

KAP WITH SOLID BUSINESS DEVELOPMENT IN THE FIRST HALF OF THE YEAR DESPITE COVID-19 BURDENS – MANAGEMENT BOARD SUBSTANTIATES OUTLOOK 2020

- Broad investment portfolio partially cushions impact of COVID-19
- Revenue decreases by almost 15% to EUR 170.3 million
- Adjusted EBITDA¹ of EUR 17.6 million under previous year's level
- Adjusted EBITDA margin increases by 1.1 percentage points to 10.3%
- Management Board expects revenue of between EUR 300 and 330 million and adjusted EBITDA of EUR 27 to 30 million for the full year – if no currently unforeseeable worsening of the pandemic occurs

Fulda, 21 September 2020 – The first half of the 2020 financial year was challenging for KAP AG, a publicly listed, mid-sized industrial. This was particularly due to considerably weaker business development in Q2 compared to the previous year as a result of the COVID-19 pandemic. In contrast, the diversified investment portfolio was able to partially cushion the impact. Revenue decreased by 14.6% to EUR 170.3 million in the first half of the year (previous year: EUR 199.5 million). Adjusted earnings before interest, taxes, depreciation and amortisation (“adjusted EBITDA”) declined to EUR 17.6 million and were thus EUR 0.8 million below the previous year's figure (EUR 18.4 million). The adjusted EBITDA margin thus increased by 1.6 percentage points to 10.8% (previous year: 9.2%). EBITDA rose by 8.3% to EUR 18.3 million (previous year: EUR 16.9 million).

During the first half of the year, measures to cut personnel costs were taken at an early stage in response to the COVID-19 pandemic. This includes temporary shutdowns of production sites in Germany, China, India, Hungary, Poland, Portugal and the USA as well as short-time work at a number of sites in Germany and one site in Sweden. In order to protect employees and curb the further spread of COVID-19, employees in large parts of the Group worked from home as far as possible. In addition, staff training was conducted on minimising the risk of infection. To date, only 6 employees in the KAP Group has been infected with COVID-19.

“The COVID-19 pandemic presented us with major challenges in the first half of 2020. Because of our diversified segment strategy, we were, nevertheless, able to generate revenues of around EUR 170 million and, in fact, significantly improve our operating profitability. We will continue to monitor the course of the pandemic closely. We remain committed to our long-term goals and are thus creating the conditions for sustainable business success,” says Eckehard Forberich, Spokesman of the Management Board of KAP AG.

Automotive-focused segments more affected by the COVID-19 pandemic

In the *engineered products* segment, revenue fell by 18.2% to EUR 67.0 million in the first half of 2020, in particular due to the production shutdowns in the automotive sector (previous year: EUR 81.9 million). EBITDA decreased to EUR -6.6 million (previous year: EUR 3.0 million). Adjusted EBITDA, by contrast, increased by 18.4% to EUR 4.5 million (previous year: EUR 3.8 million). The planned extensive transformation of the segment for a sustainable improvement in profitability was consistently continued in the first half of the year. The associated expenses will continue to affect the

¹ Adjusted for non-recurring effects of insured losses in 2019, restructuring and severance payment costs and transaction-related advice fees in a net amount of EUR 0.7 million.

Group's development in the second half of 2020.

In the *flexible films* segment, the effects of the pandemic were only partially felt thanks to its broad diversification and high flexibility. Revenue increased by 5.4% to EUR 50.9 million in the first half of the year (previous year: EUR 48.3 million). The decline in the automotive business areas was more than offset by growth in other areas and the creation of new sales opportunities. EBITDA increased by 39.7% to EUR 8.1 million due to a significant improvement in the profit margin (previous year: EUR 5.8 million).

In the *surface technologies* segment, which mainly operates in the automotive sector, revenue fell by 26.7% to EUR 25.2 million in the first half of 2020 (previous year: EUR 34.4 million). However, thanks to the swift implementation of measures, high personnel costs could be saved. EBITDA increased by over 100 % to EUR 10.8 million (previous year: EUR 5.2 million) due to non-recurring effects totaling EUR 5.6 million. Adjusted EBITDA was EUR 3.4 million (previous year: EUR 5.8 million).

In the *precision components* segment, revenue decreased by 30.3% to EUR 18.6 million in the first half of 2020 (previous year: EUR 26.7 million). The first three months of the year were shaped, among other factors, by the establishment of a new segment organisation (particularly in sales), the intensification of sales activities and the definition of sales channels. In addition, COVID-19 was a decisive factor for the segment's development because more than 90% of the segment's deliveries involve the global automotive sector. EBITDA fell by EUR 3.1 million to EUR 0.1 million (previous year: EUR 3.2 million).

In the *it/services* segment, revenue increased by 2.9% to EUR 10.6 million in the first half of 2020 (previous year: EUR 10.3 million). This positive development is due to the accelerated trend towards digitalisation, the sale of software subscriptions and newly awarded projects. Furthermore, the segment was awarded a major project in Austria in the field of data analytics, which will be implemented during the year. EBITDA grew to EUR 1.8 million (previous year: EUR 1.3 million).

Forecast for the 2020 financial year

Assuming there is no currently unforeseeable worsening in the course of the COVID-19 pandemic and no corresponding negative impact for KAP AG, the Management Board expects total revenue between EUR 300 and 330 million and adjusted EBITDA from EUR 27 to 30 million for the full year of 2020.

The complete 2020 half-year report is available on the company's website at <https://www.kap.de/en/investor-relations/reports/half-year-reports>.

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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.