

ENGINEERING EXCELLENCE

INVITATION TO THE ANNUAL GENERAL MEETING OF KAP AG, FULDA

ISIN: DE 0006208408 // WKN: 620840



DEAR SIR OR MADAM,

We hereby cordially invite our shareholders to KAP AG's 33rd ordinary Annual General Meeting, to be held on **Wednesday, 3 July 2019, at 12:00 noon** at the

Hotel Le Méridien Frankfurt

in the "Culture" conference room (ground floor)
Wiesenhüttenplatz 38
60329 Frankfurt am Main, Germany.

I. AGENDA

1. **Presentation of the approved annual financial statement, management report, consolidated financial statement and group management report of KAP AG and the KAP Group for the 2018 financial year, including the Management Board's explanatory report as per Section 176 (1) sentence 1 of the German Stock Corporation Act (AktG) on the disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB), as well as presentation of the Supervisory Board's report and the corporate governance statement including the corporate governance report.**

The aforementioned documents will be available for perusal on the KAP AG website (<https://www.kap.de/investor-relations/hauptversammlung>) from the date on which the Annual General Meeting is convened. They will also be made available and their content explained at the Annual General Meeting to be held on 3 July 2019.

As per the pertinent statutory provisions, there will be no resolution for agenda item 1 because the Supervisory Board has already approved the annual financial statement and the consolidated financial statement.

2. Resolution on appropriation of the net income for the 2018 financial year.

The Executive Board and the Supervisory Board propose that

of the net income as of 31 December 2018,
which amounts to EUR 36,831,775.71,

a dividend of EUR 2.00 per share,
(EUR 15,520,706.00 in total)

be paid and that the
remaining balance
amounting to EUR 21,311,069.71

be carried forward to the new account.

Pursuant to § 58 (4) sentence 2 of the German Stock Corporation Act, claims to the dividend become due on the third business day after the corresponding resolution is passed at the Annual General Meeting, i.e., on 8 July 2019.

3. Resolution granting discharge to the members of the Supervisory Board.

The Executive Board and the Supervisory Board propose that discharge for the 2018 financial year be granted to the Supervisory Board members incumbent in the 2018 financial year.

4. Resolution granting discharge to the members of the Management Board.

The Executive Board and the Supervisory Board propose that discharge for the 2018 financial year be granted to the Executive Board members incumbent in the 2018 financial year.

5. Resolution on electing a new member of the Supervisory Board as substitute member.

In accordance with Sections 95, 96 (1) and 101 (1) of the German Stock Corporation Act in conjunction with Section 7 (1) of the Articles of Association, the Supervisory Board comprises five members. Because the Company has no employees, all Supervisory Board members are elected via the Annual General Meeting. When electing shareholder representatives, attendees of the Annual General Meeting are not obliged to elect the parties nominated. As per his letter of 28 January 2019, Mr Pavlin Kumchev resigned from his position as a member of the Supervisory Board, making the election of a new Supervisory Board member to replace him necessary.

The Supervisory Board proposes that Mr Joachim Coers, manager, resident of Nonnenhorn, be appointed to the Supervisory Board of KAP AG.

Pursuant to Section 7 (2) of the Articles of Association, the person in question is to be elected effective as of the conclusion of this Annual General Meeting and for the remainder of the term of office of the member who resigned from the Supervisory

Board, i.e., until the conclusion of the Annual General Meeting at which the resolution granting discharge to the members of the Supervisory Board for the 2022 financial year is passed.

Further relevant information on the nominated candidate is provided in the agenda section "Additional information on agenda item 5". His cv can be found at <https://www.kap.de/investor-relations/hauptversammlung>.

6. Resolution on the amendment of Section 7 (2) of the Articles of Association (Composition. Term of office. Resignation from office) of the Supervisory Board

The Executive Board and the Supervisory Board propose that the following resolution be passed:

*Section 7 (2) of the Articles of Association (**Composition. Term of office. Resignation from office**) is to be amended as follows:*

"(2) The members of the Supervisory Board may not be appointed for any longer than until the end of the Annual General Meeting at which discharge for the fourth financial year after commencement of their respective term of office is decided on. The financial year in which the term of office begins is not counted. The financial year in which the term of office begins is not counted. The term of a person elected to succeed a member who retired before his/her term of office expires shall be for the remainder of the retired member's term of office."

The current version of our Articles of Association can be downloaded from our website at <https://www.kap.de/investor-relations/hauptversammlung> or can be sent to shareholders on request.

7. Resolution on the amendment of Section 13 (1) of the Articles of Association (Remuneration) for Supervisory Board members.

The Executive Board and the Supervisory Board propose that the following resolution be passed:

Section 13 (1) of the Articles of Association (**Remuneration**) shall be amended as follows:

“Section 13 Remuneration

- (1) *Members of the Supervisory Board shall receive, in addition to reimbursement of their expenses, a fixed remuneration amount payable at the end of the financial year. The basic remuneration amount is EUR 25,000.00 per member. The Chairperson of the Supervisory Board receives twice this basic remuneration. His/her deputy and the chairperson of a committee each receive 1.5 times this basic remuneration amount.*

If Supervisory Board members have only been members of the Supervisory Board for part of the financial year, then they shall receive a lower remuneration amount calculated on a pro rata temporis basis.”

8. Resolution on the amendment of Section 18 (1) of the Articles of Association (Financial statement and ordinary Annual General Meeting).

The Executive Board and the Supervisory Board propose that the following resolution be passed:

Section 18 (1) of the Articles of Association (**Financial statement and ordinary Annual General Meeting**) shall be amended as follows:

“Section 18 Financial statement and ordinary Annual General Meeting

- (1) *Within the first four (4) months of the financial year, the Management Board shall prepare the annual financial statement and annual report for the previous financial year and submit these documents to the auditor. Upon receipt of the audit report, the annual financial statement, the annual report, the audit report and the proposal for the appropriation of the net income for the year must be submitted to the Supervisory Board without undue delay.”*

9. Selection of the auditors for the 2019 financial statements and consolidated financial statements.

The Supervisory Board proposes, pursuant to the recommendations and preferences of the Management Board, that Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Hamburg serve as the auditor of the annual financial statements and consolidated financial statements for the 2019 financial year and as the auditor for the review of the condensed consolidated financial statements for the 2019 financial year.

Prior to the Management Board recommendation, a selection procedure pursuant to Art. 16 of the EU Auditor Regulation (Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) was conducted. Providing its reasons for doing so, the Management Board then recommended that Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hamburg, and Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, be considered for the audit mandate advertised. It also stated a preference for Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hamburg, again providing the corresponding reasons for its choice.

10. Resolutions on the approval of the domination and profit transfer agreements between KAP AG and its three wholly owned subsidiaries.

a) Domination and profit transfer agreement between KAP AG and KAP Surface Holding GmbH

The KAP AG Management Board and the management of KAP Surface Holding GmbH, the Company's 100% subsidiary, prepared the draft version of the domination and profit and loss transfer agreement in May 2019. This draft is to be signed after it has been approved by the KAP AG Annual General Meeting and by the KAP Surface Holding GmbH Shareholders' Meeting; no amendments will be made to the phrasing of the agreement. KAP Surface Holding GmbH

Shareholders' Meeting will approve the agreement once it has been approved by the KAP AG Annual General Meeting.

The Supervisory Board and the Management Board propose that the domination and profit transfer agreement between KAP AG (as the parent company) and KAP Surface Holding GmbH be approved.

b) Domination and profit transfer agreement between KAP AG and Heiche Logistic GmbH

In May 2019, the Management Board of KAP AG and the management of Heiche Logistic GmbH, KAP AG's wholly owned subsidiary, prepared the draft of the domination and profit and loss transfer agreement. Such agreement is to be signed after it has been approved by the Annual General Meeting of KAP AG and by the Shareholders' Meeting of Heiche Logistic GmbH; no further amendments will be made to the phrasing of the agreement. The Shareholders' Meeting of Heiche Logistic GmbH will approve the agreement once it has been approved by the Annual General Meeting of KAP AG.

The Supervisory Board and the Management Board propose that the domination and profit transfer agreement between KAP AG (as the parent company) and Heiche Logistic GmbH be approved.

c) Domination and profit transfer agreement between KAP AG and Heiche Oberflächentechnik GmbH

In May 2019, the Management Board of KAP AG and the management of Heiche Oberflächentechnik GmbH, KAP AG's wholly owned subsidiary, prepared the draft of the domination and profit and loss transfer agreement. This draft is to be signed after it has been approved by the KAP AG Annual General Meeting and by the Heiche Oberflächentechnik GmbH Shareholders' Meeting; no further amendments will be made to the phrasing of the agreement. The Shareholders' Meeting of Heiche Oberflächentechnik GmbH will approve the agreement after it has been approved by the Annual General Meeting of KAP AG.

The Supervisory Board and the Management Board propose that the domination and profit transfer agreement between KAP AG (as the parent company) and Heiche Oberflächen-technik GmbH be approved.

The contents of the domination and profit transfer agreements are as follows:

- The subsidiaries shall place their company management under the control of KAP AG, which is then entitled to issue instructions to the respective subsidiary's management as regards the company's running (this includes the entire entrepreneurial sphere as per the German Turnover Tax Law (UStG)).
- The management of the respective subsidiary is obliged to follow the instructions issued. The subsidiary undertakes to transfer its entire profit to KAP AG pursuant to the provisions of Section 301 of the German Stock Corporation Act (Aktiengesetz), as amended.
- Subject to KAP AG's approval, the subsidiary may transfer amounts from the net income for the year to other revenue reserves in accordance with Section 272 (3) of the German Commercial Code (Handelsgesetzbuch - HGB) insofar as this is permissible under commercial law and economically justifiable according to sound business judgement. Statutory reserves may be formed. Other revenue reserves as per Section 272 (3) of the German Commercial Code formed during the term of the agreement shall, at the request of KAP AG, be released and used to offset the net loss for the year or transferred as profit. The transfer of pre-contractual capital and revenue reserves is not possible.
- If the agreement does not expire before the end of the respective subsidiary's financial year, then the claim to transfer of profit is incurred at the end of that subsidiary's financial year. The claim falls due on the value date. The obligation to transfer profits applies retrospectively from the beginning of the financial year in which the agreement

became effective through its entry into the commercial register responsible for the subsidiary's registered office.

- KAP AG is obliged to assume the subsidiary's losses pursuant to the provisions of Section 302 of the German Stock Corporation Act, as amended.
- If the agreement does not expire before the end of the subsidiary's financial year, the subsidiary's claim to the assumption of its losses is incurred at the end of the subsidiary's financial year. The claim falls due on the value date. The obligation to assume losses applies retrospectively from the beginning of the financial year in which the agreement became effective through its entry into the commercial register responsible for the subsidiary's registered office.
- The agreement becomes effective through its entry into the commercial register responsible for the subsidiary's registered office.
- The agreement is entered into for an indefinite term. It can be terminated ordinarily subject to providing three (3) months' notice, which is to expire at the end of the subsidiary's financial year. However, the first time at which it can be terminated is at the end of the subsidiary's financial year ending at least five (5) years after the start of the financial year in which the agreement took effect. KAP AG may terminate the agreement at any time subject to providing two (2) weeks' notice. However, such termination only becomes possible once the minimum term set forth in the foregoing sentence has expired.
- The right to extraordinary termination without notice for cause remains unaffected. Cause is deemed to exist, in particular, if KAP AG or the subsidiary undergoes a merger, demerger or liquidation, or if KAP AG, due to a sale or capital contribution, no longer directly holds all shares in the subsidiary, or if, for the first time, and due to a sale or capital contribution, an outside shareholder acquires an interest in the subsidiary pursuant to Section 307 of the German Stock Corporation Act.

- Notice of termination must be provided in writing.
- When interpreting individual provisions of the agreement, Sections 14 and 17 of the German law on corporation taxation (Körperschaftsteuergesetz), as amended, are to be taken into account.
- The agreement contains a severability clause. Should a provision of the agreement be or become ineffective or impracticable either in whole or in part, or contain a gap, then this will not affect the remainder of the agreement. In such an event, the contracting parties undertake to agree to replace the ineffective or impracticable provision with an effective or practicable provision that comes as close as possible in terms of business purpose to the ineffective or impracticable provision. If the agreement contains a gap, then it is to be filled with a provision that, taking into account the purpose of the agreement, would have been agreed on had knowledge of the gap existed when the agreement was drawn up.
- If the agreement stipulates that a written declaration is to be stipulated, then said declaration must be signed by hand by the respective declaring party and the original document then be sent to the respective other contracting party. This written form requirement cannot be replaced by electronic means.

As of the date that the Annual General Meeting is convened, the following documents will be available via our website at <https://www.kap.de/investor-relations/hauptversammlung:>

(i) Domination and profit transfer agreements:

- a) between KAP AG and KAP Surface Holding GmbH
- b) between KAP AG and Heiche Logistic GmbH
- c) between KAP AG and Heiche Oberflächentechnik GmbH

(ii) Annual and consolidated financial statements:

the approved annual financial statement and consolidated financial statement as well as the consolidated management report for **KAP AG** and the Group

as at 31 December 2016,
as at 31 December 2017,
as at 31 December 2018,

the approved annual financial statement for
KAP Surface Holding GmbH

as at 31 December 2017,
as at 31 December 2018,

the approved annual financial statement for
Heiche Logistic GmbH

as at 31 December 2016,
as at 31 December 2017,
as at 31 December 2018,

the approved annual financial statement for
Heiche Oberflächentechnik GmbH

as at 31 December 2016,
as at 31 December 2017,
as at 31 December 2018,

(iii) Joint reports of the Management Board of KAP AG and the management as per Section 293a of the German Stock Corporation Act:

- a) Joint report of the Management Board of KAP AG and the management of KAP Surface Holding GmbH
- b) Joint report of the Management Board of KAP AG and the management of Heiche Logistic GmbH

- c) Joint report of the Management Board of KAP AG and the management of Heiche Oberflächentechnik GmbH

Upon request, copies of these documents will be sent to shareholders free of charge and without delay. The documents will also be available at the Annual General Meeting.

II. ADDITIONAL INFORMATION (PURSUANT TO SECTION 125 (1) SENTENCE 5 OF THE GERMAN STOCK CORPORATION ACT) ON ITEM 5 OF THE AGENDA

Mr Joachim Coers, the candidate nominated for election to the Supervisory Board under agenda item 5.

In the opinion of the Supervisory Board, Mr Joachim Coers qualifies as an independent member of the Supervisory Board as per Section 5.4.2 of the German Corporate Governance Code based on the fact that he has no personal or business relations with the Company, its executive bodies, a controlling shareholder or any of the Company's affiliated companies that could give rise to material, not merely temporary, conflicts of interest. He also has expertise in the fields of accounting or auditing as required of an independent Supervisory Board member by Section 100 (5) of the German Stock Corporation Act.

No memberships in domestic supervisory boards and advisory boards to be formed by law, and no memberships of similar domestic and foreign supervisory bodies of commercial enterprises.

III. FURTHER INFORMATION PERTAINING TO THE CONVENTION OF THE ANNUAL GENERAL MEETING

1. TOTAL NUMBER OF SHARES AND VOTING RIGHTS

As of the date on which the convention of the Annual General Meeting was announced in the Federal Gazette, the Company's share capital amounts to EUR 20,176,917.80 and is divided into 7,760,353 no-par value bearer shares, each with a pro-rata value of EUR 2.60 of the share capital; each no-par value share entitles the holder to one vote. The Company holds no treasury shares. Accordingly, as of the date on which the Annual General Meeting was convened in the Federal Gazette, the total number of participating and voting shares is 7,760,353.

2. CONDITIONS FOR ATTENDING THE ANNUAL GENERAL MEETING AND EXERCISING VOTING RIGHTS

Only persons who are shareholders in the Company as of the beginning of the 21st day before the Annual General Meeting, that is, Wednesday, 12 June 2019, 12:00 a.m. (record date), and who register for the Annual General Meeting in writing either in German or English, are entitled to attend the Annual General Meeting (in person or by proxy) and to exercise their voting rights. Registrations for the Annual General Meeting, to be submitted together with proof of share ownership as issued by the respective custodian bank or financial services institution as of the record date, must be received by KAP AG by midnight on Wednesday, 26 June 2019 (registration deadline). They are to be sent to the following address:

KAP AG

c/o UniCredit Bank AG

CBS 51 CA/GM

80311 Munich

Fax: +49 89 5400 2519

Email: hauptversammlungen@unicredit.de.

3. SIGNIFICANCE OF THE RECORD DATE

Compliance with the record date is essential to exercising participating and voting rights at the Annual General Meeting. Only persons who have provided proof of their shareholding as of the record date will qualify as shareholders for purposes of attending the Annual General Meeting and exercising their voting rights. Changes in the number of shares held by a shareholder after the record date are of no significance. Shareholders who acquired their shares only after the record date are not entitled to participate in the Annual General Meeting. Shareholders who have duly registered and provided proof of their shareholding are entitled to attend the Annual General Meeting and exercise their voting rights even if they sell their shares after the record date. The record date does not affect the saleability of the shares and is of no relevance to dividend entitlements.

4. PROCEDURE FOR CASTING VOTES BY PROXY

Shareholders may opt to have their voting rights exercised by a proxy (e.g. a bank or a shareholders' association) at the Annual General Meeting.

Here, too, the shareholder or proxy must register in due time as per the foregoing provisions. Shareholders who wish to grant or revoke a power of attorney, or to provide the Company with proof of having granted a power of attorney, must do so in writing where neither a credit institution or an equivalent institution or company pursuant to Section 135 (10) of the German Stock Corporation Act in conjunction with Section 125 (5) of the German Stock Corporation Act, nor a shareholders' association or equivalent person pursuant to Section 135 (8) of the German Stock Corporation Act is authorised to exercise voting rights. Shareholders must submit proof of power of attorney to the Company either by post or electronically via the email address specified below. To do so, they can use the power of attorney and instruction form provided on their entry ticket, which they receive from their custodian bank.

Exceptions to the written form requirement may be made for banks and shareholders' associations, and for persons and institutions considered equivalent to these (cf Sections 135, 125 (5) of the German Stock Corporation Act). We therefore ask our shareholders to coordinate with the respective banks, shareholders' associations or equivalent persons or institutions in terms of the form in which powers of attorney are to be issued.

We also offer our shareholders the option of being represented by proxies appointed by the Company and bound by specific instructions. Where proxies nominated by the Company are given powers of attorney, then such proxies must invariably be provided with instructions on how to exercise their voting rights. Powers of attorney provided without such instructions are inadmissible. The proxies must vote as instructed. Where separate votes are held on an agenda item, then the instructions issued in this regard shall apply mutatis mutandis to each individual sub-item. The powers of attorney and voting instructions must be submitted prior to the Annual General Meeting, at the latest by midnight on Tuesday, 2 July 2019. They are to be submitted by fax or email and addressed as follows:

KAP AG

- Shareholders' service -

Edelzeller Strasse 44, 36043 Fulda

Fax: +49 661 103 17 716

Email: hauptversammlung@kap.de

The forms available for download at <https://www.kap.de/investor-relations/hauptversammlung> must be used for this purpose. It is also possible to present proof of a power of attorney at the admission desk on the day of the Annual General Meeting. Timely registration as per the foregoing provisions is obligatory even where a proxy is nominated by the Company.

5. INFORMATION ON SHAREHOLDERS' RIGHTS

All further information on exercising shareholders' rights as per Section 121 (3) No 3 in conjunction with Sections 122 (2), 126 (1), 127 and 131 (1) of the German Stock Corporation Act will be made available to shareholders via the Company's website at <https://www.kap.de/investor-relations/haupt-versammlung> from the date on which the Annual General Meeting is convened. The information will be available in the section "Information on shareholders' rights".

Exercise of shareholders' rights is subject to the following deadlines:

a) Supplements to the agenda pursuant to Section 122 (2) of the German Stock Corporation Act

If shareholders whose shares have a value equivalent to one-twentieth of the share capital or of EUR 500,000 wish to have items put or published on the agenda, then the corresponding requests must be received by the Company by, at the very latest, midnight on Sunday, 2 June 2019. Such requests must be made in writing and addressed to the Management Board of the Company at the following address:

KAP AG

- The Executive Board -

Edelzeller Strasse 44
36043 Fulda

b) Countermotions and nominations as per Sections 126 (1) and 127 of the German Stock Corporation Act

Motions and nominations pursuant to Sections 126 and 127 of the German Stock Corporation Act must be received by the Company by midnight on Tuesday, 18 June 2019.

c) Stockholder's right to request information pursuant to Section 131 (1) of the German Stock Corporation Act

Stockholders may exercise their right to request information pursuant to Section 131 (1) of the German Stock Corporation Act only at the Annual General Meeting. To facilitate comprehensive responses, shareholders and shareholder representatives wishing to ask questions at the Annual General Meeting are cordially requested to submit such questions to the Company as early as possible, sending them to the address specified in Section III.4 above (Procedure for voting by proxies). Such submission is, however, not a formal requirement for receiving a response. The right to information remains unaffected hereby.

6. PUBLICATION OF THE INVITATION TO THE ANNUAL GENERAL MEETING AND OTHER PERTINENT DOCUMENTS

The information that Section 124a sentence 1 of the German Stock Corporation Act stipulates must be made available, in particular this invitation to the Annual General Meeting, the documents to be made available to the Annual General Meeting, motions by shareholders, information on participation in the Annual General Meeting and on the issuing of proxies and instructions, as well as further relevant information, has been made available on the Company's website at <https://www.kap.de/investor-relations/hauptversammlung>.

The results of voting will be published after the Annual General Meeting on the same website.

7. ANNOUNCEMENT OF THE INVITATION

The Annual General Meeting is to be convened and the corresponding agenda and Executive Board and Supervisory Board resolution proposals to be published on 27 May 2019 via the German Federal Gazette (Bundesanzeiger) and through announcements across the European Union.

Fulda, 27 May 2019

KAP AG

Guido Decker
Executive Board

Dr Alexander Riedel
Executive Board

www.kap.de

KAP AG

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Germany