



KPS AG

Unterföhring

ISIN DE000A1A6V48

WKN A1A6V4

Invitation to the ordinary Annual General Meeting

We have pleasure in issuing a warm invitation to our shareholders to attend the

Ordinary Annual General Meeting

to be held at the MOC Veranstaltungszentrum, Lilienthalallee 40, 80939 Munich, Germany

at 10:00 (CET) on Friday 7 April 2017

I.

Agenda

- 1. Submission of the adopted Annual Financial Statements and the Management Report for KPS AG including the explanatory report of the Executive Board for the information pursuant to Article 289 section 4 German Commercial Code (HGB) on 30 September 2016 and the approved Consolidated Financial Statements and the Management Report for KPS AG and the Group at 30 September 2016 including the explanatory report of the Executive Board on the information pursuant to Article 315 Section 4 German Commercial Code (HGB) as at 30 September 2016 and submission of the Report of the Supervisory Board for the business year.**

The documents referred to above will be available at the Annual General Meeting and the Executive Board and – as far as these relate to the Report of the Supervisory Board – the Chairman of the Supervisory Board will provide more detailed explanations of these documents at the meeting. In accordance with the statutory regulations, no resolution is provided for on this agenda item, because the Supervisory Board already approved the annual and consolidated financial statements at its meeting on 30 January 2017 and the annual financial statements have thereby been adopted.

The documents referred to are also available on our Internet site at <http://www.kps.com> (in the “Investor Relations” and there under “Annual General Meeting”). On request,

shareholders of the company will be sent a copy of the documents once only and free of charge.

2. Resolution on the appropriation of the net profit of KPS AG

The Executive Board and the Supervisory Board propose that the net profit for the business year 2015/16 of KPS AG amounting to EUR 27,925,605.64

- a) be appropriated in the amount of EUR 12,301,982.55 for the payout of a dividend of EUR 0.33 for each no-par value share entitled to receive a dividend, and
- b) that the remaining sum in the amount of EUR 15,623,623.09 be carried forward to new account.

This resolution on the appropriation of profit takes account of the own shares (treasury shares) held directly or indirectly by the company which are not entitled to a dividend pursuant to Article 71b Stock Corporation Act (AktG). On the date when the Annual General Meeting was convened, these treasury shares numbered 133,365 no-par shares. If the number of no-part shares entitled to a dividend for the past business year 2015/16 should change by the date of the Annual General Meeting, a correspondingly adjusted resolution proposal will be put to the vote, which will provide for a dividend changed at EUR 0.33 for each no-par share entitled to a dividend.

Against the background of the amendment to Article 58 section 4 Stock Corporation Act (AktG) effective on 1 January 2017, we draw attention to the fact that a dividend adopted by a resolution of the Annual General Meeting only becomes due on the third business day following the Annual General Meeting (i.e. on Wednesday 12 April 2017) and such dividend will also only be paid out then.

3. Resolution on the discharge of the Members of the Executive Board for the business year 2015/16

The Executive Board and the Supervisory Board propose that the actions of the Members of the Executive Board incumbent during the business year 2015/16 be approved for this period and that they be discharged.

4. Resolution on the discharge of the Members of the Supervisory Board for the business year 2015/16

The Executive Board and the Supervisory Board propose that the actions of the members of the Supervisory Board incumbent during the business year 2015/16 be approved for this period and that they be discharged.

5. Resolution on the appointment of the auditor of the financial statements and the auditor of the consolidated financial statements and of the auditor for any audit inspection of interim reports for the business year 2016/2017

The Supervisory Board proposes that Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft (audit firm), Munich, be appointed as the auditor of the financial statements and auditor of the consolidated financial statements for the business year 2016/17, and as the auditor for any audit inspection of the half-year report and any additional financial reports pursuant to Article 37w Securities Trading Act (WpHG) for the business year 2016/17, insofar as such interim reports are to be subject to an audit inspection.

6. **Resolution on the amendment to Article 17 of the Articles of Incorporation**

Article 17 No. 3 of the Articles of Incorporation (statutes) of the company currently provide for a relaxation compared with the statutory majority requirements in the passing of resolutions at the Annual General Meeting. According to this article, resolutions at the Annual General Meeting may be passed with a simple majority of the votes cast, insofar as a larger majority is not mandatory under statutory regulations for the adoption of resolutions. If the legislation does not provide for a mandatory requirement for a majority of the capital stock represented for the adoption of a resolution, the current regulation in accordance with the Articles of Incorporation defines a simple majority of the capital stock.

In order to reinstate the basic statutory condition in relation to the majority requirements, at the Annual General Meeting the Executive Board and the Supervisory Board propose the following resolution:

- a) Article 17 No. 3 of the Articles of Incorporation shall be revoked.
- b) Article 17 No. 4 shall become Article 17 No. 3, Article 17 No. 5 shall become Article 17 No. 4 and Article 17 No. 6 shall become Article 17 No. 5.

7. **Resolution on cancelling the previous approved capital 2014/I and on creation of a new approved capital 2017 with the possibility of excluding subscription rights and amending the Articles of Association**

The Articles of Association include in Article 5 section 4 approved capital 2014/I which authorizes the Executive Board to increase the capital stock of the company with the approval of the Supervisory Board up to 27 March 2019 (inclusive) by up to a total amount of EUR 15,102,789.00 against cash and/or non-cash contributions of up to 15,102,789 new bearer shares at no nominal value (no-par value shares) once or more than once (approved capital 2014/I). The Executive Board has made use of this authorization granted by the Annual General Meeting held on 28 March 2014 for EUR 16,371,265.00 in the amount of EUR 1,268,476.00. The implementation of the corresponding capital increase was entered in the Company Register on 28 July 2014. The proposal provides for the replacement of approved capital 2014/I by a new approved capital 2017 in order to give the Executive Board the opportunity to strengthen the capital base of the company quickly and flexibly in the future.

The Executive Board and the Supervisory Board propose the following resolutions:

- a) The authorization for an authorized capital 2014/I in accordance with Article 5 Section 4 of the Articles of Incorporation approved by the Annual General Meeting by resolution on 28 March 2014 shall be cancelled effective on the date of entry of the new authorized capital 2017 to be subsequently approved by resolution in the scope not yet fully used by the Executive Board.
- b) The Executive Board is authorized to increase the capital stock of the company in the period up to 6 April 2022 (inclusive) with agreement of the Supervisory Board by up to a nominal amount of EUR 18,706,050.00 by issue of up to 18,706,050 new registered no-par shares against cash and/or non-cash consideration once or more than once (authorized capital 2017).

In principle, the shareholders are to be offered a subscription right. The subscription right can also be granted indirectly in that the shares are taken over by one or more than one banks or similar companies pursuant to Article 186 Section 5 p. 1

Stock Corporation Act (AktG), with the obligation to offer them to the shareholders for subscription.

However, the Executive Board is authorized to exclude the subscription right of shareholders with the approval of the Supervisory Board in the following cases

- in order to exclude fractions from the subscription right;
- in the case of capital increases for cash, insofar as the issue amount of the new shares is not significantly less than the stock exchange price of the shares in the company already issued on the date of the final definition of the issue amount, which should be as close to the placement of the shares as possible, and the total share in the capital stock arithmetically attributable to the issued shares with exclusion of the subscription right in accordance with Article 186 Section 3 p. 4 Stock Corporation Act (AktG) does not exceed 10% of the capital stock either at the time this authorization becomes effective or at the time of exercising this authorization. This limit shall include shares which are sold or issued during the period of this authorization on account of other authorizations in indirect or corresponding other application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG) with exclusion of the subscription right. Furthermore, this limit shall include shares which are issued to service bonds (including participation rights) with conversion or option rights or a conversion obligation, insofar as the bonds or participation rights are issued during the course of this authorization with exclusion of the subscription right in corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG);
- in the case of capital increases for non-cash contributions, in particular in the context of company mergers, or for the purpose of (also indirect) acquisition of companies, parts of companies, shareholdings in other companies or any other assets or claims to the acquisition of assets.

The Executive Board of the company is authorized with the consent of the Supervisory Board to define the additional details for the performance of capital increases from the authorized capital 2017. The Supervisory Board is authorized to adjust the version of the Articles of Incorporation after complete or partial implementation of the increase in the capital stock from authorized capital 2017.

c) Article 5 Section 4 of the Articles of Incorporation will be revised as follows:

“(4) The Executive Board is authorized to increase the capital stock of the company in the period up until 6 April 2022 (inclusive) with the consent of the Supervisory Board by up to nominally EUR 18,706,050.00 by the issue of up to 18,706,050 new, registered no-par shares against cash and/or non-cash contributions one or more times (authorized capital 2017).

On principle, the shareholders shall be granted a subscription right. The subscription right can also be granted indirectly in that the shares are taken over by one or more banks or similar companies pursuant to Article 186 Section 5 p. 1 Stock Corporation Act (AktG), with the obligation to offer them to the shareholders for subscription.

However, the Executive Board is authorized to exclude the subscription right of shareholders with the approval of the Supervisory Board:

- in order to exclude fractions from the subscription right;
- in the case of capital increases for cash, insofar as the issue amount of the new shares is not significantly less than the stock exchange price of the shares in the company already issued on the date of the final definition of the issue amount, which should be as close to the placement of the shares as possible, and the total share in the capital stock arithmetically attributable to the issued shares with the exclusion of the subscription right in accordance with Article 186 Section 3 p. 4 Stock Corporation Act (AktG) does not exceed 10% of the capital stock either at the time this authorization becomes effective or at the time of exercising this authorization. This limit shall include shares which are sold or issued during the period of this authorization on account of other authorizations in indirect or corresponding other application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG) with exclusion of the subscription right. Furthermore, this limit shall include shares which are issued to service bonds (including participation rights) with conversion or options rights or a conversion obligation, insofar as the bonds or participation rights are issued during the course of this authorization with exclusion of the subscription right in corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG);
- in the case of capital increases for non-cash contributions, in particular in the context of company mergers, or for the purpose of (also indirect) acquisition of companies, parts of companies, shareholdings in other companies or any other assets or claims to the acquisition of assets.

The Executive Board is authorized with the consent of the Supervisory Board to define the additional details of the performance of capital increases from the authorized capital of 2017. The Supervisory Board is authorized to amend the version of the Articles of Incorporation after complete or partial implementation of the increase in the capital stock from authorized capital 2017.”

8. **Resolution on the authorization for issues of share options to Members of the Executive Board of the company, members of the Executive Management of affiliated companies and selected employees at board level of the company and selected employees below the board level of the company and below the executive management of affiliated companies through the creation of a condition capital amounting to EUR 2,000,000 for serving the stock options and corresponding change in the Articles of Incorporation**

It is intended to pass a resolution on a stock option program for the company, in order to be able to give Members of the Executive Board of the company, members of the Executive Board of affiliated companies and selected employees below board level of the company and below the executive management of affiliated companies option rights on shares in the company (“**Stock Option Program 2017**”). The program serves to provide targeted incentivization of program participants while at the same time fostering the loyalty of the individuals for the KPS Group. The performance targets are based on an assessment structure over several years and are in harmony with the requirements of the Stock Corporation Act and the German Corporate Governance Code.

The conditional capital 2017 envisaged to implement the Share Option Program 2017 and the association exclusion of subscription rights is within the statutory limit of 10% of the capital stock on the date of the resolution and amounts to 2017 and at present amounts to around 5.35 %.

The Supervisory Board and the Executive Board propose adopting the following resolution:

a) Stock Option Program 2017

The Executive Board is authorized in the period up to 6 April 2022 (inclusive) with the agreement of the Supervisory Board to grant in the context of the Share Option Program 2017 up to 2,000,000 subscription rights ("**stock option rights**") on up to 2,000,000 registered no-par shares in the company. The Supervisory Board alone is authorized to grant stock option rights to Members of the Executive Board of the company on the basis of the following provisions.

The issue of stock option rights and the shares to serve the stock option rights in accordance with exercising the options is carried out on the basis of the following key points:

aa) Stock option right

Each stock option right grants the right, subject to more detailed terms of the stock option conditions to acquire one registered no-par share in the company with a proportionate amount of the capital stock amounting to EUR 1.00 against payment of the definitive exercise price determined under ff).

The stock option conditions may provide for the company being able to grant the beneficiary to serve the stock option rights optionally instead of new shares from conditional capital own shares or a cash payment. Insofar as the beneficiary is a Member of the Executive Board of the company, the Supervisory Board shall make the decision. The acquisition of own share for alternative implementation of the stock option rights must comply with the statutory regulations; an authorization for the acquisition of own shares is not granted by this regulation. The cash payment results from the difference between the strike price and the exercise price.

The exercise price is equal to the average closing auction price (arithmetic mean) of the shares of the company in the electronic Xetra trading system of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last five trading days before the day of the exercise of the stock option right ("**strike price**").

The new shares are entitled to a share in the profit from the beginning of the business year for which at the time of the issue of the new shares a resolution on the appropriation of the net profit had not yet been adopted.

The stock option rights have a maximum term of seven years from the day of their issue ("**maximum term**") and lapse without compensation after this period.

- bb) Group of beneficiaries entitled to the options and distribution of the share option rights

The Group of beneficiaries entitled to the options comprises Members of the Executive Board of the company (Group 1), members of the Executive Management of affiliated companies (Group 3) and selected employees below the board level of the company (Group 2) and below the Executive Management of the affiliated companies (Group 4). The definition of the precise group of beneficiaries entitled to the options and the scope of the share option rights granted in each case to them is the responsibility of the Executive Board with the agreement of the Supervisory Board. Insofar as the members of the Executive Board of the company are to be granted share option rights, this definition and the issue of the share option rights are the sole responsibility of the Supervisory Board.

The shareholders have no statutory subscription right to the share option rights.

The total volume of up to 2,000,000 share option rights is distributed to the beneficiary groups of people as follows:

- (i) up to 400,000 share option rights (20 %) to Members of the Executive Board of the company (Group 1),
- (ii) up to 100,000 share options rights (5 %) to employees of the company (Group 2);
- (iii) up to 400,000 share option rights (20 %) to members of the Executive Management of affiliated companies (Group 3),
- (iv) up to 1,100,000 share option rights (55 %) to employees of affiliated companies (Group 4).

Persons who come under several of the aforementioned groups of persons will only receive share option rights on account of membership of one group of persons and in each case only from the volume of share option rights which is intended for the affected group of persons; multiple issues shall not be permissible. The beneficiaries must be employees or officers of the company or an affiliated company at the time of granting the subscription rights or must be Members of the Executive Board of the company (in each case "**employment relationship**").

- cc) Issue periods

The share option rights can be issued in one or several tranches. The issue of share option rights is only permissible with the annual issue periods set out below:

- (i) Within a period of two weeks after publication of an annual or half-year financial report or a quarterly release, and
- (ii) within a period of two weeks after an ordinary Annual General Meeting.

An issue is not permissible insofar as and to the extent that legal reasons do not permit the issue of share option rights.

The share option rights can be taken over by a bank with the obligation subject to the instructions of the company to transfer the rights to beneficiaries of the different groups who are alone entitled to exercise the subscription rights.

The issue is carried out by concluding a written issuance agreement between the company or the appointed bank and the beneficiary.

- dd) Waiting time, period for exercising the option rights, term of the share option rights, custodian booking

The share option rights can be exercised at the earliest four years after the day of their issue ("**waiting time**"). After expiry of the waiting time, the share options rights for which the performance targets have been achieved in accordance with ee) can be exercised at any time except during the exercise blocking periods. The exercise blocking periods relate in each case to the following time periods:

- (i) the period from expiry of that period to registration for an Annual General Meeting of the company to the end of the day of the annual General Meeting,
- (ii) the period from the day on which the company published an offer to its shareholders for the acquisition of new shares until the end of the offer period,
- (iii) during the period of 30 calendar days before publication of an annual report or a half-year financial report or the quarterly release on the basis of the schedule in the company calendar, and
- (iv) the period of 15 December of one year to the end of 15 January of the subsequent year.

The exercise blocking periods defined above in each case include the designated beginning and end dates. Furthermore, the restrictions should be observed which arise from the general statutory regulations, in particular relating to the prohibition on insider trading (Art. 17 of the European Market Abuse Directive). Insofar as the Executive Board of the company is affected, the Supervisory Board, and insofar as the other beneficiaries are affected, the Executive Board, of the company can in justifiable exceptional circumstances define additional exercise blocking periods. The commencement of such additional periods must be notified in each case to the beneficiaries in advance and in good time.

The exercise of share options rights is – taking into account the waiting time, the exercise blocking periods and the performance targets – possible within the maximum period, insofar as the share option rights have not already previously lapsed.

The share option rights can only be exercised if a securities account has been designated in the corresponding subscription declaration to which

the acquired shares of the company can permissible and property delivered and booked.

ee) Performance targets, exercise prerequisites and issue price

The share option rights can only be exercised if and insofar as the following performance targets have been achieved:

The EBIT of the company for the business year ending prior to expiry of the relevant waiting period has increased by at least 50% compared with the EBIT for the business year ending before issue of the corresponding share options rights. The basis for determining the EBIT is the audited consolidated financial statements of the company in accordance with IFRS for the relevant business year.

ff) Issue price

The price to be paid for the acquisition of a share in the company resulting from the issue of a share option right ("**exercise price**") is determined on the following basis, insofar as no amendments have been carried out in accordance with gg):

The exercise price corresponds to 100% of the issue price. The issue price is equal to the average closing auction price (arithmetic mean) of the shares of the company in the electronic Xetra trading system of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last five trading days before the day of the exercise of the stock option right ("**issue price**").

The profit of the option holder achievable by the exercise of the share option rights in the form of the difference between the strike price and the exercise price must not exceed three times the issue price ("**cap**"). If the cap is exceeded, the issue price of the share option rights affected in each case is adjusted so that the difference between the strike price and the adjusted exercise price does not exceed three times the issue price.

gg) Protection against dilution

If the company carries out capital and structural measures within the term of the share option rights, the Executive Board of the company, or insofar as the Members of the Executive Board are affected, the Supervisory Board, are authorized to treat the beneficiaries the same way economically. This applies in particular, insofar as the company increases the capital stock in granting a direct or indirect subscription right to shareholders by issuing shares against cash contributions or issuing partial bonds with option or conversion rights. This equal treatment may be realized by reduction of the issue price or by adjustment of the subscription relationship, or by a combination of both. However, the beneficiary shall have no entitlement to claim economic equal treatment. No equalization will be granted in the case of the issue of shares, convertible bonds or option rights under share-based compensation programs including the Share Option Program 2017.

In the case of a capital increase from company funds through the issue of new shares, the number of shares which can be subscribed for each option right increases in the same ratio as the capital stock. The exercise price falls in accordance with the ratio of the capital increase. Article 9 Section 1 Stock Corporation Act (AktG) is not affected by this. If the capital increase is financed from company funds without the issue of new shares (Article 207 Section 2 p. 2 Stock Corporation Act (AktG)), the subscription ratio and the exercise price remain unchanged.

In the case of a capital reduction by way of merger or redemption of shares, the number of shares which can be subscribed for each share option right is reduced in the ratio which corresponds to the ratio of the reduction amount of the capital stock to the capital stock of the company before the capital reduction. The exercise price per share is increased for a nominal capital reduction by way of merger of shares in accordance with the ratio of the capital reduction. If the capital is reduced against repayment of deposits, no adjustment of the exercise price and the subscription ratio takes place.

In the case of a share split without any change to the capital stock, the number of shares which can be subscribed for each share option increases in the ratio by which an old share is exchanged for a new share. The exercise price is reduced in the ratio by which old shares are exchanged for new shares. The number of shares which can be subscribed for each share option right in the case of merger of shares is reduced correspondingly. The exercise price is increased in the ratio in which old shares can be exchanged for new shares.

Fractions of shares are not delivered and not compensated. However, fractions of shares are merged for declaration of the exercise of several share option rights by a beneficiary.

hh) Non-transferability and forfeiture

The share option rights are granted as non-transferable subscription rights. With the exception of cases of inheritance, the share option rights are neither transferrable nor alienable, pledgeable or otherwise chargeable.

The share option rights lapse without payment of compensation if notice is served on the employment relationship between the option holder and the company or an affiliated company or the relationship ends. This does not apply insofar as the share option rights have become non-forfeitable in accordance with the more detailed terms of the share option conditions.

Particularly for cases in which the employment relationship is terminated by death, diminished capacity to work, retirement or other reasons not related to dismissal on account of reasons for which the beneficiary is not responsible, or in the event that the option holder enters into a new employment relationship after serving notice on his/her old employment relationship, special regulations can be provided in the share option conditions for the forfeiture of the share option rights.

In each case, all share option rights are forfeited without payment of compensation after the expiry of the maximum period.

ii) Regulation of details

The Executive Board is authorized with the agreement of the Supervisory Board to define further terms and conditions of the Share Option program 2017; notwithstanding this regulation the Supervisory Board of the company takes such decisions for the Members of the Executive Board of the company. The most important details relate in particular to the scope of the share option rights being granted, other details relating to the adjustment of the exercise price and/or the subscription relationship in the case of capital and structural measures for purposes of protection against dilution, special regulations on the issue of options to and the exercise of options by beneficiaries domiciled abroad taking into account the statutory capital market regulations applicable there, provisions relating to the distribution of share option rights within the authorized groups of persons, the issue day within the schedule periods, the procedure for allocations to the individually entitled persons, the procedure for exercise of the share option rights, and other procedural regulations, in particular the technical handling of the issue of corresponding shares in the company or payment of the cash contribution after the options have been exercised.

b) Creation of a Conditional Capital 2017

The capital stock is conditionally increased by up to EUR 2,000,000 through the issue of up to 2,000,000 registered no-par shares (conditional capital 2017). The conditional capital increase serves exclusively to grant rights to the holders of share option rights from the Share Option Program 2017, for the issue of which the Executive Board was authorized in the period up to 6 April 2022 (inclusive) with the resolution adopted by the Annual General Meeting held today in accordance with the above item a). The conditional capital increase is carried out only insofar as the holders of the share option rights which were granted on account of the authorization approved by the Annual General Meeting today exercise these share option rights and the company does not fulfil the share options rights by delivery of its own shares or by cash payment.

The new shares are entitled to a share in the profit from the beginning of the business year for which at the time of the issue of the new shares a resolution on the appropriation of the net profit had not been adopted by the Annual General Meeting.

The Executive Board of the company is authorized with the consent of the Supervisory Board to define the additional details for the performance of the conditional capital increase, unless share option rights and shares are to be issued to the Members of the Executive Board of the company; in this event, the additional details for the performance of the conditional capital increase will be defined by the Supervisory Board.

The Supervisory Board is authorized to amend the version of the Articles of Incorporation in accordance with the scope of the capital increase from the conditional capital 2017.

c) Amendment of the Articles of Incorporation

The Articles of Incorporation of the company include in Article 5 the following new Section 5:

“(5) The capital stock is conditionally increased by up to EUR 2,000,000 through the issue of up to 2,000,000 registered no-par shares (conditional capital 2017). The conditional capital increase services exclusively to grant rights to the holders of share option rights from the Share Option Program 2017, for the issue of which the Executive Board was authorized in the period up to 6 April 2022 (inclusive) with the resolution adopted by the Annual General Meeting held on 7 April 2017. The conditional capital increase is carried out only insofar as the holders of the share option rights which were granted on account of the authorization approved by the Annual General held of 7 April 2017 exercise these share option rights and the company does not fulfil the share option rights by delivery of its own shares or by cash payment.

The new shares are entitled to share in the profit from the beginning of the business year for which at the time of the issue of the new shares a resolution on the appropriation of the net profit had not been adopted by the Annual General meeting.

The Executive Board of the company is authorized with the consent of the Supervisory Board to define the additional details for the performance of the conditional capital increase, unless share option rights and shares are to be issued to the Members of the Executive Board of the company; in this event, the additional details for the performance of the conditional capital increase will be defined by the Supervisory Board.

The Supervisory Board is authorized to amend the version of the Articles of Incorporation in accordance with the scope of the capital increase from the conditional capital 2017.”

9. **Resolution on authorization to acquire and utilize own shares with possible exclusion of the subscription and any preemptive tender right and the possibility of redeeming own shares and reduction of the capital stock**

The resolution relating to the authorization to acquire and to utilize own shares adopted by the Annual General Meeting held on 21 May 2010 expired on 20 May 2015. The company should again be authorized to acquire and utilize own shares.

The Executive Board and the Supervisory Board propose that the Annual General Meeting adopt the following resolution:

- a) The Executive Board is authorized up to 6 April 2022 (inclusive) to acquire the company's own shares with a proportionate amount of the capital stock in the amount of up to the 10% of the capital stock in existence up to the date on which the resolution is adopted or – if this value is less – of the capital stock in existence on the date of the exercise of this authorization for the permissible purpose. The shares acquired on account of this authorization together with other shares of the company which the company has already acquired and in each case still possesses or which were added to them pursuant to Article 71d and Article 71e Stock Corporation Act (AkG) may at no point exceed 10% of the capital stock of the company. Furthermore, the prerequisites of Article 71 Section 2 p. 2 and 3 Stock Corporation Act (AktG) must be observed. The authorization must not be used for purposes of trading in the company's own shares.
- b) The acquisition is made through the stock exchange (in accordance with item aa)) or by way of a public tender offer addressed to all shareholders (below under item

bb)). Offers under the above item bb) can also be made by way of a public invitation made to all shareholders to submit offers for sale.

aa) If the acquisition of shares is made on the stock exchange, the purchase price paid per share by the company (excluding ancillary acquisition costs) may not exceed or fall below the arithmetic mean of the closing auction price for the shares of the company in the electronic Xetra trading system of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last five trading days before the obligation to purchase by more than 10%.

bb) If the acquisition is made by way of public offer tender, a specific purchase price or a purchase range can be defined. The purchase price per share paid by the company (excluding ancillary acquisition costs) may not exceed or fall below the arithmetic mean of the closing auction price for the shares of the company in the electronic Xetra trading system of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the 9th, 8th, 7th, 6th, and 5th trading day before the day for publication of the offer or the public invitation made to all shareholders to submit offers for sale by more than 10%. If after the publication of a public purchase offer no substantial deviations result compared with the defining reference price, the purchase price or the purchase price range can be adjusted. In this event, the closing auction price in the electronic Xetra trading system of Deutsche Börse AG in Frankfurt am Main (or a comparable successor system) on the last trading day before the date of the public announcement will be used to make any adjustment.

The volume of the public purchase offer can be limited. Insofar as the volume of the shares offered in a public purchase offer exceeds the available repurchase volume, the acceptance must be carried out in proportion to the shares offered in each case; the right of shareholders to tender their shares in proportion to their participation quota is insofar excluded. Furthermore, preference may be given to acceptance of a low number of shares (up to 100 tendered shares per shareholder) and a rounding rule may be applied based on commercial principles in order to avoid fractional shares under insofar partial exclusion of a potential right to offer their shares for sale. The public purchase offer can include additional conditions.

c) The Executive Board is authorized to utilize the own shares acquired on the basis of this authorization for all legally permissible purposes, in particular also as follows:

aa) The shares may be (i) sold on the stock exchange or (ii) sold by an offer addressed to all shareholders.

bb) The shares can also be sold in another way other than on the stock exchange or by an offer to shareholders, insofar as the shares are sold against a cash contribution and at a price (not including ancillary costs of sale) which is not significantly less than the stock exchange price of shares in the company on the date of the sale. However, this authorization only applies subject to the requirement that the total number of shares sold subject to exclusion of the subscription right in accordance with Article 186 Section 3 p. 4 Stock Exchange Act (AktG) must not exceed 10 % of the capital stock, neither on the date that this authorization becomes effective nor on the date of exercise of this authorization. This limit shall in-

clude shares which are issued during the term of this authorization from authorized capital subject to exclusion of the subscription right in accordance with Article 186 Section 3 p. 4 Stock Corporation Act (AktG). Furthermore, this limit shall include shares which are issued to service bonds (including participation rights) with conversion or option rights or a conversion obligation, insofar as the bonds or participation rights are issued during the course of this authorization with exclusion of the subscription right in corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG).

- cc) The shares can be offered to third parties against a non-cash contribution in particular in the context of company mergers, or for the purpose of (also indirect) acquisition of companies, parts of companies, shareholdings in other companies or any other assets or claims on the acquisition of assets, and transferred to them.
 - dd) The shares can also be used to serve share option rights with own shares of the company which are issued by the company to Members of the Executive Board of the company, members of the Executive Management of affiliated companies and selected employees below the board level of the company and below the executive management of affiliated companies on the basis of the resolution on the Share Option Program under agenda item 8 proposed to the Annual General Meeting being held on 7 April 2017. Reference is made to the disclosures pursuant to Article 193 Section. 2 No. 4 Stock Corporation Act (AktG) in this resolution proposal relating to agenda item 8.
 - ee) They can be used for the fulfilment of conversion or option rights which are granted by the company or a Group company for the issue of bonds (including participation rights) in future, or for fulfilment of conversion obligations arising from bonds (or participation rights) issued by the company or a Group company.
 - ff) They can be redeemed without the redemption or its implementation requiring a further resolution by the Annual General Meeting. The redemption leads to the reduction of the capital stock by the proportion attributable to the redeemed shares. Notwithstanding this regulation the Executive Board can determine that the capital stock remains unchanged with the redemption and instead the proportion of the unredeemed shares in the capital stock is increased accordingly; the Executive Board is empowered for this case to adjust the number of no-par shares in the Articles of Incorporation.
- d) The above authorizations under item c) also include the utilization of shares of the company which were acquired on account of earlier authorization resolutions pursuant to Article 71 Section 1 No. 8 Stock Corporation Act and acquisition of such shares which were acquired by enterprises dependent pursuant to Article 17 Stock Corporation Act (AktG) or in majority ownership pursuant to Article 17 Stock Corporation Act (AktG) of the company or by third parties acting on behalf of the company or otherwise pursuant to Article 71d p. 5 Stock Corporation Act (AktG).
 - e) The above authorizations can be utilized entirely or in parts, once or more than once, for one or more than one purpose by the company and, with the exception of the authorization under item c) ff), also by enterprises dependent pursuant to Article 17 Stock Corporation Act (AktG) or in majority ownership pursuant to Arti-

cle 16 Stock Corporation Act (AktG) of the company or on their account or by third parties acting on behalf of the company.

- f) The subscription right of shareholders is excluded insofar as the shares are sold on the stock exchange or are utilized in accordance with the above authorizations in accordance with item c) bb) to item c) ee). Furthermore, the Executive Board can exclude the subscription right of shareholders for fractional amounts in the case of sale of the shares by offer to all shareholders.
- g) The utilization of the authorizations in accordance with item c) aa) to item c) ee) requires the consent of the Supervisory Board.

II.

Reports of the Executive Board on agenda items 7 and 9

From the date of convening the Annual General Meeting the shareholders have access to the following reports by the Executive Board on the Internet site of the company at <http://www.kps.com> (in "Investor Relations" and there under "Annual General Meeting") where they can be viewed and downloaded. On request, each shareholder of company will be sent a copy of these reports once only and free of charge. These reports will also be available at the Annual General Meeting.

1. Report by the Executive Board on agenda item 7

According to agenda item 7, the Executive Board is to be authorized to increase the capital stock of the company up to 6 April 2022 (inclusive) with the agreement of the Supervisory Board by up to a nominal amount of EUR 18,706,050.00 by issue of up to 18,706,050 new registered no-par shares against cash and/or non-cash consideration (authorized capital 2017). The Executive Board makes the following report pursuant to Article 203 Section 2 p. 2 Stock Corporation Act (AktG) in conjunction with Article 186 Section 4 p. 2 Stock Corporation Act (AktG):

When utilizing the authorized capital 2017 the shareholders have a right of subscription.

- a) However, the Executive Board is to be able to exclude the subscription right for fractional amounts with the agreement of the Supervisory Board. This is intended to facilitate the handling of issues with general subscription right of the shareholders. Such fractional amounts may result from the individual issue volume and the presentation of a practical subscription ratio. Their value is generally low for the individual shareholder, whereas the expense for this issue without such exclusion is significantly higher. The exclusion therefore serves to enhance the practical feasibility and easier implementation of an issue. The new shares excluded as free fractions of the subscription right of shareholders will be exploited in the best interests of the company.
- b) Furthermore, the subscription it is to be possible to exclude the subscription right in the case of capital increases for a cash consideration in respect of up to 10% of the capital stock which is in existence at the date of implementation or exercise of the authorization, if the new shares are issued at an amount pursuant to Article 186 Section. 3 p. 4 Stock Corporation Act (AktG) which does not differ significantly from the stock market price (so-called simplified exclusion of subscription rights). This limit of 10% shall include shares which are sold or issued during the period of this authorization with exclusion of the subscription right in direct or cor-

responding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG). Furthermore, the limit shall include shares to service bonds (including participation rights) with conversion or option rights or a conversion obligation, insofar as the bonds or participation rights are issued during the course of this authorization with exclusion of the subscription right in corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG).

This authorization places the Executive Board in the position of being able to take advantage of market opportunities quickly and flexibly. It means that we can cover a capital requirement that may arise in this connection, if necessary at very short notice, without having to engage in a subscription offer which takes at least 14 days to arrange. The placement of the new shares is carried out here at a price close to the stock exchange price and this is generally associated with a lower discount than in the case of subscription rights issues. In addition, this type of placement is able to achieve strategic acquisition of new shareholder groups. The simplified subscription right exclusion generally relates to the standard case under statutory regulations whereby the subscription right of shareholders can be excluded. The limit of 10% of the capital stock which is in existence at the date of implementation or exercise of the authorization with the inclusion of other cases of direct or corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG) takes account of the need to protect the shareholders in relation to a proportionate dilution of their shareholdings. Shareholders who want to retain their proportionate shareholding can prevent the reduction of their proportionate shareholding by acquisitions on the stock exchange. In the case of the simplified subscription right exclusion, the issue amount of the new shares must not significantly fall below the stock exchange price. This takes adequate account of the need to protect shareholders from dilution of the value of their shareholding. In accordance with the statutory rationale of Article 186 Section 3 p. 4 Stock Corporation Act (AktG) and following assessment of the circumstances outlined above, exclusion of subscription rights in within the circumscribed limits preserves the interests of the shareholders to a reasonable extent and is in accordance with the interests of the company, particularly in relation to safeguarding the necessary scope for taking action.

- c) The subscription right is also to be excluded in the case of capital increases against a non-cash contribution. The company should also continue to be able to acquire enterprises, parts of enterprises, shareholdings or economic assets in connection with a project, and other assets or claims, in order to strengthen its competitiveness, enhance the company's profitability and increase the value of the company. It emerges that in the case of such projects large units are regularly involved. Very high contributions have to be paid many times in such situations. They should or can – also from the perspective of an optimum financial structure – often be provided entirely or partly as a non-cash contribution. Moreover, sellers frequently insist on acquiring shares as a consideration because this can be more cost-effective for them and sellers can in this way also indirectly have a share in the opportunities and risks of the units sold. The possibility of using own shares as an acquisition currency thereby gives the company the option of exploiting such acquisition opportunities quickly, flexibly and with the preservation of liquidity. It places the company in a position to acquire even large units in exchange for shares. Even in the case of individual economic assets, it should be possible under certain circumstances to make acquisitions either entirely or partly in exchange for shares. In all cases, it must be possible to exclude the subscription right of shareholders. Since this type of acquisition generally has to be carried out at short notice, it is not possible to achieve this for practical reasons by passing resolutions at the Annual General Meeting which only takes place once a year. This approach requires authorized capital which the Executive Board – with the agreement of the Supervisory Board – can quickly access. The company does not

suffer any disadvantage as a result of this, because the issue of shares against a non-cash contribution assumes that the value of the non-cash contribution is in a reasonable relationship with the value of the shares to be issued. The Executive Board will carefully review the valuation ratio when exercising the authorization and ensure that the interests of the company and its shareholders are appropriately safeguarded and that a reasonable issue price is obtained for the new shares.

After carefully considering all the circumstances, the Executive Board has come to the conclusion that exclusion of the subscription right in the cases referred to is objectively justified and reasonable for the reasons presented also taking into account the corresponding dilution effects to the detriment of shareholders. The Executive Board will carry out a careful review in each case to ascertain whether the utilization of the authorized capital 2017 is in the interests of the company and its shareholders. The Executive Board will report to the Annual General Meeting about any utilization of the authorized capital 2017.

2. Report of the Executive Board on agenda item 9

Agenda item 9 contains the proposal to provide the Executive Board with the authorization to acquire own shares in the scope of up to 10% of the capital stock itself or through independent enterprises or enterprises in majority ownership of the company or through third parties acting on its or their own account. The authorization is intended to continue up to and including 6 April 2022 and thereby to utilize the statutory enabled framework of five years pursuant to Article 71 Section 1 No. 8 Stock Corporation Act (AktG). The authorization granted by the Annual General Meeting on 21 May 2010 expired on 20 May 2015. The Executive Board therefore provides the following report on the exclusion of subscription right pursuant to Article 71 Section 1 No. 8 in conjunction with Article 186 Section 4 p. 2 Stock Corporation Act (AktG):

a) Authorization to acquire own shares

Article 71 Section 1 No. 8 Stock Corporation Act also allows other forms of acquisition and sale to be used in addition to acquisition and sale on the stock exchange. The proposal for a resolution provides for the acquisition of shares also by means of a public offer tender made to all shareholders or a public invitation to submit offers for sale (jointly known as “**public purchase offer**”). Article 71 Section 1 No. 8 p. 4 Stock Corporation Act (AktG) states clearly that acquisition through the stock exchange satisfies the equal treatment principle pursuant to Article 53a Stock Corporation Act (AktG). Any disadvantage to shareholders is excluded by application of the equal treatment principle pursuant to Article 53a Stock Corporation Act (AktG).

A public purchase offer may involve the volume of shares in the company offered by shareholders exceeding the number of shares envisaged by the company for acquisition or the number of shares required by the company. In this case an allocation does not have to be given on the basis of participation rates but on the basis of the ratio of the tendered shares. This serves to simplify the allocation procedure. This is intended to facilitate a preferential acceptance of smaller offers or smaller parts of offers up to a maximum of 100 shares. This option helps to avoid fractional amounts in the determination of the ratios to be acquired and small residual amounts, and this facilitates the technical process of the repurchase. A de facto discrimination against small shareholders can also be avoided in this way. Finally, provision is also to be made for a rounding based on commercial principles in order to avoid arithmetic fractions of shares. Insofar, the acquisition ratio and the number of individually shares being tendered to acquired shares can be rounded in the way necessary so as to ensure that the purchase of whole shares

is technically possible. The Executive Board considers that the resultant exclusion of any more extensive preemptive tender right of the shareholders is objectively justified and reasonable with respect to the shareholders.

b) Authorization for the utilization of own shares acquired by the company

The acquired own shares may be used for all legally permissible purposes, in particular also as follows:

Article 71 Section 1 No. 8 p. 4 Stock Corporation Act (AktG) permits the own shares acquired on the basis of this authorization or an earlier authorization to be sold on the stock exchange. If the Executive Board sells its own shares on the stock exchange, it is necessary in formal terms to exclude any indirect subscription right of the shareholders with respect to the company. However, the shareholders are not unreasonably disadvantaged as a result of this action. According to the statutory regulations, the sale of own shares on the stock exchange – in the same way as their acquisition on the stock exchange – must comply with the equal treatment principle as set out in Article 53a Stock Corporation Act (AktG).

Furthermore, it is proposed that the Annual General Meeting should authorize the Executive Board to sell own share acquired on the basis of this authorization or earlier authorizations on the basis of an offer to all shareholders or in some other way. According to the statutory regulations, this approach also satisfies the equal treatment principle pursuant to Article 53a Stock Corporation Act (AktG).

The company shall also be permitted to sell the own shares acquired on the basis of this authorization or an earlier authorization subject to the prerequisites of Article 186 Section 3 p. 4 Stock Corporation Act (AktG) excluding the subscription right other than on the stock exchange or by an offer to the shareholders against a cash contribution. This is intended to enable the company in particular to issue shares in the company at short notice. The proposed authorization serves to secure a permanent and appropriate capital base for the company. For example, it permits own shares to be sold to institutional shareholders or new groups of investors to be accessed. A prerequisite is that the shares are sold against a cash contribution at a price which is not significantly less than the stock exchange price of shares in the company on the date of the sale. The final definition of the sale price for the own shares is only determined for the own shares on a date shortly before the sale. The Executive Board will keep any discount on the stock market price as low as possible. Under no circumstances may the discount be more than 5% of the stock market price on the date of exercise of the authorization. The proportionate amount of the capital stock attributable to the shares being sold must not exceed 10% of the capital stock, neither on the date that this authorization becomes effective nor on the date of exercise of this authorization. This limit shall include shares which are issued during the term of this authorization from authorized capital subject to exclusion of the subscription right in accordance with Article 186 Section 3 p. 4 Stock Corporation Act (AktG). Furthermore, this limit shall include shares which are issued to service bonds (including participation rights) with conversion or option rights or a conversion obligation, insofar as the bonds or participation rights are issued during the course of this authorization with exclusion of the subscription right in corresponding application of Article 186 Section 3 p. 4 Stock Corporation Act (AktG). The limit on the number of shares to be sold and the obligation to define the sale price of the shares being sold close to the stock exchange price provides the shareholders with reasonable protection against a dilution in the value of their shares. At the same time, it is ensured that the consideration to be received by the company is reasonable.

At the same time, it should be possible to offer own shares to third parties against non-cash contributions, in particular in the context of company mergers, or for the purpose of (also indirect) acquisition of companies, parts of companies, shareholders in other companies or any other assets or claims on the acquisition of assets. This will enable the company to strengthen its competitiveness, and enhance its profitability and increase the value of the company. It emerges that in the case of such projects, that large units are regularly involved. Very high contributions have to be paid many times in such situations. They should or can – also from the perspective of an optimum financial structure – often be provided entirely or partly as a non-cash contribution. Moreover, sellers frequently insist on acquiring shares as a consideration because this can be more cost-effective for them and sellers can in this way also indirectly have a share in the opportunities and risks of the units sold. The possibility of using own shares as an acquisition currency thereby gives the company the option of exploiting such acquisition opportunities quickly, flexibly and with the preservation of liquidity. It places the company in a position to acquire even large units in exchange for shares. Even in the case of individual economic assets, it should be possible under certain circumstances to make acquisitions either entirely or partly in exchange for shares. The possibility of being able to offer own shares as a consideration creates an advantage in the competition to acquire interesting acquisition objects. The Executive Board will ensure when establishing the valuation relations that the interests of the shareholders are appropriately safeguarded. This review by the Executive Board will take account of the price of the company's share on the stock exchange.

The company should also have the possibility of serving share options rights with own shares of the company which have been issued by the company to its Executive Board and its managers, and to the Executive Management and the managers of its Group companies on the basis of the resolution on the Share Option Program under agenda item 8 proposed to the Annual General Meeting being held on 7 April 2017. The authorization for the utilization of own shares alongside the proposed conditional capital 2017 to serve the share option rights extends the flexibility of the company. In relation to the structure and conditions of the Share Option Program 2017, reference is made to agenda item 8 in the Invitation to the Annual General meeting to be held on 7 April 2017.

The company should also have the opportunity to utilize own shares for the fulfilment of conversion or option rights which are granted by the company or a Group company for the issue of bonds (including participation rights) in future, or for the fulfilment of conversion obligations arising from bonds (or participation rights issued by the company or a Group company. Insofar as such instruments are issued on the basis of a separate authorization in future, it may be effective to serve the rights to subscribe to shares resulting from such instruments not by a capital increase but entirely or partly through own shares. The rights of shareholders are adequately safeguarded in this context because the shareholders have a subscription right to such instruments and its exclusion is only permissible by observing special requirements.

Finally, the authorization provides for the possibility of acquired own shares also being redeemed. The redemption should be possible in such a way that leads to the reduction of the capital stock when shares are redeemed, or also without carrying out such a reduction of the capital stock by simply redeeming the shares while at the same time increasing the proportionate amount of the capital stock (amortization) attributable to the remaining shares in accordance with Article 237 Section 3 No. 3 Stock Corporation Act (AktG). The rights of shareholders are not impaired in either of these aforementioned cases.

In all the designated cases (apart from in the case of redemption and in the case of public offer to all shareholders (with the exception of fractional amounts)), the subscription right of the shareholders to these shares must be excluded so that they can be utilized as described. After carefully considering all the circumstances, the Executive Board has come to the conclusion that exclusion of the subscription right is objectively justified and reasonable in the designated cases and for the reasons presented.

The opportunities for utilization referred to above can also be exploited in relation to such shares which were acquired on the basis of authorization resolutions adopted at former Annual General Meetings pursuant to Article 71 Section 1 No. 8 Stock Corporation Act (AktG). This affects the 133,368 own shares currently held by the company.

The Executive Board will review each individual case in order to establish whether own shares of the company should be used for the designated measures. When reaching its decision, the Executive Board will be guided by the interests of the shareholders and the company and will further carefully consider whether it should make use of the authorization. The measure will be only adopted in this case and the subscription right excluded.

The Executive Board will report on the decision about utilization of the repurchase authorization and the more detailed circumstances of the acquisition at the next relevant Annual General Meeting pursuant to Article 71 Section 3 Stock Corporation Act (AktG).

III.

Further disclosures and information

1. Prerequisites for participation in the Annual General Meeting and the exercise of the voting right

Pursuant to Article 15 of the Articles of Incorporation only those shareholders are entitled to participate in the Annual General meeting and to exercise their voting right who register for the Annual General Meeting in text form (Article 126b German Civil Code (BGB)) and who have entered the registered shares in the Share Register of the company. The company must receive the registration for participation in the Annual General Meeting at the latest by the end of 31 March 2017, 24.00 (CET) at the following address, fax number or email address.

KPS AG
c/o Computershare Operations Center
80249 Munich
Germany
Fax: +49 89 30903-74675
Email: anmeldestelle@computershare.de

The share portfolio recorded in the share register on the date of the Annual General Meeting is relevant for the participation and voting right. This recorded share portfolio will correspond to the portfolio recorded at the registration closure on Friday 31 March 2017 at 24:00 (CET) (technical record date), since for technical reasons share re-registrations cannot be registered in the share register during the period from registration closure up to and including the day of the Annual General Meeting (cessation of changes in the share register). However, the cessation of changes in the share register does not entail a block

on the availability of the shares. Shareholders are therefore free to dispose over the shares after they have successfully completed the registration. However, purchasers of shares whose reregistration applications are received by the company after 31 March 2017 at 24:00 (CET) will not be able to exercise their participation and voting rights, unless they have appointed a proxy holder or issued an authorization to exercise such rights. In such cases the participation and voting rights remain with the shareholder registered in the share register until the date of reregistration. Purchasers of shares in the company who are not yet registered in the share register are therefore requested to submit reregistration applications as soon as possible.

Banks and shareholders associations and other equivalent institutions or persons defined pursuant to Article 135 Stock Corporation Act (AktG) may only exercise the voting right for shares which do not belong to them, where however they are registered as their holder in the share register, on the basis of an authorization. More information on this is provided in Article 135 Stock Corporation Act (AktG).

2. **Procedure for granting voting proxies**

Shareholders who do not personally want to participate in the Annual General meeting are able to have their vote exercised by appointing a proxy, such as e.g. by a bank, a shareholders' association, other third party or a voting proxy appointed by the company. In this case, a formal and timely registration in accordance with the above section 1 is necessary.

Notification for the granting of proxy, its revocation and verification of authorization to the company must be made in text form (Article 126b German Civil Code (BGB)). The revocation can also be effective if the authorizer of the proxy comes to the Annual General Meeting in person.

Banks, financial services institution, shareholders' associations and equivalent persons

If a bank, a financial services provider equivalent to a bank pursuant to Articles 135 Section 10, 125 Section 5 Stock Corporation Act (AktG), a shareholders' association or another equivalent person pursuant to Article 135 Section 8 Stock Corporation Act (AktG) is to be given authorization, there are no special formal requirements for notification pursuant to the law or the Articles of Incorporation. However, we draw your attention to the fact that in these cases the institution or person to be authorized may require a special form of proxy because they must be able to prove the authorization in verifiable form pursuant to Article 135 Section 1 p. 2 Stock Corporation Act (AktG). The shareholders should therefore agree the possible form of the proxy with the institution or person who they would like to authorize in good time.

Other authorized person

If neither a bank nor a shareholders' association, nor any other person or institution equivalent to them pursuant to Articles 135 Section 8 and 10, 125 Section 5 Stock Corporation Act (AktG) is authorized, the proxy can either be granted to the authorized person or to the company in text form (Article 126b BGB). The same is applicable for revocation of the proxy.

The authorization can be made using the proxy form included in the registration form, the proxy form included in the entry ticket or any other procedurally correct manner.

If the authorization is granted to the company, the proxy should be sent to the following address, fax number or email address:

KPS AG
Investor Relations
Beta-Straße 10h
85774 Unterföhring
Germany
Fax: +49 89 35631-3300
Email: ir@kps.com

If the proxy is granted to the authorized person, the authorized person will require verification of the authorization to the company in text form (Article 126b German Civil Code (BGB)). This verification can be provided on the day of the Annual General Meeting at the entry checkpoint. The verification of authorization can also be sent to the above address, fax number or email address.

If the shareholder gives authorization to more than one person, the company is entitled to reject one or more of such authorizations.

Proxy representative of the company

The shareholders also have the option of authorizing their voting rights to be exercised by the proxy representative nominated by the company in accordance with the granting of corresponding authorizing and instructing proxies. Also in this case, a formal and timely registration is necessary in accordance with the above section 1.

A form for the granting of authorizing and instructing proxies is included in the registration form and in the entry ticket.

The granting, amendment or revocation of proxy and instructions to the proxy representative of the company should be made for organizational reasons by Thursday 6 April 2017 at 24:00 (CET) in text form (Article 126b German Civil Code (BGB)) to the following address, fax number or email address.

KPS AG
c/o Computershare Operations Center
80249 Munich
Germany
Fax: +49 89 30903-74675
Email: anmeldestelle@computershare.de

Furthermore, we offer shareholders, shareholders representatives or the authorized proxies who have registered correctly and by the deadline and come to the Annual General Meeting the opportunity to authorize the proxy representative of the company to exercise the voting right as instructed or to change instructions already given directly at the Annual General Meeting up until the beginning of the casting of votes.

Insofar of the proxy representatives of the company are authorized as proxies, they must in each case be provided with instructions for the exercise of the voting right. The proxy representatives of the company are obliged to vote in accordance with the instructions. The proxy representatives of the company must not exercise the voting right when voting takes place on matters the subject of which was not known in advance of the Annual General Meeting (for example in the case of points of order). In these cases, the proxy

representatives of the company must abstain or not participate in voting. The same is applicable for voting in relation to a countermotion or nomination with express instruction. The authorization of the proxy representative of the company to file objections of to put forward motions or ask questions is not possible.

3. **Information on the rights of shareholders pursuant to Article 122 Section 2, Article 126 Section 1, Article 127, Article 131 Article 1 Stock Corporation Act (AktG)**

a) **Amendments to the agenda on request by a minority pursuant to Article 122 Section 2 Stock Corporation Act (AktG)**

Shareholders whose shares together make up one twentieth part of the capital stock (which corresponds to 1,870,605 shares) or the proportionate amount of EUR 500,000.00 (which corresponds to 500,000 shares) can request that items are placed on the agenda and published. Each new item must be accompanied by a justification or a proposed resolution. The request must be made in writing to the Executive Board of KPS AG and must be received by the company by at the latest the end of 7 March 2017 at 24:00 (CET). We ask that requests for amendments should be sent to the following address:

KPS AG
- Attn. of the Executive Board -
Beta-Straße 10h
85774 Unterföhring
Germany

The shareholders in question must provide verification pursuant to Article 122 Section 1 and Section 2 Stock Corporation Act (AktG) that they have been the holders of the minimum number of shares set out above for at least 90 days prior to the day of receipt of the requires and that they will hold these shares until the decision by the Executive Board about the proposal. Article 121 Section 7 Stock Corporation Act (AktG) should be applied for calculating the deadline

b) **Counter motions and nominations pursuant to Articles 126 Section 1, 127 Stock Corporation Act (AktG)**

Each shareholder is entitled pursuant to Article 126 Section 1 Stock Corporation Act (AktG) to submit counter motions on the proposals for resolution made by the Executive Board and the Supervisory Board on the agenda items without the requirement to announce, publish or take other special action to this effect prior to the Annual General Meeting. The same applies to counter motions on nominations for the election of Members of the Supervisory Board (insofar as this is an item on the agenda) and auditors (Article 127 Stock Corporation Act (AktG)).

However, shareholders can also submit counter motions against a proposal by the Executive Board and/or the Supervisory Board on items of the agenda and nominations before the Annual General Meeting. Such proposals should only be sent to the following address, fax number or email address:

KPS AG
Investor Relations
Beta-Straße 10h

85774 Unterföhring
Germany

Fax: +49 89 35631-3300

Email: ir@kps.com

The company – subject to Articles 126 Section 2 and 3, 127 Stock Corporation Act (AktG) – will immediately notify the other shareholders on the Internet site of the company at <http://www.kps.com> (in the area “Investor Relations” and there under “Annual General Meeting”) about counter motions and nominations received from shareholders at the above these contact points up to 14 days at the latest before the Annual General Meeting, i.e. at the latest by 23 March 2017 at 24:00 (CET). Any statements by the administration will also be published at the Internet address referred to above.

We draw your attention to the fact that counter motions and nominations which have been submitted to the company properly and timely will only be dealt with at the Annual General meeting if they are put forward orally at the Annual General Meeting.

c) Right to information pursuant to Article 131 Section 1 Stock Corporation Act (AktG)

At the Annual General Meeting every shareholder should be provided with information by the Executive Board about the affairs of the company, the legal or business relationships of the company with affiliated companies and the position of the Group and the companies consolidated in the consolidated financial statements, insofar as this information is necessary for the objective assessment of an item on the agenda. Information requests must be verbally at the Annual General Meeting during the public discussion. The Executive Board may refuse the information for the reasons specified in Article 131 Section 3 Stock Corporation Act (AktG).

Further explanations of shareholders rights can be found on the Internet page of the company under <http://www.kps.com> (in the area “Investor Relations” and there under “Annual General Meeting”).

4. Information and documents for the Annual General Meeting

From the date of convening the Annual General Meeting, the documents designated in Article 124a Stock Corporation Act (AktG) have been made accessible for viewing and available for download on the Internet site of the company at <http://www.kps.com> (in the area “Investor Relations” and there under “Annual General Meeting”). Your attention is drawn to the fact that the statutory obligation has been complied with by making such information accessible on the Internet site of the company. However, on request the documents will be sent by simple post to shareholders once only free of charge and without delay.

5. Total number of shares and voting rights

The capital stock of the company amounts to EUR 37,412,100.00 on the date of convening this Annual General Meeting and is divided into 37,412,100 registered no-par shares. Each no-par share grants one vote. At the time of convening the Annual General Meeting

133,365 shares out of these voting rights are not entitled to a vote because the company at this time is holding 133,365 own shares (treasury shares) from which it is not entitled to any voting rights. There are no different classes of shares.

Unterföhring, February 2017

KPS AG

The Executive Board