

## **KAP AG POSITIONS ENGINEERED PRODUCTS SEGMENT FOR THE FUTURE**

- Decreasing demand from the automotive industry requires capacity adjustments
- Withdrawing from operating activities with negative contribution margins will lead to higher profitability in the medium term
- Reorganisation measures to be concluded in 2020

**Fulda, 27 January 2020** – With a comprehensive restructuring of the engineered products segment, KAP AG is reacting to the continuing decline in demand from the automotive industry. Closure is planned for the engineered products production unit at the Fulda site, whose focus is on the production of cord fabric, and for a site in the Czech Republic that mainly produces soft cords and raw twines. In addition, another site in the Czech Republic which manufactures tents and technical fabrics is to be sold. “We want to reposition the engineered products segment with these measures in order to be able to hold our own in international competition in the long term. Even though this step is painful, we’ve had to react in view of the in some cases drastic decrease in the order volumes announced by important major customers. By doing this, we’re creating a sound base from which we can generate profitable growth again,” said Dr Alexander Riedel, Chief Financial Officer of KAP AG. After the transformation process has been completed, the engineered products segment, as the key pillar of the KAP Group, will contribute more than one quarter of Group revenue.

A total of around 165 employees are affected by the reorganisation measures. There will be approximately 80 job cuts in production and administration at the Fulda site and around 85 job cuts at the Czech site. “We’re currently in intensive talks with our Works Council and are trying to implement the measures in a socially acceptable way. We want to find a solution for every employee affected,” explained Martin Herrmann, segment manager of engineered products and managing director of Mehler Engineered Products GmbH. KAP AG’s stated goal is to secure the jobs at the engineered products segment’s remaining sites in the long term.

The intention is to implement the reorganisation measures in full in the 2020 financial year. “In the medium term, we want to manage the engineered product segment in line with our target return – an adjusted EBITDA margin of at least 10%. We expect initial positive effects as early as the 2021 financial year,” Dr Riedel confirms. In the first nine months of 2019, the adjusted EBITDA margin was 4.5% and thus 42.3% lower than the previous year’s level. The expenses associated with the aforementioned reorganisation measures will only affect the Group’s development in the 2020 financial year and will be in the single-digit millions, whereas the liquidity situation is expected to improve in the same period due to the release of current assets.

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### **About KAP**

KAP AG is a mid-sized German industrial group with approximately 3,000 employees. We specialise in engineered products, flexible films, IT/services, surface technologies and precision components, developing innovative industrial products and technological solutions for international companies from trade and industry. As a result of our dedicated long-term business strategy, we serve a number of attractive niche markets with sustainable growth potential. Our focus is on

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Open Market (Freiverkehr) in Berlin, Düsseldorf



developing market-leading, specialised, and high-margin industrial product lines within these segments. As a reliable partner in the context of succession planning, we also acquire attractively positioned medium-sized family companies with a view to strengthening our existing segments or developing new ones. Holders of KAP shares benefit from our company's growth trajectory and continuous dividend policy.