NOTIFICATION

FIRST QUARTER OF THE FINANCIAL YEAR

2018

KAP Beteiligungs-AG

NOTIFICATION

concerning the first quarter of 2018

STRONG START TO THE YEAR FOR KAP AG!

- Significant growth in revenue and earnings in first quarter of 2018
- Segment reporting will in future comprise five operational segments
- Management Board confirms forecast for the full year

KAP Beteiligungs-AG (KAP AG), an industrial holding company for medium-sized companies, has successfully continued its course of growth and, after significant increases in revenue and earnings in the first quarter of 2018, confirms its forecast for the full year. Consolidated revenue grew by 6.7% in the first three months of the year to EUR 113.2 million (previous year: EUR 106.1 million), putting it significantly above both the previous year's figure and the Board's expectations, in the new scope of consolidation. Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 19.6% to €13.4 million (previous year: €11.2 million), and the EBITDA margin of the KAP Group was at 11.7% (previous year: 10.6%). This put it significantly above the target of over 10%.

"We made a good start to the 2018 financial year in the first quarter. All business segments contributed to this success. At the beginning of the year we improved the transparency of our reporting system and now have five segments in line with the new strategy and operational management. The performance of our holdings makes us confident that we can achieve our targets for the 2018 financial year."

The segment reporting of KAP AG will in future include the following five operating segments:

- **engineered products** (technical textiles) with holdings MEP and OMT.
- **flexible films** with holdings CaPlast, Elbtal, Riflex, Steinweg, NOW Contec and Convert.
- **precision components** with holdings Gear Motion, Geiger and Präzisionsteile Dresden.
- **surface technologies** with holdings GtO, OFT and MVD.
- **it/services** with holdings it-novum and MES.

Performance of the segments

Sales in the **engineered products** segment remained almost stable at EUR 43.2 million (previous year: EUR 43.8 million) and were in line with expectations. EBITDA stood at EUR 3.6 million (previous year: EUR 4.1 million), slightly below our projected level. The Management Board expects that we will be able to make up for this decline in the second quarter. Due to the restructuring of the segments, however, the segment's quarterly figures are not comparable with those of the previous year.

The new **flexible films** segment achieved sales of EUR 23.0 million (previous year: EUR 27.7 million). Note that the previous year's figure included the subsidiary Kirson which has since been sold. Adjusted for this effect, an increase of 7.0% results. Taking into account the Kirson effect, the segment's EBITDA of EUR 2.7 million (previous year: EUR 2.8 million) is significantly higher than in the previous year and above the targeted level.

The **it/services** segment, which was also newly created, significantly exceeded our expectations for the first quarter. Revenues increased by 90% to EUR 8.0 million (previous year: EUR 4.2 million), particularly due to a major order in the amount of EUR 2.7 million at it-novum, which means they almost doubled in size. EBITDA increased to EUR 1.0 million (previous year: EUR 0.4 million), more than doubling in size.

The **precision components** segment also significantly exceeded expectations. Sales grew by 6.7% to EUR 33.5 million (previous year: EUR 31.4 million), while EBITDA even managed to climb by 26.5% to EUR 4.3 million (previous year: EUR 3.4 million).

The new **surface technologies** segment, with the three companies that were acquired in the previous year, contributed to consolidated sales for a full three months for the first time, with revenues of EUR 6.5 million in the first quarter of 2018, and is thus fully in line with our planning. EBITDA was at EUR 1.2 million, and with an EBITDA margin of 18.5% in terms of segment revenues, made a disproportionately high contribution to the Group margin. This is a very clear indication of our portfolio and M&A strategy.

Investment in property, plant and equipment doubled to EUR 8.0 million (previous year: EUR 3.9 million), thus around 15% above budget. Depreciation on tangible fixed assets rose slightly by 8.0% to EUR 5.4 million (previous year: EUR 5.0 million).

Net financial liabilities at the end of the first quarter of 2018 amounted to EUR 85.1 million (previous year: EUR 70.9 million).

As at March 31, 2018, the Group employed 2,958 people (previous year: 2,613).

Outlook for 2018

Due to the positive performance in the first three months, the Management Board expects to achieve the targets for the 2018 financial year: a slight increase in sales with an EBITDA margin of at least 10%. A slowdown in the economy and increases in the price of raw materials could, however, have a negative impact.

Fulda, May 2018

Guido Decker
Chief Executive Officer

Alexander Riedel
Chief Financial Officer