

EFFECTS OF COVID-19 PANDEMIC IMPACT Q1 2020 OF KAP AG

- Q1 revenue of EUR 92.7 million – segment mix defies COVID-19 pandemic – only 9.6% below previous year
- Normalised EBITDA¹ fell by 19.2% to EUR 10.5 million
- At 11.4%, normalised EBITDA margin above 10% target and only 1.3 percentage points below the previous year's level
- Focus on active capacity management, reduced working hours and protection of employees through working from home
- Liquidity situation with sufficient leeway for a difficult Q2 2020 and the second half of the year
- Concrete forecast for 2020 still suspended: the effects of the coronavirus pandemic cannot currently be accurately predicted

Fulda, 20 May 2020 – The start to the 2020 financial year was generally weaker than in the previous year for KAP AG, a publicly listed, mid-sized industrial group, due to economic uncertainties in connection with the global spread of COVID-19. In Q1, revenue was EUR 92.7 million (previous year: €102.6 million) and thus 9.6% below the previous year's level. Normalised earnings before interest, taxes, depreciation and amortisation ("normalised EBITDA") of EUR 10.5 million were 19.2% below the strong level of the previous year (previous year EUR 13.0 million). Accordingly, the normalised EBITDA margin was 11.4%, a decrease of 1.3 percentage points (previous year 12.7%). In the course of Q1, the KAP Group introduced extensive measures to counteract and contain the consequences of the COVID-19 pandemic. These include home office in large parts of the Group and short-time working at some of the locations in Germany. So far, there have been no known infections among the employees of KAP AG.

"We will closely monitor the potential effects of the ongoing COVID-19 crisis on the KAP Group. No concrete prediction about these effects can yet be made. It is still to be expected that the pandemic will have an adverse impact on business development in the current year. However, our diversification helps us to limit the effects", explains Eckehard Forberich, Spokesman of the management board of KAP AG.

Almost all segments affected by the COVID-19 pandemic

Revenue in the *engineered products* segment in Q1 2020 was below the level of the previous year at EUR 37.0 million (previous year EUR 42.5 million). EBITDA fell by 40.5% to EUR 2.2 million (previous year EUR 3.7 million). In particular temporary production shutdowns in China and India as a consequence of the COVID-19 pandemic had a negative effect in the reporting period. In addition, KAP AG will consistently continue the planned comprehensive restructuring of the *engineered products* segment to achieve a sustainable improvement in profitability in the financial year 2020.

In the *flexible films* segment, the effects of the pandemic in Q1 have only been perceptible on revenue level so far. Revenues decreased by 7.3% to EUR 21.6 million (previous year EUR 23.3 million). Thanks to a significant improvement in the profit margins in this segment, however, EBITDA increased by 11.1% to EUR 3.0 million (previous year EUR 2.7 million).

Revenues in the *surface technologies* segment fell by 9.4% to EUR 16.3 million in Q1 of 2020 (previous year EUR 18.0 million) with a slightly higher normalised EBITDA of EUR 3.4 million (previous year EUR 3.2 million). The result was adjusted by around EUR 1.2 million net for expenses and insurance reimbursements in connection with a fire loss in 2019. Due to the COVID-19 crisis, there were decreases in revenue at all sites in this segment. Thanks to measures rapidly taken, such as the reduction of weekend shifts and of production capacity utilisation, the segment was able to cut personnel costs in Q1.

In the *precision components* segment (formerly GM Tec) the year 2020 began with a new brand and a new management team. In Q1 2020, revenues decreased by 13.7% to EUR 12.6 million (previous year EUR 14.6 million). The first three

¹ normalised for non-recurring effects from hail damage, an insurance payment for fire damage in 2019 and transaction-related advice fees

months of the year were shaped by, among other things, the establishment of a new segment organisation (especially in sales). In this context, the sales activities were intensified and the sales channels were redefined. The pandemic affected the segment in terms of production shutdowns and strong fluctuations in order intake. EBITDA fell by 64.0% year-on-year to EUR 0.9 million (previous year EUR 2.5 million).

The *it/services* segment generated revenues of EUR 6.3 million in Q1 of 2020, representing growth of 18.9% (previous year EUR 5.3 million) - a much better performance than expected. EBITDA grew to EUR 1.1 million (previous year EUR 0.6 million). This positive development is due to the receipt of licence and subscription fees paid (incl. costs of materials) that were charged by the segment. Furthermore, the segment was awarded a major project in Austria in the field of data analytics.

Still no concrete forecast possible for the 2020 financial year

Against the background of the ongoing global COVID-19 crisis, it is still not possible to provide a concrete outlook for business development in the KAP Group in 2020. In view of the high level of economic uncertainties and the resulting challenges, the KAP Management Board continues to expect considerable adverse effects for revenue, earnings and liquidity.

The complete quarterly statement Q1/2020 can be found on the company's website at <https://www.kap.de/en/investor-relations/reports/quarterly-statements>

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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 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.