if the final conditions for the bond issue in accordance with Section 186 (2) sentence 2 AktG are only announced during the subscription period, the average price during the trading days on the Frankfurt Stock Exchange from the start of the subscription period until the day before (inclusive) the final conditions are announced is decisive.

In each case, the average price is calculated as the arithmetic mean of the closing prices or – if no closing price is available on the day in question – of the last price in XETRA trading (or a similar successor system) on the trading days in question.

In the cases of a conversion obligation or the Company's own conversion right, a conversion price can also be stipulated in accordance with the more detailed provisions of the terms and conditions of the bonds. At the least, this conversion price is either equal to the aforementioned minimum price or equal to at least 90 per cent of the volume-weighted average price of the SHW AG share in XETRA trading (or a similar successor system) during the last ten trading days on the Frankfurt Stock Exchange prior to the day of maturity or prior to the alternative point in time which is decisive for the conversion obligation, even if the average price mentioned above is less than the aforementioned minimum price.

Notwithstanding Section 9 (1) AktG, the conversion or warrant price can be adjusted in accordance with the more detailed provisions of the terms and conditions of the bonds on the basis of dilution protection provisions to maintain the economic value of the conversion rights or warrant rights/conversion obligations if there are capital changes at SHW AG during the term to maturity of the bonds/warrants, or other measures are implemented during the term to maturity of the bonds/warrants, or events occur which could lead to a change in the economic value of the conversion rights or warrant rights/conversion obligations (such as dividend payments, the issuing of further convertible or warrant bonds or participation rights or the acquisition of control by a third party). The conversion or warrant price can also be adjusted by making a cash payment when exercising the conversion or warrant right/when fulfilling the conversion obligation or by adjusting a potential additional payment. Instead of or in addition to adjusting the conversion or warrant price, dilution protection can be secured by other means in accordance with the more detailed provisions of the terms and conditions of the bonds. In particular, it can be stipulated that, when issuing shares, further convertible or warrant bonds or participation rights including the shareholders' subscription right, dilution protection is only secured by adjusting the conversion or warrant price insofar as the bearers of conversion or warrant rights are not provided with a subscription right to the same extent that they would be entitled to after exercising the conversion or warrant right/after fulfilling a conversion obligation.

In all cases, the proportionate amount of the share capital which is accounted for by the shares in the Company to be subscribed for each partial bond may not exceed the nominal amount or an issuing amount below the nominal amount of the partial bond.

- e) Granting of treasury shares or other listed securities, cash compensation, tendering right

The terms and conditions of the bonds, which grant or determine a conversion right, conversion obligation and/or warrant right, can also stipulate that the Company/the issuing controlling interest company can choose to provide treasury shares in the Company or other listed securities to the bearers/creditors of the bonds/holders of the warrants, in whole or in part, instead of granting new shares in the event that the conversion/warrant is exercised or can choose to pay them the value of the shares in cash, in whole or in part, in accordance with the more detailed provisions of the terms and conditions of the bonds. In addition, the terms and conditions of the bonds can also stipulate that the Company/the issuing controlling interest company has a right to tender treasury shares in the Company or other listed securities to the bearers/creditors of the bonds in return for their entitlement to repayment of the bond and/or interest payment entitlements.

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f) Subscription rights, exclusion of subscription rights

When the bonds are issued, the shareholders have a statutory subscription right. If the bonds are issued by a controlling interest company, SHW AG must ensure that the shareholders' statutory subscription right is granted. The subscription right may also entail an indirect subscription right, in whole or in part, pursuant to Section 186 (5) sentence 1 AktG.

However, the Management Board is authorised, 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:

- aa) The Management Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right to bonds by corresponding application of Section 186 (3) sentence 4 AktG if the issue price is not significantly less than the theoretical market value of the bonds with a conversion right or warrant right/conversion obligation, as calculated using recognised actuarial principles. However, this authorisation to exclude the subscription right only applies to bonds with conversion and/or warrant rights/conversion obligations for shares whose proportionate amount of the share capital accounts for no more than 10 per cent of the share capital and this is the case neither at the time that this authorisation takes effect nor at the time that it is exercised. Shares in the Company which are issued or sold by the Company during the term of this authorisation while excluding the shareholders' subscription right by direct or corresponding application of Section 186 (3) sentence 4 AktG should be offset against this 10 per cent limit; furthermore, shares in the Company which are issued or can still be issued during the term of this authorisation to service conversion or warrant rights/conversion or warrant obligations arising from convertible or warrant bonds should be offset against this limit if the bonds, which carry a corresponding conversion or warrant right/conversion or warrant obligation, are issued during the term of this authorisation on the basis of a different authorisation while excluding the shareholders' subscription right in accordance with Section 186 (3) sentence 4 AktG.
- bb) The Management Board will also be authorised, with the approval of the Supervisory Board, to remove residual amounts from the shareholders' subscription right and also exclude the subscription right insofar as this is necessary to grant a subscription right to the bearers/creditors of conversion or warrant rights arising from convertible and/or warrant bonds which were or are issued beforehand by SHW AG or a controlling interest company to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling a conversion or warrant obligation.
- cc) Finally, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right insofar as bonds are issued in exchange for non-cash contributions – 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, including rights and receivables – if the value of the non-cash contributions is appropriately proportionate to the theoretical market value of the bonds, as calculated using recognised actuarial principles.

The issuing of bonds involving the exclusion of the subscription right may only be conducted after this authorisation if the new shares which are to be issued on the basis of these bonds account for a proportionate amount of the share capital of no more than 20 per cent of the share capital and this is the case neither at the time that this authorisation takes effect nor at the time that it is exercised. New shares which are issued by the Company during the term of this authorisation on the basis of a different authorisation while excluding the subscription right or which are to be issued based on a convertible or warrant bond issued during the term of this authorisation on the basis of a different authorisation while excluding the subscription right should be offset against this limit.

- g) Authorisation to specify the further terms and conditions of the bonds

The Management Board will be authorised, in compliance with the aforementioned provisions, to specify the further details about the issuing and structure of the bonds, in particular interest rate, issue price, term to maturity and denomination, conversion/warrant period, potential subordination to other liabilities, conversion/warrant price and dilution protection provisions, or to do so in agreement with the controlling bodies of the SHW AG controlling interest company which is issuing the bonds.

7.2. Creation of contingent capital and corresponding change to the Articles of Association

- a) The Company's share capital will be contingently increased by up to € 1,250,000.00 by issuing 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 (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 authorisation pursuant to a resolution by the Annual General Meeting on 10 May 2016, valid until 9 May 2021 (inclusive), of SHW AG or a domestic or foreign company in which SHW AG 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 warrant rights arising from the aforementioned bonds are actually utilised 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 warrant/conversion price to be stipulated on the basis of the aforementioned authorisation resolution of the Annual General Meeting on 10 May 2016. The new shares will participate in the Company's earnings from the start of the fiscal year in which the new shares are created as a result of the conversion/warrant rights being exercised or as a result of the conversion obligations being fulfilled; insofar as it is legally permitted, however, the Management Board, with the approval of the Supervisory Board, can alternatively stipulate that the new shares are entitled to participate in earnings from the start of the fiscal 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 Annual General Meeting for earnings in this fiscal year. The Management Board will be authorised to specify the further details regarding the execution of the contingent capital increase.
- b) The following new paragraph (5) will be added to Section 4 of the Articles of Association (share capital):

“(5) The Company's share capital is contingently increased by up to € 1,250,000.00 by issuing 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 (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 authorisation pursuant to a resolution by the Annual General Meeting on 10 May 2016, valid until 9 May 2021 (inclusive), of SHW AG or a domestic or foreign company in which SHW AG 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 warrant rights arising from the aforementioned bonds are actually utilised 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 warrant/conversion price to be stipulated on the basis of the aforementioned authorisation resolution of the Annual General Meeting on 10 May 2016. The new shares will participate in the Company's earnings from the start of the fiscal year in which the new shares are created as a result of the conversion/warrant rights being exercised or as a result of the conversion obligations being fulfilled; insofar as it is legally permitted, however, the Management Board, with the approval of the Supervisory Board, can alternatively stipulate that the new shares are

entitled to participate in earnings from the start of the fiscal 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 Annual General Meeting for earnings in this fiscal year. The Management Board is authorised to specify the further details regarding the execution of the contingent capital increase.”

8. Resolution in accordance with Section 71 (1) No. 8 AktG regarding an authorisation for the purchase and use of treasury shares with the option of excluding subscription rights

The Annual General Meeting on 14 June 2011 authorised the Company to purchase and use treasury shares, including the exclusion of subscription rights, in accordance with Section 71 (1) No. 8 AktG. This authorisation, which would expire on 13 June 2016, is to be replaced by a new authorisation.

The Management Board and Supervisory Board propose the following resolution:

- a) The Company will be authorised, with the approval of the Supervisory Board, to purchase treasury shares in the Company until 9 May 2021 (inclusive) with a volume of up to 10 per cent of the Company’s existing share capital at the time that the authorisation is granted or – if this value is lower – at the time that the authorisation is exercised. Together with other treasury shares which the Company owns or which are attributable to the Company in accordance with Sections 71a et seq. AktG, the shares purchased on the basis of this authorisation may not at any time account for more than 10 per cent of the existing share capital.
- b) At the discretion of the Company, these shares may be purchased through the stock market or else through a public purchase offer which is submitted to all shareholders and/or by means of a public request to submit offers to sell. The following specifications apply here:
 - (i) If the shares are purchased through the stock market, the purchase price per share paid by the Company (excluding ancillary purchasing costs) may not be more than 10 per cent above or below the stock market price. The decisive stock market price here is the price of the Company’s shares in XETRA trading (or a similar successor system) calculated by the opening auction on the trading day in question. If there is no opening auction on the trading day in question, the first available stock market price in XETRA trading (or a similar successor system) is decisive instead.
 - (ii) If the shares are purchased through a public purchase offer, the purchase price per share offered (excluding ancillary purchasing costs) may not be more than 10 per cent above or below the stock market price. The decisive stock market price here is the arithmetic mean of the closing prices or – if no closing price is available on the day in question – of the last price paid for the Company’s shares in XETRA trading (or a similar successor system) on the last three trading days of the Frankfurt Stock Exchange prior to the day on which the purchase offer is publicised. If there are substantial differences in the decisive price after the purchase offer is publicised, the offer can be adjusted. In this case, any adjustments are made to the average price for the last three trading days prior to the public announcement. The purchase offer can stipulate further conditions. The volume of a public purchase offer can be limited. If the public purchase offer is oversubscribed, the shareholders’ tendering right can be excluded insofar as acceptance of offers is in proportion to the shares tendered; in addition, preferential acceptance of small numbers of shares up to 100 units can be stipulated for the purchase of shares tendered per shareholder, as can rounding in accordance with commercial principles in order to avoid mathematical fractions of shares.
 - (iii) If the shares are purchased through a public request to submit offers to sell, the purchase price per share (excluding ancillary purchasing costs) may not be more than 10 per cent above or below the stock market price. The decisive stock market price here is the arithmetic mean of the closing prices or – if no closing price is available on the day in question – of the last price paid for the Company’s shares in XETRA trading (or a similar successor system) on the last three trading days of the Frankfurt Stock Ex-

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change prior to the day on which the offers to sell are accepted. The volume of shares to be purchased by means of the public request to submit offers to sell can be limited. If the public request to submit offers to sell is oversubscribed, the shareholders' tendering right can be excluded insofar as acceptance of offers is in proportion to the shares offered at the specified purchase price (or a purchase price below this); in addition, preferential acceptance of small numbers of shares up to 100 units can be stipulated for the purchase of shares tendered per shareholder, as can rounding in accordance with commercial principles in order to avoid mathematical fractions of shares.

- c) The authorisation can be exercised for any legally permitted purpose, in particular in pursuit of one or more of the purposes mentioned below. Purchasing for the purpose of trading in treasury shares is excluded. If treasury shares are used, with the approval of the Supervisory Board, for one or more of the purposes mentioned in d) below, the shareholders' subscription right is excluded insofar as nothing else is stipulated by the administration when deciding on this use.
- d) The Management Board will be authorised, with the approval of the Supervisory Board,
 - (i) to sell treasury shares in exchange for cash payment by means other than through the stock market or through an offer to all shareholders if the selling price per share is not significantly less than the stock market price (Section 71 (1) No. 8 AktG in conjunction with Section 186 (3) sentence 4 AktG). In this regard, the proportionate amount of the share capital accounted for by the shares to be sold on the basis of this authorisation may not exceed 10 per cent of the share capital either at the time that this authorisation is granted or at the time that it is utilised. Other shares in the Company which are issued or sold after the time that this authorisation takes effect while excluding the subscription right by direct or corresponding application of Section 186 (3) sentence 4 AktG should also be offset against this volume limit of 10 per cent of the share capital; furthermore, shares in the Company which are issued or can still be issued to service conversion or warrant rights/to fulfil conversion or warrant obligations arising from convertible or warrant bonds should be offset insofar as the bonds were issued during the term of this authorisation on the basis of a different authorisation while excluding the subscription right in corresponding application of Section 186 (3) sentence 4 AktG;
 - (ii) to sell or transfer by alternative means treasury shares by means other than through the stock market or through an offer which is submitted to all shareholders insofar as this is done in exchange for non-cash payment, in particular for the acquisition of companies, parts of companies or interests in companies, for business combinations and for the acquisition of other assets, including rights and receivables;
 - (iii) to use treasury shares to service conversion and/or warrant rights/obligations arising from convertible and/or warrant bonds that are issued by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest; and
 - (iv) to use treasury shares, insofar as this is necessary to grant a right to subscribe for shares to bearers/creditors of conversion or warrant rights arising from convertible and/or warrant bonds that are issued by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest, or to grant this right to the resulting liable parties in the case of the Company's own conversion right, to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling conversion or warrant obligations.
- e) The Management Board will be authorised, with the approval of the Supervisory Board, to call in treasury shares, in whole or in part, without a further Annual General Meeting resolution. The treasury shares will be called in using a simplified procedure by reducing the capital or by such means that the share capital remains unchanged and the mathematical proportion of the share capital accounted for by the remaining shares increases in accordance with Section 8 (3) AktG.

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- f) The authorisation can be exercised in whole or in part, on one or more occasions, by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest; furthermore, the authorisation can also be exercised by third parties acting on behalf of the Company or on behalf of companies which are dependent on it or on behalf of companies in which it holds a controlling interest.
- g) The aforementioned regulations for using treasury shares involving the exclusion of the subscription right and for calling in treasury shares also apply to those treasury shares which were purchased on the basis of preceding authorisations by the Annual General Meeting for the purchase of treasury shares in accordance with Section 71 (1) No. 8 AktG.
- h) When this authorisation takes effect, the authorisations granted by the resolution at the Annual General Meeting on 14 June 2011 for agenda items 2 and 3 in accordance with Section 71 (1) No. 8 AktG for the purchase of treasury shares, or for the purchase of treasury shares while using derivatives, will cease to apply insofar as they have not been utilised by then. The authorisations which are contained in the Annual General Meeting resolutions mentioned and which relate to the use of treasury shares that were purchased on the basis of them will remain unaffected.

9. Resolution regarding an authorisation for the use of derivatives as part of the purchase of treasury shares as well as excluding the shareholders' subscription/tendering rights

As a supplement to the new authorisation under agenda item 8 for the purchase of treasury shares in accordance with Section 71 (1) No. 8 AktG, the Company is to be authorised once again to purchase treasury shares while using derivatives.

The Management Board and Supervisory Board propose the following resolution:

- a) As a supplement to the authorisation under agenda item 8 for the purchase of treasury shares in accordance with Section 71 (1) No. 8 AktG, treasury shares may be purchased while also using derivatives as per the authorisation under agenda item 8 except by the procedures indicated therein in accordance with the more detailed provisions of the following.
- b) For this purpose, the Company will be authorised
 - to sell options which obligate the Company to purchase shares in the Company when the option is exercised ("put options");
 - to purchase options which entitle the Company to purchase shares in the Company when the option is exercised ("call options");
 - to conclude forward contracts for shares in the Company whereby there are more than two trading days between the time that the forward contract is concluded and the time that the purchased shares are delivered ("forwards")

and to purchase treasury shares while also using put options, call options, forwards (in each case a "derivative") and/or a combination of these derivatives. The use of derivatives to purchase treasury shares is only permitted with the approval of the Supervisory Board of the Company.

- c) Purchases of shares while using derivatives are limited to shares which in total account for no more than 5 per cent of the Company's existing share capital at the time that this authorisation is granted.
- d) The term of the respective derivatives may not be longer than 18 months. Furthermore, the term of the derivatives must be selected such that the purchase of shares in the Company while using derivatives does not occur after 9 May 2021.

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- e) The derivatives may only be concluded with financial institutions which have experience in conducting complex transactions. Within the conditions of the derivatives, it must be ensured that the derivatives are only serviced with shares which were purchased through the stock market in compliance with the principle of equality, whereby the amount paid to purchase each share on the stock market (excluding ancillary purchasing costs) must be within the price limits which would also apply if the Company purchased shares on the stock market in accordance with the authorisation under agenda item 8.
- f) The purchase price per share in the Company to be paid when a put or call option is exercised/when a forward is fulfilled ("strike price"), as agreed in the respective derivative, may not be more than 10 per cent above or below the arithmetic mean of the closing prices or – if no closing price is available on the day in question – of the last price paid for the Company's shares in XETRA trading (or a similar successor system) on the last three trading days of the Frankfurt Stock Exchange before the derivative transaction in question is concluded (in each case excluding ancillary purchasing costs).

Furthermore, the purchase price paid by the Company for call options or forwards (or the option premium payable by the Company for these) may not be significantly higher than the theoretical market price of the respective derivatives, as calculated using recognised actuarial methods, while the selling price received by the Company for put options (or the option premium received by the Company for these) may not be significantly lower than it. When calculating this market price, the agreed strike price should be taken into consideration, among other factors.

- g) If treasury shares are purchased while using derivatives, in compliance with the aforementioned regulations, the shareholders' right to conclude these derivative transactions with the Company is excluded. Shareholders only have a right to tender their shares in the Company insofar as the Company is obligated to accept the shares from them as part of the derivative transactions. A more extensive tendering right is excluded.
- h) The authorisation can be exercised in whole or in part, on one or more occasions, by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest; furthermore, the authorisation can also be exercised by third parties acting on behalf of the Company or on behalf of companies which are dependent on it or on behalf of companies in which it holds a controlling interest.
- i) The regulations specified under agenda item 8 for the use of treasury shares purchased on the basis of the authorisation outlined therein apply analogously to the use of treasury shares which are purchased while using derivatives.

Management Board's report to the Annual General Meeting regarding agenda item 7

The Management Board has prepared the following written report for the Company's ordinary Annual General Meeting on 10 May 2016 in accordance with Section 221 (4) in conjunction with 186 (4) sentence 2 AktG regarding the resolution proposed under agenda item 7 of the Annual General Meeting to grant an authorisation to issue convertible and warrant bonds, including authorisation to exclude the subscription right and to create contingent capital.

An adequate financial base is an essential element for the further development of the Company and a successful presence in the market. The issuing of warrant and convertible bonds offers the Company attractive financing options with relatively low interest rates. Furthermore, the Company benefits from the conversion/warrant premiums obtained when these bonds are issued. In the event that the conversion/warrant rights are subsequently exercised, the Company ultimately obtains new equity.

To ensure that the Company has a flexible basis in the future to use these financial instruments as well, the administration proposes a resolution to the Annual General Meeting regarding an authorisa-

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tion of the Management Board to issue convertible and/or warrant bonds and the creation of contingent capital to service the associated conversion/warrant rights (Contingent Capital 2016).

The proposed authorisation to issue convertible and warrant bonds will enable the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered convertible and/or warrant bonds (hereinafter also referred to as “bonds”) on one or more occasions until 9 May 2021 (inclusive) for a total nominal amount of up to € 65,000,000.00 with a limited or unlimited term to maturity. It will also be authorised to grant conversion or warrant rights to the bearers/creditors of bonds entitling them to subscribe for a total of 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 € 1,250,000.00 in total in accordance with the more detailed provisions of the terms and conditions of the convertible/warrant bonds (hereinafter referred to as the “terms and conditions of the bonds”) and/or afford the Company corresponding conversion rights.

The authorisation includes the provision that convertible bonds can also be subject to a conversion obligation, thus increasing the scope with regard to the form that these financing instruments take. In addition, the authorisation proposed in the resolution will also make use of the opportunity created by the legal act to amend the AktG dated 22 December 2015 (AktG amendment 2016) to provide the Company with its own right to convert the bonds into shares in the Company.

The bonds may be issued in exchange for cash payment and/or non-cash payment.

When issuing convertible and warrant bonds, the Company will be able to utilise the German or international capital markets depending on the market situation and to issue the bonds in the legal currency of an OECD country in addition to euros. The bonds can also be issued by a domestic or foreign company in which SHW AG directly or indirectly holds a majority of the voting rights and capital (hereinafter referred to as a “controlling interest company”); in this case, the Company will be able to assume the guarantee for the repayment of the bonds and for the payment of the interest due on them and to grant conversion/warrant rights to the bearers/creditors of these bonds entitling them to shares in SHW AG.

The bonds will be divided into partial bonds.

The purpose of the contingent capital requested with a nominal amount of € 1,250,000.00 (Contingent Capital 2016) is to grant shares when the conversion or warrant rights associated with the bonds are exercised or when any conversion obligations are fulfilled insofar as they are not fulfilled by alternative means. The terms and conditions of the bonds will also be able to stipulate that the Company can fulfil conversion obligations through such alternative means by choosing to provide treasury shares or other listed securities or to grant cash compensation. The nominal amount of the Contingent Capital 2016 is slightly less than 20 per cent of the Company’s current share capital and is therefore significantly below the legal maximum limit in accordance with Section 192 (3) AktG of 50 per cent of the existing share capital when the resolution is taken. Furthermore, the Company currently has authorised capital of € 3,218,104.00, which corresponds to around 50 per cent of the Company’s current share capital. The new shares will be issued from the Contingent Capital 2016 at the warrant/conversion price which is specified in the terms and conditions of the bonds in accordance with the provisions of the requested authorisation to issue bonds. The authorisation will only stipulate the principles for specifying the decisive minimum issue amount in accordance with Section 193 (2) No. 3 AktG, which means that the Company will have substantial flexibility when specifying the warrant/conversion price.

When the convertible and warrant bonds are issued, the shareholders will be entitled to a subscription right (Section 221 (4) AktG in conjunction with Section 186 (1) AktG). If the bonds are issued by a controlling interest company, SHW AG must ensure that the shareholders’ statutory subscription right is granted. To facilitate processing, the subscription right may also entail an indirect subscription right, in whole or in part, pursuant to Section 186 (5) sentence 1 AktG. In this case, the bonds will be acquired by one or more credit institutions (or companies equated with them under Section 186 (5) sentence 1 AktG) provided that they are offered to the shareholders for subscription in accordance with their subscription right. This arrangement does not infringe on the content of the subscription right.

However, the proposed authorisation includes the provision that the shareholders’ subscription right to the bonds can be excluded in the following cases:

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- In accordance with Section 221 (4) sentence 2 AktG, the provisions of Section 186 (3) sentence 4 AktG regarding the so-called simplified exclusion of the subscription right apply analogously when convertible and warrant bonds are issued. The Management Board is therefore to be authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right to bonds with a conversion right or warrant right/conversion obligation by corresponding application of Section 186 (3) sentence 4 AktG if the issue price is not significantly less than the theoretical market value of the bonds, as calculated using recognised actuarial principles.

The use of this legal provision to exclude the subscription right can enable the Company to take advantage of favourable market conditions at short notice and place bonds on the market quickly and flexibly at attractive conditions. This is because the two-week subscription period required when granting a subscription right (Section 186 (1) sentence 2 AktG) does not enable a relatively short-term response to current market conditions. Furthermore, the volatility of the capital markets means that conditions in line with the markets can usually only be achieved if the Company is not bound to this requirement for a lengthy period. When granting a subscription right, Section 186 (2) AktG requires that the ultimate subscription price or – in the case of warrant/convertible bonds – the ultimate conditions of the bonds be announced at the latest three days before the subscription period expires. As a result, there is a higher market risk here – in particular, the risk of price changes over several days – than if there is an exemption from the subscription right. For a successful placement whereby a subscription right is granted, corresponding security markdowns are therefore regularly required when specifying the conditions of the bonds; this usually leads to less favourable conditions for the Company than a placement whereby the subscription right is excluded. Furthermore, if a subscription right is granted, there will be uncertainty regarding how it is exercised by the holder of that right. As a result, there is no guarantee of a full placement, and a subsequent placement with third parties will usually involve additional costs.

However, this authorisation to exclude the subscription right may only be utilised for bonds with conversion and/or warrant rights/conversion obligations for shares whose proportionate amount of the share capital accounts for no more than 10 per cent of the share capital and this is the case neither at the time that this authorisation takes effect nor at the time that it is exercised. This takes account of the legal volume limit stipulated by the simplified exclusion of the subscription right in accordance with Section 186 (3) sentence 4 AktG. Both new and existing shares in the Company which are issued or sold by the Company during the term of this authorisation while excluding the shareholders' subscription right by direct or corresponding application of Section 186 (3) sentence 4 AktG should be offset against this 10 per cent limit. Furthermore, shares in the Company which are issued or can still be issued during the term of this authorisation to service conversion or warrant rights/conversion or warrant obligations arising from convertible or warrant bonds should also be offset against this limit if the bonds, which carry a corresponding conversion or warrant right or a conversion obligation, are issued during the term of this authorisation on the basis of a different authorisation while excluding the shareholders' subscription right in accordance with Section 186 (3) sentence 4 AktG.

The shareholders' interests are maintained by the fact that the authorisation to exclude the subscription right has a limited volume only and the bonds may not be issued significantly below the market value in this case. To determine whether or not the bonds are issued significantly below the market value, the theoretical market value of the bonds is calculated using recognised actuarial principles and compared with the issue price. The Management Board can obtain the assistance of expert third parties here, in particular a bank which is involved in the bond issue or an additionally enlisted investment bank or accountancy firm, if the Management Board considers it to be appropriate in the respective situation. When specifying the price, the Management Board will keep the markdown from the theoretical market value calculated in this way as low as possible and take into consideration the respective situation in the capital market. This will ensure that the value of the shares in the Company is not significantly diluted as a result of excluding the subscription right. The shareholders also have the option of purchasing shares through the stock market (at current prices) in order to prevent a reduction in their investment ratio as a result of exercising at a later stage their conversion and warrant rights associated with the bonds issued while excluding the subscription right.

- The Management Board is also to be authorised, with the approval of the Supervisory Board, to remove residual amounts from the subscription right and also exclude the subscription right insofar as this is necessary to grant a subscription right to the bearers/creditors of conversion or warrant

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rights and/or the bearers/creditors of convertible and/or warrant bonds which contain conversion obligations and which were or are issued beforehand by SHW AG or a controlling interest company to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling a conversion or warrant obligation.

Residual amounts can arise if the total nominal amount of the issue is appropriately rounded up against the nominal amount of the partial bonds issued while granting a subscription right in order to obtain a round issue amount. The amount by which the original amount is rounded up (rounding amount) is referred to as a residual amount in this case. In order to obtain a round issue amount without rounding up in this way, a somewhat impractical subscription ratio (number of shares needed in order to subscribe for partial bonds at a certain nominal amount) would otherwise have to be specified, depending on the number of subscription rights. By contrast, the authorisation to exclude the subscription right for residual amounts will make it possible to utilise the authorisation to issue bonds in round amounts while also specifying practical subscription ratios, thereby making it easier to conduct the bond issue. In this case, the partial bonds excluded from the shareholders' subscription right will be utilised in the best possible way for the Company. Since a residual amount in each case is merely a rounding amount and is therefore relatively low compared with the total amount of the bond issue, the exclusion of the subscription right for residual amounts will at most represent a minimal infringement on the shareholders' subscription right. This infringement will not impact significantly on the shareholders' interests and is justified by the Company's interest in being able to conduct the bond issue in a practical manner.

Below are the reasons for the authorisation to exclude the subscription right insofar as this is necessary to grant a subscription right to the bearers/creditors of conversion or warrant rights arising from convertible and/or warrant bonds which are issued beforehand by SHW AG or a controlling interest company, or to grant this right to the resulting liable parties in the case of the Company's own conversion right, to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling a conversion or warrant obligation. The economic value of the conversion and warrant rights mentioned, or the bonds which contain conversion and warrant obligations, depends not just on the conversion/option price, but in particular on the value of the shares in the Company which the conversion or warrant rights/conversion or warrant obligations relate to. To ensure that the bonds in question are successfully placed and prevent a corresponding price markdown when placing them, it is therefore normal to include so-called dilution protection provisions in the terms and conditions of the bonds and warrants. These provisions protect the holders of the rights against a loss in the value of their conversion or warrant rights caused by a dilution in the value of the underlying shares. The inclusion of these dilution protection provisions in the terms and conditions of the bonds and warrants is thus also stipulated in the authorisation requested under agenda item 7. Without dilution protection, a subsequent issuing of further convertible or warrant bonds while including the shareholders' subscription right would typically lead to this kind of dilution in value. That is because, in order to make the subscription right attractive for the shareholders and ensure acceptance, the convertible or warrant bonds in question are usually issued at more favourable conditions when granting a subscription right than their market value reflects. The result of this is a corresponding dilution in the value of the shares. The aforementioned dilution protection provisions in the terms and conditions of the bonds and warrants stipulate that the conversion/warrant price be discounted on a regular basis in this case. As a result of this, if the bonds are converted or the warrants are exercised at a later stage or the conversion or warrant obligation is fulfilled at a later stage, the inflow of funds to the Company will decrease, i.e. the number of shares to be issued by the Company will increase. However, as an alternative which avoids the need to discount the conversion/warrant price, the dilution protection measures usually stipulate that a subscription right be granted to the bearers/creditors of the conversion or warrant rights/conversion or warrant obligations, entitling them to subsequently issued convertible and warrant bonds to the extent that they would be entitled to after exercising their own conversion or warrant rights/after fulfilling their conversion or warrant obligations. This means that, by exercising their conversion or warrant rights/by fulfilling any conversion or warrant obligations, they are treated as if they had already become shareholders before the subscription offer and, to that extent, are already entitled to subscription. As is the case with all existing shareholders, the value of the subscription right therefore compensates them for the dilution in value. For the Company, the advantage of this second alternative for ensuring dilution protection is that the conversion/warrant price does not have to be discounted. It therefore ensures the greatest possible inflow of funds if the bonds are converted or the warrants are exercised at a later stage or any conversion or warrant obligations are fulfilled at a later stage, i.e. it reduces the number of shares to be issued in this case. This also benefits the existing shareholders with the result that it compensates for infringing

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on their subscription right. Their subscription right as such remains intact and is only reduced proportionately to the extent to which a subscription right is granted not just to existing shareholders but also to the bearers of the conversion or warrant rights/the bearers of the bonds which contain conversion or warrant obligations. This authorisation provides the administration with the option of being able to choose between the two aforementioned alternatives for ensuring dilution protection in the event of a bond issue while granting subscription rights, whereby the interests of the shareholders and the Company are taken into careful consideration.

- Finally, the Management Board is to be authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right insofar as bonds are issued in exchange for non-cash payments. This will enable the Company to issue bonds 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, including rights and receivables. The ability to act flexibly and quickly in this way will provide the Company with an advantage when competing for attractive acquisitions. This will also provide the Company with a financing option for future acquisitions that conserves its liquidity. In terms of optimising the Company's financing structure, the option of issuing bonds in exchange for non-cash contributions also represents an advantage. For instance, the Company would be able to buy back financing instruments previously issued by it or by a controlling interest company in exchange for new bonds and, as a result, restructure the Company's financing. In order to issue new bonds to the bearers of the assets in question in this case, the shareholders' subscription right must be excluded. At present, there are no specific acquisition projects which would involve the use of this option. In each case, the Management Board will carefully examine whether to make use of the authorisation to issue bonds in exchange for non-cash payment while excluding the shareholders' subscription right and will only do so if it is in the clear interest of the Company and its shareholders after considering all of the relevant aspects. In this regard, the Management Board will ensure in particular that the value of the non-cash payment is appropriately proportionate to the theoretical market value of the bonds, as calculated using recognised actuarial principles. This will ensure that there is no significant economic dilution in the value of the existing shares.

The authorisations to exclude the shareholders' subscription right are subject to an additional upper limit as well as the restrictions outlined above. The issuing of bonds involving the exclusion of the subscription right may only be conducted after the authorisation proposed under agenda item 7 if the new shares which are to be issued on the basis of these bonds account for a proportionate amount of the share capital of no more than 20 per cent of the share capital and this is the case neither at the time that this authorisation takes effect nor at the time that it is exercised. New shares which are to be issued by the Company based on convertible or warrant bonds issued during the term of this authorisation on the basis of a different authorisation while excluding the subscription right should be offset against this limit.

In particular, new shares which are issued during the term of the authorisation on the basis of the Company's existing Authorised Capital 2015 while excluding the subscription right during the term of this authorisation should therefore be offset against this upper limit of 20 per cent of the share capital for exclusions of subscription rights. The existing Authorised Capital 2015 for its part also includes an upper limit of 20 per cent of the share capital when issuing new shares while excluding the subscription right. Conversely, new shares which are issued during the term of the Authorised Capital 2015 on the basis of convertible or warrant bonds issued while excluding the subscription right should be offset against this upper limit. This ensures that an exclusion of the subscription right on the basis of the existing Authorised Capital 2015 and on the basis of the currently proposed authorisation to issue convertible and/or warrant bonds remains limited to a total of 20 per cent of the current share capital.

At present, there are no plans to make use of the requested authorisation to issue convertible and/or warrant bonds. In each case, the Management Board will carefully examine whether it is in the interest of the Company and its shareholders to make use of this authorisation. In this regard, it will also examine in particular whether any exclusion of the subscription right is objectively justified in each individual case and whether it is appropriate for the shareholders. The Management Board will report on each utilisation of the authorisation at the Annual General Meeting which follows each utilisation.

Management Board's report to the Annual General Meeting regarding agenda item 8

The Management Board has prepared the following written report for the Company's Annual General Meeting on 10 May 2016 in accordance with Section 71 (1) No. 8 sentence 5 AktG in conjunction with Section 186 (4) sentence 2 AktG regarding the new authorisation proposed for resolution under agenda item 8 in accordance with Section 71 (1) No. 8 AktG for the purchase of treasury shares, including authorisation to exclude the subscription right when reselling the purchased shares.

The Management Board and Supervisory Board propose to authorise the Company in accordance with Section 71 (1) No. 8 AktG to purchase treasury shares up until 9 May 2021 (inclusive) with a mathematical share of up to 10 per cent of the Company's share capital at present or – if this value is lower – at the time that the authorisation is exercised.

Together with other treasury shares which the Company owns or which are attributable to the Company in accordance with Sections 71a et seq. AktG, the shares purchased on the basis of the authorisation may not at any time account for more than 10 per cent of the existing share capital; this is in compliance with a legal requirement contained in Section 71 (2) sentence 1 AktG.

The new authorisation is to replace the authorisations which were granted by the Annual General Meeting on 14 June 2011 in accordance with Section 71 (1) No. 8 AktG for the purchase and use of treasury shares as well as the purchase of treasury shares while using derivatives. These existing authorisations would expire on 13 June 2016. To date, the Company has not made use of the aforementioned authorisations. At the time of the announcement of the Annual General Meeting in the German Federal Gazette (Bundesanzeiger), the Company does not hold any treasury shares.

The intended term of the new authorisation of five years represents the legal maximum limit. The proposed new authorisation for the purchase of treasury shares can be exercised in whole or in part, on one or more occasions, by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest. Furthermore, the authorisation can also be exercised by third parties acting in this regard on behalf of the Company or on behalf of companies which are dependent on it or on behalf of companies in which it holds a controlling interest.

At the discretion of the Company, these shares may be purchased through the stock market or else through a public purchase offer which is submitted to all shareholders or by means of a public request to all shareholders to submit offers to sell. Public purchase offer and public request to submit offers to sell will hereinafter also be abbreviated as "**public offer**" in this regard.

When purchasing treasury shares, the principle of equality in accordance with Section 53a AktG must be adhered to. The proposed purchase of shares through the stock market or through a public offer takes account of this. If the public offer is oversubscribed, the offers can be accepted in proportion to the number of shares respectively tendered by the shareholders or – in the case of the public request to submit offers to sell – the number of shares tendered by the shareholders at the decisive purchase price (or a purchase price below this), instead of being accepted in proportion to the shareholders' respective stake in the share capital. The acceptance ratios which arise if offers are accepted in proportion to the shares tendered may differ from the acceptance ratios which would arise if offers were accepted in proportion to the stake in the share capital. This results in an infringement of the shareholders' tendering rights in principle. However, it facilitates the technical processing of the public offer, as the relevant acceptance ratio can easily be calculated from the number of shares issued (at the decisive purchase price or a purchase price below this) when this procedure is used. It is then unnecessary to make a securities-related recording of tendering rights for all shareholders in proportion to their respective stake in the Company when conducting the public offer. In addition, the acceptance of offers in proportion to the shares respectively tendered also involves the use of a procedure which treats the shareholders equally, as a result of which the shareholders' interests are adequately main-

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tained. If the public offer is oversubscribed, preferential acceptance of small numbers of shares up to 100 units can also be stipulated for the shares tendered per shareholder, as can rounding in accordance with commercial principles in order to avoid mathematical fractions of shares. These options can be used to avoid fractional amounts when specifying the ratios to be purchased, which facilitates the technical processing of the public offer. The preferential acceptance of small numbers of shares can also be used to avoid small, generally uneconomic residual amounts and therefore prevent small shareholders from potentially being put at an associated disadvantage where possible. The differences from the acceptance ratios otherwise created, which would be caused by this procedure for the non-preferentially accepted portfolios of shares, are generally low, which means that the shareholders' interests are adequately maintained.

The treasury shares purchased on the basis of this or a preceding authorisation by the Annual General Meeting for the purchase of treasury shares in accordance with Section 71 (1) No. 8 AktG may be resold or called in by the Company without another Annual General Meeting resolution. In this regard, the Management Board is also to be authorised to call in the treasury shares in accordance with Section 237 (3) No. 3 AktG without amending the share capital. In this case, the percentage of the share capital accounted for by the remaining shares will increase as a result of the treasury shares being called in in accordance with Section 8 (3) AktG. Purchasing for the purpose of trading in treasury shares is excluded in accordance with Section 71 (1) No. 8 sentence 2 AktG.

The reselling of shares should be done by selling them through the stock market or by means of an offer submitted to all shareholders. In addition, the Company is to be authorised to sell by other means treasury shares which are or were purchased on the basis of this or a preceding authorisation by the Annual General Meeting in accordance with Section 71 (1) No. 8 AktG in the cases outlined below, with the approval of the Supervisory Board, while excluding the shareholders' subscription right. This authorisation to exclude the subscription right – subject to an examination in each individual case that the authorisation is utilised – is objectively justified, appropriate and required in the interest of the Company for the reasons outlined below.

- (i) The Company is to be authorised initially to sell treasury shares in exchange for cash payment by means other than through the stock market or through an offer submitted to all shareholders if the selling price per share is not significantly less than the stock market price of the shares. This legal provision in Section 71 (1) No. 8 AktG in conjunction with Section 186 (3) sentence 4 AktG to exclude the subscription right (so-called simplified exclusion of the subscription right) will enable the administration in particular to offer treasury shares to additional groups of shareholders and thus increase the shareholder base in the interest of the Company. Furthermore, this will enable the Company to set a price in line with the markets, thereby obtaining as high a selling price as possible and strengthening the Company's equity base to the greatest extent possible. The Company's ability to act more quickly will also enable it to regularly generate a higher inflow of funds than by selling a larger number of shares through the stock market or by submitting a purchase offer to all shareholders while maintaining the shareholders' subscription right. Although Section 186 (2) sentence 2 AktG permits the subscription price to be publicised at the latest three days before the subscription period expires when a subscription offer is being submitted, the volatility of the stock markets means that, in this case, there is a market risk – in particular the risk of a price change over a period of several days – which could lead to security markdowns when specifying the selling price and therefore to conditions that are not in line with the markets. Furthermore, when granting a subscription right, the Company will not be able to respond quickly to favourable market conditions due to the length of the subscription period. Although selling the shares through the stock market makes it possible to obtain a price in line with the markets, it is usually also necessary to sell them over a lengthy period when selling them through the stock market in order to prevent price pressure from occurring as a result of selling a larger number of shares. By contrast, selling the shares by means other than through the stock market while excluding the subscription right provides the Company with the opportunity to respond quickly to favourable market conditions irrespective of the number of shares being sold. Due to the reasons mentioned, the proposed authorisation for the simplified exclusion of the subscription right is in the interest of the Company and its shareholders. It also stipulates that it will only be utilised if the proportionate amount of the share capital accounted for by the shares to be sold on the basis of this authorisation may not exceed 10 per cent of the share capital either at the time that the authorisation is granted or at the time that it is utilised. All other shares which are issued or sold after the time that this authorisation takes effect while excluding the subscription right by direct or corresponding application of Section 186 (3) sentence 4 AktG should also be offset against this volume limit. Furthermore, shares in the Company which are

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issued or can still be issued to service conversion or warrant rights/to fulfil conversion or warrant obligations arising from convertible or warrant bonds should be offset insofar as the bonds were issued during the term of this authorisation on the basis of a different authorisation while excluding the subscription right in corresponding application of Section 186 (3) sentence 4 AktG.

- (ii) In addition, it is intended to authorise the Company to transfer treasury shares as payment for the purpose of acquiring non-cash contributions. In this regard, it must also be possible to exclude the shareholders' subscription right, as otherwise it will not be possible to transfer the corresponding shares to the seller of the non-cash contribution. The exclusion of subscription rights is necessary in this case for the following reasons: The Company is in diverse competition. It must be able at all times to act quickly and flexibly in the interest of its shareholders. This also includes the option of acquiring companies, parts of companies or interests in companies, merging with other companies and acquiring other assets, including rights and receivables. The best possible way of implementing this option in each individual case in the interest of the shareholders and the Company is to grant treasury shares in the Company when it is acquiring a company, part of a company, an interest in a company or another asset. Granting treasury shares can be particularly advantageous as a form of payment when seeking to conserve the Company's liquidity or comply with potential tax-related requirements. In order to issue treasury shares in the Company to the sellers as a form of payment in this case, the shareholders' subscription right must be excluded. At present, there are no specific acquisition projects which would involve the use of this option. If corresponding opportunities for acquisitions arise, the Management Board and Supervisory Board will carefully examine whether to utilise the authorisation to grant treasury shares. The Management Board will only do this if the acquisition of a company, interest in a company or other asset in exchange for shares in the Company is in the latter's clear interest and if the value of the shares granted is appropriately proportionate to the value of the asset being acquired while taking into consideration the legal requirements in accordance with the standards of Section 255 (2) AktG.
- (iii) Furthermore, the Company is to be authorised to use treasury shares as well to service conversion and/or warrant rights/obligations associated with convertible or warrant bonds that are issued by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest on the basis of a corresponding authorisation by the Annual General Meeting. This will not create any autonomous or expanded authorisation to issue convertible and warrant bonds. Instead, the purpose of the proposed resolution is merely to enable the Company to use treasury shares as well to fulfil obligations arising from convertible and warrant bonds based on different authorisations by the Annual General Meeting, thereby increasing the Company's flexibility. Insofar as the Company utilises this option, it will no longer be necessary to issue new shares from contingent capital intended for this purpose in order to service convertible and warrant bonds. As a result, this arrangement will not affect the shareholders' interests. The Management Board and Supervisory Board will examine in each individual case whether the use of treasury shares for this purpose is in the Company's interest. At present, the Company is not authorised to issue convertible or warrant bonds. However, under agenda item 8 of the current Annual General Meeting, a resolution to grant a corresponding authorisation to issue convertible or warrant bonds will be proposed.
- (iv) A further authorisation for the use of treasury shares while excluding the subscription right relates to convertible and warrant bonds that are issued by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest on the basis of an authorisation by the Annual General Meeting, or an authorisation granted by other means, to issue these instruments. The Company is to be authorised to use treasury shares as well to grant a right to subscribe for shares to bearers/creditors of the associated conversion or warrant rights arising from convertible and/or warrant bonds that are issued by the Company or by companies which are dependent on it or by companies in which it holds a controlling interest, or to grant this right to the liable parties arising from the convertible and warrant bonds in the case of the Company's own conversion right, to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling corresponding conversion or warrant obligations. The reasons for this are as follows: The economic value of the conversion and/or warrant rights/obligations mentioned depends not just on the conversion/option price, but in particular on the value of the shares in the Company which the conversion or warrant rights/obligations relate to. To ensure that the bonds in question are successfully placed and prevent a corresponding issue markdown when placing them, it is therefore normal to include so-called dilution protection provisions in the terms and conditions of the bonds. These provisions protect the holders of the

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rights against a loss in the value of their conversion/warrant rights caused by a dilution in the value of the underlying shares. A share issue whereby the new shares are offered to the shareholders for subscription would typically lead to a dilution in value if dilution protection was not in place. That is because, in order to make the subscription right attractive for the shareholders and ensure acceptance, the new shares issued as part of a capital increase while granting subscription rights (and, correspondingly, as part of a subscription offer for treasury shares) are usually issued at an amount which includes a markdown on the current value/market price of the existing shares. As a result, the inflow of funds to the Company from the share issue is lower than it would be if the current value of the shares already in circulation was used and this dilutes the value of the shares in the Company. The aforementioned dilution protection provisions in the terms and conditions of the bonds therefore stipulate that the conversion/warrant price be discounted accordingly in this case. As a result of this, if the bonds are converted or the warrants are exercised at a later stage, the inflow of funds to the Company will decrease, i.e. the number of shares to be issued by the Company will increase. However, as an alternative which avoids the need to discount the conversion/warrant price, the dilution protection measures frequently stipulate that a subscription right be granted to the bearers of the conversion or warrant rights/obligations, entitling them to the new shares to the extent that they would be entitled to after exercising the conversion or warrant rights/after fulfilling the conversion or warrant obligations. This means that, by exercising their conversion or warrant rights, they are treated as if they had already become shareholders before the subscription offer and, to that extent, are already entitled to subscription. As is the case with all existing shareholders, the value of the subscription right therefore compensates them for the dilution in value. For the Company, the advantage of this alternative for ensuring dilution protection is that the conversion/warrant price does not have to be discounted. It therefore ensures the greatest possible inflow of funds if the bonds are converted or the warrants are exercised at a later stage, i.e. it reduces the number of shares to be issued if the bonds are converted or the warrants are exercised at a later stage. This also benefits the existing shareholders with the result that it compensates for infringing on their subscription right. Their subscription right as such remains intact and is only reduced proportionately to the extent to which a subscription right is granted not just to existing shareholders but also to the bearers of the warrant or conversion rights. This authorisation provides the administration with the option of being able to choose between the two aforementioned alternatives for ensuring dilution protection in the event of a capital increase while granting subscription rights (and, correspondingly, in the event of a subscription offer for treasury shares) whereby the interests of the shareholders and the Company are taken into careful consideration.

Precautionary resolutions – such as the one presented for resolution under agenda item 8 – with various options for excluding the subscription right are standard practice domestically and internationally while taking into consideration the specific features of the individual companies. When deciding on any exclusion of the subscription right while using treasury shares, the Management Board and Supervisory Board will examine in each individual case whether this exclusion is objectively justified and whether it is appropriate for the shareholders.

The Management Board will report on each utilisation of the authorisation proposed for resolution under agenda item 8 for the purchase and use of treasury shares in accordance with the legal requirements at the Annual General Meeting which follows each utilisation.

Management Board's report to the Annual General Meeting regarding agenda item 9

The Management Board has prepared the following written report for the Company's Annual General Meeting on 10 May 2016 in accordance with Section 71 (1) No. 8 sentence 5 AktG in conjunction with Section 186 (4) sentence 2 AktG regarding the authorisation proposed for resolution under agenda item 9 for the use of derivatives when purchasing treasury shares in accordance with Section 71 (1) No. 8 AktG and for the exclusion of the subscription right and tendering right.

In addition to the options stipulated under agenda item 8 for the purchase of treasury shares, the Company is to be authorised to purchase treasury shares while using derivatives. This additional option will enable the Company to optimally structure its purchase of treasury shares. For the Company, it may be advantageous to sell put options or to purchase call options, instead of directly purchasing shares in the Company, or to conclude forward contracts for shares whereby there are more than two trading days between the time that the forward contract is concluded and the time that the purchased

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shares are delivered (“**forwards**”). Put options, call options and forwards will hereinafter also be referred to as “**derivatives**”.

As indicated by the 5 per cent volume limit for this authorisation, the purchase of treasury shares while using derivatives will merely supplement the range of share buyback instruments. The term of the respective derivatives may not be longer than 18 months and must be selected such that the purchase of the shares while using the respective derivatives does not occur after 9 May 2021. This will ensure that the Company cannot purchase any more treasury shares on the basis of these derivatives after the authorisation to purchase treasury shares expires on 9 May 2021.

When selling a put option, the Company grants the purchaser of the put option the right to sell the Company’s shares to the Company at a price specified in the put option (strike price). As payment, the Company receives an option premium, or a corresponding selling price for the put option; this option premium, or the selling price for the put option, remunerates the value of the selling right that the purchaser of the put option receives while taking into consideration the strike price, the term of the option and the volatility of the shares in the Company. If the put option is exercised, the option premium which the purchaser of the put options has paid reduces the total amount paid by the Company to purchase the shares. This means that it only makes economic sense for the option writer to exercise the put option when the market price of the shares is lower than the strike price, as he/she can then sell the shares to the Company at a higher strike price instead of selling them through the stock market. From the Company’s perspective, the advantage of buying back shares while using put options is that the strike price is specified when concluding the option transaction but there is no outflow of liquidity until the day that the option is exercised. If the option holder does not exercise the option because the share price is higher than the strike price on the day that the option is to be exercised, the Company will be unable to purchase treasury shares in this way; however, it will still be left with the option premium earned.

When purchasing a call option, the Company pays a purchase price for the call option, or a corresponding option premium, in return for which it receives the right to purchase a pre-specified number of shares in the Company at a pre-specified price (strike price) from the seller of the option, the option writer. This means that it makes economic sense for the Company to exercise the call option when the market price of the shares in the Company is higher than the strike price, as it can then purchase the shares from the option writer at a lower strike price instead of purchasing them through the stock market. In addition, the Company’s liquidity is conserved, as the specified purchase price for the shares does not have to be paid until the call option is exercised.

In the case of forwards, the Company purchases shares from the forward seller on a specified date in the future at a purchase price specified when the forward is concluded. It can make particular sense for the Company to conclude forwards if it wants to satisfy a requirement for treasury shares which will arise on a specific date and do so at a price specified in advance.

The purchase price payable by the Company for shares in the Company which are purchased using derivatives is the strike/purchase price agreed in the respective derivative. The strike/purchase price can be higher or lower than the market price of the shares in the Company on the day on which the derivative transaction is conducted; however, it may not be more than 10 per cent above or below the arithmetic mean of the closing prices for the Company’s shares in XETRA trading or a similar successor system on the last three trading days before the derivative transaction in question is concluded (in each case excluding ancillary purchasing costs). If no closing price is available on one or more of the relevant days, the last price paid is used instead (again in XETRA trading or a similar successor system). Furthermore, the purchase price paid by the Company for the derivative in the case of call options or forwards (or the option premium payable by the Company for these) may not be significantly higher than the theoretical market value of the respective derivatives, as calculated using recognised actuarial methods, while the selling price received by the Company for put options (or the option premium received by the Company for these) may not be significantly lower than it. When calculating this market price, the agreed strike price in particular should be taken into consideration. Together with the requirement that options only be serviced with shares that were purchased in compliance with the principle of equality through the stock market within the price limits which, in accordance with the authorisation to purchase treasury shares under agenda item 8, also apply if the Company itself purchases shares on the stock market, this will prevent shareholders from being disadvantaged when treasury shares are purchased using derivatives. Since the Company receives/pays a fair market price for the derivative, the shareholders not involved in the derivative transactions are not subject to any value-related disadvantage. This corresponds to the shareholders’ position when buying back shares

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through the stock market whereby not all shareholders are actually able to sell shares to the Company. The regulations governing the form that the derivatives take and governing the shares suitable for delivery ensure that this form of purchase adheres fully to the principle of shareholder equality. To that extent, it is justifiable – also taking into consideration the legal premise on which Section 186 (3) sentence 4 AktG is based – that the shareholders should not be entitled to conclude such derivative transactions with the Company. By excluding the subscription right and tendering right, the Company will be able to conclude derivative transactions at short notice and take advantage of favourable market conditions. This would not be possible if an offer to purchase derivatives was submitted to all shareholders or an offer to purchase derivatives was requested from all shareholders. When treasury shares are purchased using derivatives or a combination of derivatives, shareholders should only be entitled to tender the shares insofar as the Company is obligated under the derivatives to accept their shares. Otherwise, the Company would not be able to use derivatives to buy back treasury shares and obtain the benefits associated with doing so.

Subject to its examination of the specific circumstances, which must be performed again when utilising the authorisation, the Management Board regards the exclusion or restriction of the shareholders' subscription right and tendering right when using derivatives to buy back shares at the conditions outlined above as objectively justified and appropriate towards the shareholders for the reasons provided.

In accordance with the legal requirements, the Management Board will report to the subsequent Annual General Meeting when it utilises the authorisation.

Agenda documents

Once the Annual General Meeting has been convened, the following documents will be made available on the Company's website at
http://www.shw.de/cms/de/investor_relations/hauptversammlungen/:

- the invitation to the Annual General Meeting;
- the adopted Annual Financial Statements and the approved Consolidated Financial Statements of SHW AG, the condensed Management Report and Group Management Report for SHW AG, including the Management Board's explanatory report on the disclosures in accordance with Sections 289 (4), 315 (4) HGB and the Supervisory Board's Report, in each case for the fiscal year 2015;
- the Management Board's proposal for the appropriation of earnings (as part of the invitation to the Annual General Meeting);
- the Management Board's report to the Annual General Meeting regarding agenda item 7 in accordance with Section 221 (4) in conjunction with Section 186 (4) sentence 2 AktG (as part of the invitation to the Annual General Meeting);
- the Management Board's report to the Annual General Meeting regarding agenda item 8 in accordance with Section 71 (1) No. 8 sentence 5 AktG in conjunction with Section 186 (4) sentence 2 AktG (as part of the invitation to the Annual General Meeting);
- the Management Board's report to the Annual General Meeting regarding agenda item 9 in accordance with Section 71 (1) No. 8 sentence 5 in conjunction with Section 186 (4) sentence 2 AktG (as part of the invitation to the Annual General Meeting).

The aforementioned documents will also be available at the Annual General Meeting itself. Shareholders will also be able to view them at the Company's offices during normal business hours once the Annual General Meeting has been convened.

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If requested, the aforementioned documents will also be sent to shareholders of the Company at no cost. Requests should only be sent to:

SHW AG
– Investor Relations –
Wilhelmstrasse 67
73433 Aalen
Germany
Fax: +49 (0) 7361 502 674

Total number of shares and voting rights

The Company's share capital is € 6,436,209.00 at the time of the announcement to convene the Annual General Meeting in the German Federal Gazette (Bundesanzeiger) and is divided into 6,436,209 no-par value bearer shares. Each no-par value share confers one voting right at the Annual General Meeting. The total number of voting rights in the Company thus corresponds to the Company's total number of no-par value shares and is 6,436,209 in both cases at the time of the announcement to convene the Annual General Meeting in the German Federal Gazette (Bundesanzeiger).

The Company has no treasury shares at the time of the announcement to convene the Annual General Meeting in the German Federal Gazette (Bundesanzeiger).

Requirements for attending the Annual General Meeting and exercising a voting right

Only shareholders who have registered on time before the Annual General Meeting and provided evidence of their entitlement to attend the Annual General Meeting and exercise their voting right are entitled to attend the Annual General Meeting and exercise their voting right.

Registration must be in text form in German or English. Entitlement to attend the Annual General Meeting and exercise a voting right must be demonstrated by means of special documentary evidence (i.e. text form) of the shareholding from the custodian institution. The evidence must be presented in German or English and pertain to the start of the 21st day prior to the Annual General Meeting (evidence date), i.e. Tuesday, 19 April 2016, 12 a.m.

The Company must receive the registration and evidence by 3 May 2016 at the latest at the following address:

SHW AG
c/o Landesbank Baden-Württemberg
4035 H Hauptversammlungen
Am Hauptbahnhof 2
70173 Stuttgart
Germany

Fax: +49 (0) 711 127 79264
Email: hv-anmeldung@lbbw.de

Once the aforementioned attendance requirements have been fulfilled, admission tickets for the Annual General Meeting will be sent to shareholders entitled to attend via their custodian institution. Voting cards will be handed out to the shareholders entitled to attend or to their representatives on the day of the Annual General Meeting at the venue. The admission tickets are not required in order to attend the Annual General Meeting or exercise a voting right and are merely for organisational assistance.

Significance of evidence date

In their relationship with the Company, only those who have provided evidence of their shareholding as outlined in the previous section are regarded as shareholders entitled to attend the Annual General Meeting and exercise a voting right. Entitlement to attend the Annual General Meeting and the extent of a voting right are thus based solely on the shareholding on the evidence date mentioned above. The evidence date or registration for the Annual General Meeting do not involve any restrictions on the sale of shares. Shareholders can thus access their shares freely both on and after the evidence date. Such accessibility does not affect entitlement to attend the Annual General Meeting and the extent of a voting right. The same applies to the purchase or further purchase of shares which occurs on or after the evidence date. Persons who only purchase shares in the Company on or after the evidence date are thus not entitled to either attend or vote at the Annual General Meeting on the basis of these shares. The evidence date has no bearing on entitlement to dividends.

Procedure for voting through a proxy

Shareholders entitled to attend can also exercise their voting right at the Annual General Meeting through a proxy, including a credit institution, a shareholders' association or voting representatives appointed by the Company. In this case, the attendance requirements outlined above must also be fulfilled for the share portfolio in question.

If the proxy is not a credit institution, a shareholders' association or another person or association of persons equated with a credit institution pursuant to Section 135 (8) or (10) AktG, the authorisation must be granted and revoked in text form, and evidence of the authorisation submitted to the Company in text form.

When authorising a credit institution, a shareholders' association or another person or association of persons equated with a credit institution pursuant to Section 135 (8) or (10) AktG, the specific legal requirements of Section 135 AktG are applicable, including the requirement that the authorisation be verifiably recorded. Exemptions from the general requirement for text form may therefore apply here. However, the proxies in question may sometimes specify their own requirements regarding the form used; specific details should be obtained from the respective proxy if applicable.

Authorisation can be granted to a proxy both before and during the Annual General Meeting. Printed authorisation forms which can be used to authorise proxies before/outside the Annual General Meeting will be sent to shareholders entitled to attend together with their admission tickets to the Annual General Meeting. Printed authorisation forms which can be used to authorise proxies at the Annual General Meeting itself will be available to shareholders entitled to attend or their representatives on the day of the Annual General Meeting at the entrance to the Annual General Meeting. Shareholders entitled to attend will still be entitled to attend the Annual General Meeting in person after they have authorised a proxy.

Authorisation can be granted and revoked both by declaration to the Company and by declaration to the proxy. When granting and revoking the authorisation by declaration to the Company and submitting evidence of an authorisation granted to/revoked from the proxy, the following address can be used, including an email address for submitting the information electronically:

SHW AG
– Investor Relations –
Wilhelmstrasse 67
73433 Aalen
Germany
Fax: +49 (0) 7361 502 674
Email: ir@shw.de

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Evidence that authorisation has been granted can also be submitted by instructing the proxy to present the authorisation on the day of the Annual General Meeting at the entrance. If the authorisation is granted by declaration to the Company, there is no need for a separate form of evidence.

In addition, the Company offers a special service to its shareholders enabling them to authorise voting representatives appointed by the Company to exercise their voting right at the Annual General Meeting as per their instructions. Binding instructions on how to exercise the voting right must be issued in the authorisation to the voting representatives appointed by the Company; they are obligated to vote according to the instructions issued to them. Both the authorisation and the relevant instructions must be issued in text form; the same applies when revoking the authorisation and the instructions issued in it or when making any changes to them. Representation by voting representatives appointed by the Company is confined to exercising the voting right when voting on the administration's draft resolutions for the individual agenda items; the voting representatives appointed by the Company will not take instructions on exercising the voting right for other resolutions or exercising other shareholder rights at the Annual General Meeting. The form printed on the admission ticket for granting authorisation and issuing instructions to voting representatives appointed by the Company can be used for authorisation. The Company must receive authorisations and instructions to voting representatives appointed by the Company by Friday, 6 May 2016 at the latest at the above address for submitting authorisations and evidence of authorisations. In addition, authorisation can still be granted to the voting representatives appointed by the Company at the Annual General Meeting itself until voting commences. Shareholders entitled to attend or their representatives can obtain a corresponding form on the day of the Annual General Meeting at the entrance to the Annual General Meeting.

The right of shareholders to attend the Annual General Meeting in person or via an authorised third party and exercise their voting right is not affected if they grant authorisation and issue instructions to the voting representatives appointed by the Company. If the shareholder or a third party authorised by him/her attends the Annual General Meeting in person, an order granted previously to the voting representatives appointed by the Company, including the associated instructions, will automatically become void without a separate revocation. In this case, the voting representatives appointed by the Company will not act on the basis of an authorisation previously granted to them.

Further information about voting representation will be sent to the shareholders together with their admission ticket to the Annual General Meeting after the requirements for attendance outlined above have been fulfilled.

Shareholders' right to submit supplements to the agenda in accordance with Section 122 (2) AktG

Shareholders whose combined interests account for 5 per cent of the share capital (this corresponds to an amount of € 321,811.00 or 321,811 no-par value shares) or a proportionate amount of the share capital of € 500,000.00 can request that items be placed on the agenda and announced. A reason or a draft resolution must be included with each new item for the agenda. The request should be submitted in writing to the Management Board of SHW AG and must be received by the Company by Saturday, 9 April 2016 at the latest. Requests should be submitted to the following address:

SHW AG
– Management Board –
Wilhelmstrasse 67
73433 Aalen
Germany

Supplementary requests will only be considered if applicants can prove that they have been the bearer of the shares for at least three months prior to the day of the Annual General Meeting (i.e. since 10

February 2016, 12 a.m. at the latest). Section 70 AktG should be adhered to when calculating this shareholding period.

Supplements to the agenda which require announcement will be announced immediately after the request is received in the same way as the announcement to convene the Annual General Meeting insofar as they were not already announced with the latter.

Counter-motions and election proposals by shareholders in accordance with Sections 126 (1), 127 AktG

All shareholders have the right to submit counter-motions at the Annual General Meeting against proposals by the Management Board and/or Supervisory Board for specific agenda items as well as to submit proposals for the election of Supervisory Board members or auditors stipulated on the agenda.

Counter-motions, including the reason for them, and election proposals can also be submitted to the Company prior to the Annual General Meeting at the following address:

SHW AG
– Investor Relations –
Wilhelmstrasse 67
73433 Aalen
Germany
Fax: +49 (0) 7361 502 674

Counter-motions, including the reason for them, and election proposals which the Company receives by Monday, 25 April 2016 at the latest at the above address will immediately be made available on the Company's website at http://www.shw.de/cms/de/investor_relations/hauptversammlungen/ including the shareholder's name, the reason and any statements by the administration. Counter-motions and election proposals sent to a different address as well as counter-motions which do not include a reason will not be considered; election proposals do not need to include a reason. Furthermore, the Company can opt not to make some or all of the counter-motions, the reasons for them and the election proposals available or to combine them on the basis of certain other, more detailed provisions in Sections 126 and 127 AktG.

Even if counter-motions and election proposals have been submitted to the Company in advance, they will only be dealt with at the Annual General Meeting if they are submitted again there verbally. The right of shareholders to submit counter-motions or election proposals during the Annual General Meeting without submitting them in advance to the Company is not affected.

Shareholders' right to information in accordance with Section 131 (1) AktG

All shareholders are entitled to request information at the Annual General Meeting from the Management Board about matters relating to the Company insofar as the information is needed to properly assess an item of the agenda. The information obligation also applies to the Company's legal and business relationships with associated companies as well as the Group's situation and that of the companies included in the consolidated financial statements.

On the basis of certain, more detailed provisions in Section 131 (3) AktG, the Management Board may refuse to provide the information. Furthermore, the chair of the meeting is authorised under Section 131 (2) AktG in conjunction with Section 18 (3) of the Company's Articles of Association to limit the shareholders' Q&A time appropriately.

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More detailed explanations regarding shareholders' rights and information in accordance with Section 124a AktG

More detailed explanations regarding shareholders' rights in accordance with Section 122 (2), Section 126 (1), Section 127 and Section 131 (1) AktG and information in accordance with Section 124a AktG about the Company's ordinary Annual General Meeting this year will be made available on the Company's website at http://www.shw.de/cms/de/investor_relations/hauptversammlungen/.

Aalen, March 2016

SHW AG
Management Board

This version of the Invitation to the ordinary Annual General Meeting prepared for the convenience of English-speaking readers, is a translation of the German original. For purposes of interpretation the German text shall be authoritative and final.
