

Engineering Excellence



Convenience translation of the invitation to
the Annual General Meeting of KAP AG, Fulda,
held as a virtual Annual General Meeting

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Dear Sir or Madam

We hereby invite our shareholders to the

Annual General Meeting

on Thursday, 30 September 2021,

at 11:00 hrs (Central European Summer Time – CEST)

subject to the following provision:

The Annual General Meeting will take place as a virtual Annual General Meeting without physical presence of the shareholders or their proxies (with the exception of the company-appointed proxies); there is **no right or opportunity for shareholders to be present at the place of the Annual General Meeting**. A live video and audio transmission will be provided on the internet. Voting rights may be exercised by the shareholders or their proxies exclusively by way of postal vote or by granting authorization to the company-appointed proxies. The place of the Annual General Meeting for the purposes of the German Stock Corporation Act (*Aktiengesetz*; **AktG**) is the business address of KAP AG, Edeltzeller Str. 44, 36043 Fulda.

I. AGENDA

1. Presentation of documents to the Annual General Meeting pursuant to section 176 (1) sentence 1 AktG

Pursuant to section 176 (1) sentence 1 AktG, the Management Board makes the following documents available to the Annual General Meeting:

- the adopted annual financial statements of KAP AG as of 31 December 2020,

** This is a translation of a document into English. Allen & Overy LLP has taken reasonable care to ensure that it is accurate. However, you should be aware that words and legal concepts used in one language may not have exact equivalents in another. Allen & Overy LLP therefore cannot guarantee that the translation will have exactly the same meaning as the original.*

- the approved consolidated financial statements as of 31 December 2020,
- the combined management report and group management report for the KAP Group and KAP AG, including the Management Board's explanatory report on the disclosures pursuant to sections 289a (1) and 315a (1) of the German Commercial Code (*Handelsgesetzbuch; HGB*),
- the separate non-financial group report,
- the report by the Supervisory Board of KAP AG, and
- the Management Board's proposal for the distribution of retained earnings.

All the above documents are available on the following website:

<https://www.kap.de/en/investor-relations/general-meeting>.

The documents will also be available during the Annual General Meeting.

The annual financial statements and the consolidated financial statements prepared by the Management Board were approved by the Supervisory Board on 22 April 2021 in accordance with section 172 AktG. The annual financial statements are deemed to have been adopted upon approval by the Supervisory Board. Adoption of the annual financial statements or approval of the consolidated financial statements by the Annual General Meeting pursuant to section 173 (1) AktG is thus not necessary. The other documents mentioned above must also only be made available to the Annual General Meeting and be explained at the Annual General Meeting pursuant to section 176 (1) sentence 2 AktG without a corresponding resolution being required, with the exception of the resolution on the distribution of retained earnings.

2. Resolution on the distribution of retained earnings for the 2020 financial year

The following proposal for the distribution of retained earnings will be submitted to the Annual General Meeting, in deviation from the original proposal for the distribution of retained earnings presented in the Financial Report 2020.

The Management Board and the Supervisory Board now propose to resolve as follows:

The retained earnings for the 2020 financial year in the amount of EUR 15,145,660.71, as shown in the adopted annual financial statements as of 31 December 2020, are to be distributed as follows:

Distribution of a dividend in a total amount of EUR 13,593,235.25, equalling a dividend of EUR 1.75 per no-par value share entitled to dividends for the past financial year 2020.

Total amount of dividend	=	EUR 13,593,235.25
Transfer to other revenue reserves	=	EUR 0.00
<u>Profit carryforward</u>	=	<u>EUR 1.552.425.46</u>
Retained earnings	=	EUR 15,145,660.71

Pursuant to section 58 (4) sentence 2 AktG, the claim for the dividend will fall due on the third business day after the resolution was adopted by the Annual General Meeting. In line with section 58 (4)

sentence 3 AktG, no earlier due date can be fixed. The dividend is thus to be paid out on 5 October 2021.

This proposal for the distribution of earnings is based on share capital with dividend rights in an amount of EUR 20,195,663.80, as determined on 22 April 2021 (date of the adoption of the annual financial statements), which is divided into 7,767,563 no-par value shares. The number of shares entitled to dividends, and thus the total dividend amount, may decrease by the time the resolution on the appropriation of earnings is adopted. In such case, the Management Board and the Supervisory Board will submit an amended proposal for the distribution of earnings, which will continue to provide for a distribution of the full dividend amount. This full dividend amount will be divided among the number of no-par value shares entitled to dividends existing at that point in time. Any residual amount which cannot be distributed arithmetically will be transferred to other revenue reserves.

3. Resolution on approval of the actions (*Entlastung*) of the members of the Supervisory Board

The Management Board and the Supervisory Board propose to resolve as follows:

Formal approval is granted in respect of the actions of the members of the Supervisory Board in office during the 2020 financial year with respect to that period.

4. Resolution on approval of the actions of the members of the Management Board

The Management Board and the Supervisory Board propose to resolve as follows:

Formal approval is granted in respect of the actions of the members of the Management Board in office during the 2020 financial year with respect to that period.

5. Resolution on appointment of the auditors for the financial statements and the consolidated financial statements for the 2021 financial year

The Supervisory Board proposes – based on a corresponding recommendation of the audit committee – to resolve as follows:

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, is to be appointed

- a) as auditor for the financial statements and the consolidated financial statements for the 2021 financial year,
- b) as auditor for any review (*prüferische Durchsicht*) of the condensed financial statements and the interim management report pursuant to sections 115 (5) and 117 no. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*; **WpHG**) for the 2022 financial year in the period until the next annual general meeting, and
- c) as auditor for any review of the condensed financial statements and the interim management report pursuant to section 115 (7) WpHG in respect of additional financial information during the 2021 and 2022 financial years until the next annual general meeting.

The audit committee declared that its recommendation is free from any undue influence by third parties and that no clause stipulating restrictions in choice as specified in Article 16 (6) of Regulation (EU) No 537/2014 of the European Parliament and the Council of 16 April 2014 (EU Audit Regulation) has been imposed on it.

6. Resolution on the approval of the remuneration system for the Management Board members

Pursuant to section 120a (1) AktG as amended to reflect the Act Implementing the Second Directive on Shareholders' Rights (*Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie; ARUG II*), the general meeting of a listed company must resolve on approving the remuneration system for management board members submitted by the supervisory board in the case of any material changes of the remuneration system, but at least every four years.

The initial resolution must be adopted by the close of the first annual general meeting held after 31 December 2020.

Taking into account the requirements of section 87a (1) AktG, the Supervisory Board resolved a new remuneration system for the members of the Management Board.

The remuneration system for the members of the Management Board submitted to the Annual General Meeting for approval is reproduced below the following resolution proposal.

The Supervisory Board proposes to resolve as follows:

The remuneration system for the members of the Management Board of KAP AG is approved.

REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD OF KAP AG

1. GENERAL

The present remuneration system aims to:

- promote the business strategy and contribute to KAP AG's long-term development,
- allow the Management Board to participate in the economic successes but also in any negative performance of KAP AG (pay for performance),
- guarantee reasonable but at the same time competitive remuneration for the Management Board.

KAP AG is a medium-sized industrial holding company. Its strategic focus lies in profitable segments in attractive markets with long-term growth potential. These include mid-sized production companies in attractive niche markets. The KAP group companies develop products, technical solutions and services generating substantial added value for customers and thus justifying attractive margins. KAP AG operates in several industrial segments with various technologies, thereby distinguishing itself through its high quality standards and its engineering competence.

Its overriding aim is to grow profitably in the long term. In this context, KAP AG has built up a diversified portfolio of medium-sized companies. With its long-term segment strategy, the Company continually drives the establishment and development of high-margin industrial sectors to market leaders. In doing so it offers an optimum mix combining the flexibility of a mid-sized company with the economies of scale generated by an international listed corporate. This in turn benefits the segment companies, customers and shareholders.

The KAP Group successfully met the challenges in the 2020 pandemic year and took the opportunity to bundle the following strategic improvement initiatives, which had already been launched, into a coordinated strategy programme called "Accelerate":

- increasing sales focus,
- securing future prospects,
- increasing efficiency,
- optimising financial flexibility,
- optimising and expanding the portfolio,
- expanding overarching risk management.

This strategy programme forms the basis for current corporate planning.

The remuneration of the members of the Management Board should be linked to the business strategy and the corporate planning developed on this basis. A large proportion of the remuneration should thus be performance-based. On the one hand, it should be linked to targets derived from the business strategy or the corporate planning developed on this basis, and on the other hand, a significant proportion of the performance-based remuneration should be granted in the form of virtual shares. The current business strategy and the current corporate planning aim to generate long-term profitable growth. At the same time, the planned growth will serve KAP AG's long-term development. In being granted virtual shares, the members of the Management Board are to be given the opportunity to participate in the successful implementation of the growth strategy. The remuneration system thus makes a contribution to promoting the business strategy and to the Company's long-term development.

2. PROCEDURE FOR DEFINING AND IMPLEMENTING AS WELL AS REVIEWING THE REMUNERATION SYSTEM

The Supervisory Board is responsible for defining, implementing and reviewing both the remuneration and the remuneration system for members of the Management Board. No service agreements for Management Board members are in place between KAP AG and the current Management Board members at the time the Supervisory Board resolution on this remuneration system is adopted. Rather, the two current members of the Management Board are at the same time managing directors of CSP Diamant Administration GmbH (CSP). They each have a managing director service agreement in place with CSP, and KAP AG is party to these agreements, together with the respective Management Board member and CSP. The remuneration to be paid by CSP under the managing director service agreement is at the same time the Management Board remuneration and will subsequently be invoiced to KAP AG by CSP. This remuneration system applies irrespective of whether the Management Board remuneration is paid by CSP or any other third party or directly by KAP AG.

This system for remunerating the members of the Management Board was developed on the basis of the existing managing director service agreements signed by the current Management Board members. A comprehensive remuneration system was then developed on this basis. This will be applied in relation to the members of the Management Board newly or re-elected at the Annual General Meeting on 30 September 2021. The existing managing director service agreements are essentially in line with the remuneration system described herein and there are thus no plans to make any amendments to these agreements for the time being. Any such amendments would require a corresponding amendment agreement to be concluded between the respective member of the Management Board, CSP and KAP AG.

When defining the remuneration system, the remuneration of managers within the KAP Group (the first and second management levels under the Management Board) were taken into account in order to ensure an objective and reasonable distinction between the target remuneration for members of the Management Board and the subsequent management levels. The group-wide terms of employment were taken into consideration in this context. An assessment of how the managers' average annual remuneration relates to the Management Board remuneration was conducted.

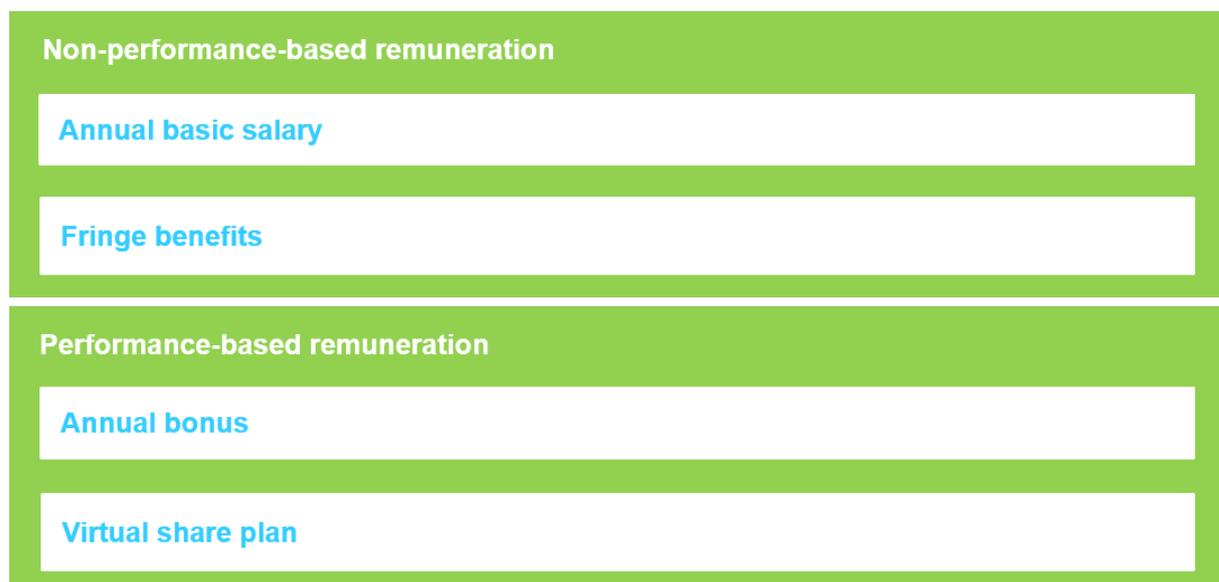
The Supervisory Board developed the current remuneration system for members of the Management Board in consultation with external legal advisers and adopted the relevant resolution at its meeting held on 10 August 2021.

The Supervisory Board will review the Management Board members' remuneration and the corresponding remuneration system at least once a year at its accounts meeting. In this context, it will in particular review the reasonableness of the overall remuneration awarded to the individual members of the Management Board. If necessary, the Supervisory Board will adjust the remuneration system and present the new system to the next Annual General Meeting for approval. If the Annual General Meeting does not approve the remuneration system, a revised remuneration system will be presented to the next Annual General Meeting. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

It is almost impossible for conflicts of interest to arise in this context due to the fact that the law awards responsibility for determining, reviewing and implementing the remuneration system for members of the Management Board to the Supervisory Board. No conflicts of interest faced by individual members of the Supervisory Board in the context of decisions passed by the Supervisory Board on issues relating to the compensation system for Management Board members have arisen in the past. Should such conflicts of interest arise in the future, they are to be disclosed by the Supervisory Board member. Depending on the type of conflict, the respective Supervisory Board member will abstain from voting and if necessary will not participate in discussions on the relevant agenda item. Where such conflicts of interest relating to the identity of the Supervisory Board member are material and not merely temporary, the respective member will resign their position on the Supervisory Board.

3. COMPONENTS OF MANAGEMENT BOARD REMUNERATION

The Management Board remuneration comprises non-performance-based and performance-based components. These are summarised below:



The non-performance-based remuneration comprises the annual basic salary and fringe benefits. The performance-based remuneration comprises a short-term variable remuneration component, the annual bonus and a long-term variable remuneration component, namely the virtual share plan.

3.1 Non-performance-based remuneration

a) Annual basic salary

The Management Board member receives an annual basic salary paid out in twelve equal monthly instalments.

b) Fringe benefits

The annual basic salary is complemented by the following contractually guaranteed fringe benefits:

The Management Board member is entitled to a company car which may also be used for private purposes. The Management Board member may instead opt to receive a monthly lump-sum payment of EUR 1,000.00 (gross).

Where the Management Board member receives their remuneration under a managing director service agreement with CSP or a third party, their employee contribution to social security will be reimbursed if it is payable on the grounds of their employment as managing director of CSP or a third party and would not be payable if the Management Board member was only a member of the Management Board of KAP AG and only had a management board member service agreement with KAP AG. Such reimbursement will be made on a net basis, i.e. income tax payable on such reimbursement will also be reimbursed.

Accident insurance will be taken out for the Management Board member and will also cover accidents that occur outside of their contractual activities. The insurance contributions will be assumed on behalf of the Management Board member.

Should a Management Board member relocate their place of residence at the Company's request, they may be granted additional payments to cover removal costs, accommodation costs, language courses for the Management Board member and their family, international school costs, etc.

The value of all fringe benefits granted in a single financial year must not exceed 20% of the annual basic salary for that financial year.

c) Pension commitments

No old-age pension commitments have been made.

d) Compensation for the expiry of rights

Where, prior to a member's move to the Management Board of KAP AG, any remuneration payments already accrued expire due to this move, compensation may be granted. Any such compensation will not be taken into account when calculating the target remuneration. The value of such compensation must not exceed 100% of the annual basic salary (for a full financial year). The compensation is to be paid in cash. It may take the form of a one-off payment or be paid in several instalments.

3.2 Performance-based remuneration

a) Annual bonus

The annual bonus is a short-term, performance-based remuneration component for a single year which is granted annually.



Structure

The annual bonus is granted in the form of a target amount agreed in the service agreement (**target bonus**), which is paid out at 100% if target achievement for all targets for the respective financial year, taking their respective weighting into account (**total target achievement level**) is 100% in total. As a rule, the targets are defined on an annual basis at the latest one month after the annual financial statements for the previous year were approved and after being discussed with the Management Board member. Targets may be defined at a later point in the financial year if a member is appointed to the Management Board during the course of a financial year or for other justified reasons.

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for the financial year is reviewed and the resulting bonus amount defined. The bonus thus defined is payable one month after the annual financial statements for the respective financial year have been approved.

Both financial and non-financial targets are to be defined. The financial targets will be attributed a total weighting of up to 75% and the non-financial targets a weighting of at least 25%. The target achievement level may be anything between 0% and 200%. In this context, a target achievement corridor will be defined for each target in addition to the target value representing 100% target achievement. The lower value for the corridor will be defined as the value below which the target achievement level is 0% and the upper value is the value as of which the target achievement ratio is 200% (cap). The interim values will be calculated by way of linear interpolation. The total target achievement level is calculated in line with the correspondingly weighted target achievement levels for the individual targets.

For the financial targets, the "normalised" group EBITDA, adjusted to account for special items, and the group cash flows from operating activities are taken as performance criteria. The target values that represent 100% target achievement are derived from the annual planning for the relevant financial year which in turn is derived from the longer-term planning, which itself is based on the business strategy. The values from the annual financial statements for the relevant financial year are taken as a basis in order to determine the target achievement level.

Qualitative targets which constitute specific steps towards implementing the business strategy and are derived from the business plans are defined as non-financial targets. These are,

specifically, structural measures or significant projects which serve to align the KAP Group's structures with the planned growth or to drive the growth as planned. They include measures and projects for implementing the strategic improvement initiatives in particular. For individual non-financial targets, the Supervisory Board, taking the corporate planning into account, will define milestones (degree of implementation at particular points over time). The level of target achievement will be determined on the basis of these milestones, which will be translated into numeric values for this purpose.

The specific weighting of the individual targets will be determined at the latest when the targets are defined.

Possibility of payment in the form of shares

An agreement may be reached to the effect that, where possible, up to 50% of the gross payment amount for the annual bonus is paid in the form of KAP shares (**share portion**). The Management Board member can dispose of the KAP shares with immediate effect. The number of KAP shares to be granted in this context is determined by dividing the corresponding portion of the gross payment amount by the unweighted average of closing prices for KAP shares in Xetra trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the past 20 trading days prior to adoption of the annual financial statements for the respective financial year. Insofar as taxes or social security contributions are to be retained on the share portion, the number of shares to be granted will be reduced in line with the amount to be retained. Should it prove impossible to grant KAP shares despite reasonable efforts, the due date will be postponed by one month. Where the share portion cannot be granted in the form of KAP shares, the (full) share portion may also be paid out in cash. The further details relating to the structure of the share portion and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

Promoting the business strategy and the Company's long-term development

The performance criteria selected for the financial targets are key control parameters for the Company. They represent significant indicators of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being granted KAP shares, Management Board members can participate in the successful implementation of a business strategy designed to generate long-term profitable growth. Here, too, the intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

b) Virtual share plan

The virtual share plan is a long-term, performance-based remuneration component spanning several years which is granted on an annual basis whereby a certain number of virtual shares is allocated after the end of a financial year depending on whether certain targets for that financial year were achieved.

Virtual share plan

$$\text{Target allocation amount} \quad \times \quad \text{Total target achievement level (max. 200\%)} \quad = \quad \text{De facto allocation amount}$$

$$\text{De facto allocation amount} \quad \times \quad \text{Initial value} \quad = \quad \text{No. of virtual shares}$$

$$\text{No. of virtual shares} \quad \times \quad \text{Final value} \quad = \quad \text{Payment amount (max. 4x target allocation amount)}$$

Allocating virtual shares

The virtual share plan is granted in the form of a target allocation amount specified in the service agreement (**target allocation amount**) which is converted 100% into virtual shares if the total target achievement level for the respective financial year is 100%. The targets and their weighting, as well as determination of the total target achievement level, including the cap, correspond to those of the annual bonus (see section 3.2(a) above).

After the close of the respective financial year, the extent to which the Management Board member has achieved the targets agreed for that financial year is reviewed and the resulting actual allocation amount calculated. The number of virtual shares is determined by dividing the actual allocation amount by an average price of the KAP share prior to allocation (**initial value**). The initial value is the unweighted average of the closing prices of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the entire financial year in question or, where the agreement commenced during the course of the year, in the period from the agreement start date to the end of the respective financial year. It may be agreed that the initial value is to be replaced by another average price or another calculation, although the relevant period must be at least one month.

The virtual shares will be allocated once the annual financial statements for the relevant financial year have been approved.

Structure of virtual shares

The virtual shares have a term of four full years. The term begins upon allocation of the virtual shares, and at the latest one month after the annual financial statements for the respective financial year were approved. It may be agreed that the term is to begin with retroactive effect, specifically either at the end of the day on which the annual financial statements for the respective year were approved or from the beginning of the financial year following the respective financial year for which the virtual shares were allocated.

Once the four-year term has expired, the Management Board member will receive payment of an amount per virtual share for the relevant virtual shares, with the amount being calculated as follows: The payment amount is equal to the unweighted average of the closing prices for the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange over the last 30 trading days of the four-year term plus an amount taking into account the dividends paid by KAP AG on KAP shares over the term and other payments, as well as any subscription rights granted (**final value**). In respect of the value of the additional amount, the Management Board member will be placed in a position as if:

- the dividends or other payments on a KAP share, in each case on their due date,
- the subscription rights had been disposed of in each case on the first trading day in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange after being granted and, on the same day, the proceeds of such disposal

had been invested on the same day in KAP shares or fractions thereof at the closing price of the KAP share in XETRA trading (or an equivalent successor system) on the Frankfurt Stock Exchange on this day and these shares in turn were disposed of at their final value (with the relevant term only beginning upon the respective investment being made).

In the event of a capital increase from Company funds, a reverse stock split, a stock split, a capital reduction with the number of shares being reduced or any other corporate action or structural measure and in the event of a dividend payment or distribution with an effect similar to any of the above measures, an adjustment will be performed in order to ensure that such measure does not lead to a dilution or increase in profits for the Management Board member.

The payment amount for all virtual shares granted for a financial year must not exceed four times the target allocation amount (cap), however. Moreover, a possibility for limiting the payment amount resulting from the virtual shares in case of exceptional developments may be agreed.

Payments on the basis of the virtual share plan will be made within 30 calendar days after the end of the term of the relevant virtual shares.

If, during the term of the virtual shares, the service agreement is terminated for good cause (*aus wichtigem Grund*) in line with section 626 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*; **BGB**) which falls within the Management Board member's sphere of responsibility or if the Management Board member's appointment is revoked for good cause in line with section 84 (4) AktG or if the Management Board member illegitimately declares termination of the service agreement for good cause, the respective virtual shares will expire in full and the Management Board member will have no claim to payment or compensation in this regard.

The virtual shares cannot be transferred. In deviation from this, it may, however, be agreed that the virtual shares or claims hereunder may be bequeathed.

The further details relating to the structure of the virtual shares and further provisions are set out in the service agreement and any other agreements concluded with the Management Board member.

Promoting the business strategy and the Company's long-term development

The number of virtual shares depends on the degree to which financial and non-financial targets are achieved. In this context, the performance criteria selected for the financial targets are key control parameters for the Company as a whole. They represent significant indicators of successful implementation of the business strategy. The non-financial targets represent important steps towards implementing the business strategy and thus contribute directly to promoting the business strategy and the Company's long-term development.

In being allocated virtual shares, Management Board members can participate in the successful implementation of the business strategy designed to generate long-term profitable growth. The intention is that they thus contribute to promoting the business strategy and the Company's long-term development.

3.3 Commencement and end of contractual term during the course of a calendar year

Where an agreement commences or ends during the course of a financial year, the annual basic salary and regular fringe benefits will be paid or granted *pro rata temporis*, the annual bonus will be granted with a *pro rata* target bonus or paid on a *pro rata* basis and the virtual share plan will be granted with a *pro rata* target allocation amount or the number of virtual shares will be determined *pro rata temporis*.

3.4 Revocation of appointment while guaranteeing reappointment

In the event that the Management Board member's appointment is revoked pursuant to section 84 (3) AktG with a guarantee of reappointment being given, provision may be made for the service agreement to end upon such revocation and to resume until the originally agreed end date after reappointment. The provisions on commencement and end of a contractual term during the course of a financial year will thus apply *mutatis mutandis* for the financial years in which the agreement does not run for the full twelve months. Instead of this, it may be agreed that the service agreement will be suspended for the period between revocation of the appointment and reappointment and the Management Board member will not receive any remuneration for this period or will only receive all or some of the fringe benefits; the provisions on commencement and end of a contractual term during the course of a financial year will apply *mutatis mutandis* in this context.

4. STRUCTURE AND AMOUNT OF MANAGEMENT BOARD REMUNERATION

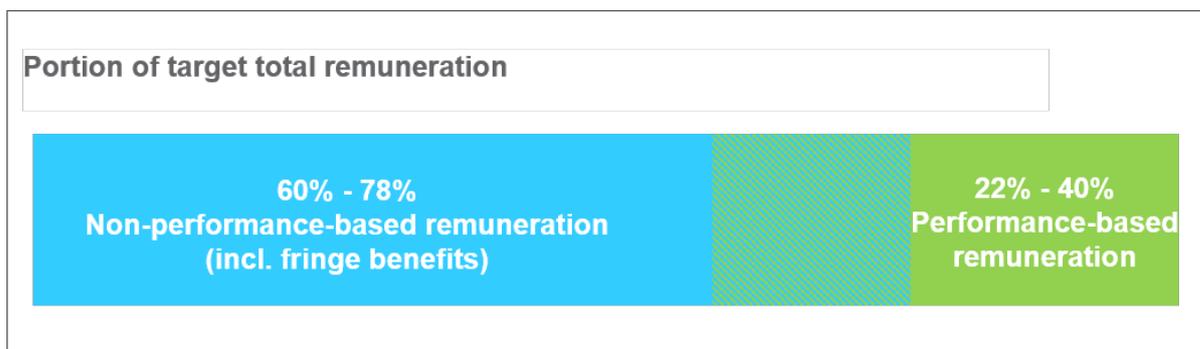
This remuneration system is designed to offer KAP AG the necessary degree of flexibility in order to be able to continue to offer competitive remuneration packages in the future. The remuneration system thus supports the Company in competing for highly skilled executives. This flexibility is only utilised to the extent that in fact appears appropriate in view of the respective prevailing circumstances.

4.1 Structural framework

The portion of the entire remuneration package (excluding fringe benefits and any compensation pursuant to section 3.1(d)) represented by the annual basic salary, the annual bonus and the virtual share plan must fall within the following boundaries, with the annual bonus being applied at 100% of the target bonus and the virtual share plan at 100% of the target allocation amount:

- annual basic salary: 60% to 65%
- annual bonus: 15% to 20%
- virtual share plan: 20% to 25%

The maximum scope of fringe benefits is specified as a percentage of the annual basic salary in section 3.1(b) and is thus dependent on the boundaries defined above for the annual basic salary.



4.2 Target and maximum remuneration

The target total remuneration is the value paid to a Management Board member for an entire financial year if target achievement for all performance-based remuneration components is 100%. In this context, the annual bonus is applied at 100% of the target bonus and the virtual share plan at 100% of the target allocation amount. The remuneration system permits target total remuneration of up to EUR 800,000.00 for the individual Management Board members.

The maximum remuneration is the maximum value that may be paid to a Management Board member in total for a financial year. The maximum remuneration for the individual Management Board members is EUR 1,600,000.00.

If compensation pursuant to section 3.1(d) is granted, the above maximum remuneration is increased by the amount paid in the relevant financial year pursuant to section 3.1(d), i.e. a maximum of EUR 520,000.00.

4.3 Defining the specific remuneration for individual Management Board members

The flexibility generated by this remuneration system is only utilised to the extent that is appropriate in view of the respective prevailing circumstances.

First, the specific target total remuneration is defined and then the remuneration structure for the individual Management Board member. The calculation is based on the specific target remuneration amounts, or their boundaries (excluding fringe benefits and any compensation pursuant to section 3.1(d)) and remuneration structures existing at the time the relevant amount is defined for the respective Management Board members of KAP AG in office at this time. Upon definition of this remuneration system, these amounts are as follows (in each case in EUR):

Target total remuneration (excl. fringe benefits)	500,000.00 – 575,000.00
of which:	
1. annual basic salary	300,000.00 – 350,000.00
2. annual bonus (100% target bonus)	100,000.00
3. virtual share plan (100% target allocation amount)	100,000.00 – 125,000.00

When determining specific target total remuneration amounts in future it is possible to deviate from the initial values or corridors specified in the table above in the context of this remuneration system if this appears necessary in order to take reasonable account of the duties conferred on the Management

Board member, their experience and past performance, as well as prevailing market conditions. This is conditional upon the remuneration also being reasonable in the context of the Company's current situation and not exceeding the standard remuneration amount without a specific reason. In order to identify the standards prevailing in other companies (horizontal comparison), reference will be made to suitable comparison groups comprising domestic and foreign companies, with the composition of these groups being disclosed. In order to ascertain whether the compensation may be deemed reasonable within the KAP Group (vertical comparison), the remuneration awarded to Management Board members will be compared with the pay awarded to executives and with the pay awarded to executives and non-executive employees as a whole, including how these comparisons develop over time. Where an external remuneration expert is consulted, their independence of the Management Board and the Company must be ensured.

The chair or spokesperson of the Management Board will receive higher remuneration than the other Management Board members. When defining the remuneration structure, the following principles should be observed: The target allocation amount for the virtual share plan should exceed the target bonus for the annual bonus. The target bonus for the annual bonus should not exceed one third of the annual basic salary.

5. SPECIFIC CONTRACTUAL PROVISIONS

5.1 Malus and clawback

Any amounts paid out under the annual bonus, including any share portion, may be recovered and payments from virtual shares allocated in the context of the virtual share plan may be refused if it subsequently emerges that all or part of the payment or allocation was made erroneously because targets were in fact not achieved or not achieved to the extent assumed, on the basis of false information, when the payment amount or the number of virtual shares to be allocated was calculated. In such case, the Management Board member is, in particular, obliged to pay back the net amount by which the payment made under the annual bonus exceeds the payment amount which would have been determined if the actual target values had been taken into account. The scope of this clawback claim is defined in section 818 BGB. The clawback claim will become time-barred once three years have elapsed since the annual bonus was paid out.

Provisions may be agreed with the Management Board members specifying that in the event that the Management Board member commits a serious breach of their statutory duties or the Company's internal code of conduct, the variable remuneration paid for the financial year in which such breach was committed may be reclaimed in whole or in part from the Management Board member and any payments for this period under allocated virtual shares that have not yet been made may be refused.

Moreover, provisions may be agreed with the Management Board members specifying that payments under the annual bonus may be reclaimed in whole or in part and payments of virtual shares allocated under the virtual share plan may be refused in the event that the target achievement defined by the Supervisory Board for payment or allocation proves not sustainable for subsequent years.

Moreover, forfeiture provisions apply in respect of the virtual share plan (see section 3.2(b)), including in the event that the service agreement is terminated for good cause in the sense of section 626 (1) BGB for which the Management Board member is responsible and in the event that the member's appointment to the Management Board is revoked for good cause in the sense of section 84 (4) AktG.

5.2 Set-off of remuneration received for offices assumed within and outside the Group

Under their service agreements, Management Board members are obliged to assume positions on corporate bodies in subordinate affiliates of KAP AG upon request; such offices are generally covered

by their remuneration as Management Board members. If a Management Board member assumes an office on a supervisory board within the KAP Group and remuneration for such office cannot be ruled out, such remuneration will be offset against their remuneration as a Management Board member.

Management Board members may only assume offices on supervisory boards of companies outside the KAP Group if prior approval has been granted. If a Management Board member wishes to assume an office on a supervisory board outside the KAP Group, the Company's Supervisory Board will decide whether any remuneration received for such office is to be offset against their remuneration as a Management Board member.

5.3 Adjusting the remuneration

In exceptional cases, reasonable additional remuneration components in the form of one-off or multiple cash payments may be approved for a Management Board member, with Company interests being taken into account. This possibility will only be utilised if and insofar as it is necessary in order to ensure reasonable remuneration for the Management Board members in exceptional situations, in particular during a period of serious economic crisis. In the event that such payment is approved, it constitutes a one-off benefit to which no legal claim may be asserted in future. It must be ensured, if necessary by cancelling or reducing other remuneration components, that the remuneration amount is in line with the provisions governing the target and maximum remuneration set out in section 4.2 and that the supplementary remuneration components do not exceed 100% of the annual basic salary in total.

5.4 Sickness

Should the Management Board member be rendered temporarily unable to perform their duties due to sickness, they will receive their annual basic salary for a period of three months, with such payment being ceased at the latest when the service agreement ends. All amounts received by the Management Board member from mutual funds or insurance policies in the form of sick pay or daily sickness allowance (*Krankentagegeld*) will be offset against such payments unless these benefits are based exclusively on contributions made by the Management Board member themselves.

5.5 Permanent inability to work

Should the Management Board member be rendered permanently unable to work, the service agreement will end upon confirmation of such permanent inability to work. Details of when a permanent inability to work applies or how such inability may be confirmed are set out in the service agreement. Permanent inability to work shall be deemed confirmed if such inability to work has applied for one year.

5.6 Post-contractual non-compete clause

Once their service agreement has ended, the Management Board member is subject to a post-contractual non-compete obligation for a period of twelve months, with further details set out in their service agreement. For the duration of the post-contractual non-compete obligation, the Company will pay the Management Board member half of the last remuneration package received by the Management Board member as compensation. The Management Board member must have any other payments received offset against this compensation, insofar as, when added to the compensation, they exceed 100% of the last contractual annual basic salary received. The Company may declare a waiver of the non-compete obligation to the Management Board member either prior to or after the service agreement ends. The duty to pay compensation will end in such case six months after the waiver was declared to the Management Board member.

Where the Company owes payment of compensation under a post-contractual non-compete obligation, any severance payment is to be offset against such compensation payment.

6. REMUNERATION-RELATED LEGAL TRANSACTIONS

6.1 Service agreements

The basic provisions governing Management Board remuneration are agreed with the Management Board members in their service agreement. The service agreement will run for the respective member's term of office, except in the case of any mutually agreed amendment and the case set out in section 3.4. In the case of re-appointment, it may, subject to a corresponding agreement, be extended for the duration of such re-appointment. The following principles apply for the period of the appointment or re-appointment: The first appointment as a member of the Management Board of KAP AG is generally for a term of three years; re-appointment, except in the case set out in section 3.4, is generally for a period of three to five years. The parties should reach agreement on any extension of the service agreement or any re-appointment at the latest six months before the service agreement or term of office is due to end, except in the case of section 3.4.

6.2 Agreements on the annual bonus and virtual share plan

Separate agreements may be concluded in each case in the context of the annual definition of targets for the annual bonus and the virtual share plan. An agreement will be concluded governing the allocation of the virtual shares for each financial year.

6.3 Notice of termination and other premature termination of the service agreement

No ordinary notice of termination may be served on the service agreement. Termination is only possible in the following circumstances:

The service agreement may be terminated with immediate effect by either party for good cause in the sense of section 626 (1) BGB. Termination issued to the Management Board member must have been approved or resolved by the Supervisory Board, with such approval or resolution only being adopted subject to section 84 (4) AktG.

See section 3.4 for details on a temporary termination of the service agreement. See section 5.5 for details on termination of the service agreement due to a permanent inability to work.

The statutory provisions governing termination also apply, as set out in section 87 (2) sentence 4 AktG.

6.4 Severance payments

If the employment is terminated in circumstances other than those described in sections 3.4 and 5.5 without good cause for which the Management Board member is responsible, any severance payments agreed with the Management Board member must not exceed the value of two annual remuneration packages and must not remunerate more than the remaining term of the service agreement (**severance cap**). The severance cap is calculated on the basis of the total remuneration for the last full financial year and, if appropriate, the anticipated total remuneration for the current financial year.

6.5 Main features of pension and pre-pension provisions

No pension or pre-pension provisions have been agreed.

7. Resolution on the remuneration of the Supervisory Board members

Pursuant to section 113 (3) AktG as amended to reflect the Act Implementing the Second Directive on Shareholders' Rights (ARUG II), the general meeting of a listed company must adopt a resolution on supervisory board remuneration at least every four years.

The initial resolution must be adopted by the close of the first annual general meeting held after 31 December 2020. A resolution confirming the remuneration will suffice in this context.

The remuneration for Supervisory Board members of KAP AG is set out in section 13 of the Articles of Association. The remuneration is structured as purely fixed remuneration, which in the Company's opinion continues to take due account of the duties and responsibilities undertaken by the members of the Supervisory Board, the chair, the deputy chair as well as the respective chairs and members of the committees. This remuneration is therefore to be confirmed.

The proposal submitted to the Annual General Meeting for confirmation of the remuneration for the Supervisory Board members pursuant to section 13 of the Articles of Association as well as the system on which the remuneration for the Supervisory Board members is based, which is also set out in section 13 of the Articles of Association, are reproduced below the following resolution proposal.

The Management Board and the Supervisory Board propose to resolve as follows:

The remuneration for members of the Supervisory Board pursuant to section 13 of the Articles of Association, including the remuneration system on which it is based – as described in more detail in the notice convening the Annual General Meeting on 30 September 2021 – is confirmed.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD OF KAP AG

1. DEFINING THE TARGET FOR THE REMUNERATION OF SUPERVISORY BOARD MEMBERS AND LINK TO BUSINESS STRATEGY

Pursuant to section 111 (1) AktG, the Supervisory Board is responsible for monitoring how the Management Board manages the business. The remuneration of the Supervisory Board members should thus be structured such that it reflects in particular the degree of independence required of the Supervisory Board in the context of its monitoring activities. The remuneration for members of the Supervisory Board comprises fixed compensation components only. The amount of remuneration granted to individual members of the Supervisory Board depends on the responsibilities assumed within the Supervisory Board and its committees. The structure of the remuneration for members of the Supervisory Board of KAP AG thus represents a counterweight to the remuneration package for the members of the Management Board of KAP AG, which is to a significant extent performance-related. This strengthens the independence of the Supervisory Board and thus promotes the long-term development of KAP AG. While the Supervisory Board remuneration is not directly linked to the Company's success, it thus also contributes to the successful implementation of the business strategy.

2. DEFINITION OF AND REVIEW PROCESS FOR SUPERVISORY BOARD REMUNERATION

The remuneration for Supervisory Board members, which is based on the remuneration system described here, is set out in section 13 of the Articles of Association of KAP AG. This reads as follows:

"Section 13 Remuneration

- (1) In addition to the reimbursement of their expenses, the members of the Supervisory Board are to be paid fixed annual remuneration at the end of the financial year. The basic remuneration is EUR 25,000.00 per member. The chair of the Supervisory Board will receive twice the amount of the basic remuneration. Their deputy and the chair of any committee will receive one-and-a-half times the amount of this basic remuneration. Supervisory Board members who were only in office for part of the financial year will receive the basic remuneration calculated *pro rata temporis*.
- (2) VAT will be reimbursed by the Company if the Supervisory Board members are entitled to issue a separate VAT invoice to the Company and they exercise this entitlement."

The Supervisory Board will, from time to time, review the reasonableness of the components, amount and structure of its remuneration. The Supervisory Board will evaluate the supervisory board remuneration paid by other similar companies and compare it with the Supervisory Board remuneration at KAP AG, in terms of its components, its amount and its structure. On the basis of this analysis and in view of the importance of the work of the Supervisory Board and its committees and the effort involved, the Supervisory Board will then decide whether it is necessary to make changes to its remuneration. The most recent adjustment of Supervisory Board remuneration was taken on the Supervisory Board's initiative in 2019 on the back of this process.

Due to the particular nature of Supervisory Board remuneration, which is granted for a role that is fundamentally distinct from the role of employees of KAP AG and of the KAP Group, a 'vertical' comparison with employee remuneration does not represent an option when reviewing and determining the remuneration. It is thus not necessary to define a group of employees which are to be included in the context of such comparison.

Since the German Stock Corporation Act was amended by the Second Directive on Shareholders' Rights (ARUG II), section 113 (3) sentence 1 AktG requires that the general meeting must adopt a resolution on supervisory board remuneration every four years; a resolution confirming the remuneration will suffice in this context. In preparation of this resolution, the Supervisory Board will in future analyse its remuneration at least once every four years. The Management Board and Supervisory Board will present the Supervisory Board remuneration to the general meeting for resolution at least once every four years. If there is reason to adjust the remuneration for Supervisory Board members, the Management Board and Supervisory Board will also make a proposal to the general meeting for a corresponding amendment to section 13 of the Articles of Association of KAP AG. This may provide for the Supervisory Board remuneration for the whole financial year in which the amendment to the Articles of Association is registered with the commercial register is determined on the basis of the new provision. If the general meeting fails to secure the necessary majority for adopting the resolution on the Supervisory Board remuneration, a revised proposal for Supervisory Board remuneration must be presented to the next annual general meeting at the latest.

It is automatically the case that the members of the Supervisory Board are involved in defining the remuneration system that applies to them. The resulting conflict of interests is, however, countered by the fact that the decision on the ultimate structure of the remuneration system is attributed to the general meeting by law, which receives a corresponding resolution proposal from both the Supervisory Board and the Management Board.

3. REMUNERATION-RELATED LEGAL TRANSACTIONS, TERM OF OFFICE

The individual Supervisory Board members' respective claims to remuneration derives from the cooperative relationship existing between the Company and the Supervisory Board member as a result

of the latter's election to the Supervisory Board and the acceptance of this election and as a result of the Articles of Association and any resolution by the general meeting on Supervisory Board remuneration. No agreements therefore exist between KAP AG and the Supervisory Board members relating to Supervisory Board remuneration.

The term of office for Supervisory Board members is set out in section 7 (2) of the Articles of Association of KAP AG as follows:

"(2) Members of the Supervisory Board cannot be appointed for a term extending beyond the close of the general meeting approving their activities for the fourth financial year after their term of office commenced. The financial year in which their term of office commenced will not be counted in this respect. Any member elected to succeed a member who resigned from the Supervisory Board before the end of their term of office is elected for the remaining term of office of the resigning member."

Supervisory Board members may be removed from office in line with the statutory provisions applicable from time to time. Pursuant to article 7 (3) of the Articles of Association of KAP AG, Supervisory Board members may resign their office by giving four weeks' written notice to the chair of the Supervisory Board. This does not affect their right to resign their office for good cause.

4. COMPONENTS, AMOUNT AND STRUCTURE OF SUPERVISORY BOARD REMUNERATION

According to the provisions set out in the Articles of Association, each member of the Supervisory Board receives fixed annual remuneration of EUR 25,000.00. The chair of the Supervisory Board, their deputy and the chair of any committee will receive higher remuneration to reflect the greater volume of organisation and administration associated with their position, as well as the particular responsibility they bear for successful and efficient cooperation among the board or committee as a whole. The chair of the Supervisory Board receives EUR 50,000.00, their deputy and the chair of any committee will each receive EUR 37,500.00 as their fixed annual remuneration. Membership of any Supervisory Board committees will not trigger separate remuneration. The remuneration is paid after the end of the financial year.

In the interests of the Company, the Supervisory Board members are included in a D&O insurance policy taken out for the Company and its subsidiaries. The Company will pay the insurance premiums. The Company will reimburse the Supervisory Board members for any expenses and any VAT paid on their remuneration if they are entitled to issue a separate VAT invoice to the Company and exercise this entitlement.

8. Resolution on the election of a Supervisory Board member

By order of the Local Court (*Amtsgericht*) of Fulda dated 22 December 2020, Mr Christoph Schoeller was appointed a member of the Company's Supervisory Board for a limited period ending at the close of the next Annual General Meeting of the Company, i.e. the Annual General Meeting held on 30 September 2021, in place of Mr Fried Möller, who resigned from office as of the end of 26 November 2020. It is therefore necessary to elect a new member of the Supervisory Board. Pursuant to section 7 (2) of the Articles of Association, in such case a successor will be elected for the residual term of office of the resigning member.

The Supervisory Board proposes that

Mr Christoph Schoeller, Hamburg, Managing Partner of Schoeller GmbH, Hamburg and Vienna, be elected for the original term of office of Mr Fried Möller or his predecessor, Mr Florian Möller, i.e. until the close of the Annual General Meeting which resolves on the approval of actions for the 2021 financial year.

Information pursuant to section 125 (1) sentence 5 AktG on Christoph Schoeller, candidate for the Supervisory Board nominated by the Supervisory Board:

Memberships of other statutory supervisory boards:

- None

Memberships of comparable supervisory bodies of commercial enterprises in Germany and abroad:

- None

In line with recommendation C.13 of the German Corporate Governance Code (GCGC), the following should be noted: Besides the fact that Mr Christoph Schoeller is already a member of KAP AG' Supervisory Board, Mr Christoph Schoeller also has a business relationship with FM Verwaltungs GmbH – a shareholder that directly holds more than 10% of the voting shares in KAP AG. Beyond that, in the Supervisory Board's opinion, there are no personal or business relationships between Mr Christoph Schoeller on the one hand and the companies of the KAP Group, the corporate bodies of KAP AG or any shareholder directly or indirectly holding more than 10% of the voting shares in KAP AG on the other hand which could be decisive for the Annual General Meeting's election decision.

For details on the candidate, please see the CV attached as additional information to item 8 of the agenda.

9. Resolution on the amendment of section 7 (1) of the Articles of Association (composition, term of office, resignation from office)

The Management Board and the Supervisory Board propose to resolve as follows:

Section 7 (1) of the Articles of Association is amended and reworded as follows:

- “(1) The Supervisory Board shall consist of up to six (6) members who, as long as the Company has no employees or the requirements of section 1 (1) no. 1 of the German One-Third Participation Act (*Drittelbeteiligungsgesetz*, **DrittelbG**) are not met, shall be elected by the shareholders in accordance with the German Stock Corporation Act (*Aktiengesetz*, **AktG**).”

10. Resolution on the election of a new Supervisory Board member

In the event that the Annual General Meeting on 30 September 2021 resolves the amendment of section 7 (1) of the Articles of Association (composition, term of office, resignation from office) proposed under item 9 of the Agenda, the Supervisory Board of the Company shall consist of a total of up to six members pursuant to sections 95, 96 (1), 101 (1) AktG in conjunction with section 7 (1) of the reworded Articles of Association. Currently, the Supervisory Board still consists of five members. To ensure that the Supervisory Board continues to be fully composed in the event that the aforementioned amendment to the Articles of Association is adopted by the Annual General Meeting, it is therefore necessary to elect a new Supervisory Board member. As the Company has no employees, the new Supervisory Board member is also to be elected by the Annual General Meeting.

The Supervisory Board proposes that

Mr Viktor Rehart, London, United Kingdom, Investment Professional of Carlyle Group, London, United Kingdom, be elected as of the date of registration of the aforementioned amendment to the Articles of Association in the Commercial Register for the period until the end of the Annual General Meeting which resolves on the approval of actions for the 2021 financial year.

Information pursuant to section 125 (1) sentence 5 AktG on Viktor Rehart, candidate for the Supervisory Board nominated by the Supervisory Board:

Memberships of other statutory supervisory boards:

- None

Memberships of comparable supervisory bodies of commercial enterprises in Germany and abroad:

- Member of the Supervisory Board of Trans Maldivian Airways (PVT) LTD

In line with recommendation C.13 of the German Corporate Governance Code (GCGC), the following should be noted: Mr Viktor Rehart has a business relationship with The Carlyle Group – a shareholder that indirectly holds more than 10% of the voting shares in KAP AG. Beyond that, in the Supervisory Board's opinion, there are no personal or business relationships between Mr Viktor Rehart on the one hand and the companies of the KAP Group, the corporate bodies of KAP AG or any shareholder directly or indirectly holding more than 10% of the voting shares in KAP AG on the other hand which could be decisive for the Annual General Meeting's election decision.

For details on the candidate, please see the CV attached as additional information to item 10 of the agenda.

11. Resolution on the authorisation to purchase and use treasury shares, with possible exclusion of the subscription right and any tender right

The authorisation to purchase and use treasury shares resolved by the Annual General Meeting on 7 July 2017 is due to expire on 7 July 2022. This authorisation is to be cancelled and replaced by a new authorisation to purchase and use treasury shares.

The Management Board and the Supervisory Board propose to resolve as follows:

- a) The Company is authorised pursuant to section 71 (1) no. 8 AktG until 29 September 2026 to purchase treasury shares of the Company with a portion of the share capital attributable to such shares of up to EUR 2,019,566.38 in total, which corresponds to 10% of the share capital. The total number of shares purchased on the basis of this authorisation and any other shares held by the Company or attributable to it pursuant to section 71d AktG or section 71e AktG must at no time exceed 10% of the share capital. The authorisation must not be used for the purpose of trading in treasury shares.
- b) The authorisation may be exercised in whole or in instalments, once or several times, in the context of achieving one or several objectives directly by the Company itself or by entities in which the Company holds a controlling or majority interest or by third parties instructed by the Company or by entities in which the Company holds a controlling or majority interest.
- c) At the Management Board's discretion, the purchase of KAP AG shares (**KAP shares**) may be effected (i) in compliance with the principle of equal treatment (*Gleichbehandlungsgrundsatz*)

(section 53a AktG) via a stock exchange or (ii) by way of a public purchase offer to all shareholders, which must also comply with the principle of equal treatment (section 53a AktG), subject to a permitted exclusion of the tender right as set out below.

- (i) If the shares are purchased via a stock exchange, the equivalent value per KAP share paid by KAP AG (excluding incidental purchase costs) must not exceed the average of the closing auction prices for the KAP share in the Xetra trading system (or a comparable Xetra successor system) on the Frankfurt Stock Exchange on the last three trading days preceding the obligation to acquire by more than 10%, or fall short of this average by more than 20%. The details of the acquisition will be determined by KAP AG's Management Board.
- (ii) If the shares are purchased by way of a public purchase offer to all shareholders, the purchase price or the limits of the purchase price range per KAP share (excluding incidental purchase costs) must not exceed the average of the closing auction prices for the KAP share in the Xetra trading system (or a comparable Xetra successor system) on the Frankfurt Stock Exchange on the three trading days before the date of the publication of the public purchase offer by more than 10%, or fall short of this average by more than 20%. Further details of the public purchase offer will be determined by KAP AG's Management Board.

If, following publication of the public purchase offer, the stock exchange price materially deviates from the purchase price or from the limits of the purchase price range, the public purchase offer may be modified. In this case, the price will be based on the average of the closing auction prices on the three trading days before the publication of such modification. The public purchase offer may stipulate further conditions.

Insofar as the number of KAP shares tendered exceeds the existing volume to be purchased, potential rights to tender may be partially excluded in proportion to the number of KAP shares tendered per shareholder.

In addition, priority can be given to smaller lots of up to 100 KAP shares tendered per shareholder or the number of shares can be rounded according to commercial principles to avoid fractions of shares. Any further right of the shareholders to tender shares is excluded in this regard.

- d) The Management Board is authorised, with the approval of the Supervisory Board, to offer for subscription the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) via the stock exchange in compliance with the principle of equal treatment (section 53a AktG) or, by maintaining the shareholders' subscription rights, by way of an offer to all shareholders, which must also comply with the principle of equal treatment (section 53a AktG). Furthermore, the treasury shares of KAP AG already held by the Company as well as the shares of KAP AG that have been or will be purchased under lit. a) to lit. c) may be used for the following purposes:
 - (i) The Management Board is authorised, with the approval of the Supervisory Board, to use the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) in order to fulfil conversion or option rights issued by the Company or by entities in which the Company holds a controlling or majority interest.
 - (ii) The Management Board is authorised, with the approval of the Supervisory Board, to offer, sell or transfer the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) in return for a contribution in kind, especially in return for the (indirect) acquisition of companies, equity

interests in companies, operations, parts of companies, company mergers or other assets or claims for the acquisition of assets including claims against KAP AG or entities in which KAP AG holds a controlling or majority interest as well as of other assets or industrial property rights serving the Company's business operations.

- (iii) The Management Board is authorised, with the approval of the Supervisory Board, to sell the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) to third parties if the shares are sold in return for cash and at a price which is not significantly lower than the stock exchange price of same-category KAP AG shares at the time of the sale. This authorisation is limited to a sale of shares in KAP AG representing in total no more than 10% of the share capital of KAP AG existing at the time this authorisation is granted or – if this value is lower – at the time this authorisation is exercised. The limit of 10% of the share capital is reduced by the proportion of share capital represented by the shares in KAP AG that were issued, with subscription rights being excluded, in the context of a capital increase during the term of this authorisation by applying section 186 (3) sentence 4 AktG directly or analogously or that are to be issued in order to service option and conversion rights or obligations, or profit-sharing rights, provided that the bonds or profit-sharing rights were issued during the term of this authorisation by analogous application of section 186 (3) sentence 4 AktG.
- (iv) The Management Board is authorised, with the approval of the Supervisory Board, to redeem the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) without any further resolution by the Annual General Meeting being required. Such redemption can also be carried out by simplified procedure without a capital decrease by adjusting the pro-rata amount of KAP AG's share capital represented by the remaining shares. In such case, the Management Board is authorised to adjust the number of no-par value shares specified in the Articles of Association.
- (v) The Management Board is authorised to use the treasury shares already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) in connection with share-based remuneration programmes and/or employee share programmes of KAP AG or entities in which it holds a controlling or majority interest, and to issue such shares to individuals currently or formerly employed by KAP AG or entities in which it holds a controlling or majority interest as well as to board members of any of the entities in which KAP AG holds a controlling or majority interest. In particular, shares purchased pursuant to lit. a) to lit. c) may be offered for acquisition, awarded and transferred to the aforementioned persons and board members free of charge or in return for consideration, provided that the employment relationship or board membership exists at the time of the offer, award commitment or transfer.
- e) The Supervisory Board is authorised to use the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) to fulfil obligations or rights to acquire shares in KAP AG that were agreed with the members of the Management Board in the context of their remuneration. The management service agreement or board membership must exist at the time of the offer, award commitment or transfer of the KAP AG shares. The Supervisory Board will determine all further details of any commitments and transfers, including any direct consideration, prerequisites for claims and provisions concerning forfeiture or compensation, especially in extraordinary cases such as retirement, incapacity for work and death, complying with the prerequisites of section 87 AktG.
- f) The authorisations under lit. d), lit. e) and lit. g) may be exercised once or several times, in whole or in instalments, individually or jointly, while the authorisations under lit. d) and lit. e) may also be exercised by entities in which the Company holds a controlling or majority interest or by third

parties acting for such entities' account or for the account of the Company. Furthermore, purchased treasury shares may also be transferred to entities in which the Company holds a controlling or majority interest.

- g) Shareholders' subscription rights in respect of the treasury shares already held by the Company as well as the shares in KAP AG that have been or will be purchased under lit. a) to lit. c) are excluded to the extent that such shares are used in accordance with the above authorisations under lit. d) (i) to (iii) and (v) and lit. e). Furthermore, the Management Board, with the approval of the Supervisory Board, may exclude the subscription rights of shareholders for fractional amounts if KAP AG shares are sold to KAP AG's shareholders through a sales offer under lit. d) sentence 1 2nd alternative.
- h) The authorisation granted by the Annual General Meeting of KAP AG on 7 July 2017 to purchase and use treasury shares pursuant to section 71 (1) no. 8 AktG will be fully cancelled and replaced upon this authorisation taking effect.

REPORT BY THE MANAGEMENT BOARD TO THE ANNUAL GENERAL MEETING REGARDING ITEM 11 OF THE AGENDA OF THE ANNUAL GENERAL MEETING OF KAP AG

(Authorisation to purchase and use treasury shares, with possible exclusion of the subscription right and any tender right – report pursuant to section 71 (1) no. 8 AktG in conjunction with section 186 (4) sentence 2 AktG)

Under agenda item 11 for the Annual General Meeting on 30 September 2021, the Management Board and the Supervisory Board propose that KAP AG be authorised pursuant to section 71 (1) no. 8 AktG until 29 September 2026 to purchase treasury shares of the Company with a portion of the share capital attributable to such shares of up to EUR 2,019,566.38 in total, which corresponds to 10% of the share capital. A term of 5 years is planned in this context. The authorisation to purchase and use treasury shares granted by the Annual General Meeting on 7 July 2017 pursuant to section 71 (1) no. 8 AktG is to be fully cancelled and replaced upon this authorisation taking effect.

The Management Board hereby reports on the reasons for authorising the exclusion of shareholders' subscription rights when using the shares, in line with section 71 (1) no. 8 AktG in conjunction with section 186 (4) sentence 2 AktG; the report will be also made available, as part of this invitation, on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

and will also be available there during the Annual General Meeting.

The authorisation granted by the Annual General Meeting on 7 July 2017 to purchase and use treasury shares will expire on 7 July 2022. The Management Board and the Supervisory Board therefore propose to renew this authorisation.

Purchase of treasury shares

On the basis of the authorisation proposed under agenda item 11 for this year's Annual General Meeting (lit. c) of the authorisation), the purchase of treasury shares may be effected via the stock exchange or by way of a public purchase offer to all shareholders, at the discretion of the Management Board.

Purchase by way of a public purchase offer to all shareholders

In the event that shares are purchased by way of a public purchase offer to all shareholders, KAP AG may determine either a purchase price or a purchase price range at or within which it is prepared to purchase the shares. The authorisation stipulates certain limits for determining the purchase price. Subject to an adjustment during the offer period, the purchase price (excluding incidental purchase costs) must not exceed the average of the closing auction prices for the KAP share in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the three trading days before the date of the publication of the public purchase offer by more than 10%, or fall short of this average by more than 20%. If, after publication of the public purchase offer, the stock exchange price materially deviates from the relevant purchase price or the limits of the purchase price range, the public purchase offer may be modified. In this case, the price is based on the average of the closing auction prices on the three trading days before the publication of a potential modification. The public purchase

offer may stipulate further conditions. The principle of equal treatment must be observed if treasury shares are purchased by way of a public purchase offer.

In the event of a public purchase offer to all shareholders, the number of shares in KAP AG tendered by the shareholders may exceed the number of shares required by KAP AG. In this case, offers will be accepted on a quota basis. Priority should be given in this context to small numbers of shares up to a maximum of 100 shares tendered per shareholder. The purpose of this is to avoid fractional amounts when determining the quotas to be purchased and small residual holdings and thus to simplify the technical procedure of repurchasing shares. This also makes it possible to avoid de facto disadvantages to small shareholders. Furthermore, it permits scaling based on the number of shares tendered (tender quotas) instead of the number of shares held as this allows the purchase procedure to be handled within a commercially reasonable framework. Finally, rounding according to commercial principles is to be permitted in order to avoid fractions of shares. To this extent the purchase quota and the number of shares to be purchased from individual shareholders tendering shares can be rounded as necessary to ensure that the purchase of whole shares is technically possible. The Management Board considers the exclusion of any further shareholder tender rights to be justifiable and reasonable towards shareholders.

Use of treasury shares

If the Management Board, with the approval of the Supervisory Board, sells treasury shares via the stock exchange, the shareholders will have no subscription right. Pursuant to section 71 (1) no. 8 sentence 4 AktG, selling own shares via the stock exchange, just as purchasing them via the stock exchange, suffices to conform with the principle of equal treatment under section 53a AktG.

Under agenda item 11 (lit. d)), permission is to be granted, with the approval of the Supervisory Board, to also use the treasury shares of KAP AG already held by the Company, as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c), for the following purposes in addition to a sale via the stock exchange, excluding subscription rights as necessary:

Fulfilment of conversion or option rights (section (i))

The treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c) may be used, with the approval of the Supervisory Board and excluding shareholder subscription rights, to fulfil conversion or option rights issued by the Company or by entities in which the Company holds a controlling or majority interest. It may be expedient to use treasury shares in place of all or some new shares from a capital increase to fulfil conversion or option rights.

Sale against contribution in kind (section (ii))

The treasury shares may be sold, with the approval of the Supervisory Board, in return for a contribution in kind, with shareholder subscription rights being excluded. This allows KAP AG to offer, sell or transfer treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c) in return for a contribution in kind, especially in return for the (indirect) acquisition of companies, equity interests in companies, operations, parts of companies, company mergers or other assets or claims for the acquisition of assets including claims against KAP AG or entities in which it holds a controlling or majority interest as well as other assets or industrial property rights serving the Company's business

operations. International competition and the globalised economy often demand consideration in the form of shares in transactions of this kind. The authorisation proposed here provides KAP AG with the necessary scope to quickly and flexibly make use of opportunities to acquire companies, equity interests in companies, operations, parts of companies, company mergers or other assets or claims for the acquisition of assets including claims against KAP AG or entities in which it holds a controlling or majority interest, as well as other assets or industrial property rights serving the Company's business operations, that present themselves on both national and on international markets. The proposed exclusion of subscription rights takes this into account. When determining the valuation ratios, the Management Board will ensure that shareholders' interests are appropriately safeguarded. When assessing the value of the shares to be used as consideration, the Management Board will be guided by the stock exchange price of the KAP AG shares. There are no plans to establish a schematic link with a particular stock exchange price, primarily in order to ensure that negotiating results already achieved are not jeopardised by fluctuations in the stock exchange price.

Sale to third parties against cash payment (section (iii))

The proposed resolution also contains an authorisation to sell the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c) off-exchange to third parties, with the approval of the Supervisory Board and with subscription rights being excluded, provided the sale is effected against cash payment and at a price which is not significantly lower than the stock exchange price for same-category shares in KAP AG at the time of the sale. This authorisation makes use of the option to simplify the exclusion of subscription rights permitted under section 71 (1) no. 8 AktG by analogously application of section 186 (3) sentence 4 AktG. In order to protect shareholders against dilution of their shares, the shares may only be sold at a price which is not significantly lower than the relevant stock exchange price. The final purchase price for treasury shares will be determined shortly before the sale. The Management Board will ensure that any discount offered on the stock exchange price is as low as possible and in line with the market conditions prevailing at the time of placement. The authorisation is subject to the condition that the shares sold ex subscription rights in accordance with section 186 (3) sentence 4 AktG must not exceed 10% in total of the share capital, either at the time the authorisation is granted or, if lower, at the time it is exercised. This limit of 10% of the share capital is reduced by the proportion of share capital represented by shares in KAP AG that were issued, with subscription rights being excluded, in the context of a capital increase during the term of this authorisation by applying section 186 (3) sentence 4 AktG directly or analogously or that are to be issued in order to service option and conversion rights or obligations or profit-sharing rights, provided that the bonds or profit sharing rights were issued during the term of this authorisation by analogous application of section 186 (3) sentence 4 AktG. Including these shares ensures that purchased treasury shares are not sold ex subscription rights in accordance with section 186 (3) sentence 4 AktG if this would result in the exclusion of shareholder subscription rights for more than 10% of the share capital in total by direct or analogous application of section 186 (3) sentence 4 AktG. Applying this restriction and the requirement that stock exchange prices must be used as a guideline for the issue price ensures that the asset and voting right interests of shareholders are appropriately safeguarded. Shareholders are able in principle to maintain their shareholding by purchasing KAP shares via the stock exchange. The authorisation is in the interest of KAP AG as it provides additional flexibility.

Redemption of purchased shares (section (iv))

In addition, the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c) may, with the approval of the Supervisory Board, also be redeemed without any further resolution of the Annual General Meeting being required. In line with section 237 (3) no. 3 AktG, the Annual General Meeting of KAP AG may resolve to redeem its fully paid-up no-par value shares without this necessitating a reduction of the share capital of KAP AG. The proposed authorisation expressly envisages this alternative in addition to the option to redeem shares with a capital reduction. By redeeming treasury shares without effecting a capital reduction, the arithmetic portion of the share capital of KAP AG represented by the remaining no-par value shares will automatically be increased. To provide for this event, the Management Board is therefore also to be authorised to make the necessary amendment to the Articles of Association in order to reflect the change in the number of no-par value shares triggered by such redemption.

Use in connection with share-based remuneration programmes and/or employee share programmes (section (v))

It is also intended that treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 to lit. a) to lit. c) may be used in connection with share-based remuneration programmes and/or employee share programmes of KAP AG or entities in which it holds a controlling or majority interest. Moreover, it is to be permitted that such shares may be issued to individuals currently or formerly employed by KAP AG or entities in which it holds a controlling or majority interest, as well as to board members of any entities in which the Company holds a controlling or majority interest. The employment relationship, management service agreement or board membership must still exist at the time that such offer or award commitment is made or the shares transferred. The issue of treasury shares to employees, generally subject to an appropriate blocking period of several years, is in the interest of KAP AG and its shareholders as it strengthens employees' identification with the Company and increases the company value. The use of existing treasury shares, rather than a capital increase or cash payment, as share-price-related and value-based remuneration components can also make economic sense for KAP AG. In this case, shareholder subscription rights must be excluded. When determining the purchase price to be charged to employees, an appropriate discount may be granted as is customary for employee share programmes and in line with company performance. In connection with respective programmes, shares may also be offered, awarded and transferred to the aforementioned persons and board members free of charge.

Further exclusion of subscription rights for fractional amounts (lit. g) sentence 2)

The Management Board is furthermore to be authorised to exclude the subscription rights for all KAP AG shareholders for fractional amounts in the event of a sale of treasury shares, with the approval of the Supervisory Board. The possibility of excluding subscription rights for fractional amounts serves to ensure a technically feasible subscription ratio is achieved. The fractional treasury shares excluded from the shareholders' subscription right will be realised in the manner most advantageous to KAP AG either by way of sale on the stock exchange or otherwise. Owing to the limitation to fractional shares, there is very little potential dilutive effect.

Authorisation of the Supervisory Board (lit. e)

Furthermore, the Supervisory Board is to be authorised to use the treasury shares of KAP AG already held by the Company as well as the shares in KAP AG that have been or will be purchased under agenda item 11 lit. a) to lit. c) to service rights or duties to purchase shares in KAP AG agreed with members of the Management Board as part of the Management Board remuneration. The granting of such rights may be stipulated in the management service agreement or such rights can be granted by way of a separate agreement, although the conclusion of a separate agreement may be (wholly or partially) voluntary or compulsory from the perspective of the board member. The management service agreement or board membership must still exist at the time of the offer, award commitment or transfer of the shares in KAP AG. The Supervisory Board will determine the further details of any commitments and transfers, including any direct consideration, any prerequisites for claims and provisions concerning forfeiture and compensation, especially in special cases like retirement, incapacity for work and death, complying with the prerequisites of section 87 AktG.

Granting shares to Management Board members may increase their loyalty to KAP AG. At the same time, it is possible in this way to create variable remuneration components, with management bonuses not being paid out in cash but in shares, which are then, however, subject to a lock-up during which time the Management Board member concerned cannot sell the shares. By means of such or similar arrangements, the aim of appropriate Management Board remuneration in accordance with section 87 (1) AktG can be met, requiring not only positive but also negative developments to be reflected in the Management Board remuneration. The granting of shares with a lock-up on selling them over several years or similar arrangements can, in particular, create not only a bonus but also a genuine malus effect in the event of negative developments. This instrument can therefore entail larger economic co-responsibility of the Management Board members, in the interests of both KAP AG and its shareholders.

Exercising the authorisations

The authorisations under lit. d), lit. e) and lit. g) may be exercised once or several times, in whole or in instalments, individually or jointly, while the authorisations under lit. d) and lit. e) may also be exercised by entities in which KAP AG holds a controlling or majority interest or by third parties acting for such entities' account or for the account of KAP AG. Furthermore, purchased treasury shares can be transferred to controlled or majority-owned entities.

Final provisions

It is intended that the authorisation to purchase and use treasury shares pursuant to section 71 (1) no. 8 AktG granted by the Annual General Meeting on 7 June 2017 is to be cancelled and replaced in full upon the present authorisation taking effect.

Having weighed up all the aforementioned facts and circumstances, the Management Board and the Supervisory Board are of the opinion that the exclusion of subscription rights in the aforementioned cases is justified and reasonable *vis-à-vis* shareholders for the reasons stated, also in view of any potential dilution effect to the disadvantage of the shareholders that may arise from the exercise of the authorisations in question.

The Management Board will be guided solely by the interests of the shareholders and KAP AG in its decisions regarding the use of the Company's treasury shares. The Management Board will report to the shareholders at the next Annual General Meeting regarding the use of the authorisation.

Information on the candidate proposed for election to the Supervisory Board under agenda item 8



Christoph Schoeller

Managing Partner of Schoeller GmbH

Member of the Supervisory Board of KAP AG since 12/2020; appointed until 2021

Personal details:

Year of birth	1961
Place of birth	Hamburg
Nationality	Austrian

Professional experience:

Since 1999	Managing Partner Schoeller GmbH, Vienna, Austria
Since 1993	Managing Partner Schoeller GmbH, Hamburg, Germany
1993	Senior Advisor CAT GmbH, Hamburg, Germany At the time, leading consulting firm in the preparation and optimization of annual reports.
1991 - 1993	Head of Department, Forbes, Munich, Germany
1989 - 1991	Freelance research Forbes Magazine, New York, USA
1988 - 1989	Wealth management advisor Bear Stearns, New York, USA
1985 - 1987	Stock market trader / wealth management advisor Georg Hauck & Sohn Bankiers KGaA, Frankfurt, Germany
Education:	
1981 - 1985	Business studies, Kiel/Munich, combined with training as a banker at Georg Hauck & Sohn Bankiers KGaA, Frankfurt, Germany

Membership in domestic supervisory boards of business organizations required by law

None

Membership in comparable domestic and foreign control bodies of business organizations

None

Information on the candidate proposed for election to the Supervisory Board under agenda item 10



Viktor Rehart

Investment Professional, Senior Associate of Carlyle Group

Personal details:

Year of birth	1994
Place of birth	Frankfurt
Nationality	German

Professional experience:

Since 2021	Investment Professional, Senior Associate Carlyle Group, London, UK
2018 - 2020	Investment Professional, Associate Carlyle Group, London, UK
2016 - 2018	Analyst, Investment Banking. Leveraged Finance and Diversified Industries M&A J.P. Morgan, London, UK

Education:

2014 - 2016	Msc Econometrics and Mathematical Economics London School of Economics, London, UK
2011 – 2014	BA Politics, Philosophy & Economics University of York, York, UK

Membership in domestic supervisory boards of business organizations required by law
None

Membership in comparable domestic and foreign control bodies of business organizations
Member of Board, Trans Maldivian Airways (PVT) LTD

II. ADDITIONAL INFORMATION ON THE CONVOCATION

1. Total number of shares and voting rights

As of the date of the notice convening the Annual General Meeting, the Company's share capital amounts to EUR 20,195,663.80 and is divided into 7,767,563 no-par value bearer shares, each representing a pro-rata amount of the share capital of EUR 2.60 and granting in principle one vote. Accordingly, the total number of voting rights as of the date of the notice convening the Annual General Meeting is thus 7,767,563 (information in accordance with section 49 (1) sentence 1 no. 1 WpHG). As of the date of the convening notice, the Company does not hold any treasury shares.

2. Annual General Meeting without physical presence of the shareholders or their proxies

Pursuant to section 1 (1) and (2) of the German Act on Measures in Corporate, Cooperative, Association, Foundation and Home Ownership Law to Combat the Effects of the COVID-19 Pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*; **COVMG**) (BGBl. I 2020, p. 570) as amended by article 11 of the Act to Further Shorten the Proceedings for Discharging Residual Debt and Adjust Pandemic-Related Provisions of Corporate, Cooperative, Association, Foundation as well as Tenancy and Lease Law (*Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht*) (BGBl. I 2020, pp. 3328 *et seqq.*) in conjunction with section 1 of the Regulation on Extending Measures in Corporate, Cooperative, Association and Foundation Law to Combat the Effects of the COVID-19 Pandemic (*Verordnung zur Verlängerung von Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*) (BGBl. I 2020, p. 2258), the Management Board has decided, with the approval of the Supervisory Board, that the Annual General Meeting will be held as a virtual general meeting without physical presence of shareholders or their proxies (with the exception of the company-appointed proxies) and that the shareholders will cast their votes at the Annual General Meeting in particular by way of electronic communication. The Annual General Meeting will be held with physical presence of the chair of the meeting and the members of the Management Board, the company-appointed proxies as well as a notary instructed to keep the minutes of the Annual General Meeting, at the offices of KAP AG, Edeltzeller Str. 44, 36043 Fulda. It is intended that any members of the Management Board who are not physically present will participate in the Annual General Meeting via video and audio transmission.

Holding the 2021 Annual General Meeting in the form of a virtual general meeting in accordance with the COVMG results in certain modifications to procedures at the Annual General Meeting and shareholders' rights. A live video and audio transmission of the entire Annual General Meeting will be provided to all duly registered shareholders via our password-protected online portal (**AGM portal**) on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>.

The live transmission of the Annual General Meeting does not allow for participation in the Annual General Meeting within the meaning of section 118 (1) sentence 2 AktG.

Shareholders will be able to exercise their voting rights by means of electronic communication (postal vote) or by issuing proxy authorization. Shareholders will be given the right to ask questions by means of electronic communication and shareholders who have exercised their voting rights by means of electronic communication (postal vote) or by issuing proxy authorization can raise objections to resolutions of the Annual General Meeting by means of electronic communication.

We ask that our shareholders this year again pay particular attention to the following information on registering for the Annual General Meeting and exercising their voting rights as well as on other shareholders' rights.

3. Requirements for exercising voting rights; relevance of the record date

Pursuant to section 15 (1) of the Company's Articles of Association, only shareholders who have registered in text form (section 126 BGB) either in German or in English and have proven their entitlement to exercise voting rights by submitting evidence of their shareholding in text form (section 126b BGB) in German or English that was issued by the final intermediary (*Letztintermediär*) in accordance with the requirements of sections 67c (3) AktG (duly registered shareholders) are entitled to exercise voting rights. The evidence must relate to Thursday, 9 September 2021, 00:00 hrs (CEST) (record date). The registration and the evidence of the shareholding must be received by the Company no later than Thursday, 23 September 2021, 24:00 hrs (CEST), at the following address:

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: inhaberaktien@linkmarketservices.de

In relations with the Company, a person is deemed to be a shareholder for the purpose of exercising voting rights only if evidence of their shareholding has been furnished as described above. In this context, the number of voting rights is calculated exclusively according to shareholders' shareholding on the record date. The record date is not associated with any block on the ability to sell the shareholding. Even in the event of a full or partial sale of the shareholding after the record date, only the shareholder's shareholding on the record date is relevant for the number of voting rights, i.e. share sales after the record date have no impact on the number of voting rights. The same applies to the acquisition of shares and additional share after the record date. Persons who do not yet own any shares on the record date and only become shareholders thereafter, are only entitled to vote on account of the shares held by them if and to the extent that they have had themselves authorised as proxy or to exercise such rights by the person who is eligible on the record date.

The duly registered shareholders will be sent a voting card. The voting card contains the access data enabling shareholders to use the password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>.

To ensure that the voting cards are received in time, shareholders are requested to register and to send evidence of their shareholding to the Company as early as possible.

4. Procedure for voting by post

Duly registered shareholders have the option to vote by means of electronic communication (postal vote) by using the AMG Portal.

Before and during the Annual General Meeting, the Company's password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

is available for shareholders to exercise their voting rights by means of postal vote. Exercising voting rights by means of postal vote via the AGM portal is possible from Thursday, 9 September 2021 until immediately before the chair of the meeting expressly closes voting on the day of the Annual General Meeting; the chair of the meeting will announce this in good time. The "Briefwahl" (postal vote) button is provided in the AGM portal for this purpose. During the Annual General Meeting until immediately before the chair of the meeting expressly closes voting, shareholders can also use the AGM portal to change or revoke any votes previously cast by means of postal vote.

5. Procedure for voting by authorising and instructing the company-appointed proxies

The Company offers duly registered shareholders the option of authorising, before the Annual General Meeting, a company-appointed proxy who will vote only as instructed.

The proxy authorisation and instruction form sent with the voting card is available to the shareholders for this purpose prior to the Annual General Meeting. In addition, the proxy authorisation and instruction form can also be downloaded from the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>.

If the proxy appointment and instruction form is used, it must be sent in text form (section 126b BGB) only to the following address, fax number or email address and must be received there on or before Wednesday, 29 September 2021, 24:00 hrs (CEST):

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: inhaberaktien@linkmarketservices.de

Before and during the Annual General Meeting, the Company's password-protected AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>

is available for shareholders for exercising their voting rights by authorising and instructing the company-appointed proxies. Authorisation and instruction of the company-appointed proxies via the AGM portal is possible from Thursday, 9 September 2021 until immediately before the chair of the meeting expressly closes voting on the day of the Annual General Meeting; the chair of the meeting will announce this in good time. The "Vollmacht und Weisungen" (authorisation and instructions) button is provided in the AGM portal for this purpose. During the Annual General Meeting until immediately before the chair of the meeting expressly closes voting, shareholders can also use the AGM portal to change or revoke any previous authorisation granted and instructions issued. This also applies to any previous authorisation granted and instruction issued to a company-appointed proxy by post, fax or email.

If authorisation is granted to the company-appointed proxies, they will only exercise the corresponding voting right if express instructions have been issued. Instructions may only be issued with regard to resolution proposals made by the management and announced by the Company prior to the Annual General Meeting, including any proposal for a resolution on the appropriation of earnings as amended at the Annual General Meeting according to the announcement and with regard to resolutions proposed by shareholders that were announced by the Company prior to the Annual General Meeting on the basis of a request by a minority of shareholders pursuant to section 122 (2) AktG or as a counter-motion pursuant to section 126 (1) AktG or proposals by shareholders for elections pursuant to section 127 AktG. The company-appointed proxies do not accept instructions to raise objections to resolutions of the Annual General Meeting.

If the proxies receive several authorisations and instructions for one and the same shareholding or if the company-appointed proxies receive these via different means of communication, the most recent formally valid authorisation and corresponding instructions will be deemed binding. If declarations that differ from each other are received via different means of communication and the one that was most recently received cannot be identified, these declarations are taken into account in the following order: 1. via the AGM portal, 2. by email, 3. by fax and 4. by post in paper form. In the case of formally invalid authorisations and instructions, the proxies will not act as proxy for the votes at the Annual General Meeting. If postal votes exist in addition to any authorisation and instructions of the company-appointed proxies, the postal votes are always deemed to have priority; the proxies will in this respect not make any use of their authorisation and will not act as proxy for the shares in question.

6. Procedure for voting via an authorised third party

Shareholders may also have their voting rights exercised by proxies, e.g. by an intermediary, a shareholder association, a voting rights advisor or another person offering their services to shareholders to exercise voting rights at general meetings on a commercial basis ("**commercial agent**") after corresponding authorisation has been granted. In the event that a shareholder is represented, the shareholder must also be duly registered and the evidence of the shareholding must be provided on time (see above).

Proxies may not be physically present at the Annual General Meeting either, but are limited to exercising the voting right by postal vote or authorising the company-appointed proxies. Thus, they must exercise their votes as described above in respect of the shareholders by postal vote or by granting sub-proxy and issuing instructions to the company-appointed proxies. With respect to the exercise of the right to ask questions and to object, section II.7.c) and section II.8 of this convocation apply respectively to shareholder proxies.

The granting and revocation of an authorisation and the evidence to the Company that such authorisation has been granted must be in text form (section 126b BGB) if neither an intermediary nor, under section 135 (8) AktG, a shareholder association, a voting rights advisor or other commercial agent is authorised to exercise the voting right.

If an intermediary, shareholder association, voting rights advisor or commercial agent is authorised to exercise the voting right, the text form requirement does not apply; however, a verifiable record of the authorisation issued must be kept by the proxy. Shareholders wishing to authorise an intermediary, shareholder association, voting rights advisor or commercial agent are requested to agree on the form of the authorisation with the person to be authorised. These persons may also exercise the voting right, in compliance with the specified deadlines, by postal vote or by sub-proxy.

If a shareholder authorises more than one person, the Company may reject one or more of the proxies under section 134 (3) sentence 2 AktG.

Shareholders wishing to authorise a proxy are requested to use the form for granting authorisation which is provided by the Company for this purpose. A proxy form is also included on the voting card which will be sent to the shareholder after successful registration. In addition, a form for granting authorisation can be downloaded from the website of the Company at

<https://www.kap.de/en/investor-relations/general-meeting>.

The granting and revocation of an authorisation and the evidence to the Company of an authorisation having been granted must be received by the Company in text form (section 126b BGB) in German and English no later than Wednesday, 29 September 2021, 24:00 hrs (CEST), by post, by fax or by email at the following address:

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Fax: +49 (0)89 21027-289

Email: inhaberaktien@linkmarketservices.de

A proxy can follow the Annual General Meeting via the password-protected AGM portal only if they receive the access data sent with the voting card from the party authorising them. Intermediaries, shareholder associations, voting rights advisors or commercial agents who represent a majority of shareholders are recommended to contact the Company at the aforementioned address in advance of the Annual General Meeting with regard to the exercise of voting rights.

Additional information on authorising third parties is included on the voting card that is sent to duly registered shareholders. Corresponding information and a more detailed description of the authorisation of third parties are also available on the internet at

<https://www.kap.de/en/investor-relations/general-meeting>.

7. Information on shareholders' rights pursuant to sections 122 (2), 126 (1), 127 and 131 (1) AktG

a) Requests for additional agenda items pursuant to section 122 (2) AktG

Pursuant to section 122 (2) AktG, one or several shareholders whose shares in aggregate are at least equivalent to one twentieth of the share capital or to a pro-rata amount of EUR 500,000.00 may request that additional items be added to the agenda and made public. Each new item must be accompanied by the reasons for this or a resolution proposal. The request must be made in writing to the Company's Management Board and must be received by the Company on Monday, 30 August 2021, 24.00 hrs (CEST), at the latest (receipt by the Company). The request can in any event be sent to the following address:

KAP AG

– The Management Board –

Edelzeller Straße 44

36043 Fulda

Pursuant to section 122 (2) sentence 1, (1) sentence 3 AktG, persons submitting a request must prove that they held the shares for at least 90 days prior to the date on which the request is received and that they will hold the shares until the Management Board decides on the request; section 121 (7) AktG must be applied *mutatis mutandis*. Certain third-party shareholding periods will be taken into account in accordance with section 70 AktG.

The date of receipt of the request shall not be included in the count. Bringing forward or postponing the date that falls on a Sunday, a Saturday or a public holiday to a preceding or following working day is not permitted. Sections 187 to 193 BGB are not to be applied *mutatis mutandis*.

Any additions to the agenda that must be announced and were not announced with the convening notice will be announced in the German Federal Gazette (*Bundesanzeiger*) immediately after receipt of the request by the Company and will be forwarded for publication to media which can be expected to disseminate the information throughout the European Union. They will also be announced on the Company's website at

<https://www.kap.de/en/investor-relations/general-meeting>

and communicated to the shareholders pursuant to section 125 (1) sentence 3 AktG.

- b) Countermotions and nominations by shareholders pursuant to section 126 (1) AktG and section 127 AktG

Countermotions within the meaning of section 126 AktG and nominations within the meaning of section 127 AktG, including the name of the shareholder, the reasons (which, however, are at least not required for nominations) and any comments by the management, will be made available at

<https://www.kap.de/en/investor-relations/general-meeting>

provided they have been received by the Company no later than Wednesday, 15 September 2021, 24:00 hrs (CEST), at the following address:

KAP AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

or alternatively via the fax number +49 (0)89 21027-298 or

at the email address antraege@linkmarketservices.de

and all other conditions requiring the Company to make such information available under section 126 AktG or section 127 AktG have been met. Countermotions or nominations by shareholders to be made available pursuant to section 126 AktG or section 127 AktG are deemed to have been submitted to the Annual General Meeting if the shareholder submitting the motion or nomination has been duly legitimated and has duly registered for the Annual General Meeting, section 1 (2) sentence 3 COVMG.

c) Right to ask questions by means of electronic communication

The shareholders' right to request information under section 131 AktG is significantly restricted in the event of a virtual general meeting. Pursuant to section 1 (2) COVMG, shareholders have the right to ask questions by means of electronic communication. The Management Board has stipulated that questions must be submitted by means of electronic communication no later than one day prior to the meeting. The Management Board will decide at its due and free discretion how questions are to be answered. Questions must be submitted in German. Questions submitted in other languages will not be accepted.

Duly registered shareholders may submit their questions no later than Tuesday, 28 September 2021, 24:00 hrs (CEST), via the Company's AGM portal accessible at

<https://www.kap.de/en/investor-relations/general-meeting>.

The "Frage einreichen" (submit question) button is provided in the AGM portal for this purpose. It is not possible to submit questions by any other means of communication.

The Company intends to name the party who asked the question when providing the answer, unless such party expressly objects to the disclosure of their name when submitting their questions. Please also note the additional explanations on shareholders' rights and on data protection at the end of this invitation notice.

d) Additional explanations

Additional explanations on shareholders' rights, in particular information relating to additional requirements above and beyond compliance with the relevant deadlines, is available on the Company's website at

<https://www.kap.de/investor-relations/hauptversammlung>.

8. Raising objections for the record

Duly registered shareholders who have exercised their voting rights by means of electronic communication (i.e. by postal vote) or via a proxy appointed by them have the opportunity to declare any objection to resolutions to be passed at the Annual General Meeting from the start until the end of the meeting without having to be physically present at the meeting, for the notary's record on the Company's AGM portal accessible on the website

<https://www.kap.de/en/investor-relations/general-meeting>.

The "Widerspruch einlegen" (raise objection) button is provided in the AGM portal for this purpose. Any objections will be sent to the notary via the password-protected AGM portal.

9. Documents relating to the Annual General Meeting, website offering information pursuant to section 124a AktG

The content of the convening notice, together with an explanation of why no resolution is to be passed in respect of agenda item 1, the documents to be made available to the Annual General Meeting, the total number of shares and voting rights existing at the time the convening notice was issued, a form for granting proxy and issuing instructions, as necessary, and any requests for additional agenda items within the meaning of section 122 (2) AktG are available on the website

<https://www.kap.de/en/investor-relations/general-meeting>.

The convening notice with the full agenda and the resolution proposals by the Management Board and the Supervisory Board were announced in the German Federal Gazette on Tuesday, 17 August 2021 and were additionally forwarded for publication to media which can be expected to disseminate the information throughout the European Union.

The voting results will be published after the Annual General Meeting on the aforementioned website together with information regarding the issuance of a confirmation of the vote count pursuant to section 129 (5) AktG, which may be requested by voting shareholders within one month from the date of the Annual General Meeting.

10. Audiovisual transmission of the entire Annual General Meeting

Duly registered shareholders can follow the video and audio transmission of the entire Annual General Meeting live on Thursday, 30 September 2020, from 11:00 hrs. (CEST), via the password-protected AGM portal on the website

<https://www.kap.de/en/investor-relations/general-meeting>.

According to the current state of technology, the video and audio transmission of the virtual Annual General Meeting and the availability of the AGM portal may be subject to fluctuations over which the Company has no control due to restrictions of the availability of the telecommunications network and the restriction of internet services from third-party providers.

The Company therefore cannot provide any warranty or accept any liability for the functionality and continuous availability of the internet services used, the third-party network elements used, the video and audio transmission or the access to the AGM portal and its general availability. Unless mandatory data protection regulations so require, the Company also accepts no responsibility for errors or defects of the hardware and software used for the AGM portal, including that of the service provider companies used, except in the case of intent or gross negligence. For this reason, the Company recommends making use of the aforementioned options for exercising rights, particularly exercising voting rights, at an early stage.

Where data protection or security considerations make it imperative, the chair of the Annual General Meeting must reserve the right to interrupt or completely abandon the Annual General Meeting.

11. Technical information regarding the virtual General Meeting

Duly registered shareholders will require an internet connection and an internet-enabled device in order to follow the virtual Annual General Meeting and to use the AGM portal and exercise shareholders' rights. A stable internet connection with sufficient transmission speed is recommended in order to allow the video and audio transmission of the Annual General Meeting to be displayed optimally.

If shareholders use a computer to receive the video and audio transmission of the virtual Annual General Meeting, they need a browser and loudspeaker or headphones.

For access to the Company's password-protected AGM portal, duly registered shareholders need their individual access data that they will receive with the voting card, which will be sent to shareholders automatically following due registration. Duly registered shareholders can use this access data to log in to the AGM portal on the login page.

It is recommended that shareholders' rights (particularly voting rights) are – as far as possible – exercised before the start of the Annual General Meeting in order to avoid the risk of any restrictions on the exercise of shareholders' rights as a result of technical problems occurring during the virtual

Annual General Meeting. It is possible to exercise voting rights on the AGM portal from 9 September 2021.

12. Information on data protection

We collect personal data relating to the shareholders and/or their proxies in the context of them following the video and audio transmission of the Annual General Meeting, their registration for the Annual General Meeting or their exercise of further meeting-related rights. We do this in order to enable shareholders to exercise their rights in the context of the Annual General Meeting. Further information on the handling of personal data and rights under the General Data Protection Regulation (GDPR) can be found online on the website for the Annual General Meeting

<https://www.kap.de/en/investor-relations/general-meeting>.

Fulda, August 2021

KAP AG

The Management Board

www.kap.de

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