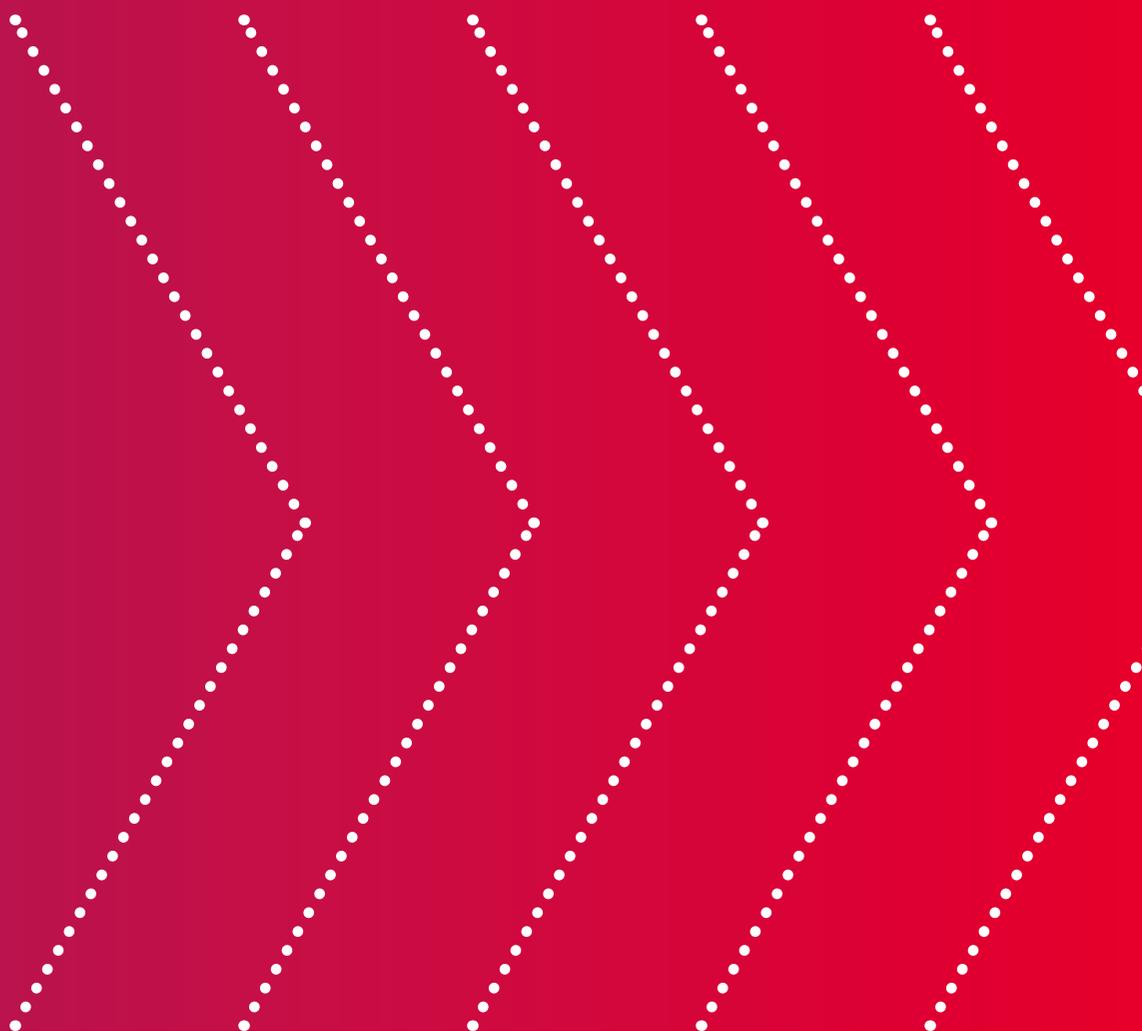


Quarterly Report Q3 2022

1 January to 30 September 2022



kap

SOLID BUSINESS DEVELOPMENT IN THE FIRST NINE MONTHS DESPITE RESTRICTIONS TO PASSING ON PRICE INCREASES

In the first nine months of 2022, the KAP Group delivered a satisfactory overall performance thanks to its high degree of diversification. While demand for the products of the individual segments was very varied, in line with the corresponding markets, all segments of KAP AG increased their revenue year on year. However, earnings growth was significantly dampened, especially in Q3, as it was only possible to partially pass on to the KAP Group's customers the cost increases for raw materials and energy (some of which were significant) and only with a time lag.

The flexible films segment continued its growth course unchanged. This was mainly driven by the successful acquisition of Haogenplast, which was completed in February 2022. The engineered products segment also increased its revenue significantly, mainly on account of price increases resulting from higher raw material and energy costs. The precision components and surface technologies segments likewise recorded slightly positive revenue growth in the first nine months of 2022, driven by increased demand in the automotive sector.

Overall, price increases stabilised at a high level across all segments. The strategic and operational improvement initiatives launched in the 2021 financial year and continued and largely completed in 2022 as part of the Accelerate programme continue to have an impact, which is particularly relevant against the backdrop of increasing economic and macroeconomic challenges.

KAP Group¹

		9M 2022	9M 2021	Change in %
Revenue	€ millions	344.4	266.3	29.3
EBITDA	€ millions	38.8	28.4	36.6
Normalisation adjustments	€ millions	-7.9	1.5	n.m.
Normalised EBITDA	€ millions	30.9	29.9	3.3
Normalised EBITDA margin	%	9.0	11.2	-2.2 pp
Investments	€ millions	21.0	23.5	-10.6
Employees (30 September)		2,868	2,587	10.9

¹ Continuing operations (excl. it/services)

DEVELOPMENT OF THE KAP GROUP'S KEY PERFORMANCE INDICATORS

In the period from January to September 2022, the KAP Group's revenue came to €344.4 million, up 29.3% year on year (previous year: €266.3 million). This increase reflects the positive revenue developments seen in all segments. Revenue growth in the flexible films segment came to 45.0%, in engineered products to 28.8%, in surface technologies to 12.4% and in precision components to 13.7%, in each case compared with the first nine months of the previous year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to €38.8 million in the same period (previous year: €28.4 million) and were normalised for non-recurring effects and special items totalling €-7.9 million. The normalisation adjustments mainly related to proceeds from the sale of commercial real estate. At €30.9 million, normalised EBITDA was up year on year by 3.3% (previous year: €29.9 million). In turn, the normalised EBITDA margin was 9.0%, and was thus below the previous year's figure (previous year: 11.2%).

As of 30 September 2022, the equity ratio was 43.6% (31/12/2021: 53.4%), with total assets amounting to €431.4 million (31/12/2021: €342.1 million).

The cash flow from operating activities decreased in the first nine months of the 2022 financial year to €-4.0 million (previous year: €0.8 million). This significant decrease was largely attributable to the growth-related increase in working capital.

The cash flow from investing activities resulted in a cash outflow of €-45.1 million (previous year: €-7.1 million). The high cash outflow was mainly due to the acquisition of Haogenplast in Israel and to investments in the new sites in Jasper (Alabama, USA) and Hessisch Lichtenau.

The cash flow from financing activities in the nine-month period of 2022 amounted to €37.2 million (previous year: €-2.4 million). This increase reflects the purchase price of Haogenplast and the increase in working capital, partly due to higher raw materials costs. Net financial debt increased accordingly.

The KAP Group headcount was 2,868 as of 30 September 2022, compared with 2,587 as of the previous-year reporting date. The increase of just under 11% is mainly attributable to the first-time consolidation of Haogenplast.

DEVELOPMENT OF THE SEGMENTS IN THE FIRST NINE MONTHS OF 2022

flexible films

		9M 2022	9M 2021	Change in %
Revenue	€ millions	146.5	101.0	45.0
Normalised EBITDA	€ millions	19.2	15.1	27.2
Normalised EBITDA margin	%	13.1	14.9	-1.8 pp
Investments	€ millions	4.7	2.2	113.6
Employees (30 September)		535	358	49.4

The strong revenue growth in the **flexible films** segment of 45% to €146.5 million (previous year: €101 million) is mainly attributable to the consolidation of Haogenplast, as are the positive changes in the number of employees. Normalised EBITDA was increased by 27.2% from €15.1 million in the previous-year period to €19.2 million. The normalised EBITDA margin decreased year on year from 14.9% to 13.1% owing to positive special macroeconomic effects in the previous year. In the reporting period, the segment entities' investment spending totalled €4.7 million, exceeding the level of the previous-year period (previous year: €2.2 million). The increase was mainly due to investments at Haogenplast, which was not yet part of the KAP Group in the previous-year period. As of the reporting date, the segment had 535 employees, compared with 358 in the previous year.

engineered products

		9M 2022	9M 2021	Change in %
Revenue	€ millions	113.6	88.2	28.8
Normalised EBITDA	€ millions	7.5	6.0	25.0
Normalised EBITDA margin	%	6.6	6.8	-0.2 pp
Investments	€ millions	5.7	2.7	111
Employees (30 September)		869	850	2.2

In the **engineered products** segment, revenue increased by 28.8% to €113.6 million (previous year: €88.2 million). The positive development is mainly due to price increases resulting from the significant rise in raw material and energy costs. Normalised EBITDA also showed a significant increase of 25% to €7.5 million (previous year: €6.0 million). Investment of €5.7 million (previous year: €2.7 million) relates primarily to the new plant in Hessisch Lichtenau. The production processes in the engineered products segment involve a high energy intensity. So far, it has been possible to pass on most of the price increases for energy to the segment's customers. As of 30 September 2022, the segment had 869 employees, compared with 850 in the previous year.

surface technologies

		9M 2022	9M 2021	Change in %
Revenue	€ millions	49.9	44.4	12.4
Normalised EBITDA	€ millions	6.4	8.0	-20.0
Normalised EBITDA margin	%	12.8	18.0	-5.2 pp
Investments	€ millions	4.8	13.5	-64.4
Employees (30 September)		744	681	9.3

The **surface technologies** segment also recorded an increase in revenue of 12.4% to €49.9 million (previous year: €44.4 million). The chemical baths required for the segment's business activities are mainly heated with gas. The significant increase in energy prices, especially for gas, therefore resulted in lower normalised EBITDA. Accordingly, normalised EBITDA slid from €8.0 million down to €6.4 million. At €4.8 million, investment in the surface technologies segment was down notably year on year (previous year: €13.5 million). The decrease is mainly due to the fact that the previous year's figure included expenses for the construction of the new Jasper site in Alabama, USA. The segment's number of employees increased from 681 at the end of September 2021 to 744 at the end of the reporting period.

precision components

		9M 2022	9M 2021	Change in %
Revenue	€ millions	34.8	30.6	13.7
Normalised EBITDA	€ millions	1.1	1.6	-31.3
Normalised EBITDA margin	%	3.2	5.2	-2.0 pp
Investments	€ millions	4.8	5.0	-4.0
Employees (30 September)		661	639	3.4

Significantly higher prices for raw materials, especially steel and PVC, also impacted the **precision components** segment in the reporting period. It was possible to increase revenue by 13.7% from €30.6 million to €34.8 million. Normalised EBITDA, however, fell by 31.3% to €1.1 million (previous year: €1.6 million), chiefly because it is only possible to pass on the higher raw materials costs with a time lag. At €4.8 million, investment in the first nine months remained almost unchanged on the previous year (previous year: €5.0 million). As of 30 September 2022, the precision components segment employed 661 people, 22 more than at the previous-year reporting date.

EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period on 30 September 2022, no events of material importance occurred that affect the true and fair view of the operations, the results of operations, the position and the expected development of the Company.

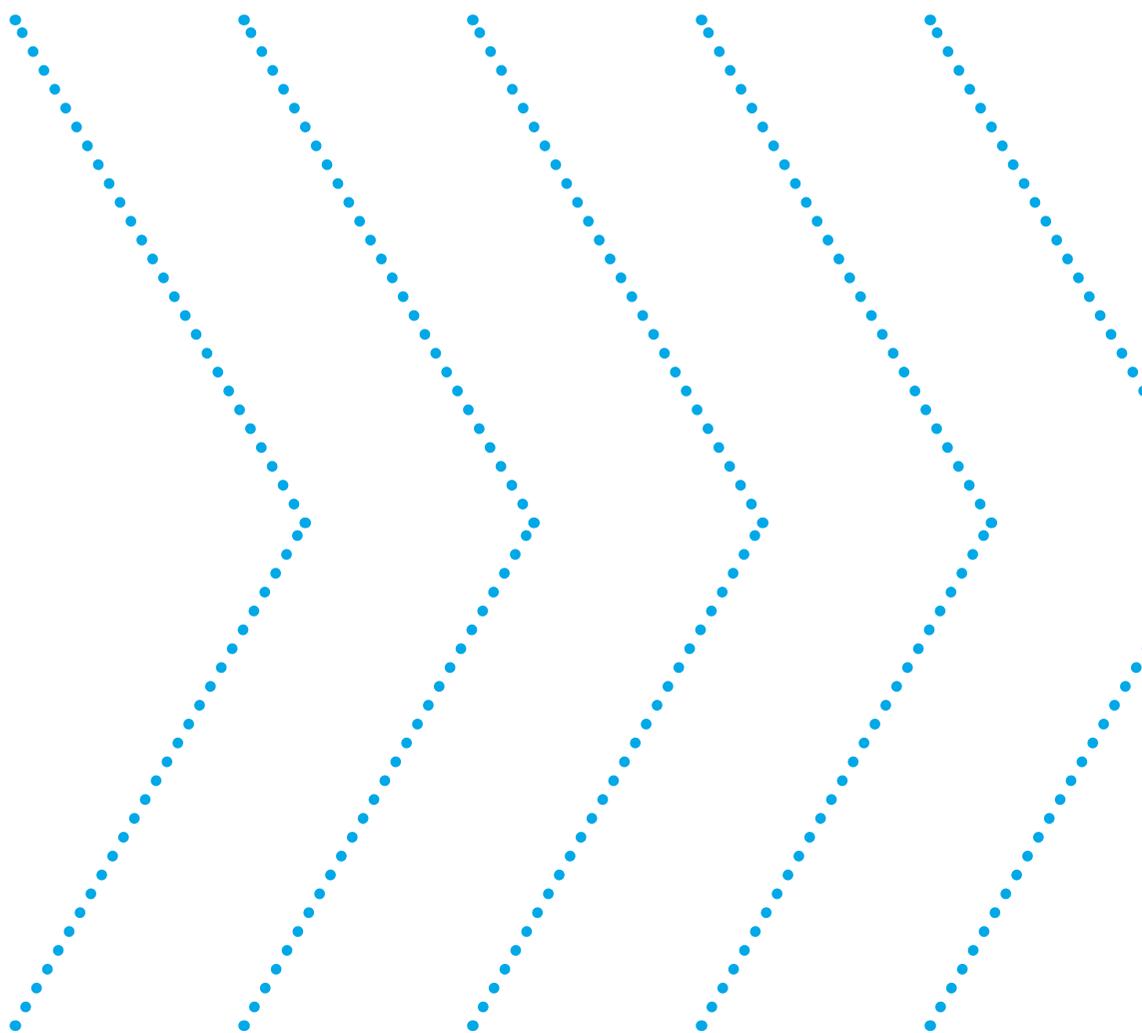
CONFIRMATION OF THE 2022 FORECAST

The KAP Group still assumes that the business development in the 2022 financial year will continue to be influenced noticeably by the uncertain market environment and significant supply chain disruptions. Added to this is the expected deterioration of the global energy crisis. Given the diversified investment model and the strong market positioning of the individual segments as well as the timely initiated measures to manage efficiency and effectiveness, the Management Board still expects revenue to increase significantly year on year and an operating result slightly above the level of the previous year despite the volatile and uncertain market parameters.

The overall assessment takes into account any already foreseeable risks as a result of the Russia-Ukraine war and the ongoing Covid-19 pandemic. Additional effects that could not yet be specifically assessed at the time the report was finalised may lead to subsequent changes in the forecast. The Management Board is reviewing various measures to compensate for these effects in the best possible way.

Financial information

Development of the KAP Group in the first nine months of 2022



CONSOLIDATED STATEMENT OF INCOME

FROM 1 JANUARY TO 30 SEPTEMBER 2022

in € thousands	9M 2022	9M 2021 ¹
Revenue	344,426	266,264
Change in inventories and other own work capitalised	11,574	2,629
Total operating performance	356,000	268,893
Other operating income	20,231	15,324
Cost of materials	-211,734	-145,410
Personnel expenses	-77,034	-65,049
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment and investment property	-22,771	-17,813
Other operating expenses	-48,630	-45,333
Operating result	16,062	10,612
Interest result	-2,760	-1,678
Other financial result	1,501	1,006
Financial result	-1,259	-672
Earnings from continuing operations before income taxes	14,803	10,100
Income taxes	-4,490	-3,272
Earnings from continuing operations	10,313	6,668
Earnings from discontinued operations after taxes	579	19,536
Consolidated profit/loss after taxes	10,892	26,204
Non-controlling interests	-9	-178
Consolidated profit/loss attributable to the shareholders of KAP AG	10,883	26,026
Basic earnings per share (€)		
Earnings from continuing operations	1.33	0.85
Earnings from discontinued operations	0.07	2.53
	1.40	3.38

¹ The consolidated statement of income for the previous year has been restated for adjustments in the it/services segment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

FROM 1 JANUARY TO 30 SEPTEMBER 2022

in € thousands	9M 2022	9M 2021
Consolidated profit/loss after taxes	10,892	26,204
Unrealised gains from currency translation	2,228	2,309
Items that may be reclassified subsequently to profit or loss	2,228	2,309
Actuarial gains from defined benefit pension plans	0	0
Deferred taxes on actuarial gains/losses from defined benefit pension plans	0	0
Items that will not be reclassified subsequently to profit or loss	0	0
Other comprehensive income after taxes	2,228	2,309
thereof attributable to non-controlling interests	0	0
thereof attributable to the shareholders of KAP AG	2,228	2,309
Total comprehensive income	13,120	28,513
thereof attributable to non-controlling interests	9	178
thereof attributable to the shareholders of KAP AG	13,111	28,335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

in € thousands	30/09/2022	31/12/2021
ASSETS		
Non-current assets		
Intangible assets	48,271	35,867
Property, plant and equipment	194,251	172,343
Investment properties	1,135	1,888
Other financial assets	174	196
Deferred tax assets	4,579	4,365
	248,410	214,659
Current assets		
Inventories	93,981	59,597
Trade receivables	67,542	38,435
Income tax receivables	1,060	1,219
Other receivables and assets	13,011	10,256
Cash and cash equivalents	7,376	17,421
	182,970	126,928
Non-current assets held for sale and discontinued operations	0	524
	431,380	342,111

in € thousands	30/09/2022	31/12/2021
EQUITY AND LIABILITIES		
Equity and reserves		
Subscribed capital	20,196	20,196
Capital reserve	86,921	86,921
Reserves	-14,444	-16,672
Retained earnings	94,807	91,696
Equity attributable to the shareholders of KAP AG	187,480	182,141
Non-controlling interests	555	546
	188,035	182,687
Non-current liabilities		
Provisions for pensions and similar obligations	16,190	16,677
Non-current financial liabilities	93,469	26,676
Deferred tax liabilities	9,431	6,528
Other non-current liabilities	337	0
	119,427	49,881
Current liabilities		
Other provisions	15,554	22,917
Current financial liabilities	38,661	43,097
Trade payables	37,291	24,547
Income tax liabilities	9,116	7,643
Other liabilities	23,296	11,339
	123,918	109,534
	431,380	342,111

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY TO 30 SEPTEMBER 2022

in € thousands	9M 2022	9M 2021 ¹
Consolidated profit/loss after taxes	10,892	26,204
less earnings from discontinued operations after taxes	-579	-19,536
Earnings from continuing operations	10,313	6,668
Interest result	2,760	1,678
Income taxes	4,490	3,512
Earnings before interest and income taxes	17,563	11,858
Depreciation, amortisation and impairment of non-current assets (net of any reversals)	22,771	17,813
Change in provisions	-7,886	-5,101
Other non-cash expenses and income	609	1,209
Gains/losses from the disposal of non-current assets	-4,511	-1,880
Cash flow from operating activities before changes in assets and liabilities	28,546	23,899
Change in inventories, receivables and other assets not attributable to investing and financing activities	-40,866	-24,352
Change in payables and other liabilities not attributable to investing and financing activities	13,912	7,636
Cash flow from operating activities before interest and income taxes	1,592	7,183
Interest paid and received	-2,760	-1,678
Income taxes paid and received	-2,782	-4,712
Cash flow from operating activities	-3,950	793
Proceeds from the disposal of property, plant and equipment (including investment property)	6,034	1,880
Investments in property, plant and equipment (including investment property)	-20,267	-21,550
Proceeds from the disposal of intangible assets	0	0
Investments in intangible assets	-2,081	-1,144
Proceeds from the disposal of financial assets	0	0
Cash inflow from the disposal of consolidated companies	0	22,032
Cash outflow from the addition of consolidated companies	-28,851	-8,383
Proceeds from repayments of financial receivables	22	25
Cash flow from investing activities	-45,143	-7,140

in € thousands	9M 2022	9M 2021 ¹
Proceeds from capital increase	0	100
Dividends paid to shareholders	-7,768	0
Acquisition of non-controlling interests	0	-2,300
Proceeds from borrowings	123,777	12,572
Repayment of borrowings	-78,813	-12,808
Cash flow from financing activities	37,196	-2,436
Net change in cash and cash equivalents	-11,897	-8,783
Change in cash and cash equivalents due to exchange-rate, consolidated-group and valuation effects	1,852	1,201
Cash and cash equivalents at beginning of period	17,421	15,964
Cash and cash equivalents at end of period excluding discontinued operations	7,376	8,382
Cash and cash equivalents attributable to discontinued operations	0	0
Cash and cash equivalents at end of period including discontinued operations	7,376	8,382

¹ The previous year's statement of cash flows is restated due to adjustments in the it/services segment.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

in € thousands	Subscribed capital	Capital reserve	Currency differences	Actuarial gains/losses
01/01/2021	20,177	86,840	-23,821	-6,982
Consolidated profit/loss	0	0	0	0
Other comprehensive income before taxes	0	0	2,310	0
Deferred taxes on other comprehensive income	0	0	0	0
Total comprehensive income	0	0	2,310	0
Capital increase	19	81	0	0
Capital decrease	0	0	0	0
Dividends paid to shareholders	0	0	0	0
Change in consolidated group	0	0	0	251
Withdrawals	0	0	0	0
Other changes	0	0	0	0
30/09/2021	20,196	86,921	-21,511	-6,731
01/01/2022	20,196	86,921	-19,969	-6,115
Consolidated profit/loss	0	0	0	0
Other comprehensive income before taxes	0	0	2,228	0
Deferred taxes on other comprehensive income	0	0	0	0
Total comprehensive income	0	0	2,228	0
Capital increase	0	0	0	0
Capital decrease	0	0	0	0
Dividends paid to shareholders	0	0	0	0
Change in consolidated group	0	0	0	0
Withdrawals	0	0	0	0
Other changes	0	0	0	0
30/09/2022	20,196	86,921	-17,741	-6,115

Revenue reserves

	Other	Total	Retained earnings	Equity attributable to KAP shareholders	Non-controlling interests	Total equity
	10,372	-20,431	65,446	152,032	2,296	154,328
	0	0	26,026	26,026	178	26,204
	0	2,310	0	2,310	0	2,310
	0	0	0	0	0	0
	0	2,310	26,026	28,336	178	28,514
	0	0	0	100	0	100
	0	0	0	0	0	0
	0	0	-13,593	-13,593	0	-13,593
	0	251	0	251	2,364	2,615
	-1,278	-1,278	0	-1,278	-1,022	-2,300
	-304	-304	615	311	2	313
	8,790	-19,452	78,494	166,159	3,818	169,977
	9,411	-16,672	91,696	182,141	546	182,687
	0	0	10,883	10,883	9	10,892
	0	2,228	0	2,228	0	2,228
	0	0	0	0	0	0
	0	2,228	10,883	13,111	9	13,120
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	-7,768	-7,768	0	-7,768
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	9,411	-14,444	94,807	187,480	555	188,035

SEGMENT REPORTING BY OPERATING SEGMENT

	flexible films		engineered products		surface technologies		precision components	
in € thousands	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
Revenue	146,467	100,996	113,603	88,154	49,869	44,420	34,798	30,593
Segment profit/loss	18,558	14,923	7,031	6,838	4,854	8,180	813	2,099
Amortisation and depreciation	5,458	2,929	4,191	2,504	9,429	9,009	3,086	2,836
Operating result	13,100	11,994	2,840	4,334	-4,575	-829	-2,273	-737
Investments	4,693	2,247	5,730	2,722	4,843	13,463	4,834	4,982
Working capital	57,245	27,451	46,555	40,101	5,967	3,617	13,999	11,169
Employees (30 September)	535	358	869	850	744	681	661	639

	Holding company		Consolidation		Consolidated profit/loss continuing operations	
in € thousands	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
Revenue	1,393	3,166	-1,724	-1,065	344,426	266,264
Segment profit/loss	7,166	-5,143	411	1,527	38,833	28,424
Amortisation and depreciation	556	474	51	61	22,771	17,813
Operating result	6,610	-5,617	360	1,466	16,062	10,612
Investments	850	101	0	0	20,950	23,515
Working capital	466	-1,275	0	2	124,232	81,065
Employees (30 September)	59	59	0	0	2,868	2,587

FINANCIAL CALENDAR

27 April 2023	Publication of the 2022 Annual Report
25 May 2023	Publication of the Q1 2023 interim report
6 July 2023	Annual General Meeting
15 August 2023	Publication of the half-year report as of 30 June 2023
14 November 2023	Publication of the Q3 2023 interim report

All dates are subject to change. We publish all the dates above together with additional dates and any updates to these on <https://www.kap.de/en/investor-relations/calendar>.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on current estimates and forecasts by the Management Board and on the information currently available to the Management Board. Such statements are subject to risks and uncertainties that are mostly difficult to assess and are generally outside the scope of KAP AG's and its subsidiaries' control. These include the future market environment and economic conditions, the behaviour of other market participants, the successful integration of new acquisitions, the realisation of anticipated synergy effects and measures taken by government agencies. Should any of these or other uncertainties and imponderables materialise, or should the assumptions on which the statements made are based prove to be inaccurate, actual results could differ materially from those expressed or implied by such statements. KAP AG does not assume any separate obligation going beyond the legal requirements to update forward-looking statements made in this report.

ROUNDING

The figures in this report have been rounded in accordance with established commercial practice. Rounding differences may thus occur, meaning that the result of adding the individual figures together does not always precisely correspond to the total indicated.

www.kap.de

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