

Q1/2021

Quarterly Statement

1 January to 31 March 2021



KAP ENJOYS SUCCESSFUL START TO 2021 FINANCIAL YEAR

- Market environment noticeably better in first quarter of 2021
- Consolidated revenue increased by 2.8% to €90.1 million in the first three months
- Normalised EBITDA up 12.5% to €11.7 million
- Accelerate programme sees tangible success: Normalised EBITDA margin increases by 1.1 percentage points to 13.0%
- Confirmation of the forecast for 2021: Revenue between €300 and 330 million and normalised EBITDA between €27 and 33 million (excluding it/services segment) at the upper end of the ranges announced

The KAP Group made a good start to the 2021 financial year with an increase in revenue of close to 3%. After a previous year hit hard by the COVID-19 pandemic, the market environment noticeably recovered in the first quarter and was shaped by a recovery in customer demand. By contrast, bottlenecks on procurement markets and in supply chains largely persisted. In comparison to the same quarter of the previous year, almost all the KAP Group's continuing segments improved their operating profitability. In particular, the flexible films segment continued its strong growth course from the previous year and, in the first three months, achieved its highest quarterly revenues to date since being created. The segments' improved profitability is due not only to the increase in the volume of unit sales but also to the measures already taken as part of Accelerate. In line with the Accelerate programme's clearly defined objective of strengthening KAP's investment portfolio with attractive additional acquisitions, the industrial holding group has already concluded two transactions in the flexible films segment in the first quarter. Both acquisitions have led to very satisfactory earnings contributions.

KAP Group		Q1 2021	Q1 2020	Change (%)
Selected key indicators on financial performance ¹				
Revenue	€ millions	90.1	87.6	2.8
EBITDA	€ millions	11.6	8.8	31.8
Normalisations	€ millions	0.1	1.6	33.3
Normalised EBITDA	€ millions	11.7	10.4	12.5
Normalised EBITDA margin	%	13.0	11.9	1.1 pp
Investments	€ millions	8.2	5.4	51.9
Employees as of 31 March		2,297	2,797	-17.9

¹ Continuing operations

INCREASE IN REVENUE AND SIGNIFICANT IMPROVEMENT IN PROFITABILITY

The KAP Group's operations achieved revenue of €90.1 million in the first quarter, which is equivalent to a rise of 2.8% (previous year: €87.6 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 31.8% to €11.6 million (previous year: €8.8 million) and was normalised for consulting and restructuring costs, costs in connection with fire damage in the US and proceeds from the disposal of assets in a net amount of €0.1 million. Normalised EBITDA thus rose by 12.5% to €11.7 million (previous year: €10.4 million). The normalised EBITDA margin increased to 13.0% and was thus significantly above the minimum target return of 10% (previous year: 11.9%).

The IT/services segment, whose sale is planned, generated revenue of €4.3 million in the first quarter (previous year: €6.3 million). The significant decrease in revenue is mainly due to the sale as of 1 January 2021 of the subsidiary MEHLER Engineering und Service GmbH (MES), whose revenue is still included in the previous year's results. Because the initiated sale should complete during the current financial year, the revenue and earnings contributions are not taken into account in the analysis of the consolidated results. In line with the applicable IFRS requirements, the segment is accounted for as an "asset held for sale".

DEVELOPMENT OF CASH FLOWS AND THE FINANCIAL POSITION

The total assets of the continuing operations increased by €24.3 million to €337.4 million (31/12/2020: €313.1 million), whereas the equity ratio fell to 47.4% (31/12/2020: 49.3%).

Cash flow from operating activities decreased by €10.8 million year-on-year to –€2.9 million in the first quarter (previous year: €7.9 million). The significant decrease results largely from the rise in trade receivables as a result of the sharp increase in operating performance. Investments amounted to €15.5 million (previous year: €5.4 million) and include the acquisition of AerO Coated Fabrics for €8.3 million.

The number of employees fell to 2,297 as of 31 March 2021 (previous year: 2,797) and is due to the decrease in staff in all segments apart from the flexible films segment.

CONFIRMATION OF THE 2021 FORECAST

The Management Board continues to expect revenue between €300 and 330 million and normalised EBITDA between €27 and 33 million (excluding the IT/services segment) at the upper end of the ranges announced for the 2021 financial year. The forecast includes the already foreseeable risk that may still result from the COVID pandemic.

SEGMENT REPORTING

CONTINUING OPERATIONS

engineered products

		Q1 2021	Q1 2020	Change (%)
Revenue	€ millions	30.2	37.0	-18.4
Normalised EBITDA	€ millions	2.9	2.2	27.3
Normalised EBITDA margin	%	9.6	5.9	3.7 pp
Investments	€ millions	0.4	0.3	33.3
Employees		669	911	-26.6

In the **engineered products** segment, revenue fell by 18.4% to €30.2 million in the first quarter of 2021 (previous year: €37.0 million) primarily as a result of the permanent closure of two sites in the second half of the previous year. By contrast, normalised EBITDA improved to €2.9 million, which is equivalent to an increase of 31.8% (previous year: €2.2 million) and was normalised for restructuring costs of €0.1 million. The higher quality product mix compared to the previous year had a positive effect on the segment result. The normalised EBITDA margin also improved significantly, rising by 3.7 percentage points to 9.6% (previous year: 5.9%).

In the current financial year, KAP AG will implement additional measures for the long-term improvement of profitability in the engineered products segment as part of Accelerate. For example, quantification and further detailing of the sales strategy is planned for 2021.

Investments amounted to €0.4 million in the first quarter (previous year: €0.3 million). As of 31 March 2021, 669 people were employed in the segment (previous year: 911).

flexible films

		Q1 2021	Q1 2020	Change (%)
Revenue	€ millions	31.6	21.6	46.3
EBITDA	€ millions	4.8	3.0	60.0
EBITDA margin	%	15.2	13.9	1.3 pp
Investments	€ millions	0.8	0.7	14.3
Employees		334	324	3.1

The **flexible films** segment continued its strong growth course of the previous year in the 2021 financial year and generated record revenue of €31.6 million, which is equivalent to growth of 46.3% (previous year: €21.6 million). Overall, the segment again benefited from its strong market position in the first quarter. EBITDA increased to €4.8 million (previous year: €3.0 million), whereas the EBITDA margin was correspondingly 15.2% (previous year: 13.9%). The segment currently faces rising commodity prices.

In the first quarter of 2021, KAP AG completed two attractive transactions in flexible films. The acquisition of AerO Coated Fabrics, a highly specialised extrusion company and manufacturer of thermoplastic composite materials, and the acquisition of all the remaining shares in packaging specialist NOW Contec GmbH significantly strengthened the Group's competencies in this segment. Targeted M&A activities such as these are important measures of the Accelerate programme and have the aim of strengthening the industrial holding group's portfolio in a focused way.

In the reporting period, investment expenditure by the segment companies increased slightly to EUR 0.8 million (previous year: EUR 0.7 million). The number of employees increased slightly from 324 to 334 people employed in the segment as of 31 March 2021.

surface technologies

		Q1 2021	Q1 2020	Change (%)
Revenue	€ millions	15.8	16.3	-3.1
Normalised EBITDA	€ millions	3.2	3.4	-5.9
Normalised EBITDA margin	%	20.3	20.9	-0.6 pp
Investments	€ millions	5.3	3.1	71.0
Employees		597	778	-23.3

In the **surface technologies** segment, revenue remained relatively stable with a slight decrease of 3.1% to €15.8 million (previous year: €16.3 million) despite adverse effects from COVID-19 in Hungary and a loss of revenue due to a fire in the us (Spartanburg). At €3.3 million, normalised EBITDA also remained almost at the previous year's level (previous year: €3.4 million) and includes normalisations in connection with the fire damage (-€0.1 million). The normalised EBITDA margin fell only slightly to 20.3% (previous year: 20.9%).

The segment also reported important successes in connection with Accelerate in the first quarter. For example, new plants at Metallveredelung Döbeln MvD and at Heiche Poland successfully went into production. In the remainder of the 2021 financial year, the top priority is establishing a new site in Alabama, USA, for the anchor customer Daimler.

The investment volume in the reporting period was €5.3 million (previous year: €3.1 million). Of this amount, €2.3 million was invested in our new site in Alabama (USA) and €1.6 million in our site in Döbeln (Germany). As at 31 March 2021, 597 people were employed in the segment (previous year: 778).

precision components

		Q1 2021	Q1 2020	Change (%)
Revenue	€ millions	11.9	12.6	-5.6
Normalised EBITDA	€ millions	1.3	0.9	44.4
Normalised EBITDA margin	%	10.9	7.1	3.8 pp
Investments	€ millions	1.7	1.2	41.7
Employees		573	630	-9.0

In the **precision components** segment, revenue decreased to €11.9 million (previous year: €12.6 million), while normalised EBITDA increased by 44.4% to €1.3 million (previous year: €0.9 million). The efficiency measures implemented from the Accelerate programme are already having an effect here. The result was normalised for gains from the disposal of assets totalling -€0.2 million. The normalised EBITDA margin increased by 3.8 percentage points to 10.9% (previous year: 7.1%).

Improvement initiatives from the Accelerate programme were also introduced and implemented in this segment: in the first quarter, the transparency of figures and sales was further improved by IT-supported tools. Moreover, the expansion of the production site in Logoisk, Belarus, was accelerated to realise cost advantages.

Investment spending increased by €0.5 million to €1.7 million (previous year: €1.2 million), which is mainly due to investments in Dresden (Germany) and Logoisk (Belarus). The number of people employed decreased to 573 as of 31 March 2021 (previous year: 630).

DISCONTINUED OPERATIONS

it/services

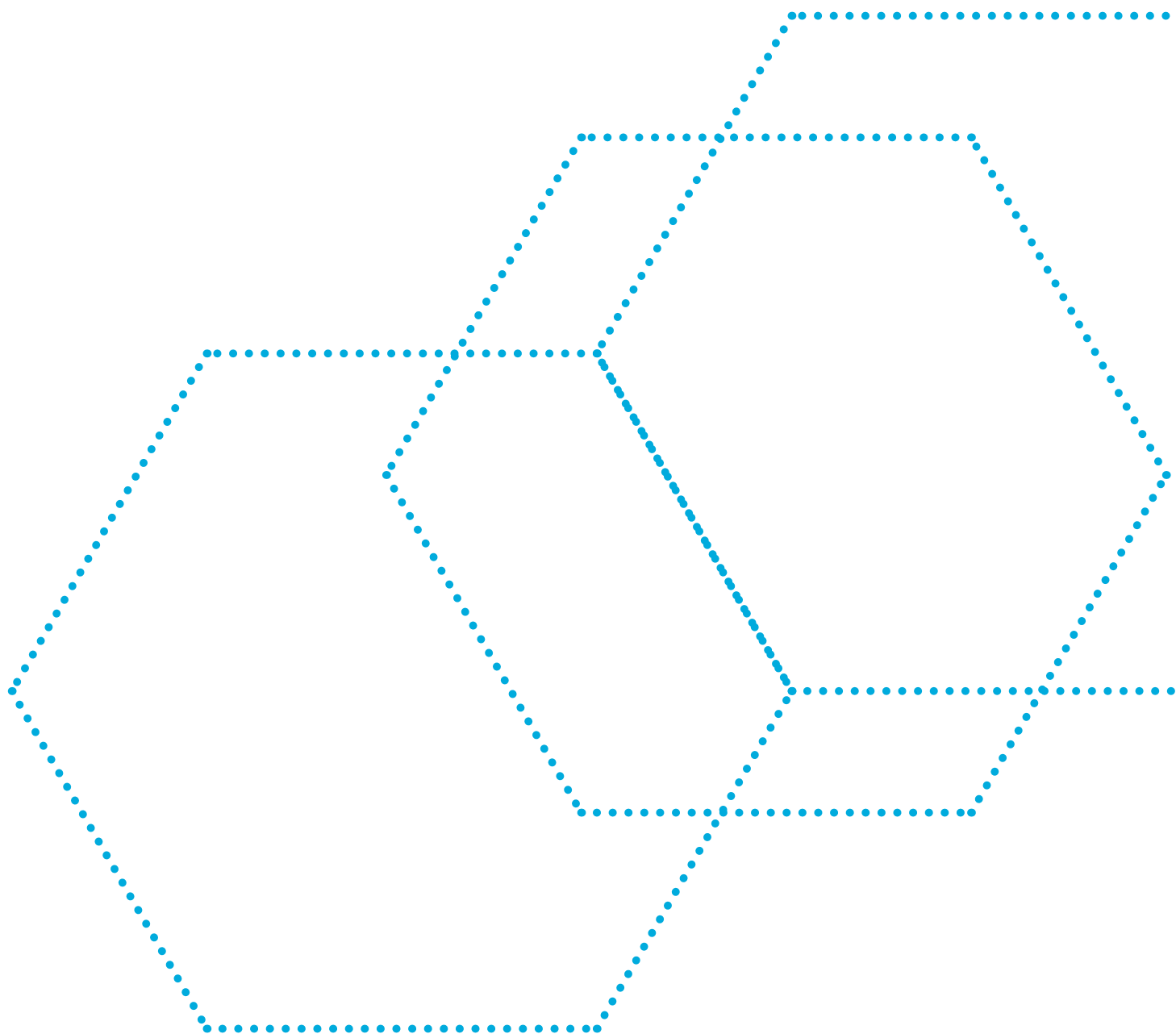
		Q1 2021	Q1 2020	Change (%)
Revenue	€ millions	4.3	6.3	-31.7
EBITDA	€ millions	0.9	1.1	-20.0
EBITDA margin	%	20.9	17.5	3.4 pp
Investments	€ millions	0.3	0.2	50.0
Employees		85	119	-28.6

The it/services segment, whose sale is planned, generated revenue of €4.3 million in the first quarter (previous year: €6.3 million). The significant decrease in revenue is mainly due to the sale as of 1 January 2021 of the subsidiary MEHLER Engineering und Service GmbH (MES), whose revenue is still included in the previous year's results. The current revenue was generated by it-novum GmbH, which remained in the segment but whose sale is planned. EBITDA was €0.9 million (previous year: €1.1 million) and the EBITDA margin increased to 20.9% (previous year: 17.5%).

The number of people employed fell to 85 as of 31 March 2021 (previous year: 119). This sharp decrease results from the sale of MES. In the reporting quarter, €0.3 million was invested (previous year: €0.2 million).

Financial information

Development of the KAP Group in Q1 2021



CONSOLIDATED STATEMENT OF INCOME

in € thousands	Q1 2021	Q1 2020 ¹
Revenue	90,122	87,592
Change in inventories and other own work capitalised	-765	-2,760
Total performance	89,357	84,832
Other operating income	3,611	3,122
Cost of materials	-45,401	-44,511
Personnel expenses	-21,721	-22,275
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment and investment property	-6,161	-6,895
Other operating expenses	-14,284	-12,413
Result from divested assets and liabilities	0	0
Operating result	5,401	1,860
Interest result	-359	-349
Other financial result	1,313	-1,787
Financial result	954	-2,136
Earnings from continuing operations before income taxes	6,355	-276
Income taxes	-1,634	211
Earnings from continuing operations	4,721	-65
Earnings from discontinued operations after taxes	373	-143
Consolidated annual result after taxes	5,094	-208
Share of the result attributable to non-controlling interests	-4	-188
Consolidated annual result of KAP AG shareholders	5,090	-396
Undiluted earnings per share (€)		
Earnings from continuing operations	0.61	-0.03
Gains/losses from discontinued operations	0.05	-0.02
	0.66	-0.05

¹ The it/services segment's income statement (excluding the energy supply business) is retrospectively reported as gains/losses from discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

in € thousands	Q1 2021	Q1 2020
Consolidated result after taxes	5,094	-208
Unrealised gains from currency translation	760	-3,645
Unrealised gains from the disposal of available-for-sale financial assets	0	0
Items which may be reclassified in the income statement in the future	760	-3,645
Actuarial gains from defined-benefit pension plans	0	0
Deferred taxes on actuarial gains/losses from defined-benefit plans	0	0
Items which will not be reclassified in the income statement in the future	0	0
Other comprehensive income after taxes	760	-3,645
thereof result after taxes attributable to non-controlling interests	14	0
of which other comprehensive income after taxes attributable to shareholders of KAP AG	746	-3,645
Total comprehensive income	5,854	-3,853
thereof attributable to non-controlling interests attributable to total comprehensive income	18	188
of which attributable to shareholders of KAP AG in total comprehensive income	5,836	-4,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousands	31/03/2021	31/12/2020
ASSETS		
ASSETS		
Non-current assets		
Intangible assets	36,769	27,840
Property, plant and equipment	154,501	149,893
Investment properties	1,942	1,961
Financial assets accounted for using the equity method	0	0
Other financial assets	203	231
Deferred tax assets	4,799	5,311
	198,214	185,235
Current assets		
Inventories	44,060	42,822
Trade receivables	62,270	43,347
Income tax receivables	1,060	1,051
Other receivables and assets	9,739	9,768
Cash and cash equivalents	8,833	15,694
	125,962	112,682
Non-current assets held for sale and discontinued operations	13,218	15,153
	337,394	313,070

in € thousands	31/03/2021	31/12/2020
EQUITY AND LIABILITIES		
EQUITY AND LIABILITIES		
Equity and reserves		
Subscribed capital	20,196	20,177
Capital reserve	86,921	86,840
Reserves	-20,195	-20,431
Net result	70,536	65,446
Equity attributable to shareholders of KAP AG	157,458	152,032
Non-controlling interests	2,614	2,296
	160,072	154,328
Non-current liabilities		
Provisions for pensions and similar obligations	18,111	18,280
Non-current financial liabilities	58,671	59,044
Deferred tax liabilities	6,932	6,643
Other non-current liabilities	0	0
	83,714	83,967
Current liabilities		
Other provisions	24,811	27,100
Current financial liabilities	23,618	11,504
Trade payables	26,921	18,858
Income tax liabilities	5,797	4,961
Other liabilities	7,641	7,456
	88,788	69,879
Liabilities in connection with discontinued operations	4,821	4,896
	337,394	313,070

CONSOLIDATED STATEMENT OF CASH FLOWS ¹

in € thousands	Q1 2021	Q1 2020
Consolidated result after taxes	5,094	-210
Interest result	359	350
Income taxes	1,672	-202
EBIT (Earnings before interest and income taxes)	7,125	-62
Depreciation and amortisation of non-current assets (offset against write-ups)	6,266	7,161
Change in provisions	-3,129	366
Other non-cash expenses and income	-6	922
Gains/losses from the disposal of non-current assets	-461	-54
Cash flow from operating activities before changes in assets and liabilities	9,795	8,333
Changes in inventories, receivables and other assets not attributable to investing and financing activities	-18,470	-3,781
Changes in payables and other liabilities which are not attributable to investing and financing activities	6,388	4,208
Cash flow from operating activities before interest and income taxes	-2,287	8,760
Interest paid and received	-208	-188
Income taxes paid and received	-385	-662
Cash flow from operating activities	-2,880	7,910
Proceeds from disposals of property, plant and equipment (including investment property)	1,234	265
Investments in property, plant and equipment (including investment property)	-8,478	-5,601
Proceeds from the disposal of intangible assets	0	0
Investments in intangible assets	-279	-124
Proceeds from the disposal of financial assets	0	6
Investments in financial assets	0	0
Cash inflow from the disposal of consolidated companies	345	0
Cash outflow from the addition of consolidated companies	-8,383	0
Cash inflow from the sale of securities	0	0
Investments in the securities portfolio	0	0
Cash inflow from repayments of financial receivables	28	2
Disbursements by granting loans	0	0
Cash flows from investing activities	-15,533	-5,452

¹ Including the it/services segment

in € thousands	Q1 2021	Q1 2020
Proceeds from capital increase	100	0
Dividends paid to shareholders	0	0
Acquisition of minority interest	-2,300	0
Cash inflow from borrowing	13,869	51,849
Disbursements for the repayment of financial liabilities	-1,392	-602
Cash flow from financing activities	10,277	51,247
Net change in cash and cash equivalents	-8,136	53,705
Change in cash and cash equivalents due to exchange-rate, consolidation and valuation effects	1,201	-137
Cash and cash equivalents at beginning of period	15,964	5,077
Cash and cash equivalents at the end of the period incl. discontinued operations	9,029	58,645
Cash and cash equivalents attributable to discontinued operations	-196	0
Cash and cash equivalents at the end of the period	8,833	58,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Revenue reserves

in € thousands	Subscribed capital	Capital reserve	Currency differences	Actuarial gains/losses
01/01/2020	20,177	86,840	-19,740	-7,073
Consolidated annual result	0	0	0	0
Other comprehensive income before taxes	0	0	-3,644	0
Deferred taxes on other comprehensive income	0	0	0	0
Total comprehensive income	0	0	-3,644	0
Inflation adjustment in accordance with IAS 29	0	0	0	0
Capital increase	0	0	0	0
Capital decrease	0	0	0	0
Dividends paid to shareholders	0	0	0	0
Change in consolidation group	0	0	0	0
Other changes	0	0	0	0
31/03/2020	20,177	86,840	-23,384	-7,073
01/01/2021	20,177	86,840	-23,821	-6,982
Consolidated annual result	0	0	0	0
Other comprehensive income before taxes	0	0	746	0
Deferred taxes on other comprehensive income	0	0	0	0
Total comprehensive income	0	0	746	0
Inflation adjustment in accordance with IAS 29	0	0	0	0
Capital increase	19	81	0	0
Capital decrease	0	0	0	0
Dividends paid to shareholders	0	0	0	0
Change in consolidation group	0	0	0	185
Withdrawals	0	0	0	0
Other changes	0	0	0	0
31/03/2021	20,196	86,921	-23,075	-6,797

As the figures are presented in € thousands, the number may not add up due to rounding.

	Other	Total	Net result	Equity attributable to KAP shareholders	Non-controlling interests	Total equity
	10,372	-16,441	68,413	158,989	2,017	161,006
	0	0	-397	-397	188	-209
	0	-3,644	0	-3,644	0	-3,644
	0	0	0	0	0	0
	0	-3,644	-397	-4,041	188	-3,853
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	10,372	-20,085	68,016	154,947	2,204	157,151
	10,372	-20,431	65,446	152,032	2,295	154,327
	0	0	5,090	5,090	4	5,094
	0	746	0	746	14	760
	0	0	0	0	0	0
	0	746	5,090	5,836	18	5,854
	0	0	0	0	0	0
	0	0	0	100	0	100
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	185	0	185	2,364	2,549
	0	0	0	0	-2,063	-2,063
	-695	-695	0	-695	0	-695
	9,677	-20,195	70,536	157,458	2,614	160,072

SEGMENT REPORTING BY BUSINESS AREA

in € thousands	engineered products		flexible films		surface technologies		precision components		Discontinued operations: it/services	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue	30,174	37,034	31,647	21,585	15,802	16,343	11,886	12,632	4,334	6,258
Segment result	2,779	2,185	4,812	3,011	3,251	3,415	1,313	922	933	1,114
Depreciation and amortisation	1,386	1,861	912	826	2,792	2,942	926	1,005	105	254
Operating result	1,393	324	3,900	2,185	459	473	387	-83	828	860
Investments	399	331	785	701	5,343	3,161	1,670	1,207	274	156
Working capital	35,404	49,586	28,736	26,093	4,176	5,127	12,488	15,075	710	2,270
Employees as of 31 March	669	911	334	324	597	778	573	630	85	119

in € thousands	Holding/Central		Consolidation		Group incl. discontinued operations		Relocation to discontinued operations		Group continuing operations	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue	639	0	-481	-1,114	94,001	92,738	-3,879	-5,146	90,122	87,592
Segment result	-521	-426	-395	311	12,100	10,532	-538	-112	11,562	10,420
Depreciation and amortisation	146	201	-1	60	6,266	7,149	-105	-254	6,161	6,895
Operating result	-667	-627	-394	251	5,834	3,383	-433	142	5,401	3,525
Investments	9	86	0	2	8,478	5,644	-274	-156	8,204	5,488
Working capital	-1,390	-771	-5	-111	80,119	97,269	-710	0	79,409	97,269
Employees as of 31 March	39	35	0	0	2,297	2,797	-85	-119	2,212	2,678

FINANCIAL CALENDAR

24/9/2021	Publication of the Q2 2021 interim report (Hal-year report 2021)
30/9/2021	Annual General Meeting
24/11/2021	Publication of the Q3 2021 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>.

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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.

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