

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The Supervisory Board performed the tasks incumbent on it pursuant to the law, the Articles of Association and the rules of procedure with great care in the 2022 financial year. The 2022 financial year continued to be dominated by the COVID-19 pandemic, in addition to Russia's war against Ukraine and the geopolitical, energy, and economic disruptions it entailed. The restrictions imposed globally to contain the pandemic, as well as the war, have severely impacted the economic environment, particularly through the effects of supply shortages and rising energy and commodity prices. Nevertheless, the KAP Group increased its revenue significantly and was thus able to cope well with the challenges in this third year of crisis. The measures we implemented in the previous year to streamline the product and service portfolio and focus on our core segments certainly helped us. However, the KAP Group also dealt with other events besides COVID-19 and the war. In the course of implementing our strategy, we significantly strengthened the KAP Group with the acquisition of Haogenplast, Israel, and the early refinancing through a new syndicated loan. Together with the Management Board, we will continue to closely monitor the economic environment and introduce additional measures to capture growth potential in the segments, and thus continue to ensure a sustainable value development.

For 2023, we expect that the KAP Group will continue to face a volatile economic environment. In particular, the aggravating repercussions of the Russia-Ukraine war may have a negative impact on the development of business.

COLLABORATION WITH THE MANAGEMENT BOARD

We regularly advised the Management Board on the management of the Company and monitored its work. This was based on detailed written and oral reports by the Management Board, which were provided in and outside of the meetings of the Supervisory Board. Between the meetings, regular dialogue also took place between the Chairman of the Supervisory Board and the Management Board as well as other members of the Supervisory Board and between the members of the audit committee and the Management Board. The

Supervisory Board was directly involved in all decisions of fundamental importance for the Company. We were always promptly and comprehensively informed about the Group's business development, intended business policies, the Group's situation, the risk situation and risk management, sustainability management, compliance, corporate planning including financial, investment, sales and personnel planning, and any current issues. Where the Supervisory Board's consent was needed for decisions or measures of the Management Board on the grounds of the law, the Articles of Association or the rules of procedure, we comprehensively reviewed and thoroughly discussed the draft resolutions and adopted resolutions.

SUPERVISORY BOARD MEETINGS AND COMMITTEE MEETINGS

A total of four regular meetings and one constituent meeting of the Supervisory Board as well as four meetings of the audit committee were held in the reporting year. Unless it was considered appropriate to discuss individual topics such as personnel issues concerning the Management Board without the Management Board's participation, the members of the Management Board took part in the meetings of the Supervisory Board, reporting in detail about the progress of business affairs, current revenue and earnings development, opportunities and risks of business development, significant planned or ongoing investments and disinvestments, and the Company's situation overall. Furthermore, the Supervisory Board informally communicated with the Management Board on the current business performance and current progress on strategic projects, generally on a monthly basis.

The meetings focused on the following topics:

In the meeting of 24 March 2022, we dealt intensively with the annual financial statements for the 2021 financial year. In addition, current M&A projects, legal and human resources issues, the planning of the Annual General Meeting and the results of the efficiency review of the Supervisory Board were discussed. We also dealt with the declaration of compliance, the refinancing of the syndicated loan, and the Management Board reported on the effects of the Russia-Ukraine war.

With the auditor present, at the meeting on 26 April 2022 we dealt extensively with the 2021 separate financial statements and consolidated financial statements, the management report and the group management report, the separate combined non-financial group report, the proposal on the appropriation of profits and the report of the Supervisory Board to the Annual General Meeting. The auditor explained the audit reports including the key audit matters. The Management Board prepared a report on the relations of the Company with affiliated entities in the 2022 financial year, which the auditor audited and on which the auditor issued the following unqualified audit opinion pursuant to section 313 of the German Stock Corporation Act (AktG):

“Based on our audit and assessment in accordance with professional standards, we confirm that:

1. the statements as to fact made in the report are accurate,
2. the consideration paid by the Company in the transactions detailed in the report was not unreasonably high, or any disadvantages have been compensated.”

The auditor participating in the meetings of the audit committee and of the Supervisory Board reported on the findings of the audit of the report on the relations of the Company with affiliated entities and answered questions.

Both the audit committee and the Supervisory Board were able to satisfy themselves that the audit and the audit report were in order and, in particular, satisfied themselves that the audit report – as well as audit itself – met the legal requirements. The Supervisory Board raises no objections to the Management Board’s closing statement in the report on the relations of the Company with affiliated entities and concurs with the independent auditor’s audit findings.

At the constituent Supervisory Board meeting on 31 August 2022, Christian Schmitz was elected Chairman of the Supervisory Board and Christoph Schoeller Deputy Chairman. An audit committee was also formed, to which Uwe Stahmer, Christian Schmitz and Christoph Schoeller were elected. Uwe Stahmer was elected Chairman of the committee.

The 22 September 2022 meeting focused on a report by the Management Board on the status of the budget and business development. Moreover, the Management Board reported on the status of M&A activities. Legal and HR topics were also discussed.

On 15 December 2022, we met for the last Supervisory Board meeting in the reporting year. The focus at this meeting was not only current business development but also the budget for the 2023 financial year. In addition, we discussed legal, compliance and personnel matters as well as planning for the 2023 Annual General Meeting. Moreover, the Management Board reported on the status of M&A activities.

The members of the audit committee in the reporting year were Joachim Coers (Chairman until 31 August 2022), Uwe Stahmer (Chairman from 31 August 2022), and Christian Schmitz and Christoph Schoeller (from 31 August 2022). In the 2022 financial year, the audit committee held four meetings on 21 February, 16 May, 29 August and 21 November 2022. The audit committee particularly dealt with the 2021 annual financial statements and consolidated financial statements and the 2022 consolidated half-year report. Furthermore, with the quarterly statements, the non-financial group report, the declaration of compliance, the remuneration report and the Annual General Meeting 2022. Further agenda items included risk management, the Company’s internal control systems, various compliance topics and the processes and systems in the areas of controlling and corporate planning, the budget and the refinancing of the syndicated loan. In addition, the committee discussed the proposal for the election of the auditor for the 2022 financial year. The committee’s Chairman reported on the meetings and the work of the audit committee at each meeting of the Supervisory Board.

INDIVIDUALISED DISCLOSURE OF MEETING ATTENDANCE

The attendance rate of members at Supervisory Board meetings was 100 percent. In the reporting year, all Supervisory Board meetings were held as in-person meetings with the option to participate via video link (hybrid meetings) and all meetings of the audit committee were held as virtual video conferences. None of the meetings were held as an audio conference call. The attendance of the members of the Supervisory Board at the meetings of the Supervisory Board and the committees is disclosed below by individual:

No. of meetings/ attendance	Supervisory Board plenum		Audit committee	
	No.	%	No.	%
Christian Schmitz (Chairman)	5/5	100	4/4	100
Christoph Schoeller (Deputy Chairman)	5/5	100	1/1	100
Dr Markus Adams (from 31 August 2022)	3/3	100		
Roy Bachmann	5/5	100		
Joachim Coers (until 31 August 2022)	2/2	100	3/3	100
Viktor Rehart	5/5	100		
Uwe Stahmer	5/5	100	3/4	75
		100		94

CORPORATE GOVERNANCE

KAP AG and the Supervisory Board attach great importance to the principles of good corporate governance. In light of this, dealing professionally with the conflicts of interest of individual members of the Supervisory Board is particularly important to the Supervisory Board. A conflict of interest occurred in the case of one member of the Supervisory Board in the reporting year. The member of the Supervisory Board handled this in accordance with the requirements of the rules of procedure for the Supervisory Board, disclosing it promptly to the Chairman of the Supervisory Board. The further development of corporate governance in our Company and compliance with the recommendations of the German Corporate Governance Code were a key focus of our monitoring and advisory work in the 2022 financial year.

The members of the Supervisory Board are responsible for obtaining any training or professional development measures necessary to fulfil their duties, such as on changes in legal framework conditions, and are supported by the Company in this. Internal information events are offered as required for targeted training. New members of the Supervisory Board can meet the members of the Management Board and specialist managers to talk about fundamental and current topics and thus obtain an overview of topics of relevance to the Company relevant topics regarding the business (onboarding).

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, the auditor appointed by the Annual General Meeting, audited the annual financial statements and consolidated financial statements prepared by the Management Board, including the management report and group management report for the 2022 financial year, together with the accounting records. According to the auditor's conclusion, the Company complied with the rules of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and with International Financial Reporting Standards as adopted by the EU. The auditor did not raise any objections and issued unqualified audit opinions for both sets of financial statements. The Supervisory Board satisfied itself of the independence of the auditor and of the persons acting on the auditor's behalf.

The annual financial statements and consolidated financial statements including the management report and group management report, the proposal for the appropriation of profit, the separate combined non-financial group report and the audit reports of the auditor were reviewed and discussed in detail with the Management Board and the auditor at the Supervisory Board meeting on 25 April 2023. The financial statement documents and the audit reports were available to all members of the Supervisory Board on time and were

dealt with in detail at the meeting of the Supervisory Board to discuss the financial statements on 25 April 2023. The auditor reported on the findings of the audit during its deliberations and was available to us for additional questions and information. The key audit matters were a focus. Based on the final result of our own review, we concurred with the findings of the audit conducted by the auditor and did not raise any objections.

The Supervisory Board discussed the annual financial statements of KAP AG and the consolidated financial statements of the KAP Group prepared by the Management Board in detail at its meeting on 25 April 2023 and subsequently approved them. KAP AG's 2022 annual financial statements are thus adopted. We have approved the Management Board's proposal for the appropriation of retained earnings, which, despite the volatile environment, recommends distributing a dividend of €1.00 per share and otherwise carrying forward the remaining retained earnings.

CHANGES ON THE SUPERVISORY BOARD AND ON THE MANAGEMENT BOARD

There were no changes to the Management Board in the reporting year.

The term of office of all members of the Supervisory Board ended upon conclusion of the Annual General Meeting on 31 August 2022, so that a new election was necessary. At the Annual General Meeting on 31 August 2022, Christian Schmitz, Uwe Stahmer, Roy Bachmann, Viktor Rehart, Christoph Schoeller and Dr Markus Adams were elected as members of the Supervisory Board. The term of office of all members of the Supervisory Board runs until the end of the Annual General Meeting for the 2026 financial year.

At the constituent meeting of the Supervisory Board on 31 August 2022, the Supervisory Board unanimously elected Christian Schmitz as Chairman of the Supervisory Board and Christoph Schoeller as Deputy Chairman. The Supervisory Board also formed an audit committee with three members. Uwe Stahmer, Christoph Schoeller and Christian Schmitz were unanimously elected as members of the audit committee and Uwe Stahmer as Chairman of the audit committee.

Joachim Coers' term of office ended with the Annual General Meeting on 31 August 2022. The Supervisory Board would like to take this opportunity to expressly thank Mr Coers for his great and sustained commitment for the benefit of the Company.

THANKS

In a global economy marked by major disruption, the KAP Group reached important milestones in the past financial year. The Supervisory Board would like to thank the members of the Management Board, the segment managers, the managing directors of the segment companies and all employees for their great dedication and work in the difficult financial year 2022.

Fulda, 25 April 2023

For the Supervisory Board

Christian Schmitz

Chairman of the Supervisory Board