

Q1 2019

QUARTERLY REPORT

1 JANUARY TO 31 MARCH 2019



SUCCESSFUL START TO THE 2019 FINANCIAL YEAR – KAP IS ON COURSE TO ACHIEVE ITS OBJECTIVES FOR THE FULL YEAR

- On a comparable basis, revenue grew 3.4% to EUR 102.6 million
- Normalised EBITDA increased disproportionately by 5.7% to EUR 13.0 million
- Normalised EBITDA margin increased by a further 0.3 percentage points to 12.7%
- Forecast for the full year confirmed

KAP Group made a successful start to the 2019 financial year. In the first quarter, the segments and their associated companies were able to maintain their position in a challenging economic environment. Overall, the growth trajectory followed since the introduction of the segment strategy continued. On a comparable basis, profitability increased as planned with a slight increase in revenues. "As expected, our five segments are benefiting early in the year from their great market position in attractive niche markets, asserting themselves within a weak overall economy. Our segment strategy along with the measures initiated to increase revenue and profitability in the individual segments is showing initial successes. These will gradually solidify and take full effect in the 2020 financial year. But we've already been able to increase our EBITDA margin by another 0.3 percentage points to a total of 12.7%," says Guido Decker, CEO of KAP AG.

KAP Group

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	102.6	99.2	3.4
EBITDA	EUR millions	11.1	11.7	-5.1
Normalisations	EUR millions	1.9	0.6	216.7
Normalised EBITDA	EUR millions	13.0	12.3	5.7
Normalised EBITDA margin	%	12.7	12.4	2.2

CONTINUATION OF THE PROFIT-ORIENTED GROWTH COURSE

Revenue increased by 3.4% to EUR 102.6 million in Q1 2019 (previous year: EUR 99.2 million). The previous year's figure has been adjusted for the revenue contributions of Geiger Fertigungstechnologie GmbH, which was sold in the 2018 financial year. In Q1 2018, Geiger still contributed around EUR 14.1 million to revenue and EUR 1.7 million to EBITDA. From a regional perspective, growth stimulus came from Portugal and Poland in particular. At EUR 13.0 million, adjusted earnings before interest, taxes, depreciation and amortisation ("normalised EBITDA") surpassed last year's strong result by 5.7% (previous year: EUR 12.3 million).

The equity capital ratio was therefore a comfortable 49.6% (31 December 2018: 51.6%) with total assets of EUR 401.1 million (31 December 2018: EUR 376.0 million).

BUSINESS PERFORMANCE IN Q1 2019 UNDERPINS FORECAST FOR THE FULL YEAR

Against a background of satisfactory performance in Q1 2019, the Executive Board confirms expectations for the 2019 financial year. Revenue is thus expected to be achieved in a range between EUR 400 and 430 million and EBITDA in a range between EUR 45 and 53 million.

SEGMENT REPORTING: SATISFACTORY DEVELOPMENT IN THE FIVE SEGMENTS

engineered products

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	42.5	43.2	-1.6
EBITDA	EUR millions	3.7	3.6	2.8
EBITDA margin	%	8.7	8.3	4.8
Investments	EUR millions	0.6	2.0	-70.0
Employees		1,028	1,052	-2.3

Revenue in the **engineered products** segment almost reached the previous year's level in Q1 2019 at EUR 42.5 million (previous year: EUR 43.2 million). The tyres, defence, roofing and flooring product areas in particular developed positively in the reporting period. By contrast, the conveyor belts product area experienced a slight decline as a result of delays in one customer placing orders. EBITDA improved by 2.8% to EUR 3.7 million (previous year: EUR 3.6 million). This was partly due to the positive effects of measures taken to realise synergies that are intended to lead to lasting improvements in the cost base. The EBITDA margin accordingly improved by 0.4 percentage points to 8.7% (previous year: 8.3%).

The focus of investing activities was again particularly on the fields of fire retardant products and electromobility. Due to the impact of the reporting date, investments lessened overall by 70.0% to EUR 0.6 million (previous year: EUR 2.0 million). As at 31 March 2019, 1,028 people were employed in the segment (previous year: 1,052), which is 2.3% fewer than at the same reporting date of the previous year.

flexible films

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	23.3	23.0	1.3
EBITDA	EUR millions	2.7	2.7	0.0
EBITDA margin	%	11.6	11.7	-0.9
Investments	EUR millions	0.3	0.3	0.0
Employees		324	316	2.5

The **flexible films** segment continued its growth course unchanged in Q1 2019. Revenue improved slightly by 1.3% to EUR 23.3 million (previous year: EUR 23.0 million). EBITDA remained unchanged at EUR 2.7 million (previous year: EUR 2.7 million). The EBITDA margin thus decreased by 0.1 percentage points to 11.6% (previous year: 11.7%). Overall, the segment's companies benefited from their strong market position. This meant it was possible to offset the existing negative effects as a result of the reticence of a British customer due to the ongoing Brexit uncertainties and as a result of currency effects. Positive impetus should arise beginning in H2 as a result of initial synergy effects, particularly from purchasing.

In the reporting period, the segment's companies once again invested an amount of EUR 0.3 million (previous year: EUR 0.3 million). The number of people employed in the segment as of 31 March 2019 increased slightly by 2.5% to 324 (previous year: 316).

surface technologies

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	18.0	6.5	> 100
EBITDA	EUR millions	3.4	1.2	> 100
EBITDA margin	%	18.9	18.5	2.2
Investments	EUR millions	1.7	0.1	> 100
Employees		813	311	> 100

The **surface technologies** segment is the newest segment within the KAP Group. The acquisition of Heiche Group led to a significant expansion of operating activities, but because the acquisition was only completed in the second half of 2018, Heiche Group was not yet part of the segment in Q1 2018. Revenue grew accordingly to EUR 18.0 million in Q1 2019 (previous year: EUR 6.5 million) and EBITDA to EUR 3.4 million (previous year: EUR 1.2 million). The Polish site in particular developed positively. Here, substantial new orders were secured in anodisation. At the same time, the segment realised its first synergy effects by creating a central sales structure and bundling key account management in accordance with the segment strategy. The EBITDA margin improved disproportionately by 0.4 percentage points to 18.9% (previous year: 18.5%).

The investment volume was EUR 1.7 million in the reporting period (previous year: EUR 0.1 million). The focus of investing activities was in particular the automation of packaging. As at 31 March 2019, 813 people were employed in the segment (previous year: 311). This is an increase of 502 employees.

it/services

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	5.3	8.0	-33.8
EBITDA	EUR millions	0.6	1.0	-40.0
EBITDA margin	%	11.3	12.5	-9.6
Investments	EUR millions	0.7	0.3	> 100
Employees		124	130	-4.6

Revenue in the **it/services** segment decreased by 33.8% to EUR 5.3 million in Q1 2019 (previous year: EUR 8.0 million). This expected decrease is due to the settlement of a major order that took place in the same quarter of the previous year and led to an extraordinary contribution to revenue in that quarter. In particular, the Internet of things (IoT) and Industry 4.0 areas continued to develop very satisfactorily. The market launch of the new software products lived up to expectations and initial sales were realised already in Q1 2019. EBITDA was EUR 0.6 million (previous year: EUR 1.0 million). The EBITDA margin accordingly decreased by 1.2 percentage points to 11.3% (previous year: 12.5%).

Overall, the investment volume increased substantially to EUR 0.7 million (previous year: EUR 0.3 million). As at 31 March 2019, 124 people were employed in the segment's companies (previous year: 130), which is 4.6% fewer than at the same reporting date of the previous year.

precision components

		Q1 2019	Q1 2018	Change in %
Revenue	EUR millions	14.6	19.4	-24.7
EBITDA	EUR millions	1.8	2.9	-37.9
EBITDA margin	%	12.3	14.9	-17.4
Investments	EUR millions	0.2	0.8	> -100
Employees		638	739	-13.7

As expected, revenue in the **Precision components** segment fell by 24.7% in Q1 2019 to EUR 14.6 million (previous year, not including Geiger: EUR 19.4 million). This was mainly caused by the abandonment of orders with low margins due to the closure of the Haslach site in 2018 and delayed production start-ups for new products. EBITDA decreased 37.9% to EUR 1.8 million (previous year, not including Geiger: EUR 2.9 million). The EBITDA margin accordingly decreased by 2.6 percentage points to 12.3% (previous year: 14.9%).

The investment volume was EUR 0.2 million in Q1 2019 (previous year: EUR 0.8 million). As of 31 March 2019, the number of staff employed in the segment was 638, 101 lower than the previous year (previous year: 739).

FINANCIAL INFORMATION

DEVELOPMENT OF THE KAP GROUP IN Q1 2019

CONSOLIDATED STATEMENT OF INCOME

in € thousands	Q1 2019	Q1 2018
Revenue	102,564	99,158
Change in inventories and other own work capitalised	-59	1,242
Total performance	102,505	100,400
Other operating income	3,881	2,805
Cost of materials	-55,018	-58,113
Personnel expenses	-25,222	-21,434
Depreciation and amortisation of intangible assets, property, plant and equipment and investment property	-7,575	-5,282
Other operating expenses	-15,095	-11,960
Operating earnings	3,476	6,416
Interest earnings	-745	-752
Other financial earnings	99	-548
Financial earnings	-646	-1,300
Gains/losses from continuing operations before income taxes	2,830	5,117
Income taxes	1,757	-1,679
Earnings from continuing operations	4,587	3,437
Earnings from discontinued operations after taxes	-	945
Earnings after taxes	4,587	4,382
Earnings share of non-controlling interests	-124	-245
Earnings attributable to shareholders of KAP AG	4,463	4,137
Undiluted earnings per share (EUR)		
Earnings from continuing operations	0.62	0.46
Earnings from discontinued operations	-	0.14
		0.60
Diluted earnings per share (EUR)		
Earnings from continuing operations	0.62	0.46
Earnings from discontinued operations	-	0.14
		0.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

in € thousands	Q1 2019	Q1 2018
Consolidated earnings after taxes	4,587	4,382
Unrealised gains from currency translation	290	-302
Unrealised gains from the disposal of available-for-sale financial assets	0	0
Items that may be reclassified to the statement of income in the future	290	-302
Actuarial gains from defined-benefit pension plans	-	-
Deferred taxes on actuarial gains/losses from defined-benefit pension plans	-	-
Items that will not be reclassified to the statement of income in the future	-	-
Other comprehensive income after taxes	290	-302
of which other comprehensive income after taxes attributable to non-controlling interests	0	0
of which other comprehensive income after taxes attributable to shareholders of KAP AG	290	-302
Consolidated total comprehensive income	4,876	4,079
of which consolidated total comprehensive income attributable to non-controlling interests	131	245
of which consolidated total comprehensive income attributable to shareholders of KAP AG	4,745	3,834

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousands	31.03.2019	31.12.2018	31.03.2018
ASSETS			
ASSETS			
Non-current assets			
Intangible assets	41,764	42,327	22,531
Property, plant and equipment	183,628	169,026	134,532
Investment property	4,601	4,678	4,803
Financial assets accounted for using the equity method	0	0	0
Other financial assets	1,351	1,374	1,253
Deferred tax assets	4,851	4,813	5,696
	236,195	222,218	168,815
Current assets			
Inventories	72,886	70,062	71,621
Trade receivables	77,871	62,935	75,683
Income tax refund claims	2,687	2,631	2,861
Other receivables and assets	5,907	6,400	11,004
Cash and cash equivalents	5,578	11,727	5,917
	164,930	153,755	167,086
Non-current assets held for sale and discontinued operations	-	-	34,996
	401,125	375,973	370,897

in € thousands	31.03.2019	31.12.2018	31.03.2018
EQUITY AND LIABILITIES			
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Equity and reserves			
Subscribed capital	20,177	20,177	18,272
Capital reserve	86,840	86,840	61,456
Reserves	-15,161	-15,358	-15,389
Retained earnings	104,366	99,903	103,158
Equity attributable to shareholders of KAP AG	196,222	191,560	167,497
Non-controlling interests	2,586	2,400	5,463
	198,808	193,960	172,960
Non-current liabilities			
Provisions for pensions and similar obligations	17,941	18,080	18,341
Non-current financial liabilities	61,907	59,399	54,758
Deferred tax liabilities	12,013	13,309	6,458
Other non-current liabilities	349	349	-
	92,209	91,137	79,558
Current liabilities			
Other provisions	25,483	25,154	30,010
Current financial liabilities	41,477	28,115	36,258
Trade payables	30,225	24,292	33,030
Income tax liabilities	4,376	4,895	2,942
Other liabilities	8,547	8,419	12,142
	110,108	90,876	114,383
Liabilities in connection with discontinued operations	-	-	3,996
	401,125	375,973	370,897

CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousands	Q1 2019	Q1 2018
Earnings before interest and tax	3,575	6,820
Depreciation and amortisation of non-current assets (offset against write-ups)	7,575	6,040
Changes in provisions	127	75
Other non-cash expenses and income	226	-289
Gains/losses from the disposal of non-current assets and discontinued operations	-37	-123
Cash flow from operating activities before changes in assets and liabilities	11,467	12,524
Changes in inventories, receivables and other assets not attributable to investing and financing activities	-16,629	-24,425
Changes in payables and other liabilities not attributable to investing and financing activities	5,986	8,676
Cash flow from operating activities before interest and income taxes	824	-3,225
Interest paid and received	-689	-647
Income taxes paid and received	-666	-860
Cash flow from operating activities	-530	-4,732
Proceeds from disposal of property, plant and equipment (including investment property)	211	124
Investments in property, plant and equipment (including investment property)	-3,807	-8,042
Investments in intangible assets	-58	-262
Proceeds from the disposal of financial assets	26	24
Investments in financial assets	-2	-17
Cash inflow from the disposal of consolidated companies	-	-
Cash outflow from the addition of consolidated companies	-	-
Disbursements by granting loans	-3	-
Cash flows from investing activities	-3,632	-8,173

in € thousands	Q1 2019	Q1 2018
Proceeds from capital increase	-	-
Dividend paid to shareholders	-	-
Cash inflow from borrowing	253	8,788
Cash inflow from repayments of financial receivables	1	3
Disbursements for the repayment of financial liabilities	-2,267	-
Cash flow from financing activities	-2,014	8,791
Changes in cash and cash equivalents	-6,176	-4,115
Effect of exchange-rate, consolidation and valuation changes on cash and cash equivalents	28	-41
Cash and cash equivalents at start of period	11,727	10,079
Cash and cash equivalents at end of period	5,578	5,923

STATEMENT OF CHANGES IN EQUITY

in € thousands	Subscribed capital	Capital reserve	Revenue reserves	
			Currency differences	Available-for-sale financial assets
01.01.2018	17,224	48,811	-20,521	0
Consolidated profit for the period	-	-	-	-
Other comprehensive income before taxes	-	-	-302	-
Deferred tax on other comprehensive income	-	-	0	-
Total comprehensive income	-	-	-302	-
Inflation adjustment pursuant to IAS 29	-	-	0	-
Capital increase	1,049	12,645	0	-
Capital reduction	-	-	0	-
Dividends	-	-	0	-
Changes in the scope of consolidation	-	-	0	-
Withdrawals	-	-	0	-
Other changes	-	-	0	-
31.03.2018	18,272	61,456	-20,823	-
01.01.2019	20,177	86,840	-20,566	-
Consolidated profit for the period	-	-	-	-
Other comprehensive income before taxes	-	-	283	-
Deferred tax on other comprehensive income	-	-	0	-
Total comprehensive income	-	-	283	-
Inflation adjustment pursuant to IAS 29	-	-	0	-
Capital increase	-	-	0	-
Capital reduction	-	-	0	-
Dividends	-	-	0	-
Changes in the scope of consolidation	-	-	0	-
Withdrawals	-	-	0	-
Other changes	-	-	0	-
31.03.2019	20,177	86,840	-20,283	-

	Actuarial gains/losses	Other	Total	Consolidated retained earnings	Equity attributable to KAP shareholders	Non-controlling interests	Total equity
	- 4,998	10,432	-15,086	98,874	149,822	5,366	155,187
	-	-	-	4,137	4,137	245	4,382
	-	-	-302	-	-302	-	-302
	-	-	-	-	-	-	-
	-	-	-302	4,137	3,834	245	4,079
	-	-	-	-	-	-	-
	-	-	-	-	13,694	-	13,694
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	147	147	-147	-
	-4,998	10,432	-15,389	103,158	167,497	5,463	172,960
	-5,247	10,455	-15,358	99,903	191,560	2,400	193,960
	-	-	-	4,463	4,463	124	4,587
	-	-	283	-	283	7	290
	-	-	-	-	-	-	-
	-	-	283	4,463	4,746	131	4,877
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-84	0	-84	55	-29
	-5,247	10,455	-15,161	104,366	196,222	2,586	198,808

SEGMENT REPORTING BY BUSINESS AREA

in € thousands	engineered products		flexible films		it/services	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Revenue with third parties	42,538	43,232	23,297	23,016	4,139	6,976
Revenue with other segments	-	-	0	-	1,193	1,035
Revenue	42,538	43,232	23,297	23,016	5,331	8,012
Segment result ¹	3,719	3,634	2,699	2,735	566	952
Scheduled depreciation and amortisation	1,973	1,880	933	834	244	212
Operating profit	1,746	1,754	1,766	1,901	323	740
Interest income	73	76	9	8	6	11
Interest expenses	900	854	218	200	17	15
Income taxes	-4	15	42	93	8	10
Investments	610	1,965	347	349	681	319
Working capital	66,509	60,985	27,141	27,050	2,661	2,689
Employees as of 31 December	1,028	1,052	324	316	124	130

¹The segment result is defined as segment EBITDA.

precision components		surface technologies		Reconciliation		Consolidation		Continuing operations	
Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
14,634	19,425	17,955	6,508	2	0	-	-	102,564	99,158
1	-	10	3	-	-	-1,204	-1,038	-	-
14,635	19,425	17,965	6,510	2	0	-1,204	-1,038	102,564	99,158
1,778	2,913	3,421	1,200	-1,896	-366	764	630	11,051	11,698
1,077	1,060	2,983	962	299	269	66	65	7,575	5,282
700	1,853	438	238	-2,196	-635	699	565	3,476	6,416
39	4	25	4	1,323	1,065	-1,450	-1,137	25	31
283	355	292	57	340	368	-1,450	-1,134	600	715
24	91	-1,256	245	-570	1,224	-1	1	-1,757	1,679
202	755	1,668	115	354	5,842	1	-2,108	3,863	7,237
18,597	19,265	6,613	1,951	-904	2,637	-85	-303	120,532	114,274
638	739	813	311	42	35	0	0	2,969	2,583

FINANCIAL CALENDAR

03.07.2019	Annual General Meeting
04.07.2019	Dividend announcements
29.08.2019	Publication of the Q2 2019 interim report
21.11.2019	Publication of the Q3 2019 interim report
25.-27.11.2019	Analyst/investor conference (as part of the Deutsches Eigenkapitalforum 2019, Frankfurt am Main)
April 2020	Publication of the 2019 Annual Report
May 2020	Publication of the Q1 2020 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>.

CONTACT

Nadine Kaldenbach
Investor Relations

Telephone +49 661 103-716
Email n.kaldenbach@kap.de

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements are based on current estimates and forecasts by the Executive Board and on the information currently available to the Executive 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 specified.

www.kap.de

KAP AG
Edelzeller Straße 44
36043 Fulda
Germany