

THE KPS SUPERVISORY BOARD

Dear Shareholders,

In this report, the Supervisory Board provides information on its activities in financial year 2022/2023, discussing in particular the ongoing dialogue with the Executive Board, the main topics for discussion at the meetings of the Supervisory Board and the audit of the Annual and Consolidated Financial Statements.

In the past year, the Supervisory Board performed the tasks incumbent upon it in accordance with the law and the Articles of Association with great commitment. In the past financial year, it dealt intensively with the situation and prospects of the company as well as various special issues at the ordinary Supervisory Board meetings and during many informal meetings with the Executive Board and other members of management and employees. The Executive Board's management of the company was monitored conscientiously on a regular basis. In addition, the Executive Board was advised on the strategic development of the company and on decisions regarding significant individual measures. The monthly reports of the Executive Board, the regular working meetings of the Audit Committee in collaboration with the Finance Director and regular personal and telephone meetings formed the basis for monitoring developments and providing advice.

The Supervisory Board's basic and regular focus topics included the ongoing review of the market and how the company's business was developing and the various consulting segments, the rolling planning for the company, its finances and investment planning, the risk situation, the company's risk control system and Executive Board matters. In particular, the past few months were characterised by crisis management, negative developments in the German market and the resulting necessary management of the respective task forces triggered by restructuring measures. As Chairman of the Supervisory Board, I would like to take this opportunity to thank all members of the Supervisory Board, the Executive Board, our managers and, last but not least, our employees for their extraordinary commitment in mastering this challenging situation!

Over the course of financial year 2022/2023, the Executive Board informed the Supervisory Board regularly, promptly and comprehensively about issues of relevance to the company relating to planning, development of the business, the risk situation, strategic measures and important business transactions and projects. The reports on the individual segments were prepared and reviewed by the Supervisory Board in advance of the respective Supervisory Board meetings. Any deviations in the course of business from the established plans and targets were explained to the Supervisory Board, stating the reasons, and discussed by the Supervisory Board. Deviations in the course of business included, in particular, the measures taken to deal with further waves of the coronavirus. The Supervisory Board always had sufficient opportunity to critically review the reports and draft resolutions submitted by the Executive Board and convince itself of the legality, expediency, and correctness of how the business was managed.

Important measures by the Executive Board were only taken after discussing them with and gaining the approval of the Supervisory Board. The Executive Board was also in regular contact with the Chairman of the Supervisory Board outside of Supervisory Board meetings and always informed him immediately of the latest developments in the business situation and significant business transactions.

Besides many informal meetings, phone calls and video conferences, the Supervisory Board held seven official meetings in financial year 2022/2023. Some of the Supervisory Board meetings were held as video conferences.

The course of the past periods and the current business situation were examined at the meetings; the measures of the respective updated development in connection with individual business areas with negative deviations from planning were discussed in detail, as were opportunities for company acquisitions.

The main focuses of the audit and the audit progress for financial year 2021/2022 were discussed with the auditor at the meetings on 18 November 2022 and 16 December 2022. The status of planning for financial year 2022/2023 was also reviewed.

The Declaration of Compliance with the German Corporate Governance Code was dealt with at the meeting held on 13 January 2023 and the Chairman of the Supervisory Board was authorised to sign it. The auditors then presented the preliminary Annual Financial Statements together with the combined Management Report and the audit reports, each for financial year 2022/2023, and reported on the key findings and focuses of the audit. The Supervisory Board approved the Annual Financial Statements. The Finance Director then presented the bonus calculation for the Executive Board, which the Supervisory Board approved in full. Afterwards, the Finance Director provided information on the status of the acquisition of KPS TRansformation B.V. (former Graphyte B.V.). The net present value, the findings of due diligence and the main elements of the Sales Purchase Agreement (SPA) were discussed. The Executive Board and the Finance Director were unanimously authorised by the Supervisory Board to finalise the acquisition in January 2023.

Approval of the invitation to the Annual General Meeting on 10.05.2023 and the associated draft resolutions was given on 24.03.2023/27.03.2023 by circular resolution. On 27 March 2023 the Finance Director was authorised to negotiate a syndicated loan with banks and, if necessary, to sign a Letter of Intent (LOI) by means of a separate circular resolution.

The Supervisory Board meeting on 5 May 2023 dealt with the development of business in financial year 2022/2023. The dividend proposal for the Annual General Meeting on 10 May 2023 was reduced to 10 cents per share by written circular resolution of the Supervisory Board.

On 10 May 2023, the Supervisory Board meeting dealt with the course of the Annual General Meeting held on that day, restructuring measures to further strengthen the earnings position and the intrinsic value of KPS Business Transformation GmbH. The Finance Director was asked to initiate the measures discussed.

At the Supervisory Board meeting held on 13 June 2023, the Executive Board and the Finance Director informed the Supervisory Board about the effect of the restructuring measures taken on 10 May 2023. No further resolutions were passed on this matter. The Finance Director also reported on the status of external financing.

The last meeting of the Supervisory Board in the financial year 2022/2023, which was held on 22 September 2023, dealt with the sales and earnings performance in the fourth quarter of financial year 2022/2023 as well as the personnel measures, the related costs and reducing internal expenses. The Finance Director presented an overview of the short- and mid-term liquidity planning and the financing solutions that had been prepared.

The Supervisory Board agreed to have the Executive Board and the Finance Director pursue these solutions further and decide on the contractual obligations with a structural change character (debt rescheduling) that would arise in the event that they are successful. The Finance Director then provided information on goodwill and possible effects on the IFRS Consolidated Financial Statements (IFRS). The recoverability of the shares in two subsidiaries of the KPS Group and possible effects on the ability of KPS AG to pay dividends as a result of impairment tests were also discussed. The next item on the agenda was the upcoming election of the Supervisory Board at the Annual General Meeting in May 2024. The legal requirements were discussed. Further decisions on this topic will be made at a later date.

The members of the Supervisory Board are responsible for the training and further education measures required in order to perform their duties. They are receiving appropriate support from the company.

Self-assessment:

The Supervisory Board regularly reviews how effectively it carries out its functions. The self-assessment focuses in particular on the procedural processes in the Supervisory Board and the information flow between the Supervisory Board and the Executive Board, and the prompt delivery of information with appropriate content to the Supervisory Board. In view of the size of the company and the smooth information flows between the Supervisory Board and the Executive Board, the self-assessment was carried out without any external advisers. The review arrived at a positive result as was also the case in the previous year.

Corporate Governance:

The requirements of the German Corporate Governance Code constituted another important matter. The Executive Board and the Supervisory Board decided to adopt the recommendations of the German Corporate Governance Code with various exceptions that are related to the size of the company. The Executive Board and the Supervisory Board regard the Code as an important step towards transparency, Corporate Governance, and control. As at the reporting date, there were no indications in any material respects that the internal controls and risk management system were inappropriate or ineffective as a whole. On 13 January 2023, the Supervisory Board devoted time to the regular discussion of the topic of Corporate Governance and passed a resolution on the new joint Declaration of Compliance of the Supervisory Board and the Executive Board for the year 2023 pursuant to Article 161 of the Stock Corporation Act (AktG). This will be published permanently on the Internet pages of the company together with the old Declaration of Compliance. One of the exceptions to the Corporate Governance Code includes the fact that the Supervisory Board does not form separate committees because of its size. The internal compliance issues within the Group were also the topic of the regular discussion and review at this meeting.

Composition of the Supervisory Board:

The following persons were members of the Supervisory Board for the entire financial year 2022/2023:

Mr Michael Tsifidaris, Chairman

Mr Hans-Werner Hartmann, Deputy Chairman

Mr Uwe Grünewald

Mr Hans-Werner Hartmann is a member of the Supervisory Board who has expertise in the areas of accounting and auditing in accordance with Section 100, paragraph 5, of the German Stock Corporation Act (AktG). He was elected Chairman of the Audit Committee until the election of the next Supervisory Board. The members of the Supervisory Board as a whole are familiar with the industry the company is active in.

In the opinion of the Supervisory Board, one independent shareholder representative on the Supervisory Board is appropriate pursuant to Recommendation C.6 of the German Corporate Governance Code; the independent representative of the shareholders on the Supervisory Board is Mr Hans-Werner Hartmann.

Review of possible conflicts of interest:

The members of the Executive Board and the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. However, no such conflicts of interest occurred in the year under review.

Annual and Consolidated Financial Statements for 2022/2023:

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Munich, the firm elected auditor of the Annual and the Consolidated Financial Statements by the Annual General Meeting on 10 May 2023, audited the accounting, the Annual Financial Statements of KPS AG and the Consolidated Financial

Statements including the combined Management Reports for financial year 2022/2023 and in each case issued an unqualified audit opinion. There are no doubts as to the independence of the auditor; the auditor issued the required Declaration of Independence. The requirements of the German Corporate Governance Code regarding the contractual relationship between the company and the auditor have been met. The auditor reported on the results of the audit in detail; the complete Annual Financial Statements of the Group and all subsidiaries as well as the report on the audit of the Consolidated Financial Statements and the audit of the individual financial statements of KPS AG were available. The auditor was also there to answer any further questions.

The documents to be audited and the auditor's audit reports were submitted promptly to the members of the Supervisory Board. The auditor attended the Supervisory Board's balance sheet meeting on 18 January 2024 and 6 March 2024 and reported on the key findings and focal points of the audit. The Supervisory Board took note of and concurred with the auditor's reports. The result of our own (random sampling) audit carried out on a random basis is in accordance with to the result of the audit. The Supervisory Board had no reason to raise any objections to the management or the financial statements submitted.

We concur with the results of the audit. Following the final result of our detailed examination and discussion with the auditor, no objections are to be raised. The Supervisory Board approved the Annual Financial Statements of KPS AG and the Consolidated Financial Statements prepared by the Executive Board, including the combined Management Report, on 6 March 2024. The Annual Financial Statements of KPS AG are thus adopted. The Report by the Supervisory Board for financial year 2022/2023 was also adopted.

The Supervisory Board would like to thank the Executive Board and all employees of the Group for their outstanding commitment under challenging market conditions during the past financial year.

The Supervisory Board

Michael Tsifidaris

Chairman of the Supervisory Board