

KAP AG EXPECTS FURTHER GROWTH AFTER POSITIVE 2018 FINANCIAL YEAR

- Preliminary figures for 2018 financial year confirmed: revenue growth of 3.6% with disproportionate increase of 6.4% in normalised EBITDA
- Proposed dividend of EUR 2.00 per share
- Revenue from continuing operations to increase to EUR 400–430 million and normalised EBITDA from continuing operations to increase to EUR 45–53 million in 2019

Fulda, 26 March 2019 – KAP AG, a publicly listed, mid-sized industrial group, looks back on a successful 2018 financial year, during which the implementation of the segment strategy led to a further increase in profitability. Revenues including discontinued operations increased by 3.6% to EUR 422.3 million in 2018 (previous year: EUR 407.5 million). At the same time, adjusted for deconsolidation, earnings before interest, taxes, depreciation and amortisation ('normalised EBITDA') including discontinued operations, improved by 6.4% to EUR 44.8 million (previous year: EUR 42.1 million). Accordingly, the EBITDA margin including discontinued operations grew by 0.3 percentage points to 10.6% (previous year: 10.3%). "The measures introduced to increase profitability in our five segments are beginning to take effect. We are only at the beginning and still see considerable potential for increased efficiency in our distinct segments", summarizes KAP AG CEO Guido Decker, CEO of KAP AG.

Satisfactory development in the five segments

Revenue in the *engineered products* segment rose by 2.6% to EUR 169.1 million in the 2018 financial year (previous year: EUR 164.9 million). The main stimulus came from Germany, Portugal and the USA. Normalised EBITDA improved disproportionately by 20.3% to EUR 14.2 million (previous year: EUR 11.8 million). The significant measures taken to increase earnings at the segment's company Mehler Engineered Products took effect as planned, with initial successes already visible in the second half of 2018.

Revenues in the *flexible films* segment decreased by 18.0% to EUR 88.4 million against the backdrop of a change in the scope of consolidation (previous year: EUR 107.8 million). The sale of the subsidiary Kirson Industrial Reinforcements GmbH, which contributed EUR 24.4 million to revenues in the previous year, was completed in 2017. In contrast, the two subsidiaries NOW Contec GmbH & Co. KG and Convert Vliesveredlung GmbH & Co. KG were included in the consolidated financial statements for a full twelve months in the year under review following the acquisition of a majority stake on 30 December 2017. They contributed a total of EUR 4.9 million to segment revenues in 2018. Normalised EBITDA fell by 24.8% to EUR 9.1 million (previous year: EUR 12.1 million).

The *surface technologies* segment is the latest segment within the KAP Group. With the acquisition of Gt Oberflächen GmbH, Oberflächentechnik Döbeln GmbH and Metallveredlung Döbeln GmbH in November and December 2017, the Group began to develop another high-margin segment. The acquisition of the Heiche Group further strengthened the segment in the year under review. Segment revenue amounted to EUR 43.2 million in 2018. Normalised EBITDA amounted to EUR 7.5 million.

Revenue in the *IT services* segment rose by 22.2% to EUR 22.6 million in the year under review (previous year: EUR 18.5 million). The primary growth drivers were Enterprise Content Management and Big Data Analytic projects. Normalised EBITDA rose to EUR 2.6 million (previous year: EUR 1.9 million).

Revenue in the *precision components* segment fell by 5.7% to EUR 67.6 million (previous year: EUR 71.7 million). It should be noted here that revenue from the discontinued and sold division, Geiger Fertigungstechnologie GmbH, in the amount of EUR 32.5 million in 2018 (previous year: EUR 50.2 million) are not included in segment revenues. Normalised EBITDA improved significantly by EUR 7.1 million to EUR 10.8 million (previous year: EUR 3.7 million).

Continuation of shareholder-friendly dividend policy

For the 2018 financial year, the joint dividend proposal of the Executive Board and Supervisory Board provides for an unchanged dividend of EUR 2.00 per share. Subject to the approval of the shareholders at the Annual General Meeting to be held in Frankfurt on 3 July 2019, the company will pursue its continuous dividend policy. The attractiveness of the KAP share was increased by the switch to the Frankfurt Stock Exchange Prime Standard on 12 March 2019 and the simultaneous inclusion in XETRA trading. "This sends a clear signal to our shareholders that we are seeking to continue to increase transparency on the capital market", emphasised Decker.

Further growth expected in the 2019 financial year

The further implementation of the segment strategy will remain the operational focus in 2019. Generating synergies and efficiency gains through a targeted package of measures individually tailored to the requirements of the individual segments should lead to greater profitability. "We aim to create value for our shareholders through targeted investments in internal and external growth and continuously expand our market position in our segments. At the same time, we want to generate additional growth momentum through increased investments in new products", explains Decker. Due to the strong market position already achieved in the individual segments, the Executive Board expects that a potential economic slowdown would have a disproportionately low impact on KAP AG's operating business development for the 2019 financial year due to a deterioration in economic forecasts. Revenue from continuing operations is expected to be slightly above the previous year's figure of EUR 389.8 million within a range of EUR 400–430 million. At the same time, the normalised EBITDA from continuing operations is expected to continue to grow to within a range of EUR 45–53 million compared to EUR 40.2 million in 2018.

The annual financial report can be downloaded from the Investor Relations section of www.kap.de.

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About KAP AG

KAP AG is a mid-sized 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. Thanks to our long-term business strategy, we have been able to occupy numerous attractive market niches with sustainable growth potential. Our focus within these is on developing high-margin industrial segments into highly specialized, market-leading product lines. As a reliable partner in the context of succession planning, we also acquire attractively positioned medium-sized 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.