



REVENUE IN THE KAP GROUP IN THE FIRST NINE MONTHS OF 2019 SLIGHTLY BELOW LAST YEAR'S LEVEL, RESULT BURDENED BY EXTRAORDINARY EFFECTS

- Revenue of EUR 289.5 million in the revised scope of consolidation
- Adjusted EBITDA at EUR 27.9 million
- The segments flexible films and IT/services asserts itself operationally
- New forecast for 2019 full year: revenue of EUR 365 to 375 million, adjusted EBITDA of EUR 29 to 33 million

Fulda, Germany, 21 November 2019 – In Q3 2019, the KAP Group, a listed medium-sized industrial group, increasingly felt the adverse effects of the economic headwind. Demand from the automotive sector in particular declined noticeably, leading to a weaker performance in the engineered products and precision segments than in the previous year due to fewer requests from clients. By contrast, the segments flexible films and IT/services were able to assert themselves operationally, benefiting from their positive market position. “Despite conditions becoming increasingly challenging for SMEs over the course of the year, our diversified business model has proven to be robust. As a result, we were almost able to maintain the revenue figures from last year in the revised consolidation scope,” says Dr Alexander Riedel, CFO of KAP AG. As expected, the impact on earnings of the non-cash one-off effects described in the six-month financial statements has not been insignificant.

At EUR 289.5 million, revenue slightly below strong previous year's level, EBITDA at EUR 26.2 million

In the first nine months of 2019, revenue for the KAP Group came to EUR 289.5 million (previous year: EUR 296.9 million), a decrease of 2.5% on the previous year. It must be noted that comparing the figures reported with those from the previous period is only possible to a limited extent as a result of changes in the consolidation scope and the error correction, which led to an adjustment of the previous period with an impact on earnings. Adjusted earnings before interest, taxes, depreciation and amortisation (“adjusted EBITDA”) decreased by 9.1% to EUR 27.9 million (previous year: EUR 30.7 million). This corresponds to an adjusted EBITDA margin of 9.6% (previous year: 10.3%). In addition to the negative impact of the worsening economic outlook on the operative growth of the segments, the decrease is also largely due to the extraordinary items (fire at the Heinsdorfergrund site, error correction) described in the first half of the year. At EUR 26.2 million, reported EBITDA was 14.7% down on the previous year (EUR 30.7 million). EBIT amounted to EUR -1.2 million (previous year: EUR 14.1 million). Earnings before taxes (EBT) decreased to EUR -4.7 million (previous year: EUR 10.5 million).

The equity ratio was 46.4% (31 December 2018: 51.3%) with total assets of EUR 373.1 million (31 December 2018: EUR 373.9 million). Cash flow from operating activities improved year-on-year in the first nine months of 2019 by EUR 26.1 million to EUR 27.9 million (previous year: EUR 1.8 million) as a result of reduced funds commitment in net working capital.

flexible films and IT/services able to assert themselves at an operational level, engineered products and precision components feel the effects of the downturn

Revenue in the *engineered products* segment decreased by 9.6% to EUR 119.0 million in the first nine months of 2019 (previous year: EUR 131.6 million). The negative growth in the automotive sector had a corresponding impact, which meant that our clients increasingly suffered from lower order volumes from the big OEMs over the course of the year. Revenue in the fabrics for conveyor belts area was also down. As a result, adjusted EBITDA decreased by 47.1% to EUR 5.4 million (previous year: EUR 10.2 million).

In the *flexible films* segment, however, revenue rose slightly by 1.0% to EUR 70.7 million in the first nine months of 2019 (previous year: EUR 70.3 million). The premium products in the area of construction, such as sealing membranes and pool liners, as well as products for agricultural applications showed particularly positive growth. By contrast, growth in transport protection was weaker. EBITDA rose to EUR 8.9 million (previous year: EUR 8.6 million), an increase of 3.5%.

Revenue in the *surface technologies* segment increased by 82.9% to EUR 49.2 million in the first nine months of 2019 (previous year: EUR 26.9 million). This growth primarily reflects the successful takeover of the Heiche Group in the second half of 2018.



The effects of the capacity shortfall as a result of the fire led to limitations to operational development in the third quarter. Adjusted EBITDA improved by over 100.0% to EUR 9.1 million (previous year: EUR 4.5 million).

Revenue in the *IT/services* segment decreased by 7.9% to EUR 15.1 million in the first nine months of 2019 (previous year: EUR 16.4 million). A major order from the German Federal Office of Administration with a volume of around EUR 2.7 million was invoiced in the same period of the previous year. As a result, adjusted EBITDA decreased by 20.0% to EUR 2.0 million (previous year: EUR 2.5 million).

Revenue in the *precision components* segment decreased by 29.0% to EUR 38.6 million in the first nine months of 2019 (previous year: EUR 54.4 million). Some reasons for this were the delayed start-ups of new products and weaker demand from clients in the automotive sector. Adjusted EBITDA decreased by 51.3% to EUR 3.7 million (previous year: EUR 7.6 million).

New forecast for the 2019 financial year: revenue of EUR 365 to 375 million, adjusted EBITDA of EUR 29 to 33 million

Following the completion of the extensive validations of the projected figures for the engineered products segment, which were conducted as a result of the irregularities, as well as the effects of the capacity shortfall due to the fire at one of the surface technologies segment sites, the KAP AG Executive Board has revised its forecast for the 2019 financial year. This now takes into account the current economic outlook and, in particular, the decreasing demand from clients in the automotive sector. Due to seasonal fluctuations, we are expecting a weak fourth quarter. According to current estimates, the Executive Board now expects to see revenue in the range of EUR 365 to 375 million and adjusted EBITDA of EUR 29 to 33 million for the 2019 financial year. We are currently working on additional measures to improve the results of the engineered products and precision components segments. We will make a decision on the implementation of the measures and their effects on revenue and results in Q1 2020. By current estimates, the investments agreed as a result of the fire in the surface technologies segment and the associated expansion in capacity will only start to have a positive impact on revenue and results as of Q1 2021. We expect to be able to achieve our target of an adjusted EBITDA margin of over 10% in the KAP Group as a result of the implementation of these measures.

The Q3 2019 quarterly 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 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 to develop market-leading specialized 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.