

Quarterly Report

1 January to 31 March 2023

Q1/23

kap

FIRST QUARTER OF 2023: FOCUS ON MARGINS PAYS OFF

- Despite still challenging framework conditions, Group's revenue up 3.7% in the first three months of the year to €113.3 million
- Normalised EBITDA up 7.4% to €11.6 million
- Normalised EBITDA margin back above target of at least 10%
- Guidance forecast unchanged under difficult market conditions

Compared with the previous year,¹ the KAP Group increased revenue by 3.6% to €113.3 million in the first quarter of 2023 despite the still challenging economic environment. Although supply chain issues have eased slightly in some areas, difficulties are increasingly becoming apparent in some target markets, particularly in the construction and automotive sectors, due to interest rate increases and hesitant demand.

Nevertheless, the focus on efficiency and margin announced for the year as a whole has already shown initial success in the first quarter of the year. Accordingly, normalised EBITDA climbed 7.4% to €11.6 million (previous year: €10.8 million). The margin based on normalised EBITDA was 10.2% (previous year: 9.9%), thus returning above the target of 10%.

In particular, **precision components** and **surface technologies**, in other words the two segments that offer products also for the automotive sector, achieved significant double-digit percentage increases in both revenue and EBITDA. This reflects declining negative influences from supply chain bottlenecks as well as a focus on high-margin products and further optimised processes.

KAP Group – Selected key indicators on financial performance

in € millions	Q1 2023	Q1 2022 ¹	Change (%)
Revenue	113.3	109.3	3.7
EBITDA	9.5	10.5	-9.5
Normalisation adjustments	2.1	0.3	600.0
Normalised EBITDA	11.6	10.8	7.4
Normalised EBITDA margin (%)	10.2	9.9	0.4pp
Capital expenditure	8.1	7.1	14.1

¹ Previous year restated

REVENUE AND EBITDA INCREASE

The KAP Group's continuing operations generated revenue of €113.3 million in the first quarter, up 3.6% (previous year: €109.3 million). Normalised earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to €11.6 million, up 7.4% year on year (previous year: €10.8 million). A normalisation adjustment was made for non-recurring expenses of €2.1 million net from the start-up of the new production facility at the Jasper site, Alabama, United States. The normalised EBITDA margin was 10.2% (previous year: 9.9%), thus returning above the target of at least 10%.

¹ The figures for the previous year have been adjusted on account of pro rata temporis consolidation of Haogenplast.

DEVELOPMENT OF CASH FLOWS AND FINANCIAL POSITION

Total assets of the continuing operations increased by €11.9 million to €413.8 million (31 December 2022: €401.9 million), whereas the equity ratio dropped to 42.3% (31 December 2022: 44.0%).

The significant increase in cash flow from operating activities – to €7.9 million from €–10.3 million in the 2022 comparative quarter – reflects active and efficient working capital management. Capital expenditure by the KAP Group amounted to €9.4 million (previous year: €7.1 million) and mainly related to the expansion of our new production site in Jasper, Alabama, United States, as well as the first-time consolidation of Haogenplast since February 2022.

The number of employees remained nearly constant, with 2,725 people employed by the KAP Group as of 31 March 2023 (previous year: 2,868).

2023 GUIDANCE FORECAST CONFIRMED

For the 2023 financial year, we continue to expect that the KAP Group's business development will be significantly impacted by challenges in relevant end markets, but also by abating negative influences in some supply chains. Despite an uncertain market environment, based on our diversified investment model and the strong market positioning of our segments, we expect a slight year-on-year¹ increase in revenue and normalised EBITDA for 2023.

The overall assessment takes into account any already foreseeable risks arising from the Russia-Ukraine war and other external factors beyond the Company's control. Additional effects that were not yet specifically estimable at the time of preparing this report may subsequently change the forecast.

¹ Excluding the entities sold on 21 April 2023, in the previous year revenue amounted to €360.1 million and normalised EBITDA to €23.5 million.

SEGMENT REPORT

CONTINUING OPERATIONS

flexible films

in € millions	Q1 2023	Q1 2022 ¹	Change (%)
Revenue	43.0	44.7	–3.8
Normalised EBITDA	5.9	6.7	–11.9
Normalised EBITDA margin (%)	13.7	15.0	–1.3pp
Capital expenditure	1.0	1.1	–9.1
Employees as of 31 March	503	535	–6.0

¹ Previous year restated

The **flexible films** segment generated revenue of €43.0 million in the first quarter of 2023, down 3.8% year on year (previous year: €44.7 million). This reflects decreasing cocooning effects after the end of the Covid-19 crisis, but also price discounts granted in a small number of niche markets. In addition, the cooling-off of the construction sector due to the changed interest rate landscape weighed on the first quarter of 2023. As a result, normalised EBITDA decreased from €6.7 million to €5.9 million, while the normalised EBITDA margin fell from 15.0% to 13.7%. It has not been possible so far to pass on the increased energy costs in full to customers in this segment.

In the reporting period, the segment entities' capital expenditure totalled €1.0 million, slightly below the level of the previous-year period (previous year: €1.1 million). The investment were mainly made in Israel and in capital expenditure that were postponed in the previous year due to the unavailability of parts, an issue that has since been resolved in the reporting period.

The number of employees decreased from 535 as of 31 March 2022 to 503 at the end of the first quarter of 2023.

engineered products

in € millions	Q1 2023	Q1 2022	Change (%)
Revenue	36.1	38.1	-5.2
Normalised EBITDA	2.6	2.5	4.0
Normalised EBITDA margin (%)	7.2	6.6	0.6pp
Capital expenditure	1.3	2.4	-45.8
Employees as of 31 March	808	869	-7.0

In the **engineered products** segment, revenue decreased to €36.1 million from €38.1 million in the previous-year period, mainly due to a larger customer order that was completed at the end of 2022. Despite this completion of the high-margin order, normalised EBITDA increased slightly from €2.5 million in the first quarter of 2022 to €2.6 million in the reporting period due to a higher-value product mix. The normalised EBITDA margin increased accordingly from 6.6% to 7.2%. In the first quarter of 2023, various initiatives for effective working capital management, most notably efficient inventory management, had a clear positive impact.

Capital expenditure decreased year on year from €2.4 million to €1.3 million. The first quarter of 2022 still included expenditure here for the Hessisch Lichtenau site.

As of 31 March 2023, the segment had 808 employees (previous year: 869).

surface technologies

in € millions	Q1 2023	Q1 2022	Change (%)
Revenue	19.0	15.7	21.0
Normalised EBITDA	2.4	1.5	60.0
Normalised EBITDA margin (%)	12.6	9.6	3.1pp
Capital expenditure	5.2	1.7	205.9
Employees as of 31 March	764	744	2.7

The **surface technologies** segment not only was able to step up price increases in response to sharp rises in energy costs, it also made significant progress with respect to efficiency measures; the new Jasper site

also made relevant contributions to revenue, which meant that segment revenue increased significantly from €15.7 million to €19.0 million. Normalised EBITDA increased to €2.4 million (previous year: €1.5 million). The normalised EBITDA margin increased from 9.6% to 12.6%.

Capital expenditure in this segment amounted to €5.2 million in the first three months of the year (previous year: €1.7 million) and related primarily to the ramp-up of the new plant in Jasper, Alabama, United States.

As of 31 March 2023, the **surface technologies** segment had 764 employees, compared with 744 in the previous year.

precision components

in € millions	Q1 2023	Q1 2022	Change (%)
Revenue	15.1	10.9	38.5
Normalised EBITDA	1.3	0.6	116.7
Normalised EBITDA margin (%)	8.6	5.5	3.1pp
Capital expenditure	0.5	1.7	-70.6
Employees as of 31 March	591	661	-10.6

In the **precision components** segment, the significant increase in revenue (up 38.5% from €10.9 million in Q1/2022 to €15.1 million in the reporting period) reflected both significant price adjustments made in response to higher costs and volume-driven increases in revenue. Normalised EBITDA increased year on year to €1.3 million (previous year: €0.6 million). Likewise at a higher level, the EBITDA margin reflects not only a higher-value product mix overall but also the progress made with systematic efficiency improvements in production. The margin based on normalised EBITDA came to 8.6% (previous year: 5.5%).

Partly because high investments were made in the Dresden plant in the same period of the previous year, capital expenditure fell from €1.7 million to around €0.5 million.

As of 31 March 2023, the **precision components** segment's headcount was stable at 591 employees (previous year: 661).

Financial information

Development of the KAP Group in Q1 2023

CONSOLIDATED STATEMENT OF INCOME

in € thousands	Q1 2023	Q1 2022 ¹
Revenue	113,322	109,349
Change in inventories and other own work capitalised	-1,827	3,194
Total operating performance	111,495	112,543
Other operating income	3,459	2,057
Cost of materials	-60,832	-65,470
Personnel expenses	-27,410	-24,240
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment	-7,659	-7,398
Other operating expenses	-17,228	-14,394
Operating result	1,825	3,097
Interest result	-1,369	-808
Other financial result	-1,040	-979
Financial result	-2,409	-1,787
Earnings before income taxes	-584	1,310
Income taxes	-297	-354
Consolidated profit/loss after taxes	-881	956
Non-controlling interests	563	11
Consolidated profit/loss attributable to the shareholders of KAP AG	-318	967
Basic earnings per share (€)	-0.04	0.12

¹ The consolidated statement of income for the previous period has been restated for adjustments in the **flexible films** segment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

in € thousands	Q1 2023	Q1 2022 ¹
Consolidated profit/loss after taxes	-881	956
Unrealised gains from currency translation	-512	426
Items that may be reclassified subsequently to profit or loss	-512	426
Other comprehensive income after taxes	-512	426
thereof attributable to the shareholders of KAP AG	-512	426
Total comprehensive income	-1,393	1,382
thereof attributable to non-controlling interests	-563	-11
thereof attributable to the shareholders of KAP AG	-830	1,393

¹ The consolidated statement of comprehensive income/loss for the previous period has been restated for adjustments in the **flexible films** segment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousands	31/03/2023	31/12/2022
ASSETS		
Non-current assets		
Intangible assets	29,906	30,782
Property, plant and equipment	173,664	173,571
Other financial assets	1,717	384
Deferred tax assets	3,683	4,087
	208,971	208,824
Current assets		
Inventories	66,541	75,218
Trade receivables	57,024	45,921
Income tax assets	1,308	1,243
Other receivables and assets	15,496	11,292
Cash and cash equivalents	12,344	9,750
	152,713	143,425
Assets and disposal group classified as held for sale	52,136	49,695
	413,820	401,944

in € thousands	31/03/2023	31/12/2022
EQUITY AND LIABILITIES		
Equity and reserves		
Subscribed capital	20,196	20,196
Capital reserve	86,921	86,921
Reserves	13,527	14,039
Retained earnings	54,519	55,137
Equity attributable to the shareholders of KAP AG	175,163	176,293
Non-controlling interests	20	583
	175,183	176,876
Non-current liabilities		
Provisions for pensions and similar obligations	12,742	12,876
Non-current financial liabilities	83,966	85,684
Deferred tax liabilities	8,446	9,443
Other non-current liabilities	379	381
	105,534	108,385
Current liabilities		
Other provisions	12,132	13,380
Current financial liabilities	36,578	31,903
Trade payables	42,490	36,506
Income tax liabilities	7,589	7,620
Other liabilities	19,782	15,124
	118,571	104,533
Liabilities associated with disposal group	14,532	12,150
	413,820	401,944

CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousands	Q1 2023	Q1 2022 ¹
Consolidated profit/loss after taxes	-881	956
Interest income	-1	0
Interest expenses	1,370	808
Income taxes	297	354
Earnings before interest and income taxes	785	2,118
Depreciation, amortisation and impairment of non-current assets	7,659	7,398
Change in provisions	-5,567	-3,323
Other non-cash expenses and income	-679	-423
Gains/losses on the disposal of non-current assets including non-current assets held for sale	-219	-87
Change in inventories, receivables and other assets not attributable to investing and financing activities	-6,629	-27,266
Change in payables and other liabilities not attributable to investing and financing activities	14,825	13,260
Interest received	1	0
Interest paid	-1,262	-808
Income taxes paid	-986	-1,147
Cash flow from operating activities	7,927	-10,278
Proceeds from the disposal of property, plant and equipment including investment property and non-current assets held for sale	287	145
Investments in property, plant and equipment	-6,809	-8,980
Investments in intangible assets	-135	-322
Cash outflow from the addition of consolidated companies net of cash acquired	0	-29,299
Payments from granting loans	-1,333	-38
Cash flow from investing activities	-7,990	-38,494
Dividends paid to shareholders	-300	0
Proceeds from borrowings	5,268	40,378
Repayment of lease liabilities	-1,208	0
Repayment of bank liabilities	-1,103	-1,165
Cash flow from financing activities	2,657	39,213
Net change in cash and cash equivalents	2,594	-9,559
Cash and cash equivalents at beginning of period	9,750	17,421
Cash and cash equivalents at end of period	12,344	7,862

¹ The consolidated statement of cash flows for the previous period has been restated for adjustments in the **flexible films** segment.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousands	Subscribed capital	Capital reserve	Revenue reserves	
			Exchange differences	Actuarial gains/losses
01/01/2022	20,196	86,921	-19,969	-6,115
Correction of error	-	-	26,717	-
Total as of 01/01/2022 (restated retrospectively) at beginning of financial year	20,196	86,921	6,748	-6,115
Consolidated profit/loss	-	-	-	-
Other comprehensive income before taxes	-	-	426	-
Total comprehensive income	-	-	426	-
Other changes	-	-	-	-
31/03/2022 (restated retrospectively)	20,196	86,921	7,174	-6,115
01/01/2023	20,196	86,921	6,059	-3,998
Consolidated profit/loss	-	-	-	-
Other comprehensive income before taxes	-	-	-513	-
Total comprehensive income	-	-	-513	-
Dividends paid to shareholders	-	-	-	-
Change in consolidated group	-	-	-	-
Other changes	-	-	-	-
31/03/2023	20,196	86,921	5,548	-3,998

As the figures are presented in thousands of euros, the numbers may not add up due to rounding differences.

	Other	Total	Consolidated retained earnings	Equity attributable to KAP shareholders	Non-controlling interests	Total equity
	9,411	-16,672	91,696	182,141	546	182,687
	2,567	29,284	-26,717	2,567	-	2,567
	11,978	12,612	64,979	184,708	546	185,254
	-	-	962	962	-11	951
	-	426	-	426	0	426
	-	426	962	1,388	-11	1,377
	-	-	-	-	-	-
	11,978	13,037	65,941	186,096	535	186,631
	11,978	14,039	55,137	176,292	583	176,876
	-	-	-318	-318	-563	-881
	-	-513	-	-513	-	-513
	-	-513	-318	-831	-563	-1,394
	-	-	-300	-300	-	-300
	0	0	-	0	0	0
	-	-	-	-	-	-
	11,978	13,527	54,519	175,163	20	175,183

SEGMENT REPORTING BY OPERATING SEGMENT

in € thousands	flexible films		engineered products		surface technologies		precision components	
	Q1 2023	Q1 2022 ¹	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Revenue	43,024	44,707	36,140	38,114	18,979	15,693	15,124	10,904
EBITDA	5,801	6,535	2,385	2,516	860	1,466	1,186	462
Amortisation and depreciation	1,255	1,808	1,405	1,329	3,673	3,126	1,147	936
EBIT	4,545	4,727	980	1,187	-2,814	-1,659	40	-473
Capital expenditure	954	1,123	1,339	2,415	5,188	1,748	533	1,683
Working capital	33,248	54,232	30,643	38,642	7,273	5,535	10,686	10,925
Employees as of 31 March	503	535	808	869	764	744	591	661

in € thousands	Holding		Consolidation		Consolidated profit/loss	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022 ¹
Revenue	634	468	-579	-537	113,322	109,349
EBITDA	-747	-611	0	126	9,485	10,495
Amortisation and depreciation	179	180	0	19	7,659	7,397
EBIT	-926	-791	0	107	1,826	3,097
Capital expenditure	78	133	0	0	8,092	7,102
Working capital	-774	-734	0	-1	81,075	108,600
Employees as of 31 March	59	59	0	0	2,725	2,868

¹ The segment reporting of the previous period is changed due to adjustments in the **flexible films** segment

FINANCIAL CALENDAR

14 July 2023	Annual General Meeting
29 August 2023	Publication of the Q2 2023 interim report (half-year financial report 2023)
14 November 2023	Publication of the Q3 2023 interim report

All dates are subject to change. We publish all dates above together with additional dates and any updates at <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 special 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.

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