

**Declaration by the Executive Board and the Supervisory Board
of KPS AG on the recommendations of the
“Government Committee of the German Corporate Governance Code”
 (“Compliance Declaration”)**

The Executive Board and the Supervisory Board of KPS AG declare pursuant to Article 161 Stock Corporation Law (AktG) that since the submission of the last Declaration of Compliance in January 2016, the recommendations of the German Corporate Governance Code (“Code”) in the current version dated 5 May 2015 2015 have been complied with subject to the following deviations, and furthermore that they will be complied with in the future:

Section 3.8 Sub-section 3: The D&O insurance for the Supervisory Board does not have a deductible. In the opinion of the Executive Board and the Supervisory Board, the agreement of a voluntary deductible is neither appropriate nor necessary in order to guarantee that the members of the Supervisory Board fulfil their obligations in accordance with the defined requirements.

Section 4.1.5: The Executive Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds, and promotes diversity as appropriate. When making appointments to management positions in the company, the decisions of the Executive Board are governed solely on the basis of the qualifications held by the candidates and it does not equate gender with any primary relevance for decision-making in this connection. The Executive Board has defined target parameters and deadlines for achieving goals for the proportion of women in the two management tiers below the Executive Board. These are published in the Declaration on Corporate Governance.

Section 4.2.2 Sub-section 2: The Supervisory Board does not use the ratio of compensation of the Executive Board to the compensation for the senior management and the workforce overall in relation to the issue of what level of compensation is appropriate for the Executive Board, neither is the development over time taken into account. Accordingly, the Supervisory Board does not lay down how the senior management and the relevant workforce should be defined. The corresponding recommendation of the Code appears to be not very

practical and furthermore is not appropriate for guaranteeing that the compensation for the Executive Board is appropriate in every case.

Section 4.2.3 Sub-section 2: The variable compensation for the Executive Board does not take into account any negative developments such that real losses of income can actually occur. Given the structure of the compensation for the Executive Board, this does not appear to be necessary in order to ensure that the Executive Board does not enter into any inappropriate risks in the course of managing the company.

Section 4.2.3 Sub-section 4: The contracts for the Executive Board do not have a severance-pay cap to cover the case of premature termination of the contract. Such a rule does not appear necessary in addition to the conditions applicable under statutory regulations in the case of premature termination of contracts for the Executive Board in order to safeguard the interests of the company and its shareholders.

Section 4.2.3 Sub-section 6: The Chairman of the Supervisory Board has not informed the Annual General Meeting about the principles of the compensation system and their amendment, the information provided in the annual financial statements was regarded as adequate.

Section 4.2.4 and 4.2.5: On 28 March 2014, the Annual General Meeting of KPS AG resolved with the necessary majority no longer to publish the information pursuant to Article 286 Section 5 German Commercial Code (HGB), Article 285 sentence 1 no. 9 letter a) sentence 5 to 9 German Commercial Code (HGB) and pursuant to Article 314 Section 2 sentence 2 German Commercial Code (HGB), Article 314 Section 1 no. 6 letter a) sentence 5 to 9 German Commercial Code (HGB). Against this background, the compensation system will also not be explained in the compensation report. This report does not contain any information on the type of fringe benefits.

Section 5.1.2 Sub-section 1: The Supervisory Board expressly welcomes all efforts which act against discrimination for reasons of gender and on any other grounds and promotes diversity as appropriate. When making appointments to the Executive Board, the decisions of the Supervisory Board are governed solely by the specific individual competence and qualification, other characteristics such as gender or nationality have not been relevant to this decision and will not be applicable in the future. Target parameters and deadlines relating to the proportion of women on the Executive Board and for the

achievement of the target parameters have been defined which are published in the Declaration of Corporate Governance.

Section 5.1.2 Sub-section 2: The Supervisory Board has not defined any age limit for the Members of the Executive Board. The definition of an age limit for the Members of the Executive Board is not in the interests of the company and its shareholders, since there is no compelling connection between a specific age of a Member of the Executive Board and their performance.

Section 5.3: No committees are formed in view of the number of Members of the Supervisory Board (three).

Section 5.4.1 Sub-section 1

and Sub-section 2: The composition of the Supervisory Board is presently such that the principles of diversity and potential conflicts of interest are taken into account. In view of the statutory regulations defined in the Stock Corporation Law, which describes in Article 100 Stock Corporation Law (AktG) the personal requirements for the activity as a Member of the Supervisory Board and in Article 111 Stock Corporation Law the functions of the Supervisory Board and therefore also simultaneously defines in the same way as the Code the targets for the re-election of the Supervisory Board, the Supervisory Board has refrained from designating concrete targets for the composition when the Supervisory Board is re-elected. The Supervisory Board regards as problematic the definition of an age limit for membership of the Supervisory Board based on the General Equality Law and will not provide such a definition. The Supervisory Board has defined target parameters and deadlines for the attainment of the target parameters which are published in the Declaration on Corporate Governance.

Section 5.4.1 Sub-section 5: The Supervisory Board does not disclose the personal and social relationships of each candidate for the company, the governance bodies of the company and a shareholder with a major interest in the company when it submits proposals for election to the Annual General Meeting. In the opinion of the Supervisory Board, the recommendation of the Code entails not insubstantial risks and the Supervisory Board believes that complying with them would therefore not be in the interests of the company.

Section 7.1.2: The consolidated financial statements as at 30 September of each business year are not published within 90 days but within 120 days of the end of the relevant reporting period. The interim report is not

published within 45 days but within 60 days of the end of the reporting period.

Unterföhring, January 2017

KPS AG

The Executive Board

The Supervisory Board

Dietmar Müller

Michael Tsifidaris

Leonardo Musso

Uwe Grünewald

Hans-Werner Hartmann