



ANNUAL REPORT

2020/21

KLINGELNBERG AG

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Dear Shareholders,

Your company, KLINGELNBERG AG, looks back on a financial year in which we have demonstrated impressive strength. KLINGELNBERG has shown that the company is fully capable of coping with difficult situations. By doing so, the company has demonstrated the intrinsic power it possesses – both economically and in terms of the quality and commitment of its management and employees. Let's not forget: The entire financial year was dominated by crises, on which the company had no influence. There was COVID-19, but also the blockage of the Suez Canal, which meant that machines could no longer be shipped within the financial year and numerous further difficulties. And yet, KLINGELNBERG managed to record better figures increasingly over the financial year and reverse the negative trend. KLINGELNBERG can justifiably claim that every aspect that the company was able to control has developed positively.

Several factors influenced the company's performance in the past financial year:

- In addition to the uncertainty in the automotive industry due to legislative communications and discussions about future technologies, particularly in Europe, the corona crisis also affected our company. OEMs postponed investments, and planned investments in machines for combustion technology were often canceled or reconsidered. The same applied to investments in capacities for e-Mobility.
- Supply chains were under pressure due to COVID-19, as were the logistics for delivering machines. The traditional service and maintenance business for our machines was also affected.
- The major regions developed very differently economically. Reliable forecasts were impossible.

KLINGELNBERG did everything it could early on to defy the strong headwind – and proved highly successful in doing so. Our Efficiency Enhancement Program, designed to reduce costs and optimize processes, is taking effect. This can be seen, among other things, from the fact that KLINGELNBERG was able to improve its operating result by EUR 7,2 million to EUR -11,6 million despite a EUR 53,4 million drop in net sales.

KLINGELNBERG has done a lot:

- We have kept the cash positions stable.
- We have further developed and improved our positions in the areas of e-Mobility and Renewable Energies.
- We have pushed ahead with our Efficiency Enhancement Program.
- And we have maintained our innovative strength at a high level despite all the difficulties we had to cope with.

We have also used the crisis as an opportunity. In many markets such as China, the USA and other regions, KLINGELNBERG participated disproportionately in the incipient boom in orders for wind turbines. In the automotive sector, KLINGELNBERG is excellently positioned for developments in e-Mobility and has won numerous contracts. It has once again proven a successful strategy to be diversified across all relevant industries and to be positioned worldwide while competing for orders with a high level of entrepreneurial commitment. This proved a successful way to participate in the rapid recovery in Asia, especially in China while at the same time compensating for losses in the automotive market by expanding our position in the dynamically growing market for renewable energies. As a result, KLINGELNBERG was able to win substantial order volumes, particularly in the final months of the financial year. In individual months, order intake even reached the highest levels in the history of our company. That is certainly anything but self-evident in the current environment.

We see ourselves well equipped for the future: Our grinding machines for the wind power industry are appreciated and demanded by customers worldwide. Our integrated solutions for e-Mobility are very popular, and together with our partners we are working to meet the ever-increasing demands of this highly sophisticated emerging market.

We, therefore, have every reason to look to the future with confidence:

We have mastered the pandemic in an impressive manner so far, and with full order books, we are entering what we hope will be a successful 2021/22 financial year. And we know that also the coming financial year will be a year of innovations.

At this point, and in view of the great challenges we have had to master and will have to master in the future, we would like to thank our customers, our employees and, last but not least, you, our shareholders: Thanks to your support, we have made it through this crisis in good shape, we have been able to position the company in the best possible way and can now get off to a flying start!



Dr. Jörg Wolle
Chairman of the Board of Directors



Jan Klingelberg
CEO

Zürich, 23 June 2021

At a Glance



Financial overview

Key facts

- Net sales of EUR 158,7 million (-25,2%)
- Order intake rose by EUR 21,0 million (+10,8%) to EUR 215,5 million
- EBIT amounted to EUR -11,6 million, an increase of EUR 7,2 million
- Net loss amounted to EUR -7,3 million
- Equity ratio remained solid at 55,6%
- No dividend payout this year

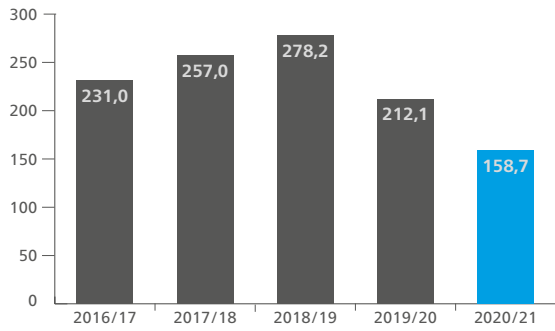
Group key figures

EUR million	2020/21	2019/20	Change
Net sales from goods and services	158,7	212,1	-53,4
Order intake	215,5	194,5	21,0
Order backlog	157,7	100,7	57,0
Operating result (EBIT)	-11,6	-18,8	7,2
Net loss	-7,3	-25,4	18,1
Basic earnings per share (in EUR)	-0,82	-2,87	2,05
Diluted earnings per share (in EUR)	-0,82	-2,87	2,05
Operating result as % of net sales from goods and services	(7,3%)	(8,9%)	1,6%
Net loss as % of net sales from goods and services	(4,6%)	(12,0%)	7,4%
Cash flow from operating activities	7,6	-2,2	9,8
Investments	3,7	5,6	-1,9
Free cash flow	7,3	-6,5	13,8
Employees (FTE)	1.145,0	1.250,6	-105,6

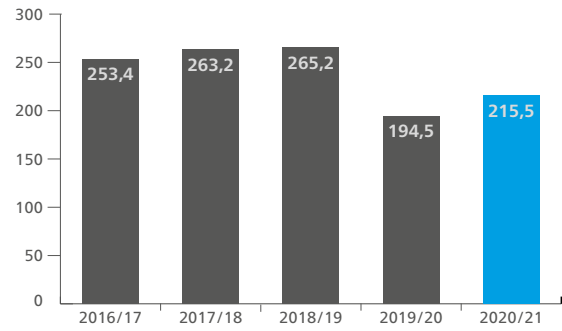
EUR million	31.03.2021	31.03.2020	Change
Total liabilities and equity	216,9	244,9	-28,0
Net debt	-15,5	-8,7	-6,8
Total equity	120,5	131,6	-11,1
Equity ratio	55,6%	53,7%	1,9%

For alternative performance measures please refer to chapter Alternative Performance Measures.

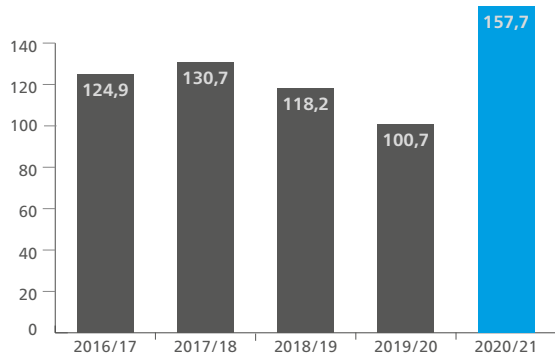
Net sales from goods and services, in EUR million



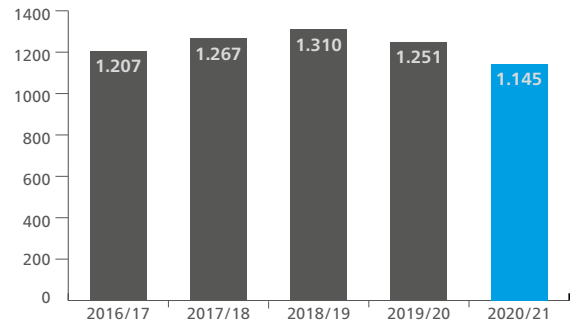
Order intake, in EUR million



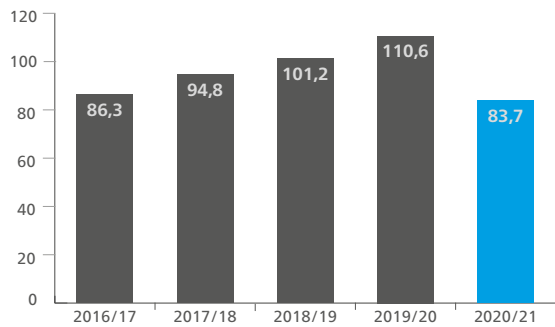
Order backlog, in EUR million



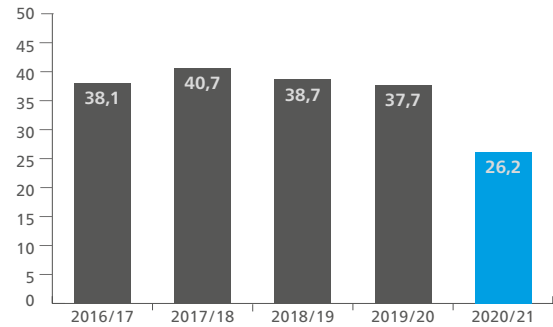
Employees (FTE), full time equivalents



Personnel expense, in EUR million

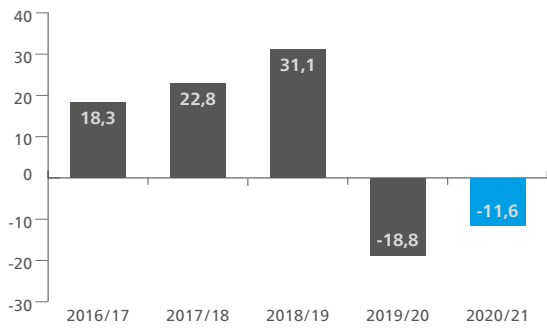


Other operating expense*, in EUR million

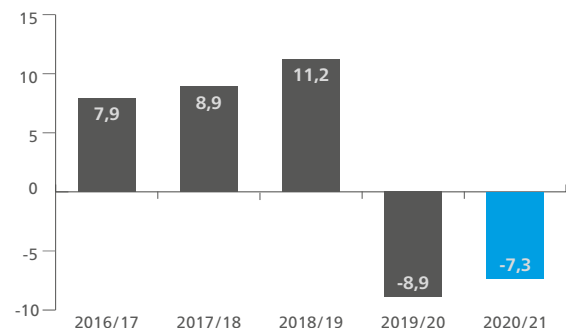


*2017/18 and 2018/19 adjusted, without IPO costs

Operating result (EBIT)*, in EUR million



Operating result as % of net sales from goods and services*



Share price, from April 2019 – March 2021



*2017/18 and 2018/19 adjusted, without IPO costs

Highlights 2020/21



KLINGELNBERG Precision Measuring Centers integrate all coordinate and gear measurement tasks, as well as geometric and roughness measurement tasks, on one machine, which can be set up directly in the production environment.

Product Highlights:

Complete measurement in a single stage

The precision requirements for components and assemblies are constantly increasing. To meet these demands, as many measurement tasks as possible should be combined into a single sequence – ideally directly on the shop floor rather than in the measuring room. The KLINGELNBERG Precision Measuring Centers do just that. They integrate all coordinate and gear measurement tasks, as well as geometric and roughness measurement tasks, on one machine, which can be set up directly in the production environment.

Combining different measurement tasks on one machine is a true leap forward in terms of quality assurance. It saves on tooling and adjustment times, eliminates the need for repeated aligning on the measuring machine and significantly reduces throughput times. Particularly for high-precision components produced in large quantities, this presents interesting potential. Due to their possible interchangeability, they must be determined with stable, high levels of precision.

The Precision Measuring Centers systematically follow the approach of processing as many measurement tasks as possible on one machine. They execute the entire process in a single automated sequence directly on the shop floor. Particularly when producing large series of axially symmetrical drive elements with their many GD&T features, it is important to monitor the process in real time and as close as possible to the production environment.



Easy to operate and systematically rules out operating errors – the component to be measured can be identified via a scanner, and the machine automatically selects the correct program in the background.

From laboratory application to serial measurement

Whereas the initial development stages of optical metrology were focused on applications used primarily in the lab, the solution now available is systematically oriented toward series application of cylindrical gear measurement. The primary advantage here is greater efficiency through a reduction in measurement times of up to 40%.

For this reason, KLINGELNBERG has been focusing its efforts on the entire signal chain in optical metrology and has joined forces with other development partners to develop a measurement system tailored specifically to the requirements of gear measurement. In this system, the active, current-carrying elements, such as a high-power light source, electronics and signal processing, are arranged separately from the sensor in the control cabinet. The distinct advantage of this is that it prevents thermal effects from occurring on the sensor itself as well as around the sensor – on the 3D tracer head, for example.

Compared to a laser sensor, this sensor has a significantly more favorable compact design. In addition, unlike a laser sensor, this sensor works equally in all directions due to the coaxial light directed toward the component surface and back. The large lens aperture enables measurements on highly inclined surfaces, which are inevitable on gears. Thanks to the system's high resolution, measurements in the sub-micrometer range are now ensured.



KLINGELNBERG's Industry 4.0 solutions

In line with Industry 4.0, KLINGELNBERG is continually expanding its modules and their ability to communicate with each other. Users therefore benefit from extensive integration of KLINGELNBERG machines and application software.

The symbiosis between the Smart Process Control and SmartTooling software applications provides access to a wealth of additional information, which can then be used to easily identify the impact of a broad range of factors on production.

Smart Process Control – a GearEngine® module



With the Smart Process Control software, users have a comprehensive process documentation tool at their disposal. As one of the elements of GearEngine®, which is specifically designed for the production process, the software provides deep insights into production.

A 360° view of the shop floor with SmartTooling

SmartTooling is a turnkey system that provides a comprehensive view of all key production parameters. Machine data are not the only critical data for a highly efficient production process. Data from the tools and clamping devices can also be used for extensive analyses, thereby opening up new ways to leverage optimization potential.



Virtual Events:

Participation in virtual events

Due to the COVID-19 situation and the number of in-person events that have been canceled as a result, KLINGELNBERG participated in virtual events for the first time in the financial year 2020/21. BEARING World 2020 and IMTEX Connect 2021 were among these events. KLINGELNBERG also successfully launched its own webinar series.

Virtual BEARING WORLD Conference from 19 to 23 October 2020

BEARING WORLD, the international roller and plain bearing conference for "Industrial Research and Science in Dialogue with Practical Application", took place for the third time. The expert fo-



rum was hosted by the German Research Association for Drive Technology (Forschungsvereinigung Antriebstechnik e.V.). The event focused on all facets of bearings and all involved components. Contrary to the original plans, the conference was not held as an in-person event in 2020, but rather as a virtual event from 19 to 23 October 2020. A first-time participant in the symposium, KLINGELNBERG showcased its expertise in the field as a sponsoring partner with a virtual exhibition booth. The online information offering included product videos and other ways to download detailed documentation, among many other things. Throughout the five-day event, KLINGELNBERG experts in roller bearing measuring technology were available in a live chat.

IMTEX Connect Digital Platform from 21 to 27 January 2021

In response to the dynamic market conditions, IMTEX Connect, India's digital platform, was launched under the auspices of the Indian Machine Tool Manufacturers' Association (IMTMA). Since 1969, IMTMA has hosted its flagship exhibition, IMTEX (International Machine Tool and Manufacturing Technology Exhibition) – one of India's leading B2B machine tool shows. For the first time ever, IMTEX Connect took place on a virtual platform from 21 to 27 January 2021. The event preceded the in-person IMTEX exhibition that is scheduled to take place at a later date in Bengaluru, India. KLINGELNBERG was also present with a virtual exhibition booth run by its Indian subsidiary, KLINGELNBERG India PVT. Ltd.

KLINGELNBERG launched webinar series

In May 2020, KLINGELNBERG launched its own webinar series featuring a host of exciting topics from the world of gears. During a 60-minute live session, participants had the opportunity to improve their knowledge from the comfort of their own workstation and then submit questions to



The keynote speakers in our seminar series, Dr. Gorgels (left) and Dr. Müller (right) present exciting topics from the world of gear manufacturing.

the KLINGELNBERG experts. In addition, KLINGELNBERG presented solutions for electromobility starting in February 2021. The targeted address explored the new challenges posed by electric drive technology, highlighted the process landscape in production engineering, presented KLINGELNBERG's quality management for electric gearboxes, and introduced solutions for highly productive manufacturing of gears.



Miscellaneous:

KLINGELNBERG wins “Best of Industry Award” for the second time

For the fifth year running, the trade magazine MM Maschinenmarkt honored outstanding industry innovations with its “Best of Industry Award” on 25 June 2020. In total, 22 companies vied for the prize in nine categories. KLINGELNBERG was among the lucky winners, receiving accolades in the “Measurement Technology” category for its “Complete Measurement in a Single Stage – Done-in-One” solution.



The jury selection was preceded by an online reader vote, which accounted for 50% of the evaluation process. Only selected prize-winning industrial products were eligible for the nomination. Qualified nominees included products or solutions from all branches of industry that had already won an industry award in 2019 or had been short-listed, or received the most clicks from readers of the MM trade magazine.

KLINGELNBERG México, S.A. de C.V. celebrates 20-year anniversary

On 01 November 2020 KLINGELNBERG México, S.A. de C.V. celebrated a milestone anniversary. For 20 years, KLINGELNBERG has been offering distribution services and individual technical service at its Mexico location in Querétaro City. Since it was established in 2000, the Mexican branch office has undergone continuous development.



Public Relations (PR) of the KLINGELNBERG Group

To keep the market abreast of current topics, KLINGELNBERG also engages in intensive public relations work. In addition to issuing press releases and technical articles for trade journals on a regular basis, KLINGELNBERG publishes the GEARS inline customer magazine – a dedicated trade journal for the gear industry – annually in German and English.



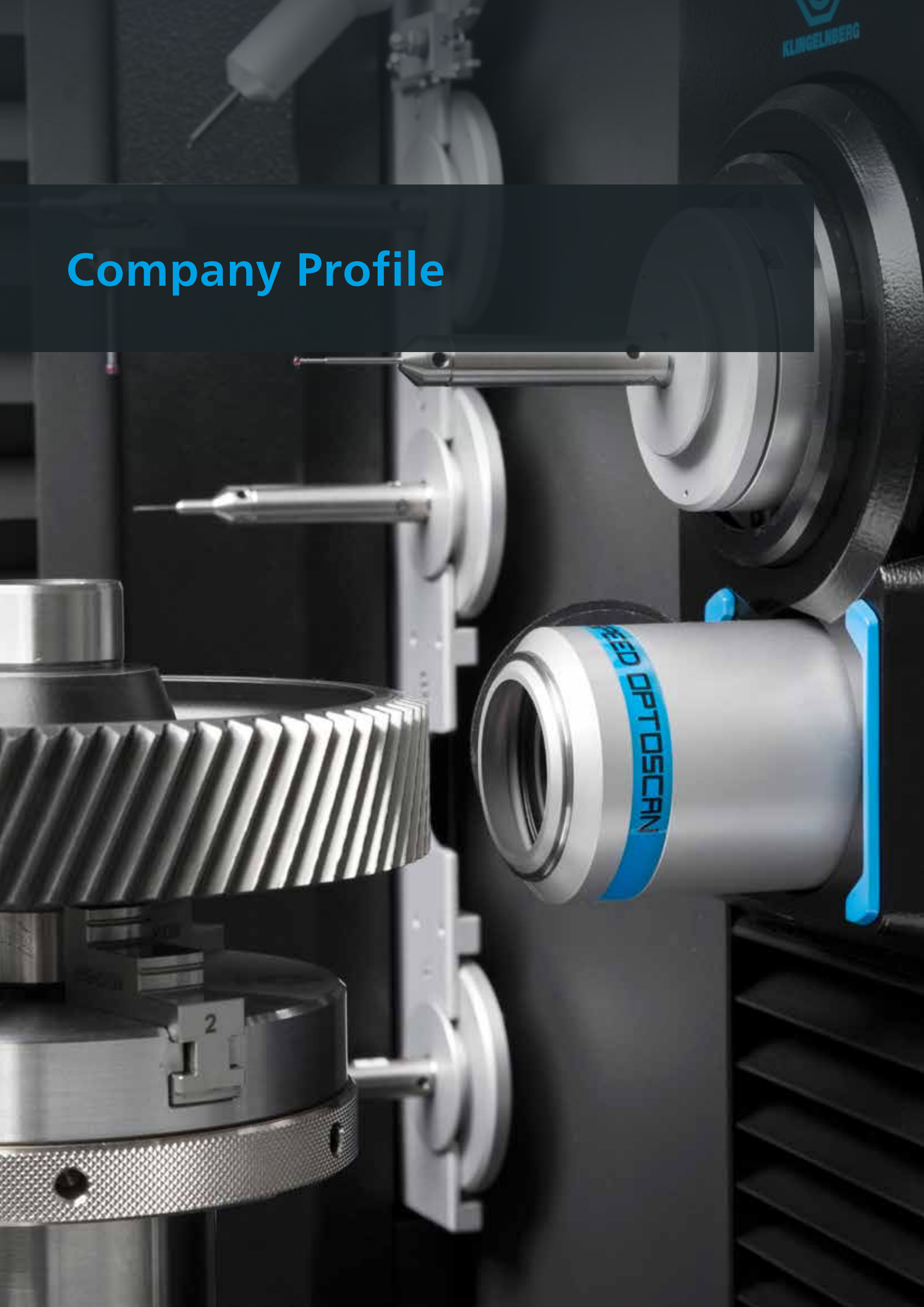
The current issue of GEARS inline (No.7)



First published in 2014, the KLINGELNBERG GEARS inline trade journal has since enjoyed a steadily growing readership.

KLINGELBERG

Company Profile



We make the world turn

The KLINGELNBERG Group is one of the world's leading companies in developing and manufacturing machines for bevel gear and cylindrical gear machining and precision measuring centers for axially symmetrical components and gearing. The group also manufactures spiral bevel gears to customer specifications – with ultimate precision using in-house technology.

The origins of the engineering company date back to 1863. The KLINGELNBERG family remains an anchor shareholder of the company. The path from the company's origins to global market leadership has been shaped by continuous striving towards first-rate quality and absolute reliability, for both products and service. With numerous R&D engineers worldwide and more than 200 registered patents, the company demonstrates its capacity for innovation each and every day.

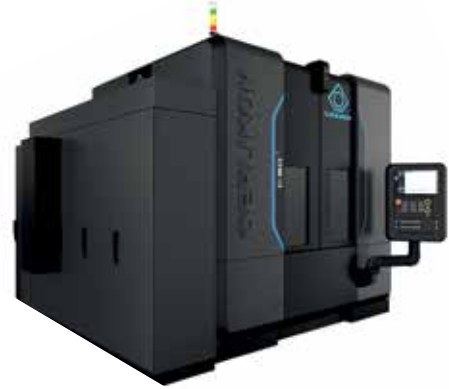
KLINGELNBERG operates engineering and manufacturing facilities in Switzerland and Germany. The company ensures a global presence with regional sales offices and service centers. In addition, its ISO 14001 certification and participation in the VDMA's (German Mechanical Engineering Industry Association) "Blue Competence" initiative give credence to the company's sustainable, environmentally sound business practices.



The KLINGELNBERG segments:

OERLIKON Bevel Gear Technology

The OERLIKON Bevel Gear Technology segment makes economical, high-precision manufacturing of bevel gears a reality for customers. All machines in the system have been designed to work together to enable pre-machining and finishing of even the most complex gears. KLINGELNBERG offers the most advanced technology and efficient machines for each and every step in the process chain.



The production process chain for bevel gears includes tool preparation, cutting, measuring, hardening, grinding or lapping and testing. The KIMoS (KLINGELNBERG Integrated Manufacturing of Spiral Bevel Gears) software package supports every step in bevel gear design and optimization. Measurement results are converted to gear corrections with the software KOMET. As part of this process, all necessary data for the gear cutting process, tool preparation and quality control of the finished bevel gears is prepared in parallel. At the same time, a convenient data handling system offers the possibility of using development and production databases to access machine tools in production and quality assurance. The software package thus provides the optimum basis for ultra-modern bevel gear production according to the Closed Loop method, ensuring transparency and documented quality throughout the entire process chain.

KLINGELNBERG Precision Measuring Centers

Stringent accuracy requirements for gear tooth measurements and increasingly complex drive components demand the best measuring technology available and a machine and software concept optimized for these applications. That is why leading manufacturers put their trust in precision measuring centers from KLINGELNBERG which represent the most widely used standard in the industry, while also serving as a reference for metrology institutes.

Today, KLINGELNBERG Precision Measuring Centers (P-Series) are ideally suited to handle most measurement tasks in a wide range of sectors: Users in the automotive and commercial vehicle industries, and the aerospace and aeronautical engineering industries, rely on this technology that replaces up to six different conventional measuring devices. This allows the following measurement tasks to be fully automated in a single setting:

- Gear measurement
- General coordinate measurement
- Form and position measurement
- Roughness measurement
- Contour measurement
- Optical measurement



HÖFLER Cylindrical Gear Technology

The HÖFLER Cylindrical Gear Technology segment is synonymous with efficient and flexible production of cylindrical gears. All machines have been perfectly designed to work as a system family, enabling pre-machining and finishing of even the most complex gears. Moreover, thanks to decades-long expertise and great innovative strength, we are able to maintain a leadership position not only through our high research and development standards, but also our in-house application engineering services.

KLINGELNBERG offers the most advanced technology and efficient machines for each and every step in the cylindrical gear process chain. The production steps in the process chain include process design, cutting, measuring, deburring, grinding and quality control. HÖFLER cylindrical gear machines stand out not just because of their advanced hardware; the company's own Gear Production software also makes a key contribution to the successful execution of each step.



The software guarantees convenient machining of even the most complex topographies and ensures maximum efficiency in daily use. Only in this way is concentrated knowledge of state-of-the-art machining strategies and process sequences placed right in the user's hands. And with its numerous options, Gear Production plays an active role in achieving productivity gains.

KLINGELNBERG Drive Technology

Back in 1923, KLINGELNBERG was the first company in the world to begin made-to-order production of bevel gears using the continuous hobbing method at its site in Hückeswagen, Germany. A high level of innovation and close partnership with customers and suppliers has constituted a tried-and-tested success model ever since. In 2008, the Drive Technology segment was moved from the original plant in the center of Hückeswagen to the Winterhagen industrial zone, located approximately five kilometers away. Today, spiral bevel gears with diameters up to 3.000 millimeters are manufactured there – using state-of-the-art methods.



KLINGELNBERG HISTORY

1863 to 1897

FOUNDING

- The company is founded in Remscheid, Germany.
- The founders of W. Ferd. Klingelberg, Söhne (Julius and Ernst Klingelberg).



1908 to 1916

PRODUCTION SITES

- Production of tools and machine blades begins on the company's own production site in Remscheid, Germany.
- Tool production is relocated from Remscheid to Hückeswagen, Germany.

1922 to 1951

GEAR TECHNOLOGY

- Production of bevel gear machines for the Palloid method.
- First hobbing machine built at the Hückeswagen plant, model FK 150, construction year 1923.
- 1951 Internationalization begins. First subsidiary abroad.



1985 to 1996

EXPANSION

- First introduction of a CNC measuring device.
- Entry into bevel gear grinding business through acquisition of Dr.-Ing.-Wiener-Verzahntechnik-GmbH.
- Takeover of Oerlikon Geartec AG - Zürich, Switzerland.
- Acquisition of ZEISS Industrial Metrology (Höfler) in Ettlingen.

1997 to 2003

INNOVATIONS

- Introduction of a dry cutting process for spiral bevel gears with the new generation of C machines: OERLIKON Spiral Bevel Gear Cutting Machine C 28.
- Introduction of a new series of OERLIKON Bevel Gear Grinding Machines G 27/G 60 with vertical concept.



2004 to 2012

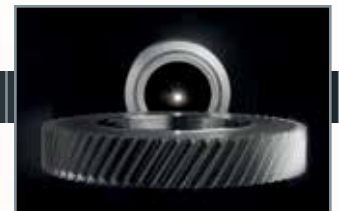
EVOLUTION

- The company enters its seventh generation with Jan Klingelberg.
- Commissioning of the world's most advanced large bevel gear manufacturing facility in Winterhagen/Hückeswagen, Germany.
- Assumption of core business of Höfler Maschinenbau GmbH in Ettlingen, Germany.

2017 to 2018

KLINGELNBERG 2.0

- Premiere of HÖFLER Cylindrical Gear Grinding Machine Speed Viper for high-production generating grinding.
- KLINGELNBERG receives iF Design Award for its innovative machine design.
- KLINGELNBERG has been listed on the SIX Swiss Exchange since 20 June 2018.



2018 to 2020

NEW MARKETS

- KLINGELNBERG wins Best of Industry Award 2018 and 2020 in the categories "Industry 4.0" and "Measuring Technology"
- Conquering new markets through further development of optical metrology and development of innovative solutions for the complete measurement of roller bearings.

Management Report



Segments and markets

The business performance of the KLINGELNBERG Group in the past 2020/21 financial year was affected by the global developments resulting from the coronavirus pandemic. After the sharp decline in economic activity in the first half of the year, the second half saw an equally strong recovery as new infections fell and containment measures were eased, mainly in advanced economies. Nevertheless, the calendar year 2020 ended with a negative global GDP performance of -3,6%.

This development was also reflected in the result of the KLINGELNBERG Group. Net sales decreased by EUR 53,4 million compared to the previous year and amounted to EUR 158,7 million at the end of the financial year. Sales declined at all service locations worldwide. Around 43,5% of all sales were generated in the EMEA region. A further 40,1% were generated in the Asia-Pacific region.

On the other hand, a new impetus was generated by China's efforts to achieve carbon neutrality and from the resulting increase in demand for machines in the large-size range of applications. Order intake increased by EUR 21,0 million compared to the previous year and amounted to EUR 215,5 million at the end of the financial year.

Bevel Gear segment:

At the end of the 2020/21 financial year, the Bevel Gear segment reported net sales of EUR 50,4 million. This was around 40,5% below the prior-year figure. Economic effects triggered by the pandemic and the accompanying travel restrictions had contributed to a slowdown in this segment. In the second half of the year, the segment recorded a clear upward trend in the automotive and commercial vehicle sectors, driven primarily by the USA and East Asia.

With the ramp-up of global production in the second half of the year, noticeable signs of recovery could be seen in the segment's order books. The general gear and mechanical engineering sector also had a stabilizing effect. Order intake rose by EUR 17,4 million year-on-year to EUR 69,3 million. In addition to an upturn in new machine business, the thriving service business in connection with retrofits and refurbishments also contributed to this development.

Cylindrical Gear segment:

Against the backdrop of a global pandemic, the Cylindrical Gear segment proved extremely resilient in the past 2020/21 financial year. Despite the gloomy economic climate, net sales fell only slightly from EUR 49,4 million to EUR 45,6 million. Nevertheless, there was a significant upturn in the second half of 2020 due to a noticeable increase in demand for our large RAPID machines. The main driving force here was the Asian region.

Against the backdrop of China's carbon neutrality goal, new impulses arose from the increased demand for machines in the large-size range of applications (wind power). Moderate demand in

the smaller-size range of applications was compensated for by extensive waves of projects in the wind power sector. With a significant leap of EUR 17,5 million to EUR 72,0 million in the 2020/21 financial year, this momentum was also reflected in the segment's order intake.

Measuring Centers segment:

Investment decisions postponed for economic reasons in the wake of the ongoing COVID-19 pandemic also affected the Measuring Centers segment. Net sales decreased by EUR 6,8 million year-on-year to EUR 50,5 million mainly due to the extensive disruption of global value chains and faltering demand.

In line with the overall development, there were also signs of a recovery in the measuring equipment sector in the second half of the year. On the one hand, inquiries from the automotive and commercial vehicle sectors drove the development of this segment. On the other hand, opportunities arose from the Green Deal and the climate protection goals of the advanced economies. Due to the increasing expansion of wind power, an increase in demand for large measuring centers (P 150–P 350) was recorded in the order books. In addition to increased impulses from wind power, application areas in the field of optical measurement technology were further developed, which significantly reduced the measurement time and further advanced innovation in this segment.

Drive Technology segment:

The Drive Technology segment ended the 2020/21 financial year with net sales of EUR 8,9 million and therefore EUR 4,7 million below the previous year. This decline of 34,5% resulted from the pandemic-related slump in order intake at the beginning of the financial year. In the last two months of the financial year order intake picked up significantly and has since remained at the previous year's level.

Due to the coronavirus pandemic, the shipbuilding sector experienced a drastic decline in production and investment backlogs worldwide. In the course of the year, however, increasing sales dynamics were recorded from the mining sector. After the mining sector fared better in the 2020 calendar year than feared at the beginning of the pandemic, the friendly economic climate also continued in the first months of 2021.

Research and development

In the past financial year, KLINGELNBERG could record a series of further developments and innovations that offer additional sales and earnings potential or open up market opportunities for the company in the future.

At the core of every Industry 4.0 production environment are high-quality manufacturing technologies with innovative and reliable digital solutions that ensure efficient production processes

and adherence to the highest quality requirements even in challenging times. KLINGELNBERG increasingly integrates digital solutions, networks production and measuring machines in a Closed Loop production system that also includes the upstream and downstream processes as well as the secondary processes. The portfolio includes, for example, a digital tool management system, tools for comprehensive process documentation, and data interfaces that support edge computing.

What is already state of the art in the Bevel Gear segment is now also conquering the world of cylindrical gears: automated (correction) processes applied within a Closed Loop environment ensure a major plus in safety and productivity – also in the production of cylindrical drive components. Machines such as the HÖFLER Speed Viper and the HÖFLER VIPER 500 Cylindrical Gear Grinding Machines are setting clear performance benchmarks in this respect.

The 'G' versions of the KLINGELNBERG Precision Measuring Centers are specially designed to support the production process of rotationally symmetrical components. KLINGELNBERG pursues the approach of carrying out various measuring processes in a single operation as a complete measurement ("Done-in-One"). A KLINGELNBERG Precision Measuring Center can measure dimensions, shape, contour, and surface roughness in the shortest possible time and in a single, automated work cycle. Besides lower investment costs, this also results in savings in process costs. In addition, KLINGELNBERG Precision Measuring Centers guarantee the required measuring accuracy even when they are used directly in production. Not only does this save on air-conditioning costs, but the measuring center can also be directly integrated into the production process. As a result, there is no need to set up several different machines, saving valuable production floor space. With the 'G' versions of the Precision Measuring Centers, KLINGELNBERG thus makes a significant contribution to reducing quality costs and increasing the productivity and the output of the production facilities.

Furthermore, KLINGELNBERG has further developed optical measurement and launched its own light sensor system whose sensor technology is ideally suited for measurements in the sub-micrometer range. This makes it possible to replace tactile graduation measurement with an optical one and thus significantly reduce the measuring time in serial or high-volume measurement.

Finally, the increasing global trend towards automation with electric drive concepts calls for completely new technical solutions for torque transmission through transmission components. The spiral worm drive, whose potential is currently being explored by the experts at KLINGELNBERG, offers a very exciting alternative to the conventional worm gear.

The ratio of research and development expenses increased by 1,6 percentage points compared to the previous year and totaled 13,3% in the 2020/21 financial year. R&D expenditures of EUR 21,1 million underline the importance of product development for the KLINGELNBERG Group.

Efficiency Enhancement Program

In October 2019, an Efficiency Enhancement Program was announced to streamline key areas, strengthen sales, and consolidate locations with the aim of reducing costs.

Production at the Győr site in Hungary has already been discontinued in the 2020 calendar year, and the local subsidiary is currently in the process of liquidation. This led to improved capacity utilization at the Hückeswagen production facilities, which suffered from a pandemic-related decline in orders in the past financial year.

In addition, 93 jobs have already been cut at the Ettlingen site in Germany. In the meantime, assembly at the Ettlingen site is continuing, as due to the positive order situation – especially with orders from the wind energy sector – any available area is currently needed for the assembly of large cylindrical gear machines. The Efficiency Enhancement Program can therefore only be finalized once the already announced construction of a new modern assembly hall at the Hückeswagen site in Germany has been completed.

Thanks to the Efficiency Enhancement Program and compared to the 2019/20 financial year, EUR 5,9 million operating cost could be saved, of which EUR 5,2 million relate to personnel expenses.

Gross profit

A net sales decline of EUR 53,4 million and lower changes in inventory of EUR 16,4 million compared to the previous year led to a decrease in total operating performance of EUR 69,8 million. The decline in sales affected all segments. Changes in inventory decreased mainly due to the pandemic-related reduction in production compared to the previous year.

Driven by the reduced total operating performance, the material expense fell by EUR 38,6 million. Mainly due to the decrease in changes in inventory and the non-recurrence of the special write-down of EUR 3,4 million from the Efficiency Enhancement Program in the previous year, the materials ratio of the KLINGELNBERG Group fell by 6,7 percentage points to 34,0%.

Personnel expense and employees

Personnel expense amounted to EUR 83,7 million at the end of the financial year, down EUR 26,9 million on the previous year. The decrease is due, among other things, to the provision booked in the previous year for the Efficiency Enhancement Program (EUR 8,6 million), short-time work (EUR 6,4 million), the aforementioned personnel cost savings as part of the Efficiency Enhancement Program (EUR 5,2 million) and a reduction in costs for overtime and shift premiums (EUR 2,4 million). The personnel expense ratio increased to 54,8% from 49,7% in the 2019/20 financial year due to the stronger decline in total operating performance compared to personnel

expenses. The KLINGELNBERG Group had 1.145 employees (FTE) as at 31 March 2021 – 106 employees less than in the previous year.

Other operating expense

At EUR 26,2 million, other operating expense for the past financial year were more than EUR 11,5 million (-30,5%) lower than in the previous year. Due to strict cost management, the KLINGELNBERG Group was able to significantly reduce other operating expense. In addition, as a result of the pandemic, the reduction resulted, for example, from lower travel costs (EUR -3,2 million), canceled trade fair appearances and other reduced marketing costs (EUR -1,4 million) as well as lower freight charges (EUR -1,3 million).

The other operating expense ratio was 17,1% at the end of the financial year and was thus almost at the previous year's level (+0,2 percentage points).

Other operating income

Other operating income decreased by EUR 1,0 million compared to the previous financial year. Among other things, this is due to the capitalization of a lower number of rental and demonstration machines at KLINGELNBERG GmbH.

Operating result

Just as the end of the 2019/20 financial year, the 2020/21 financial year of the KLINGELNBERG Group was characterized by the economic burdens imposed by the global COVID-19 pandemic. Due to its clear course – implementation of protective measures against the coronavirus, preservation of liquidity, strict cost management and implementation of the Efficiency Enhancement Program – and a positive development of order intake, mainly as a result of a wave of investment in large machines from China, the KLINGELNBERG Group substantially mitigated the negative effects and recovered significantly compared to the previous year. The operating result (EBIT) of the KLINGELNBERG Group improved significantly by EUR 7,2 million compared to the previous year and amounted to EUR -11,6 million at the end of the 2020/21 financial year.

The operating result as a percentage of net sales from goods and services for the past financial year was -7,3%, an improvement of 1,6 percentage points on the previous year. The basic earnings per share amounted to EUR -0,82 (as at 31 March 2020: EUR -2,87).

Financial result

The KLINGELNBERG Group reported a financial result of EUR +2,2 million in the 2020/21 financial year. The profit resulted mainly from the exchange rate result in the accounts, which was incurred mainly by KLINGELNBERG AG. The holding company reports the Group figures in Euro, while the accounts of KLINGELNBERG AG are kept in Swiss francs.

Balance sheet

The balance sheet total of the KLINGELNBERG Group decreased by EUR 28,0 million compared to the figure recorded on 31 March 2020 and amounted to EUR 216,9 million as at 31 March 2021. While non-current assets remained at the previous year's level of EUR 63,1 million, current assets declined by EUR 27,9 million (-15,3%) and amounted to EUR 153,9 million as at 31 March 2021. The decrease was mainly due to lower cash and cash equivalents (EUR -16,2 million) and inventories (EUR -8,5 million).

Total liabilities decreased by EUR 16,9 million (-14,9%) compared to 31 March 2020 and amounted to EUR 96,4 million as at 31 March 2021. The decrease resulted from significantly lower financial liabilities and the utilization of provisions, which mainly related to the restructuring in Ettlingen. Net debt decreased by EUR 6,8 million and amounted to EUR -15,5 million at the end of the 2020/21 financial year.

Equity decreased by EUR 11,1 million (-8,4%) to EUR 120,5 million compared to the end of the prior financial year as at 31 March 2020. This decrease is mainly due to the net loss for the year and currency translation differences. The equity ratio increased by 1,9 percentage points to 55,6% compared to 31 March 2020.

In summary, it can be stated that despite the challenging economic situation, the KLINGELNBERG Group again had a stable financial position in the 2020/21 financial year.

Cash flow statement

Cash flow from operating activities increased by EUR 9,8 million to EUR 7,6 million compared to the 2019/20 financial year. Among others the net loss improved by EUR 18,1 million compared to the previous financial year.

Due to the difficult economic situation in recent months caused by the pandemic, cash optimization was in focus. Additionally our Chinese joint venture distributed a dividend of EUR 1,7 million. All this led to an improvement in cash flow from investing activities of EUR 4,0 million.

Cash flow from financing activities decreased by EUR 38,5 million compared to the 2019/20 financial year. While short-term financial liabilities increased by EUR 25,3 million in the previous financial year, they decreased by EUR 21,9 million in the financial year 2020/21.

In total, the net change in cash amounts to EUR -16,2 million.

Financial risk management

In 2018, KLINGELNBERG established a holistic risk management system to identify, evaluate and

manage business risk. For further information about this system, please refer to Note 5.7.7 of the Corporate Governance Report. KLINGELNBERG has to deal with a variety of financial risks as described in the following.

Market risks

- **Business cycle risk:** The economy is currently expected to recover in the 2021 calendar year. However, recovery is supported by a fragile scaffolding. Uncertainty, therefore, prevails as to how the pandemic will develop from here. While restrictions in connection with the coronavirus are expected to be lifted by the end of the third quarter of 2021, setbacks are also possible. For example, there may be bottlenecks in the supply of vaccines and tests. In addition, there is a threat of setbacks due to the emergence of new virus mutations. All this jeopardizes further economic recovery.
- **Currency risks:** KLINGELNBERG's primary exposure to currency risks relates to the CHF, USD, and JPY, and arises in the context of business transactions from the translation of the disclosed assets and liabilities. Typically, KLINGELNBERG uses foreign exchange forwards or currency options to hedge against USD and JPY currency risks in connection with current machinery transactions affecting open and, in some cases, expected production and purchase orders
- **Interest rate risks:** Short-term bank account balances are subject to market fluctuations. These balances are not hedged. KLINGELNBERG has no long-term interest-bearing assets. Most of the long-term financial liabilities bear fixed interest rates. The short-term bank debt is not hedged.
- **Sales risks:** An increase in the intensity of competition can lead to a decrease in sales and profitability.

Credit risk

Credit risks affect cash and cash equivalents, account balances with financial institutions and receivables from goods and services. KLINGELNBERG's long-standing business relationships with well-known customers limit its overall credit risk. KLINGELNBERG does not expect significant losses on receivables from goods and services, and we do not believe that there are any concentration risks. Receivables that cannot be recovered in full are impaired.

Liquidity risk

Liquidity risk arises when KLINGELNBERG cannot meet its financial obligations. Diligent liquidity risk management requires sufficient available liquid funds as well as having financing options in place in the form of approved credit facilities for appropriate amounts with multiple banks. We are reacting to the current coronavirus pandemic with regularly updated cash planning that takes various scenarios into account.

Outlook

The German Machine Tool Builders' Association (Verein Deutscher Werkzeugmaschinenfabriken, VDW) expects global demand for machine tools to grow by 15% in 2021 and 8% in 2022. This positive trend is in line with our expectations. Thus, the order backlog increased by EUR 57,0 million to EUR 157,7 million in the 2020/21 financial year.

Driven by this increasing demand and due to the high order backlog, we expect a significant increase in sales and a positive EBIT in the upper single-digit million range for the 2021/22 financial year.

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1 Introduction

This report describes the principles of corporate governance for the KLINGELNBERG Group (hereinafter also the “Group”) and provides background information on the Group’s Executive Management (hereinafter also the “EM”) and the Board of Directors (hereinafter also the “BoD”) as at 31 March 2021. The report contains the information that is stipulated by the Directive on Information relating to Corporate Governance of SIX Swiss Exchange AG.

The Articles of Association (hereinafter the “Articles”) of KLINGELNBERG AG (hereinafter also the “Company”) can be accessed on the corporate governance section of the Company’s website at:

<https://www.klingelberg.com/en/investors/corporate-governance/articles-of-association/>

For clarity and transparency, the Compensation Report is presented as a separate chapter of the Annual Report.

2 Group structure

2.1 Operational group structure

Headquartered in Zürich, Switzerland, KLINGELNBERG AG is the parent company of the KLINGELNBERG Group with 14 subsidiaries in 11 countries and a network of independent distributors serving additional markets.

The KLINGELNBERG Group has effective oversight and efficient management structures at all levels. The operational Group structure as at 31 March 2021 is as follows:

The Company’s BoD acting collectively has the ultimate responsibility for the conduct of business of the Company and for delivering sustainable shareholder and stakeholder value. The BoD sets the Company’s strategic objectives, ensures that the necessary financial and human resources are in place to meet the Company’s objectives, and supervises and controls the management of the Company. The BoD also has two committees: the Audit Committee (hereinafter the “Audit Committee” or “AC”) and a Nomination and Compensation Committee (hereinafter the “Nomination and Compensation Committee” or “NCC”) (together the “Committees”).

In accordance with and subject to Swiss law, the Articles and the Organizational Regulations, the BoD has delegated the Executive Management of the Company’s business to the EM, which is headed by the Chief Executive Officer (hereinafter the “CEO”) pursuant to the Organizational Regulations. The EM comprises: the CEO, the Chief Financial Officer (hereinafter the “CFO”) and the Chief Operations Officer (hereinafter the “COO”). The EM is supervised by the BoD and its Committees. On 04 March 2020, the Board of Directors has decided to reflect the increased importance of sales in management and has appointed Mr. Prasad Kizhakel as Chief Sales Officer (CSO). Due to the corona pandemic and related restrictions, Mr. Kizhakel could not take up this position in 2020. Therefore, the Board of Directors postponed his admission to the EM as the Chief Sales Officer to 01 April 2021.

2.2 Listed companies

KLINGELNBERG AG, the ultimate parent company of the KLINGELNBERG Group, is listed on the SIX Swiss Exchange. Apart from KLINGELNBERG AG, no other company belonging to the consolidated KLINGELNBERG Group is listed on any stock exchange.

Registered office	Binzmühlestrasse 171, 8050 Zürich, Switzerland
Listed on	SIX Swiss Exchange
VALOR number	42046226
ISIN	CH0420462266
VALOR symbol	KLIN
Nominal share value	CHF 5

2.3 Non-listed companies

A list of the subsidiaries of the KLINGELNBERG Group as at 31 March 2021 can be found in Note 2.3 to the Consolidated Financial Statements.

3 Shareholders

3.1 Significant shareholders

According to the disclosure notifications received by the Company during 2020/21 and published by the Company via the electronic publishing platform on SIX Swiss Exchange, the following shareholders had holdings of 3 percent or more of the Company's voting rights as at 31 March 2021:

Date	Issuer	Beneficial owner / persons that can exercise the voting rights at their own discretion	Direct Shareholder	Position
17 December 2020	KLINGELNBERG AG	Henderson Global Investors Limited		5,00%
12 August 2020	KLINGELNBERG AG	Credit Suisse Funds AG		3,22%
20 June 2020	KLINGELNBERG AG	J Safra Sarasin Investmentfonds AG		3,02%
07 November 2019	KLINGELNBERG AG	UBS Fund Management (Switzerland) AG		3,14%
29 June 2018	KLINGELNBERG AG	Jan Klingelberg Diether Klingelberg ¹	KLINGELNBERG Luxemburg A.G.	48,62%
29 June 2018	KLINGELNBERG AG	Arndt Klingelberg		4,86%

¹ Jointly registered as a Group due to an agreement on exercising of voting rights.

Notifications made in 2020/21 in accordance with Art. 120 et seqq. of the Financial Market Infrastructure Act ("FMIA") [Finanzmarktinfrastrukturgesetz, FinfraG] can be accessed using the following link:

<https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html>

As regards to the value of the percentage of voting rights shown, it should be noted that any changes in the percentage of voting rights between the notifiable threshold values are not subject to disclosure requirements.

As at 31 March 2021, the Company held no treasury shares.

3.2 Cross-shareholdings

As at the 31 March 2021, the Company does not have any cross-shareholdings exceeding 5 percent of the holdings of capital or voting rights on both sides.

4 Capital

4.1 Share capital

As at 31 March 2021, the ordinary share capital of KLINGELNBERG AG as registered with the Register of Commerce of the Canton of Zürich amounts to CHF 44.200.000 fully paid up and divided into 8.840.000 registered shares with a par value of CHF 5 each.

As at 31 March 2021, the Company has not issued any participation certificates or profit sharing certificates, nor has it issued any preference shares within the meaning of Art. 654 et seq. of the Swiss Code of Obligations (hereinafter also "CO") [Schweizerisches Obligationenrecht, OR].

Subject to the provisions of Art. 5 of the Articles (provisions regarding entry in share register, see also Note 4.6 below) each share entitles to one vote (Art. 11 of the Articles).

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

4.2 Authorized and conditional capital

4.2.1 Authorized share capital

According to Art. 3B of the Articles, the Board of Directors was authorized to increase the share capital at any time until 09 June 2020 by a maximum amount of CHF 4.456.400 by issuing a maximum of 891.280 fully paid-in registered shares with a nominal value of CHF 5 each. As this authorization expired at the end of 09 June 2020, there is no longer any authorized capital available for a capital increase as at 31 March 2021.

More information on the authorized capital can be found in Art. 3B of the Articles at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

4.2.2 Conditional capital

The General Meeting of 09 June 2018 approved the creation of conditional capital divided into 445.640 shares with a par value of CHF 5 per share to improve the Company's financial flexibility for financing, acquisitions, and other purposes. The conditional capital amounts to CHF 2.228.200, which equates to 5,04% of the existing share capital.

More information on the conditional share capital can be found in Art. 3A of the Articles available at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

4.2.3 Options

KLINGELNBERG AG has not granted any options.

4.2.4 Convertible bonds

KLINGELNBERG AG has not issued any convertible bonds.

4.3 Changes in capital

The capital of the Company was as follows:

	31.03.2021	31.03.2020	31.03.2019	31.03.2018
Ordinary capital (in CHF)	44.200.000	44.200.000	44.200.000	42.000.000
Share capital in units	8.840.000	8.840.000	8.840.000	42.000
Authorized capital (in CHF)	0	4.456.400	4.456.400	0
Authorized capital in units	0	891.280	891.280	0
Conditional capital (in CHF)	2.228.200	2.228.200	2.228.200	0
Conditional capital in units	445.640	445.640	445.640	0

Except for the authorized capital, that expired on 09 June 2020, there have been no changes in capital since the IPO on 20 June 2018. In preparation of the offering, an extraordinary shareholders' meeting of the Company held on 09 June 2018 resolved, among other things, to (i) split each of the existing registered shares of the Company in the amount of 42.000 with a nominal value of CHF 1.000 into 200 shares with a nominal value of CHF 5 each (then amounting to 8.400.000 fully

paid-up shares), (ii) increase the Company's share capital by up to CHF 2.564.000 through the issuance of up to 512.800 registered new shares with a nominal value of CHF 5 each (whereby the final number of new shares amounted to 440.000 shares according to the supplement to the Offering Memorandum of the Company dated 19 June 2018), (iii) create conditional share capital in the amount of CHF 2.228.200, (iv) create authorized share capital in the amount of CHF 4.456.400 and (v) further amend and restate the Articles.

The conditional share capital divided into 445.640 registered shares, which was created on 09 June 2018 to improve the Company's financial flexibility for financing, acquisitions and other purposes, has not yet been used.

4.4 Share buyback program

KLINGELNBERG has no ongoing share buyback program.

4.5 Convertible bonds and options

As outlined above, KLINGELNBERG has not issued any convertible bonds or options.

4.6 Limitations on transferability and nominee registration

The Company maintains a share register. Any person who acquires shares may submit an application to be registered in the share register as a shareholder with voting rights, provided such person expressly declares that he or she has acquired and holds such shares in his/her own name and for his/her own account. Entry into the share register with voting rights may be refused based on the grounds set forth in Art. 5 of the Articles described below under "Nominees". If the Company does not refuse to register the acquirer as shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights.

According to Art. 5 of the Articles, any person who does not expressly state in his/her application to the Company that the relevant shares were acquired for his/her own account (any such person, a "Nominee") may be entered in the share register as a shareholder with voting rights without further inquiry up to a maximum of 3,0 percent of the share capital outstanding at that time. Above this limit, shares held by Nominees shall be entered into the share register with voting rights only if the Nominee in question discloses the names, addresses and shareholdings of the persons for whose account he or she is holding 0,5 percent or more of the share capital outstanding at the time and provided that the disclosure requirement stipulated in the FMIA is complied with. The BoD has the right to conclude agreements with Nominees concerning their disclosure requirements. Subject to Art. 652b para. 3 CO, the abovementioned limit of registration also applies to the subscription for or acquisition of registered shares by exercising pre-emptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties. Legal entities, partnerships, other associations or joint ownership arrangements that are linked in the form described in Art. 5 of the Articles are considered one shareholder or nominee.

Until an acquirer becomes a shareholder with voting rights for the shares in accordance with Art. 5 of the Articles, she/he may neither exercise the voting rights connected with the shares nor rights associated with the voting rights.

Details regarding legal entities or individuals acting in concert can be found in Art. 5 of the Articles available at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

4.6.1 Admissibility of nominee registrations

The BoD has the right to conclude agreements with nominees concerning their disclosure requirements. In special cases, the Company may approve exceptions to the above restrictions. More information can be found in Art. 5 of the Articles (see link in Note 4.6 above).

4.6.2 Exceptions granted in the year under review

No exceptions under Art. 5 of the Articles were granted by the BoD during the reporting period.

4.6.3 Procedure and conditions for easement or abolition of the restriction of transferability

A resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the nominal value of the represented shares is required for the easement or abolition of the restriction of the transferability of the registered shares (Art. 12 para. 2 lit. 2 of the Articles).

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

5 Board of Directors

5.1 Introduction

The BoD of KLINGELNBERG AG sets the overall direction and supervises the management (see Art. 716a para. 1 of the Swiss Code of Obligations). Its organization is reflected in the Organizational Regulations (“Organisationsreglement” as at June 2018). No member of the BoD holds an Executive Management position with KLINGELNBERG AG or any of its subsidiaries or has held such a position in the past three years.

In the 2020/21 financial year there were no significant business relations between a member of the BoD and KLINGELNBERG AG or one of its subsidiaries. For a list of other related party transactions, please refer to Note 6.2 of the consolidated financial statements.

5.2 Other activities and vested interests

Except as disclosed in the biographies of the members of the BoD, no member of the BoD holds a position in a governing or supervisory body of any significant private or public sector organization, institution or foundation, a permanent management or consultancy position with an important interest group, or any public or political office.

5.3 Mandates outside KLINGELNBERG AG

The Articles stipulate that no member of the BoD may hold more than five additional mandates as a member of the Board of Directors, other top management or administrative body in listed companies and no more than ten mandates as a member of the Board of Directors, other top management or administrative body of legal entities that do not meet the abovementioned criteria.

In addition to the mandates permitted as described above, each Member of the BoD may have up to ten mandates in the top management or administrative bodies of legal entities that must be registered in a commercial register and that serve exclusively as entities for the private administration and management of real estate and other assets of the respective member of the BoD or such member's relatives. With respect to the additional activities, mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

For further details, in particular regarding mandates which are not subject to the abovementioned limitations please see Art. 23 of the Articles available at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

All Members of the Board adhere to the aforementioned rules.

5.4 Board of Directors' competences and evaluation

The NCC/BoD evaluates current and prospective members of the EM according to their skills and experience to ensure that the Executive Management has an appropriate mix of relevant skills and experience.

The NCC/BoD identifies and evaluates prospective candidates for the BoD to ensure an appropriate mix of relevant skills and experience is represented in the BoD. Both, the BoD and its Committees perform an annual self-assessment of their work.

5.5 Elections and terms of office

According to Art. 6 para. 2 lit. 2 of the Articles of KLINGELNBERG AG the Annual General Meeting (hereinafter also the "AGM") has the non-transferable powers to elect and recall the members of the BoD, the Chairman of the BoD, the members of the NCC, the Auditors and the independent proxy. Art. 15 of the Articles of KLINGELNBERG AG states that the BoD must consist of a minimum of four members.

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

All elections are made for a term of one year. In this context, a year means the period between two consecutive AGMs or, if a member is elected at an Extraordinary Shareholders' Meeting between the Extraordinary Shareholders' Meeting and the following AGM. Re-election is permitted. According to Art. 11 of the Articles, members of the BoD and the NCC are elected individually. There is no limit on the term in office.

5.6 Members of the BoD

The following chart provides an overview of the current members of the BoD:

Name	Position	Committee Membership	Year of Appointment
Dr. Jörg Wolle	Chairman	NCC (Chairman)	2018
Diether Klingelberg	Member	NCC	1991
Dr. Hans-Martin Schneeberger	Member	NCC	2007
Hans-Georg Härter	Member	–	2008
Roger Baillod	Member	AC (Chairman)	2018
Prof. Dr. Michael Hilb	Member	AC	2018

Dr. Jörg Wolle

is the Chairman of the BoD and a Swiss and German citizen born in 1957. He has been serving as Chairman of the Company's BoD since June 2018. Dr. Wolle has also served as Chairman of the Board of Directors of Kuehne + Nagel International AG since 2016. He is a member of the Board of Directors of Kuehne Holding AG as well as a member of the Board of Trustees of the Kuehne Foundation, Switzerland. He has also been a member of the Board of Directors of OLAM International Ltd. in Singapore since September 2019. Dr. Jörg Wolle was Chairman of DKSH Holding Ltd. from 2017 to March 2019 and President and CEO of DKSH from June 2002 to March 2017. Previously, he was President and CEO of SiberHegner Holding Ltd. from early 2000. Dr. Wolle obtained his PhD in engineering in 1987 from the University of Technology in Chemnitz, Germany. He graduated from the Senior Executive Program at Stanford Business School, USA.

Diether Klingelberg

is a BoD member and German citizen born in 1944. Mr. Klingelberg has been a member of the Board of Directors of the Company since 1991 and has acted as its Chairman between 1991 and 2018. He became CEO of the Group in 1969 and held the position until being succeeded by Jan Klingelberg in 2004. In addition, he was the Managing Director of MF GmbH between 2002 and 2013. Mr. Klingelberg was President of the German Engineering Association (VDMA) between 2001 and 2004, and Vice President of the Federation of German Industries (BDI) between 2003 and 2006. Since 2019 he has been Managing Director of Aarpharma GmbH & Co. He holds a degree in Business and Engineering from the Technical University of Darmstadt, Germany.

Dr. Hans-Martin Schneeberger

is a BoD member and Swiss citizen born in 1955. Dr. Schneeberger has been a member of the Board of Directors of the Company since 2007. Dr. Hans-Martin Schneeberger currently serves as Chairman of the Board of Directors of Schneeberger Holding AG since 2003, having been CEO between 1993 and 2018 and Managing Director and Head of Marketing and Sales between 1988 and 1993. From 1985 until 1988, he was an account and project manager with a European-based management consulting firm. Since 2006, he has served on the Board of Unitectra AG, an organization for technology transfer, between 2014 and 2018 as its Chairman. Between 2010 and 2012, Dr. Hans-Martin Schneeberger was a member of the Board of Swissmem, the association of Swiss companies in the mechanical and electrical engineering industries and related technology-oriented sectors, and he currently is the President of CECIMO, the European Machine Tool Builders Association in Brussels. Dr. Hans-Martin Schneeberger obtained a PhD from the Krannert Business School at Purdue University USA in 1984 and was Tenure-Track Assistant Professor at The Ross Business School at The University of Michigan from 1984 to 1985.

Hans-Georg Härter

is a BoD member and German citizen born in 1945. Mr. Härter has been a member of the BoD of the Company since 2008. Hans-Georg Härter currently serves as member of the Board of Directors of Walterscheid SE in Amsterdam (since 2019) and as a member of the European Advisory Board of BainCapital (since 2016). Previously, Hans-Georg Härter served as Chairman of the Supervisory Committee of Knorr-Bremse AG (between 2016 and 2018), as member of the Board of Directors of Saurer Jintan (between 2013 and 2018), as member of the Board of Directors and the Strategic Committee of Faurecia S.A. (between 2012 and 2019) and as Chairman of the Board of Directors of Deutz AG (between 2013 and 2018). He was also a member of the Board of Directors of ZF Friedrichshafen AG from 2006 until 2012 and the CEO between 2007 and 2012. Between 2002 and 2006, Hans-Georg Härter was the CEO of ZF Sachs AG. Between 1994 and 2001, he was the CEO of ZF Passau GmbH as well as a member of the Executive Committee of ZF Friedrichshafen AG. Before that, he held various roles in the ZF group since 1973. Mr. Härter holds a degree in engineering from Meersburg Academy in Germany.

Roger Baillod

is a BoD member and Swiss citizen born in 1958. He has been a member of the BoD of the Company since June 2018. Mr. Baillod has been a professional director and management consultant since 2017. He was a member of the Board of Migros-Genossenschafts-Bund from 2008 to 2020 and was the Chairman of its AC from 2012 to 2018 as well as member of the NCC from 2018 to 2020. He has served as a member of the Board of Directors and Chairman of the Audit and Risk Management Committee of BKW AG since 2013, as member of the Board of Directors and Chairman of the AC of Rieter Holding AG since 2016. He is president of a pension fund commission and member of the Board of Trustees of the Joh. Jacob Rieter-Stiftung. Between 1996 and 2016, Roger Baillod was the Chief Financial Officer and a member of the Group management of Bucher Industries AG. Between 1993 and 1996 he was member of the Executive Board of two industrial companies. Mr. Baillod started his career as an auditor and consultant at ATAG Ernst & Young AG in Zürich from 1984 until 1993. Mr. Baillod holds a degree in Business Economics and is a Certified Public Accountant.

Prof. Dr. Michael Hilb

is a BoD member and Swiss citizen born in 1977. He has been a member of the BoD of the Company since June 2018. Prof. Hilb is founder and CEO of DBP Holding Ltd., and serves on the Boards of Sigvaris Holding Ltd., the Board Foundation and the Foundation for Value Creation. From 2010 to 2018, he was with DKSH, most recently as Vice President Group Strategy and Digital Business. Before that, he was Project Manager with Roland Berger from 2005 until 2010 and with Holcim Commerce from 2001 until 2003. He is a titular professor at the University of Fribourg, Switzerland and holds a PhD and an MSc in Management from the University of St. Gallen. He was a fellow at Harvard University and INSEAD and completed executive education programs at HBS, IMD and INSEAD.

5.7 Structure of the internal organization – Allocation of tasks within the Board of Directors

Except for the election of the Chairman of the BoD and the chairman and members of the NCC by the AGM, the BoD organizes itself.

In case the office of the Chairman of the BoD is vacant, the BoD shall appoint a substitute that must be a member of the BoD for the period until the conclusion of the next AGM. In case of a vacancy on the NCC, the NCC shall appoint a substitute for the period until the conclusion of the next AGM (Art. 17, last paragraph of the Articles):

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

In accordance with the Regulations of the AC, the BoD appoints the members of the AC on an annual basis until the next AGM convenes. The Regulations of the Audit Committee can be accessed on the corporate governance section of the Company's website at:

<https://www.klingelberg.com/en/investors/corporate-governance/regulations-of-the-company/>

5.7.1 Tasks and areas of responsibility of the Board of Directors' committees

The BoD may delegate the preparation and execution of its decisions to committees or individual members. The duties and authorities of the committees are defined in the Articles (Art. 19, NCC only), the Organizational Regulations and the Committee Regulations of the BoD:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

The committees usually meet before the BoD meetings and regularly report to the BoD on their activities and findings. The overall responsibility for duties delegated to the committees remains with the BoD. The period of office of all committee members is one year. Re-election is possible.

5.7.2 Audit Committee

The Audit Committee consists of two or more members of the BoD who are appointed by the BoD. The term of office of the members of the Audit Committee is one year ending upon conclusion of the subsequent AGM. Re-election is possible. The current members of the Audit Committee are Roger Baillod and Prof. Dr. Michael Hilb. The organization, detailed responsibilities and reporting duties of the AC are stipulated in its Regulations. The Regulations of the Audit Committee can be accessed on the corporate governance section of the Company's website at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

Meetings of the AC are held as often as required, but at least three times a year, or upon request of its members.

The AC assists the BoD in fulfilling its supervisory responsibilities with respect to the accounting

and financial reporting, the internal control system, and the statutory auditors of the Company. According to the AC Regulations, the AC's responsibilities include but are not limited to:

- review and assess the plans and the scope of the external audit, review the reports of the statutory auditors, discuss their content with the statutory auditors and the EM, and supervise the implementation of the recommendations issued by the statutory auditors;
- review and assess the performance of the statutory auditor;
- review and assess the qualifications and effectiveness of the statutory auditors in consultation with the EM and make recommendations to the BoD regarding proposals to the AGM for the appointment or removal of the statutory auditors;
- review and assess on an annual basis the independence of the statutory auditor and the compatibility of advisory mandates, if any, with their role as statutory auditors;
- approve, based upon the proposal of the CFO, the budget for auditing fees;
- review the annual and interim statutory and consolidated financial statements and discuss these with the EM and statutory auditor prior to making a proposal to the BoD with respect to these annual and interim statutory and consolidated financial statements;
- review, in cooperation with the statutory auditor and the EM, whether the accounting processes and the financial control mechanism of the Company and the Group are appropriate in terms of the size and complexity of the Group;
- review the effectiveness of the internal control system and assess on an ongoing basis the Group's compliance with applicable laws and regulations;
- assess whether the risk management established by the EM addresses all relevant risks and whether the appropriate measures have been implemented;
- assess the effectiveness of the Group's compliance systems.

The BoD may entrust the AC with additional duties in financial matters. In discharging its responsibilities, the AC has unrestricted and direct access to all relevant information in relation to the Company and the Group. The AC ensures that it is informed by the statutory auditors on a regular basis. The AC is required to report its activities to the BoD on a regular basis and make recommendations and propose appropriate measures to the BoD.

5.7.3 Nomination and Compensation Committee

As required by Swiss law the members of the NCC are elected by the AGM. As at 31 March 2021, the members of the NCC include Dr. Jörg Wolle, Diether Klingelberg and Dr. Hans-Martin Schneeberger. The organization, detailed responsibilities, and reporting duties of the NCC are stipulated in its Regulations and the Articles of Association.

Meetings of the NCC are held as often as required, but at least twice a year, or upon request of its members.

Pursuant to the Organizational Regulations and the Regulations of the NCC, a majority of the members of the NCC should be independent as defined in the Swiss Code of Best Practice for Corporate Governance and a majority of the members of the NCC, including its chairperson, should be experienced in the areas of succession planning, performance evaluation as well as the nomination and compensation of members of Boards of Directors and Executive Management boards. The Regulations of the NCC can be accessed on the corporate governance section of the Company's website at:

<https://www.klingelberg.com/en/investors/corporate-governance/regulations-of-the-company/>

The NCC supports the BoD in the discharge of its duties in the field of personnel and compensation policies. The NCC's responsibilities include, but are not limited to:

- preparing and periodically reviewing the Group's compensation policy and principles and periodically reviewing their implementation as well as submission of related proposals and recommendations to the BoD;
- submitting proposals to the BoD regarding the approval by the AGM of the maximum aggregate compensation for the members of the BoD as well as the maximum aggregate compensation of the members of the EM;
- submitting proposals to the BoD regarding the determination of the individual compensation of the Chairman and the other members of the Board as well as of the CEO and, based upon a proposal of the CEO, the other members of the EM, in each case within the limits of the respective maximum amounts approved by the AGM;
- submitting proposals to the BoD regarding the determination of compensation-related performance metrics and targets for the EM and assessing the performance of the members of the EM on an annual basis;
- submitting proposals to the Board regarding the mandate or employment agreements with the members of the BoD and the EM;

- submitting proposals to the BoD regarding the approval of, and any amendments to, compensation plans and other compensation regulations and regarding the persons eligible for participation in compensation plans as well as assessing such compensation plans on a regular basis and submitting proposals to the BoD in connection with this;
- reviewing the Compensation Report prepared by the EM and submitting the Compensation Report to the BoD for approval;
- making recommendations on Board composition and balance, setting criteria for the assessment of the independence of BoD members as well as submitting proposals to the BoD regarding the criteria to be applied for the selection of the Chairman, other members of the Board and its committees as well as for the nomination of candidates for positions in the EM;
- identifying and assessing candidates for membership in the BoD and for the position of CEO and submitting proposals to the BoD regarding the appointment and removal of the CEO;
- assessing candidates proposed by the CEO for other positions in the EM and submitting proposals to the BoD regarding the appointment of such persons;
- informing the BoD at least annually on succession and contingency plans in relation to the members of the EM and other key employees;
- reviewing the acceptance of mandates outside the Group by members of the BoD or the EM;
- supporting and advising the BoD in matters of corporate governance.

The BoD may entrust the NCC with additional duties in related matters. The NCC is required to report its activities to the BoD on a regular basis and to make recommendations and propose appropriate measures to the BoD.

5.7.4 Working methods of the Board of Directors and its committees

Within the 2020/21 financial year the BoD held six meetings. The following table shows the individual members' attendance at BoD and Committee meetings and the average length of meetings:

Name	BoD	AC	NCC
Dr. Jörg Wolle	6		4
Diether Klingelberg	3		1
Dr. Hans-Martin Schneeberger	6		4
Hans-Georg Härter	6		
Roger Baillod	6	4	
Prof. Dr. Michael Hilb	5	4	
Average meeting duration	02:10	02:25	00:30

Urgent business matters were discussed in conference calls. In addition to formal meetings at which minutes were taken, members of the BoD or of the Committees also met informally for other issues and discussions that required additional time, such as preparations for formal meetings.

According to the Organizational Regulations, the BoD convenes at the invitation of the Chairman at least four times each year, or whenever a member or the CEO requests a meeting of the BoD indicating the reasons in writing. The Chairman or, if he is not available, another member of the BoD shall preside BoD meetings. Meetings of the BoD may be held in person, by telephone or video conference, or similar means of live communication.

BoD resolutions may also be passed in writing by way of circular resolution, provided that no member of the BoD requests oral deliberation. In such cases, the Organizational Regulations require that the text of the resolution be provided to all members of the Board and that the majority of the members cast a vote and approve the matter.

The BoD is quorate to validly pass resolutions when a majority of its members is present. The Board passes resolutions by the majority of the votes cast. In case of a tie, the Chairman (but not any other member acting as chairman) has the casting vote.

The BoD works closely with the EM. In general, the meetings of the BoD and its Committees are also attended by the CEO and – as appropriate – by the CFO and the COO. Meetings are also attended by the Corporate Secretary. The BoD consults external experts when necessary in connection with specific topics.

All six meetings of the BoD were attended by the CEO and the CFO in the reporting period. The COO attended five meetings of the BoD. The four meetings of the NCC in the reporting period were held in the presence of the CEO with regards to his requests. All four meetings of the AC in the reporting period were attended by the CFO, three of the meetings were attended by the CEO and the Head of Finance as well and two meetings were also attended by the auditors of the Company.

5.7.5 Areas of responsibility

The BoD is entrusted with the ultimate direction of the Company and its subsidiaries and has ultimate responsibility for the business and affairs of the Company and its subsidiaries. Such responsibilities include the duty to carefully select, properly instruct and supervise the persons entrusted with the Company's management. It represents the Company towards third parties and attends to all matters that have not been delegated to or reserved for another corporate body of the Company by law, the Articles, the Organizational Regulations or by other internal regulations.

In accordance with Art. 16 of the Articles

(https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf) the BoD may delegate the Executive Management of the Company in full or in part.

Its non-transferable and irrevocable duties are set out in the Swiss CO (Code of Obligations - Schweizerisches Obligationenrecht - "OR") and Art. 17 of the Articles

(https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf), they include: (i) the ultimate direction of the Company and the power to issue the necessary directives; (ii) determining the organization of the Company; (iii) the organization of its accounting, its internal control system (ICS), its financial control and its financial planning as well as the performance of a risk assessment; (iv) the appointment and removal of the persons entrusted with the Executive Management and representation of the Company, as well as the determination of their signatory power; (v) the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with the law, the Articles of Association, regulations and directives; (vi) the preparation of financial reports and the AGM, including the implementation of the resolutions adopted by the AGM; (vii) the preparation of the Compensation Report; (viii) the notification of the judge in case of over-indebtedness; (ix) the passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares and the respective amendments of Articles of Association; (x) the passing of resolutions concerning an increase of the share capital and regarding the preparation of capital increase reports as well as the respective amendments to the Articles of Association; (xi) the examination of compliance with the legal requirements regarding the appointment, election and professional qualifications of the Company's auditors; and (xii) the non-transferable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Federal Merger Act on Merger, Demerger, Transformation and Transfer of Assets [Bundesgesetz über Fusion, Spaltung, Umwandlung und Vermögensübertragung (Fusionsgesetz, FusG)] of 01 July 2004, as amended.

In addition, Swiss law and the Organizational Regulations reserve the Board's powers, inter alia, (i) to approve the annual budget of the Company and the Group as well as any budget overrun of EUR 1 million or more per financial year, (ii) to approve certain major transactions exceeding specified thresholds, (iii) to appoint and remove the CEO and the other members of the EM of the Company and (iv) to adopt or amend the Company's compensation and benefits strategy upon proposal by the NCC.

5.7.6 Information and controlling instruments for supervising the EM

The EM reports to the BoD and its Committees periodically every month with detailed written overviews. It informs the BoD of the status of business matters and financial results, presents relevant strategic initiatives as well as major business transactions. The BoD and the EM discuss the Company's strategy and the long-term financial plan. Committees receive information in the form of group reports relevant to their needs.

Conference calls are held as required between BoD members and the CEO and/or CFO. Furthermore, each member of the BoD may request information on all matters concerning the Company.

5.7.7 Risk and compliance

To identify and manage its risks, the KLINGELNBERG Group has implemented a holistic risk management system to identify and assess strategic, operational, financial, legal and compliance risks related to its activities. The risk management directive has been rolled out throughout the entire Group. A risk management software helps to analyze the impact of individual risks on the budget by using Monte-Carlo simulations. Furthermore, the top risks are determined by using sensitivity analysis.

The risks identified by the risk owners in the different business units and administrative departments, are summarized in a Group wide risk map. The risk map contains the probability of occurrence and possible extent of damage. The risks are assessed in detail by the Risk Management Board and measures are defined to reduce the risk. The members of the Risk Management Board are the CFO, the COO, and the Head of Controlling. They ensure continuous monitoring of the risks. Risk status reports are regularly submitted to the AC and, after discussion with and assessment by the AC to the BoD of the Company for review. For information about risks please refer to the Management Report.

The Head of Finance assumes responsibility for the internal control system (ICS) for financial reporting risks. The AC and the BoD receive updates on compliance with the ICS guidelines.

The AC approves the annual audit plan of the auditors and ensures that the relevant Group companies are adequately reviewed according to their risk scoring.

The Group Compliance Program supports KLINGELNBERG's core values of ethical behavior and unquestionable integrity. Compliance is overseen by both the CFO and the Head of Legal. If applicable, compliance reports are given to the AC as well as to the BoD. The Head of Legal reports to the Chairman of the BoD regarding compliance issues.

6 The Group Executive Management

6.1 Members of the Group Executive Management

The BoD has delegated the operative management to the EM headed by the CEO, subject to the duties and powers reserved to the Board by Swiss law, the Articles, and the Organizational Regulations. The EM is responsible for implementing and achieving the Company's corporate objectives and for the management and control of all Group companies. The EM is supervised by the BoD and its Committees.

The EM is responsible for the business of the Company and the preparation, implementation and monitoring of the strategic roadmap and the preparation, implementation and delivery of the annual plan and budget. The EM also prepares for and executes decisions made by the BoD. The EM is chaired by the CEO and comprises the CFO and the COO.

Pursuant to the Organizational Regulations and the Regulations of the NCC, the CEO is appointed and removed by the BoD via a motion by the NCC. The other members of the EM are appointed and removed by the BoD via a motion by the CEO and the NCC. All members of the EM are evaluated on an annual basis by the NCC.

As at 31 March 2021, the members of the EM include:

Jan Klingelberg

CEO and a Swiss citizen born 1971. Mr. Klingelberg has been the CEO of the Group since 2004. From 2002 until 2004, he was the Director of the Cylindrical Gears business unit of KLINGELNBERG GmbH, Germany. Between 2000 and 2002, Mr. Klingelberg held various roles at ZF Passau GmbH in Brazil and in the US. Before that, he was a manager for corporate strategy planning at SMS Demag AG in Germany. Since 2008, Mr. Klingelberg has also been a member of the Managing Board of the VDMA for machine tools and production systems, a trade association for the industrial sector in which the Company is active. Mr. Klingelberg holds a degree in industrial management from Carnegie Mellon University in Pittsburgh, USA.

Christoph Küster

CFO and a German citizen born in 1974. Mr. Küster has been the CFO of the Group since 2015, after having been a Managing Director of KLINGELNBERG GmbH, Germany, since 2014. He serves as a member of the Advisory Council of HDI Global. From 2003 until 2013 he occupied various positions in finance and controlling at Salzgitter Group in Germany. Mr. Küster had started his career in 1995 at V+M Tubes in Germany, where he stayed until he left for university studies in 1998. Mr. Küster holds a degree in business administration from Heinrich Heine University, Düsseldorf, Germany.

Martin Boelter

COO and a German citizen born in 1961. Mr. Boelter has been the COO of the KLINGELNBERG Group since 2015. From 2010 until 2015, he was COO and Managing Director at Sterling SIHI group and between 2007 and 2009 he worked as Managing Director for the production of turning machines at Gildemeister AG, Germany (today: DMG Mori) and from 2005 until 2007 as overall production manager at INDEX group in Germany. Mr. Boelter started his career at Heidelberger Druckmaschinen AG, Germany, in 1989 where he rose to Head of Operations of a business unit by the time of his departure in 2005. Mr. Boelter holds a degree in mechanical engineering from the Technical University of München, Germany.

6.2 Other activities and functions

Except as disclosed in the biographies of the members of the EM, no member of the EM holds any position in a governing or supervisory body of any important private or public sector organization, institution or foundation; none holds any permanent management or consulting position with an important interest group or any public or political office.

6.3 Mandates outside KLINGELNBERG AG

The Articles limit the number of functions in superior management or administrative bodies of legal units other than the Company or its subsidiaries that members of the EM are allowed to hold at one time.

Pursuant to Art. 23 of the Articles, members of the EM may hold up to two mandates in publicly traded companies and, in addition, up to three mandates in other legal entities, subject to the approval of the BoD.

In addition, each member of the EM may have up to ten mandates in the superior management or administrative bodies of legal entities obliged to register themselves in a Swiss commercial register or a foreign equivalent, which exclusively serve as entities for the private administration and management of real estate and other assets of the respective member of the EM. For further details, in particular regarding mandates which are not subject to the abovementioned limitations please see Art. 23 of the Articles available at:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

All members of the EM adhere to the aforementioned limitations.

6.4 Management contracts

The BoD and the EM conduct business directly and have not delegated any management tasks to companies outside the Group.

7 Compensation, shares and loans

All details of compensation, shareholdings and loans are listed in the Compensation Report.

8 Shareholders' participation rights

8.1 Voting rights restrictions

Except for the limitation on voting rights described under Note 4.6 et seqq. which concern the Company's share register and Nominees there are no other restrictions to voting rights in place. For rules regarding registration in the Company's share register and Nominees please see Art. 5 of the Articles

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

and the detailed explanations under Note 4.6. As outlined above, no exceptions to the above-listed rules were granted during the reporting period.

8.2 Rules on participation in the AGM

In AGMs, each share carries one vote and each shareholder has equal rights, including equal voting rights. Such voting rights and rights associated therewith are only exercisable with respect to those shares for which a shareholder (or a usufructuary, as applicable) has been recorded in the share register with voting rights until a specific qualifying day designated by the BoD. According to the Articles, acquirers of shares will be recorded in the share register as shareholders with the right to vote, subject to certain conditions and restrictions (Note 4.6 and 8.1).

Each shareholder may personally participate in the AGM and cast his/her vote(s) or be represented by a proxy appointed in writing. According to Art. 11 of the Articles, such proxy needs not be a shareholder. Each shareholder also has the possibility to be represented by independent proxy.

8.3 Independent Proxy and electronic voting

The AGM elects the Independent Proxy with the right of substitution. His/her term of office always terminates at the conclusion of the next AGM. Re-election is possible. Should the Company have no Independent Proxy, the BoD shall appoint a substitute for the period until the conclusion of the next AGM. Shareholders may issue their power of attorney and instructions to the Independent Proxy by post or electronically.

8.4 Statutory quorums

According to Art. 11 of the Articles, to the extent that neither the law nor the Articles provide otherwise, the AGM passes its resolutions and carries out its elections with the absolute majority of the votes cast, whereby abstentions, empty votes and invalid votes will not be taken into account for the calculation of the required majority. According to Art. 12 of the Articles a resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the nominal value of the represented shares is required for: (i) the cases listed in Art. 704 para. 1 CO and in Art. 18 and Art. 64 of the Federal Act on Merger, Demerger, Transformation and

Transfer of Assets (Merger Act) dated 03 October 2003; (ii) the easement or abolition of the restriction of the transferability of the registered shares; (iii) the amendment or cancellation of Art. 31 (opting-out); and (iv) any change to Art. 12 of the Articles.

8.5 Convening the AGM

The ordinary AGM shall be held annually within six months after the close of the financial year. The BoD determines the time and location of the AGM. The AGM is convened by the BoD or, if necessary, by the Company's statutory auditors. Extraordinary shareholders' meetings may be held when deemed necessary by the BoD or the Company's auditors. Liquidators may also call a shareholders' meeting. Extraordinary Shareholders' Meetings shall be called as often as necessary, in particular, in all cases required by law. Extraordinary General Meetings shall be convened by the BoD within two months if shareholders representing at least ten percent of the share capital request such meeting in writing, setting forth the items to be discussed and the proposals to be decided upon (Art. 7 of the Articles).

An AGM is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt, SHAB) at least 20 calendar days before the date of the meeting. Registered shareholders may be invited by letter and/or e-mail. Such publication and letters of invitation must indicate the date, time and place of the meeting, the items on the agenda, the wording of any motions proposed by the BoD or by shareholders who have requested the convention of a shareholders' meeting or the inclusion of an item on the meeting's agenda.

For details regarding the form of notice please see Art. 8 of the Articles:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

8.6 Agenda

According to Art. 9 of the Articles, the BoD shall state the items on the agenda. Registered shareholders with voting rights individually or jointly representing at least shares with a nominal value of CHF 1.000.000 may demand that items be put on the agenda. Such demands have to be submitted to the Chairman of the BoD at least 45 calendar days before the date of the AGM and shall be in writing, specifying the item and the proposals.

8.7 Entry in the share register

Only shareholders who are registered in the share register as shareholders with voting rights at a specific qualifying date (record date) designated by the BoD are entitled to attend an AGM and to exercise their voting rights.

9 Changes of control and defense measures

9.1 Duty to make an offer

Art. 31 of the Articles contains the following provision regarding opting-out:

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

The duty to submit a public takeover offer pursuant to Art. 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (FMIA) shall be excluded in accordance with Art. 125 para. 2 FMIA

9.2 Change of control clauses

In case of a change of control the BoD shall determine the consequences regarding the bonus plans of the EM (subject to the approval of the AGM, where applicable). For further provisions see Note 4.3 of the Compensation Report.

10 Auditors

10.1 Duration of mandate and term of office of the auditor-in-charge

PricewaterhouseCoopers AG (hereinafter "PwC") was elected auditor of KLINGELNBERG AG and the KLINGELNBERG Group at the AGM on 19 August 2020. PwC has served as auditor for the existing auditing mandate since the 2009/10 financial year. The lead auditor of PwC responsible for KLINGELNBERG changed in the 2016/17 financial year. The lead auditor is rotated after the maximum statutory period of seven years (for companies with registered office in Switzerland).

10.2 Fees

Auditing Fees:

For the financial year 2020/21, PricewaterhouseCoopers AG invoiced the Company for EUR 274.792 in global audit fees.

Additional Fees:

In the financial year 2020/21, PricewaterhouseCoopers AG invoiced the Company for EUR 52.192 in additional services. The additional fees were mainly invoiced for worldwide general and project-specific tax consultancy services.

10.3 Information instruments pertaining to the external audit

The AC assesses the professional qualification, independence, and expertise of the auditors (see duties of the AC above in Note 5.7.2).

Prior to the audit, the auditors agree the proposed audit scope and approach, staffing and fees for the audit with the AC.

The external auditors report their comprehensive findings in a detailed report to the BoD. The findings are discussed in detail with the CFO and the AC. In the 2020/21 financial year, the external auditors attended two out of the four AC meetings.

The AC reviews the performance, compensation, and independence of the external auditors on a regular basis. The AC reports its findings to the BoD.

Additional services or consulting assignments are delegated to the auditors only if they are permitted by law and the auditor's code of independence. PwC monitors its independence throughout the year and annually confirms its independence to the AC.

11 Information policy

The KLINGELNBERG Group pursues an open and active information policy. The Company complies with its obligations under the rules of the SIX Swiss Exchange, including the requirements on the dissemination of material and price-sensitive information.

The Group publishes an annual report that provides audited consolidated financial statements, audited financial statement and information about the Company including the business results, strategy, products and services, corporate governance, and executive compensation. The Annual Report is published within four months after the 31 March balance sheet date. The annual results are also summarized in the form of a press release. In addition, the Company releases results for the first half of each year within three months after the 30 September balance sheet date. The published half-year and annual consolidated financial statement comply with the requirements of Swiss company law, the listing rules of SIX Swiss Exchange and the Swiss GAAP FER.

The Company's Annual Report and half year report are distributed pursuant to the rules and regulations of the SIX Swiss Exchange and are announced via press releases and investor conferences in person or via telephone.

The Group reports in accordance with the disclosure requirements of Art. 124 FMIA and the ad hoc publication requirements of Art. 53 of the listing rules of SIX Swiss Exchange. Ad-hoc announce-

ments may be viewed at <https://www.klingelberg.com/en/investors/news> at the same time as notification to SIX Swiss Exchange and for two years thereafter.

All publications are made available to all shareholders, the media, and the stock exchange at the same time. All shareholders entered in the share register automatically receive an invitation to the AGM and a copy of the Annual Report of KLINGELNBERG AG on request. Notices to shareholders are made via publications in the Swiss Official Gazette of Commerce [Schweizerisches Handelsamtsblatt, SHAB].

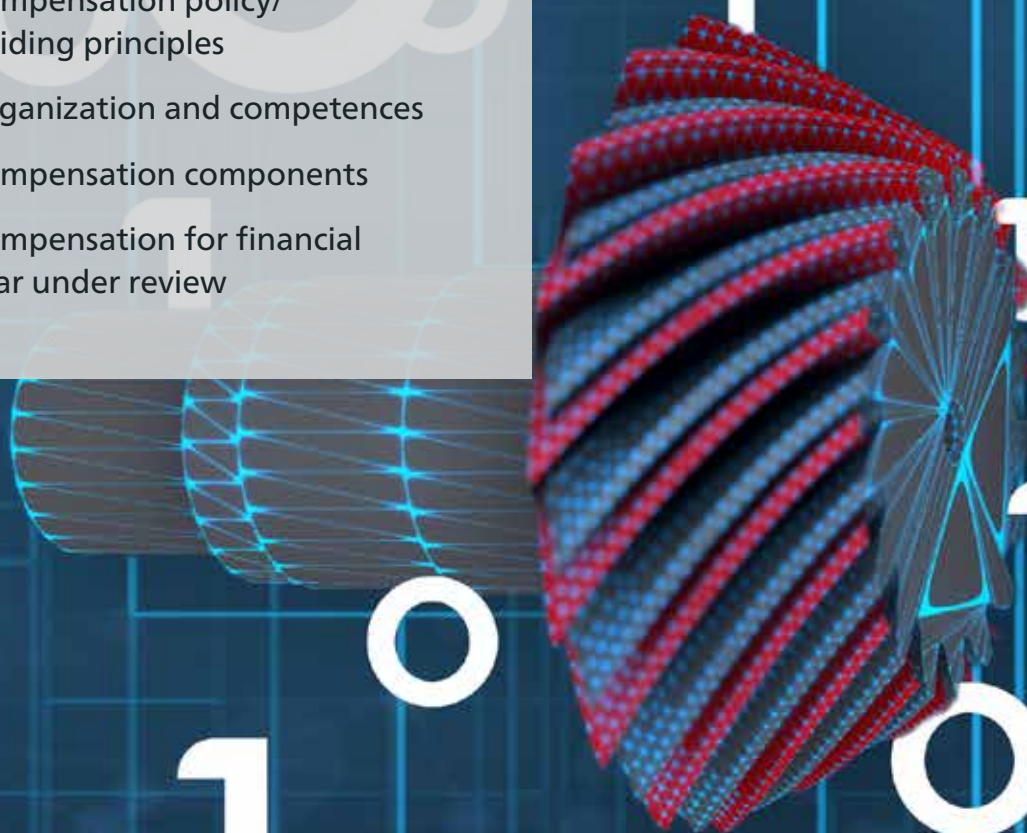
KLINGELNBERG Group uses a news service that delivers finance-related press releases to interested stakeholders.

The website of the KLINGELNBERG Group contains information on the Company's results and the financial calendar as well as current investor presentations: <https://www.klingelberg.com>

On the KLINGELNBERG website <https://www.klingelberg.com/en/investors/financial-newsletter> it is possible to subscribe to news alerts about the KLINGELNBERG Group via e-mail.

Compensation Report

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1 Introduction

This Compensation Report provides a summary of the compensation structure and the compensation paid to the Executive Management (EM) and the Board of Directors (BoD).

This Compensation Report contains all information required under the Swiss Code of Obligations, the Ordinance Against Excessive Compensation (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) and the SIX Exchange Regulations. The KLINGELNBERG Group has also observed the Swiss Code of Best Practice issued by economiesuisse, the umbrella organisation for Swiss business sector.

2 Compensation policy/guiding principles

The KLINGELNBERG Group's compensation approach is based on the following principles:

- reward employees for their contribution to the successful development of the KLINGELNBERG Group;
- motivate and retain qualified and talented professionals;
- be attractive in order to recruit professionals in the future; and
- strive to ensure that both employee and shareholder interests are aligned in a sustainable manner.

Pursuant to Art. 25 of the Articles of Association of KLINGELNBERG AG, the members of the BoD receive a fixed base fee and fixed fees for memberships in committees or for roles of the BoD, subject to and within the limits of the aggregate maximum amounts approved by the Annual General Meeting (AGM). BoD compensation can be awarded in cash or shares. Mandate agreements with members of the BoD have a fixed term until the conclusion of the next AGM (i.e. one year).

The total compensation for members of the EM consists of a fixed compensation component and a variable compensation (Art. 26 of the Articles of Association). The fixed compensation comprises the base compensation and additional compensation elements (pension, benefits in kind, etc.). All elements of the fixed compensation are settled in cash. The variable compensation consists of a short-term variable compensation in cash as well as a long-term variable compensation that can be settled in cash or in the form of shares or a combination of both. The maximum annual compensation for members of the EM is subject to approval by the AGM.

The base compensation of the EM ensures a regular and predictable salary paid out in cash in regular installments. The salary level is based on the scope and complexity of the position, market standards (comparable industry, geographical scope) and benchmarks (sales), and the individual's profile in terms of experience and skills. Salary progression depends primarily on the individual's performance, and also considers market developments and the economic environment.

The short-term variable compensation in cash (Short Term Incentive Plan, STIP) depends on the financial result of the KLINGELNBERG Group as well as the achievement of certain individual targets. Such targets are set in advance by the BoD upon recommendation by the NCC, typically for a one-year performance period, which generally corresponds with the financial year of KLINGELNBERG AG (the "Company"). The individual targets are determined for each member of the EM, taking into account his/her position, responsibilities, and tasks, as well as market conditions. These individual targets include, amongst others, implementation of extraordinary projects, sales, purchase prices and incoming orders. This determination process occurs prior to the start of the one-year performance period and is performed by the BoD upon recommendation of the NCC, to the extent decision-making power has been delegated. The maximum total amount of the short-term variable compensation is limited to 130% of the participant's base compensation.

The long-term variable compensation in the form of a Long-Term Incentive Plan (LTIP) for the Chief Financial Officer (CFO) and the Chief Operating Officer (COO) takes into account the sustainable long-term performance of the KLINGELNBERG Group. The CEO does not participate in the LTIP as he is already a main shareholder of the Company. Upon recommendation by the NCC, the BoD defines the design of the LTIP as well as the grant to be made to eligible employees. The long-term incentive plan provides for a number of Performance Share Units ("PSU") annually. The allocated PSUs are deferred over a planning period of three financial years. The PSUs are thus vested at the end of the third financial year after allocation (i.e. on 31 March). The calculation of the long-term incentives payed out depends on the share price and the EBIT of the Group. The Company may procure any required shares or other securities through purchases in the market or by using conditional share capital. The maximum total amount of the granted long-term variable compensation is limited to 100% of the base remuneration. Compensation may be paid by the Company or companies controlled by it.

3 Organization and competences

According to the Organizational Regulation of KLINGELNBERG AG, one of the currently two permanent committees of the BoD is the Nomination and Compensation Committee (NCC). The members of the NCC are nominated by the BoD and individually elected on an annual basis by the AGM.

Art. 19 of the Articles of Association determines that the NCC shall consist of two or more members of the BoD. As required by Swiss Law, the term of office of the members of the NCC shall be one year and shall end at the conclusion of the next AGM. Re-election is possible. The NCC constitutes itself and has the following main duties based on the Articles of Association with regards to compensation matters:

- preparation and periodic review of the Company's compensation policy and principles, and performance criteria related to compensation, periodic review of their implementation, as well as submission of proposals and recommendations to the BoD;
- proposals to the BoD regarding the determination of compensation-related targets for the EM;
- proposals to the BoD regarding the approval of the individual compensation of all members of the BoD;
- proposals to the BoD regarding the individual maximum compensation (fixed and variable) as well as further terms of employment of the members of the EM.

The main duty of the NCC is to support the BoD in the area of personnel and compensation policy. The NCC has its own regulations that have been approved by the BoD (NCC Regulation) and that provide for further duties such as:

- submission of proposals to the BoD regarding the approval by the AGM of the maximum aggregate compensation for the members of the BoD until the next AGM as well as the maximum aggregate compensation of the members of the EM for the then-next following financial year;
- assessment of the performance of the members of the EM on an annual basis;
- submission of proposals to the BoD regarding the mandate or employment agreements with the members of the BoD and the EM;
- submission of proposals to the BoD regarding the approval of, and any amendments to, compensation plans and other compensation regulations, persons eligible for participation in compensation plans, as well as assessment of such compensation plans;
- review of the draft Compensation Report prepared by the EM and submission of the Compensation Report to the BoD for approval;
- issue of recommendations on BoD composition and balance, establishment of criteria for the assessment of the independence of BoD members, submission of proposals to the BoD regarding the criteria to be applied for the selection of the Chairman, other members of the BoD and its committees as well as for the nomination of candidates for positions in the EM;
- identification and assessment of candidates for membership in the BoD and for the position of Chief Executive Officer and submission of proposals to the BoD regarding the appointment and removal of the Chief Executive Officer;

- assessment of candidates proposed by the Chief Executive Officer for other positions in the EM and submission of proposals to the Board regarding the appointment of such persons;
- communication with the BoD at least annually on succession and contingency plans in relation to the members of the EM and other key employees;
- review of the acceptance of mandates outside the Group by members of the Board or the EM.

The Regulations of the Company can be accessed on the corporate governance section of the Company's website at:

<https://www.klingelberg.com/en/investors/corporate-governance/regulations-of-the-company>

The current members of the NCC are Dr. Jörg Wolle, Diether Klingelberg and Dr. Hans-Martin Schneeberger. The members of the NCC have suitable experience in the areas of succession planning, performance evaluation as well as the nomination and compensation of members of Boards of Directors. Pursuant to the Organizational Regulations and NCC Regulation meetings of the NCC are held as often as required but always at least twice a year. In the financial year 2020/21, four NCC meetings were held (Note 5.7.4 of the Corporate Governance Report).

Recommendations regarding compensation for the EM and the BoD must comply with the Company's regulations and must be approved by the BoD (and ultimately by the AGM). In any vote on the compensation to be determined for a particular member of the BoD, the Board member concerned must observe the relevant general withdrawal/abstention procedures. The EM does not participate in the determination of its own compensation. The CEO is, however, consulted on the compensation proposed for the other members of the EM.

The NCC utilizes independent external consultants when required. External consultants are generally used to benchmark compensation and assist in the design of compensation plans. The criterion used for benchmarking essentially is the long-term financial development of the Group.

At the AGM, the BoD submits to the shareholders the maximum amount of compensation of the BoD and the EM for binding approval. The voting mechanism set forth by the Articles of Association provides for approval of the following items by the AGM:

- the maximum compensation of the BoD for the term of office until the next AGM;
- the maximum compensation of the EM (fixed and variable components) that may be paid or allocated in the subsequent financial year.

https://www.klingelberg.com/storage/Investoren/Statuten_Articles_of_Association_Klingelberg.pdf

The following table illustrates the organization and competencies regarding the compensation of the EM and the BoD:

Decisions on maximum compensation	Proposed	Approved	Ultimate Approval
- of BoD, annually from AGM to AGM	NCC	BoD ²	AGM
- of EM, annually for subsequent financial year	NCC	BoD ²	AGM

² Approval for submission to AGM and subsequent submission to AGM.

4 Compensation components

4.1 General description of compensation components/architecture

As described in Note 2 above (with references to the Articles of Association), the members of the BoD are paid a fixed base fee. The maximum annual compensation of the Board is approved by the AGM. The compensation of the members of the BoD is subject to Swiss mandatory employee and employer social security contributions (Old-Age and Survivors Insurance/Unemployment Insurance) or VAT, depending on the individual situation.

Further information regarding the planned total compensation of the BoD for the period from the 2021 to the 2022 AGM is provided in the invitation to the 2021 AGM and is also subject to the Say on Pay (SoP) vote.

The members of the EM receive fixed compensation as well as variable compensation in the form of the STIP and the CFO and the COO also in the form of an LTIP.

Further information regarding the planned total compensation of the EM for the subsequent financial year is provided in the invitation to the 2021 AGM and is also subject to SoP vote.

As outlined in Note 2 above, the STIP is paid out in cash only and depends on the achievement of personal targets as well as on the achievement of the financial results of the Group (% of the earnings before taxes (EBT)). For the EM, annual percentages of the EBT achievement are defined for the determination of the amounts to be paid out under the STIP, taking into account the achievement of the personal targets.

Individual target achievement is typically measured over a one-year performance period, which generally corresponds with the financial year of the Company and taking into account the relevant member's position, responsibilities and tasks as well as market conditions, i.e. the economic environment for mechanical engineering companies. The maximum total amount of the short-term variable compensation is limited at 130% of the participant's base compensation.

The aim of the STIP is to ensure participation of the EM in the respective results of the financial year on the one hand via a certain percentage of the respective EBT and on the other hand via annual individual targets that are selected based on relevant targets of the KLINGELNBERG Group to ensure that the fulfilment of those targets supports the achievement of the Group's overall aims and targets. Individual targets are chosen in alignment with the Company's general overall aims and business targets and focus on the most relevant areas of development of the Company. As described above, payments are not made in full unless targets of the individuals are fully met.

The above-mentioned individual targets are generally considered sensitive information. Disclosing those targets would allow confidential insight into the strategy of the KLINGELNBERG Group and therefore create a competitive disadvantage to the KLINGELNBERG Group. Consequently, such targets are not communicated at the time they are set but their achievement or non-achievement will be commented on in connection with the overall target achievement.

Individual targets are carefully chosen on an annual basis and in alignment with the Company's most relevant projects and targets in line with the Company's ambitious plans. Setting three to four demanding and ambitious targets helps the Company to deliver best-in-class performance.

As outlined in Note 2 above, the LTIP may be awarded in cash, shares or a combination of both. The Company may procure any required shares or other securities through purchases in the market (if possible) or by using conditional share capital. The maximum total amount of the granted long-term variable compensation is limited at 100% of the participant's base compensation.

The LTIP shall take account of the sustainable long-term performance of the Group. The BoD determines the detailed conditions of the LTIP. The LTIP was designed in cooperation with an external consultant, a leading independent firm with experience in the areas of compensation and value-based management. The original long-term incentive agreement with the CFO and the COO already demonstrated a long-term-view, the amendments made upon IPO are intended to reinforce and encourage this. In the future, the BoD may extend participation in the LTIP to further key employees of the Group, excluding Non-Executive Board Members.

The LTIP participant is granted a number of Performance Share Units (PSUs) on an annual basis. The number of PSUs to be granted is calculated as follows: amount granted to the relevant participant under the LTIP divided by the volume-weighted average price of the shares for the last 20 trading days before the end of the financial year of the Company preceding the financial year for which the grant is made. The amount granted to each participant will be determined on an annual basis and at the discretion of the BoD before the start of the relevant LTIP period. The grant amount is limited to an amount equal to 100% of the participant's base compensation for the relevant financial year. The PSUs are granted to each participant on the first day of the relevant financial year.

The LTIP period is three years and the PSUs vest on a cliff basis, i.e. the PSUs granted at the start of a three-year period vest on the last day of the third financial year after the award was granted. The vesting of the PSUs is calculated as follows: number of PSUs multiplied by the volume-weighted average price of the shares for the last 20 trading days before the end of the financial year at which the PSUs have vested multiplied by an LTI factor. This LTI factor is determined by the BoD, who applies the LTI factor table that is calculated for each plan before the start of the respective LTIP period and takes into account the long-term operating and share-price performance of the

Group. The vesting is approved by the BoD and may be settled in cash or shares or in a combination of cash and shares at its discretion.

In general, all unvested PSUs will be forfeited in the event of a participant's termination of employment. However, if a participant has not given cause for the termination of the employment, the BoD may approve an accelerated vesting of unvested PSUs on a pro rata basis, but no participant may claim rights to such a vesting.

The first regular grant of PSUs under the LTIP was granted on 01 April 2019, with a vesting at the end of the financial year of the Company ending on 31 March 2022. As a transitional arrangement in the context of the IPO and in order to guarantee a fair transition from the pre-IPO long-term incentive plan, the current members of the EM (excluding the CEO) have been granted a number of PSUs determined by the BoD, which have been vested at the end of the financial year of the Company ending on 31 March 2021, subject to and in accordance with the principles set out above.

Due to the general economic situation, the BoD decided for the financial year 2020/21, with the consent of the EM, to refrain from granting PSUs under the LTIP for this period.

Further details with respect to the LTI targets, such as the applied LTI factor table, are considered sensitive information. As in the case of the STIP targets, disclosing those targets would allow confidential insight into the strategy of the KLINGELNBERG Group and therefore create a competitive disadvantage to the KLINGELNBERG Group. Please refer to the compensation table of the EM with respect to the number of PSUs granted.

4.2 Loans/credits to the BoD/EM members

Art. 28 of the Articles of Association stipulates that the Company shall refrain from granting loans, credits, pension benefits (other than in the context of occupational pension) or securities in favor of the members of the BoD or the EM. Therefore, no loans and credits were granted to or are still outstanding with current and former members of the BoD, the EM, or their related parties.

4.3 Change of control clauses

Upon a change of control, it is at the discretion of the BoD to decide the effects on compensation. It may decide in particular that payments under the STIP and the LTIP shall be made prematurely, that individual targets are amended or assessed as achieved despite non-achievement, or that certain parameters under both plans are altered.

4.4 Information on notice periods

According to Art. 24 of the Articles of Association, mandate agreements of the members of the BoD have a fixed term expiring at the conclusion of the next AGM. The Company reserves the right

to early termination or removal from office. The Articles of Association further provide that the employment agreements of the members of the EM shall in principle be concluded for an indefinite period.

With respect to employment agreements entered into for an indefinite period, the maximum notice period shall not exceed 12 months. If the BoD considers a fixed term appropriate, such fixed term shall not exceed one year. All individual agreements with the BoD and the EM comply with the aforementioned rules.

The Company may enter into non-compete agreements with members of the BoD and the EM for an agreed period of time after termination of employment to the extent that is justified from a business perspective. Pursuant to Art. 24 of the Articles of Association, the consideration paid for a non-compete undertaking must not exceed the average total annual compensation of such member during the last three years.

5 Compensation for financial year under review

As the Company is listed, it must comply with the obligations of the VegüV, which include the publication of an annual compensation report. In this context, the compensation of the BoD and EM for the 2020/21 financial year is disclosed herewith.

5.1 Compensation of the members of the Board of Directors (audited)

The AGM of 19 August 2020 voted for a maximum compensation of the BoD in the amount of CHF 700.000 until the end of the next AGM.

Within the financial year 2020/21 the compensation of the members of the BoD – with the exception of Diether Klingelberg – comprised a fixed fee in the amount of CHF 60.000 per annum or CHF 180.000 per annum in the case of the Chairman, plus an additional amount of CHF 10.000 per annum for membership in a committee or CHF 20.000 per annum for the chairman of a committee. No change from the previous year.

The Company has no outstanding loan or guarantee commitments to members of the Board of Directors or related parties. No severance payments have been made in the financial and previous year. No compensations, loans, or credits were paid to related persons.

The following table shows the compensation in the financial year 2020/21:

CHF	Committee Membership			Compensation in cash, CHF		
	Board Membership	Audit	Nomination & Compensation	Fixed base fee	Fixed fees for memberships in committee/roles	Employer social security payments ³
Dr. Jörg Wolle	Chair		Chair	180.000,00	20.000,00	14.831,60
Diether Klingelberg	▪		▪	12.000,00	not applicable	not applicable
Dr. Hans-Martin Schneeberger	▪		▪	60.000,00	10.000,00	3.442,70
Hans-Georg Härter	▪			60.000,00	not applicable	not applicable
Roger Baillod	▪	Chair		60.000,00	20.000,00	6.160,00
Prof. Michael Hilb	▪	▪		60.000,00	10.000,00	5.390,00
Total				432.000,00	60.000,00	29.824,30

The following table shows the compensation in the financial year 2019/20:

CHF	Committee Membership			Compensation in cash, CHF		
	Board Membership	Audit	Nomination & Compensation	Fixed base fee	Fixed fees for memberships in committee/roles	Employer social security payments ³
Dr. Jörg Wolle	Chair		Chair	180.000,00	20.000,00	14.864,75
Diether Klingelberg	▪		▪	12.000,00	not applicable	not applicable
Dr. Hans-Martin Schneeberger	▪		▪	60.000,00	10.000,00	4.225,00
Hans-Georg Härter	▪			60.000,00	not applicable	not applicable
Roger Baillod	▪	Chair		60.000,00	20.000,00	6.160,00
Prof. Michael Hilb	▪	▪		60.000,00	10.000,00	5.390,00
Total				432.000,00	60.000,00	30.639,75

³ Any value added tax is treated as the employer contribution for social security.

5.2 Compensation of the members of the Executive Management (audited)

The AGM of 27 August 2019 voted for a maximum compensation of the EM in the amount of EUR 4.500.000 for the financial year 2020/21.

The Company has no outstanding loan or guarantee commitments to members of the EM or related parties. No severance payments have been made. No compensations, loans, or credits that were not at market conditions - were paid to related persons.

The following table shows the compensation of the financial year ended 31 March 2021:

CHF ⁴	EM	of which Jan Klingenberg, CEO
Base compensation	1.077.456,19	500.000,00
STIP	261.360,00	40.000,00 ⁷
LTIP ⁵	0,00	not applicable
Other compensation ⁶	184.386,39	104.402,68
Employer social security	135.320,11	54.065,85
Total	1.658.522,69	698.468,53

The following table shows the compensation of the financial year ended 31 March 2020:

CHF ⁴	EM	of which Jan Klingenberg, CEO
Base compensation	1.075.152,20	500.000,00
STIP	264.296,00	74.000,00
LTIP ⁵	340.000,00	not applicable
Other compensation ⁶	179.134,95	100.188,24
Employer social security	147.696,50	78.001,05
Total	2.006.279,65	752.189,29

⁴ All conversions from EUR to CHF in the above tables have been made at the balance sheet exchange rate (as at 31 March 2021: EUR 1/CHF 1,10680 and as at 31 March 2020: EUR 1/CHF 1,05721).

⁵ Financial year 2020/21: Fair value PSU CHF 0, number of PSUs granted: 0 (please refer as well to Note 4.1 above). Financial year 2019/20: Fair value PSU CHF 34,49, date of grant 01 April 2019, number of PSUs granted 9.859.

⁶ Fringe benefits of all EM members and consultancy fees for consultation of subsidiaries by CEO.

⁷ Due to the general economic situation Mr. Klingenberg, as the indirectly largest shareholder, again waived a higher bonus payment.

5.3 Share ownership information [CO 663c]

Please see Note 5.9 of the Statutory Financial Statement.

5.4 Transactions with members of the Board of Directors or the Executive Management

For information regarding related party transactions with members of the Board of Directors and Executive Management, see the „Transactions with related parties“ section in Note 6.2 to the Consolidated Financial Statements.

Klingelberg AG
Zurich

Report of the statutory auditor to the
General Meeting

on the remuneration report 2020/2021



Report of the statutory auditor to the General Meeting of Klingelberg AG Zurich

We have audited the remuneration report of Klingelberg AG for the year ended 31 March 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables in chapters 5.1 and 5.2 on pages 69 to 71 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Klingelberg AG for the year ended 31 March 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Blaženka Kovács-Vujević
Audit expert
Auditor in charge



Regina Spaelti
Audit expert

Zurich, 22 June 2021

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Consolidated balance sheet

EUR 000	Note	31.03.2021	31.03.2020
Assets			
Current assets			
Cash and cash equivalents		22.577	38.744
Receivables from goods and services	4.1	43.007	47.155
Derivative financial instruments	4.2	50	20
Other short-term receivables	4.3	6.342	5.667
Inventories	4.4	80.504	88.984
Prepayments and accrued income		1.406	1.208
Total current assets		153.886	181.778
Non-current assets			
Tangible fixed assets	4.5	49.174	51.490
Loans and other receivables		19	19
Investments in joint ventures	4.6	1.520	2.620
Deferred tax assets	4.7	10.131	6.381
Other financial assets	4.8	1.086	1.182
Intangible assets	4.9	1.125	1.426
Total non-current assets		63.055	63.118
Total assets		216.941	244.896

The enclosed notes are part of the consolidated financial statements.

Consolidated balance sheet

EUR 000	Note	31.03.2021	31.03.2020
Liabilities			
Current liabilities			
Short-term financial liabilities	4.10	5.343	27.077
Payables from goods and services	4.11	14.674	10.760
Derivative financial instruments	4.2	120	278
Other short-term liabilities	4.12	38.935	26.871
Accrued liabilities and deferred income		12.037	12.837
Short-term provisions	4.13	7.376	15.797
Total current liabilities		78.485	93.620
Non-current (long-term) liabilities			
Long-term financial liabilities	4.10	1.705	2.983
Deferred tax liabilities	4.13	1.222	1.197
Long-term provisions	4.13	15.002	15.527
Total non-current (long-term) liabilities		17.929	19.707
Total liabilities		96.414	113.327
Equity			
Share capital	4.14	28.639	28.639
Capital reserves	4.14	43.134	43.134
Retained earnings		48.754	59.796
Total equity		120.527	131.569
Total liabilities and equity		216.941	244.896

The enclosed notes are part of the consolidated financial statements.

Consolidated income statement

EUR 000	Note	2020/21	2019/20
Net sales from goods and services	5.1/6.2	158.719	212.093
Other operating income	6.2	1.850	2.812
Change in inventory of finished and unfinished goods as well as unbilled goods and services	5.2	-5.844	10.629
Material expense	6.2	-52.000	-90.606
Personnel expense	5.3	-83.731	-110.644
Depreciation on tangible fixed assets	4.5	-4.559	-5.347
Amortization on intangible assets	4.9	-443	-487
Other operating expense	5.4/6.2	-26.201	-37.722
Share of result from joint ventures	4.6	647	496
Operating result		-11.562	-18.776
Financial result	5.5	2.211	-2.119
Loss before income taxes		-9.351	-20.895
Income taxes	5.6	2.059	-4.461
Net loss		-7.292	-25.356

Earnings per share

EUR			
Basic earnings per share	5.7	-0,82	-2,87
Diluted earnings per share	5.7	-0,82	-2,87

Additional information - non-GAAP measures

EUR 000			
EBITDA	2.2	-6.560	-12.942

The enclosed notes are part of the consolidated financial statements.

Consolidated cash flow statement

EUR 000	Note	2020/21	2019/20
Net loss		-7.292	-25.356
Depreciation/amortization/write-up of tangible fixed assets and intangible assets	4.5/4.9	5.002	5.834
Change in provisions (including deferred taxes)	4.13	-8.921	8.680
Profit/loss from the disposal of tangible fixed assets and intangible assets	4.5/4.9	-225	95
Change in receivables from goods and services	4.1	3.351	25.416
Change in inventories	4.4	8.091	-5.657
Change in other receivables and prepayments and accrued income (including deferred tax)	4.3/4.7	-4.961	1.842
Share of profits from the application of the equity method	4.6	-646	-497
Change in payables from goods and services	4.11	3.352	-5.499
Change in other short-term liabilities and accrued liabilities and deferred income	4.12	11.604	-6.711
Other non-cash items		-1.738	-369
Cash flow from operating activities		7.617	-2.222
Inflows/outflows for investment in financial assets (including loans, participations, securities, etc.)	4.6	1.782	-55
Outflows for investment in tangible fixed assets	4.5	-3.589	-5.393
Inflows from the sale of tangible fixed assets	4.5	1.630	1.435
Outflows for investment in intangible assets	4.9	-143	-237
Inflows from the sale of intangible assets	4.9	53	0
Cash flow from investing activities		-267	-4.250
Distribution of profits		0	-8.133
Change in short-term financial liabilities	4.10	-21.853	25.305
Change in long-term financial liabilities	4.10	-1.243	-1.739
Cash flow from financing activities		-23.096	15.433
Currency translation effects		-421	1.088
Net change in cash		-16.167	10.049
Opening balance of cash and cash equivalents at 01.04.		38.744	28.695
Closing balance of cash and cash equivalents at 31.03.		22.577	38.744
Net change in cash		-16.167	10.049

The enclosed notes are part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR 000	Note	Share capital	Capital reserves	Retained earnings				Total equity
				Goodwill offset with equity	Other retained earnings	Cumulative foreign currency differences	Total retained earnings	
Balance as at 01.04.2019		28.639	51.267	-20.517	95.357	8.222	83.062	162.968
Currency translation differences		0	0	0	0	2.016	2.016	2.016
Net result from cash flow hedges		0	0	0	74	0	74	74
Dividends		0	-8.133	0	0	0	0	-8.133
Net loss		0	0	0	-25.356	0	-25.356	-25.356
Balance as at 31.03./01.04.2020		28.639	43.134	-20.517	70.075	10.238	59.796	131.569
Currency translation differences		0	0	0	0	-3.741	-3.741	-3.741
Net result from cash flow hedges		0	0	0	-9	0	-9	-9
Net loss		0	0	0	-7.292	0	-7.292	-7.292
Balance as at 31.03.2021		28.639	43.134	-20.517	62.774	6.497	48.754	120.527

The enclosed notes are part of the consolidated financial statements.

Notes to the consolidated financial statements

1 General information

The KLINGELNBERG Group comprises KLINGELNBERG AG and its consolidated subsidiaries. KLINGELNBERG AG is a limited company under Swiss law, incorporated and domiciled in Zürich, Switzerland. The shares of KLINGELNBERG AG are listed in Switzerland in the Swiss Reporting Standard of SIX Swiss Exchange.

The consolidated financial statements as at and for the year ended 31 March 2021 were authorized for release by the Board of Directors on 22 June 2021 and are subject to approval by the Annual General Meeting.

2 Accounting principles

2.1 Basis for the preparation of the financial statements

The consolidated financial statements of KLINGELNBERG Group have been prepared in accordance with Swiss GAAP FER as a whole and give a true and fair view of the assets, liabilities, earnings and cash flows of KLINGELNBERG Group. In addition, the provisions of the Listing Rules of SIX Swiss Exchange and Swiss accounting law were complied with. The consolidated financial statements are prepared applying the principle of historical cost accounting, with the exceptions of derivative financial instruments, which are measured at fair value. The preparation of the consolidated financial statements requires the management to make estimates and assumptions. If in the future such estimates and assumptions, which are based on the management's best judgement, change, the original estimates and assumptions will be modified as appropriate in the year in which the change occurred.

2.2 Definition of alternative performance measures

EBITDA:

Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes the operating result (EBIT) plus depreciation on tangible fixed assets and amortization on intangible assets.

EBIT:

The operating result (Swiss GAAP FER) excluding non-operating and extraordinary results.

2.3 Scope and principles of consolidation

The consolidated financial statements of KLINGELNBERG Group include KLINGELNBERG AG, as well as all entities as at 31 March of the current financial year for which the parent company holds, directly or indirectly, the majority of the voting rights or has the power to govern their operating and financial policies in some other way. Consolidation ends when control by the parent company ceases.

Capital consolidation is based on the purchase method. Companies acquired by the Group are included in the consolidated financial statements from the date of obtaining control. The net assets acquired are revalued at fair value at the acquisition date, using uniform Group accounting principles. Companies sold are excluded from the scope of consolidation as at the date on which control ceases, with any gain or loss recognized in the income statement.

All intragroup balances and transactions including accounts receivable, accounts payable, income, expenses, and any unrealized gains and losses resulting from transactions between Group companies are eliminated.

Investments in joint ventures in which KLINGELNBERG Group exercises joint control together with a joint venture partner (e.g., with 50% voting rights) are recognized using the equity method.

The financial statements of the Group companies are prepared using the same accounting and valuation methods and on the same balance sheet date as the parent company's financial statements.

The KLINGELNBERG Group has no minority interests.

For a list of consolidated companies and investments see the following table. Any changes to the scope of consolidation are outlined in Note 3.

Company, head office	Currency	Capital	Share of capital and voting rights	
			31.03.2021	31.03.2020
KLINGELNBERG AG, Zürich, Switzerland	CHF	44.200.000		
KLINGELNBERG GmbH, Hückeswagen, Germany	EUR	15.338.755	100%	100%
KLINGELNBERG (France) SAS, Saint Germain en Laye, France	EUR	215.000	100%	100%
KLINGELNBERG Imexma SA, Barcelona, Spain	EUR	750.000	100%	100%
KLINGELNBERG Italiana Srl., Milano, Italy	EUR	80.000	100%	100%
KLINGELNBERG Hungaria Kft., Győr, Hungary - in liquidation	HUF	12.200.000	100%	100%
KLINGELNBERG (Japan) Ltd., Yokohama, Japan	JPY	50.000.000	100%	100%
KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico	MXP	500.000	100%	100%
KLINGELNBERG America Inc., Saline, USA	USD	200	100%	100%
The KLINGELNBERG Corporation, Cincinnati, Ohio, USA	USD	254	100%	100%
HMET Grundstücksverwaltungsgesellschaft mbH, Hückeswagen, Germany	EUR	25.000	merged	100%
KLINGELNBERG India Private Ltd., Pune, India	INR	27.700.000	100%	100%
HÖFLER Yantai Service Co., Ltd., China	CNY	748.657	100%	100%
KLINGELNBERG do Brasil, Sao Paulo, Brazil	BRL	3.950.000	100%	100%
KLA Real Estate, LLC., Saline, USA	USD	0	100%	100%
KLINGELNBERG Hungaria Service Kft., Győr, Hungary	HUF	15.000.000	liquidated	100%
DKSH KLINGELNBERG Service Ltd., Shanghai, China *	CNY	5.585.020	50%	50%

* Joint venture consolidated at equity

2.4 Business combinations

Net assets acquired are revalued at fair value at the acquisition date. Any unrecognized intangible assets are not separated and identified and therefore allocated to goodwill. Goodwill is calculated as the difference between the purchase price (incl. transaction costs) and the revalued net assets. The positive or negative goodwill resulting from business combinations is offset against equity at the date of acquisition. At the disposal of the company, the goodwill previously offset in equity is transferred to the income statement. The consequences of the theoretical capitalization and amortization of goodwill are explained in Note 4.9.

2.5 Segment reporting

Notwithstanding the additional recommendations for listed companies (Swiss GAAP FER 31), the Board of Directors of the KLINGELNBERG Group decided not to publish any detailed segment results in order to protect the interests of its shareholders.

As a globally operating Group, KLINGELNBERG manages its activities based on a business unit approach on one side and on the optimization of synergies on the other. The reporting system reflects this structure, and the activities of KLINGELNBERG Group are split between four main business units:

- Bevel Gear
- Cylindrical Gear
- Measuring Centers
- Drive Technology

Disclosing operating results by business unit would lead to competitive disadvantages in terms of the profitability and distribution margins as well as the cost calculations. The KLINGELNBERG Group would be the only company in the industry showing detailed profitability information at business unit level. Most of the relevant competitors are privately held companies that do not have to follow international disclosure requirements and, therefore, do not publish any detailed financial information. Some other competitors are large, international corporations, which apply a broader definition of reporting segments where specific data relevant for the core industry is not accessible.

Therefore, the disclosure of business unit operating results would lead to significant competitive disadvantages for the KLINGELNBERG Group. Moreover, such information would negatively affect in the KLINGELNBERG Group's negotiating power with various stakeholders such as clients, suppliers, etc. For all these reasons, the KLINGELNBERG Group firmly believes that disclosing operating results by business units would have a significant negative impact on its overall performance.

2.6 Conversion of foreign currency items and transactions

Translation of financial statements to be consolidated

In light of the significant share of the business operations taking place in Germany, the consolidated financial statements of KLINGELNBERG Group are presented in Euros (EUR). The financial statements of Group companies are prepared in their respective functional currencies and translated into Euros as follows:

- Assets and liabilities are converted at the year-end exchange rate
- Income and expense are converted using the average exchange rate of the reporting year

- The conversion differences arising through the translation of the balance sheet items have no effect on the income statement and are recognized in the equity as cumulative foreign currency differences. When a subsidiary with a foreign currency is de-consolidated, the accumulated conversion differences recognized in the equity are reclassified to the income statement

Foreign currency transactions in Group companies

Foreign currency effects on intragroup equity-like loans, which are a significant part of the company's net investments in foreign subsidiaries, are recognized in equity as cumulative foreign currency differences until the disposal of the net investment. From this point in time, the foreign currency differences are recognized in the income statement as a profit or loss on the sale of investments.

Transactions in foreign currencies are converted at the average exchange rate of the month of the transaction. Exchange rate differences arising from financial transactions are recorded in the income statement. All monetary assets and liabilities in a foreign currency are converted at the exchange rate as at the balance sheet date and the resulting gains/losses are recognized in the income statement.

The table below outlines the main exchange rates used in the preparation of our consolidated financial statements as at and for the years ended 31 March 2021 and 31 March 2020.

	Year-end exchange rate		Average exchange rate	
	31.03.2021	31.03.2020	2020/21	2019/20
CHF/EUR	1,10680	1,05721	1,07614	1,09632
USD/EUR	1,17350	1,09485	1,16701	1,11130
JPY/EUR	129,85950	118,93905	123,67595	120,80723

2.7 Cash and cash equivalents

Cash and cash equivalents are measured at nominal value and comprise cash on hand, deposits in bank accounts and with similar institutions and fixed-term deposits with an original term of up to 90 days.

2.8 Receivables from goods and services and other short-term receivables

Receivables are measured at nominal value less any value adjustments for doubtful accounts. Value adjustments are established for cases where the Group faces a risk of not collecting the outstanding amount.

2.9 Derivative financial instruments

The Group uses derivatives mainly to hedge against foreign currency risks. These derivatives are primarily foreign exchange forwards. Derivatives are recognized initially at acquisition cost and subsequently valued at fair value. Except for derivatives that are designated as hedging instruments for future cash flows, all changes in the fair values of derivatives are to be recognized in the result of the period.

Instruments for hedging future cash flows are recognized at fair value. Changes in the fair value of such cash flow hedges are recorded in equity. Changes in the fair value of hedges recorded in equity are recorded in the period in which the cash flows from the underlying hedged asset are recognized.

2.10 Inventories

Inventories are measured at the lower of acquisition and manufacturing cost and net realizable value. Acquisition cost is measured net of cash discounts. Manufacturing cost includes direct labor and materials used, as well as a commensurate share of the related production overhead costs excluding any borrowing costs.

If the net realizable value of inventories is lower than the book value or if inventories have a low turnover rate, the necessary value adjustments are recognized.

2.11 Tangible fixed assets

Tangible fixed assets are measured at acquisition cost excluding any borrowing costs less accumulated depreciation and impairment. Depreciation is recognized on a straight-line basis over the following estimated useful life of the asset:

- Land: No depreciation
- Buildings: 40 years
- Machines and equipment: 10 years
- Other tangible fixed assets: 3 to 10 years

Assets under construction are not depreciated until completion.

Expenditure on maintaining and repairing tangible fixed assets is charged to the income statement. Capital expenditure for existing tangible fixed assets is capitalized if classified as value-adding and depreciated over the useful life.

2.12 Loans and other receivables, other financial assets

Loans and other receivables as well as other financial assets are measured at nominal value less any value adjustments required.

2.13 Investments in joint ventures

Investments are carried at historical cost less required impairments.

2.14 Taxes

Current and deferred taxes are accrued for all tax obligations, irrespective of their due date. Current income taxes are calculated on the taxable profit for the financial year. Deferred taxes are calculated by applying the balance sheet method for any temporary difference between the carrying amount and the tax basis of assets and liabilities. For that calculation, the current tax rates applicable in each jurisdiction are used while already identified future changes in the tax rates are taken into consideration.

Deferred tax assets for tax loss carry-forwards are recognized to the extent that it is probable that they can be offset against future taxable profits.

Deferred taxes are calculated on the basis of the tax rates applicable in each country.

Current and deferred tax assets and liabilities are offset if they concern the same taxable entity or group of entities and tax jurisdiction and if the Group has a legally enforceable right to offset current tax assets and liabilities.

No deferred tax is provided for temporary differences on investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group and it is not probable that the temporary difference will be reversed in the foreseeable future.

2.15 Intangible assets

Acquired intangible assets are measured at acquisition cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful life as follows:

- Software: 3 to 5 years
- Licenses: 3 to 10 years

Internally generated intangible assets including research and development costs are recognized as a cost in the income statement in the financial year in which they occurred.

Goodwill from the acquisition of consolidated entities is offset with equity at the date of acquisition. Goodwill is theoretically amortized on a straight-line basis over a useful life of 7 to 15 years.

2.16 Impairment of assets

Assets (especially tangible fixed assets, intangible assets and financial assets) are subject to an

impairment test at each balance sheet date. If there is any indication of impairment, a detailed test is performed immediately. If the carrying amount exceeds the recoverable amount (fair value less cost to sell), an impairment loss is recognized in the income statement. If, subsequently, an increase in the asset's value can be demonstrated, the impairment charge is reversed accordingly via the operating result.

As the goodwill is already offset with equity at the date of the acquisition, an impairment of the goodwill does not affect the income statement but leads to a disclosure in the notes only.

2.17 Financial liabilities

Financial liabilities are measured at nominal values.

2.18 Payables from goods and services and other liabilities

Payables from goods and services and other liabilities are measured at nominal value.

2.19 Provisions

Provisions take into account all identifiable and measurable risks from warranties and penalties for non-performance, expected losses from pending transactions and process risks which management deems likely to occur. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.20 Revenue recognition

Revenue is recognized when the principal risks and rewards incidental to ownership are transferred to the customer, the amount of the proceeds can be reliably determined and when it is sufficiently probable that the economic benefits from the sale will flow to the Group.

Revenues are stated at the fair value of the consideration entitled to be received. This is after the deduction of discounts, rebates and credits and before value-added and sales tax.

2.21 Off-balance sheet transactions

Contingent liabilities as well as other non-recognized obligations are assessed at each balance sheet date and are disclosed in the notes to the financial statements. A provision is recorded if the relevant conditions are met.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are transferred from the lessor to the lessee are classified as finance leases. The leased assets are carried at cost not higher than the minimum lease payments and depreciated along with other tangible fixed assets.

The corresponding leasing obligations are shown as liabilities.

Leasing payments are allocated accordingly as either capital repayments or interest expenses presented in the financial result.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 Share-based payments

Share-based payments are treated as a cash-settled plan. Provisions must be recognized as an expense over the vesting period. The fair value of the liability must be determined at each balance sheet date and the provision adjusted to this fair value.

2.24 Pension benefit obligation

The employee benefit plans of the KLINGELNBERG Group comply with the legislation in force in each country. Employee benefit plans are mostly institutions and foundations that are legally independent of KLINGELNBERG Group. They are usually financed by both employee and employer contributions.

The economic impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of each specific benefit plan, which are based either on Swiss GAAP FER 26 (Swiss benefit plans) or on the accepted methods in each foreign country (foreign plans). An economic benefit is capitalized if it is permitted and intended to use the surplus to reduce the employee contributions. If employer contribution reserves exist, they are also capitalized. An economic obligation is recognized as a liability if the conditions for a provision are met. They are reported under "Provision for pension benefit obligation". Changes in the economic benefit or economic obligation, as well as the contributions incurred for the period, are recognized in "Personnel expense" in the income statement.

3 Changes in the scope of consolidation

The closure of the two Hungarian companies, which was launched as part of the Efficiency Enhancement Program in 2019/20, was successfully completed in the financial year for KLINGELNBERG Hungaria Service Kft. For KLINGELNBERG Hungaria Kft. "v.a.", this closure is expected in 2021/22, as there were delays due to various lockdowns of the government.

In the financial year under review, HMET Grundstücksverwaltungsgesellschaft mbH was merged into KLINGELNBERG GmbH.

4 Substantial information on the consolidated balance sheet items

4.1 Receivables from goods and services

EUR 000	31.03.2021	31.03.2020
Receivables from third parties	43.084	47.349
Receivables from joint ventures	213	265
Receivables from other related parties	0	39
Value adjustments	-290	-498
Receivables from goods and services	43.007	47.155
Thereof:		
- not due and due up to 90 days	40.191	42.514
- overdue more than 90 days	2.816	4.641

4.2 Derivative financial instruments

EUR 000	31.03.2021			31.03.2020		
	Asset	Liability	Purpose	Asset	Liability	Purpose
Basic value:						
Foreign exchange	50	120	Hedging	20	278	Hedging
Total	50	120		20	278	

4.3 Other short-term receivables

This position includes mainly taxes other than income taxes of EUR 4,6 million (as at 31 March 2020: EUR 3,9 million) and prepayments to suppliers of EUR 0,8 million (as at 31 March 2020: EUR 0,4 million). There were no value adjustments for the year under review (as at 31 March 2020: EUR 0,1 million).

4.4 Inventories

EUR 000	31.03.2021	31.03.2020
Finished products	8.583	10.438
Work in progress	41.948	45.937
Acquired parts	43.922	45.871
Supplies	91	102
	94.544	102.348
Value adjustments	-14.040	-13.364
Inventories	80.504	88.984

Inventory levels were reduced in line with the economic situation.

4.5 Tangible fixed assets

EUR 000	2020/21					Total
	Undeveloped property	Land and buildings	Machines and equipment	Other assets	Tangible fixed assets under construction	
Acquisition cost						
Gross value as at 01.04.	2.167	45.481	50.922	24.875	1.258	124.703
Additions	0	1.500	934	853	863	4.150
Disposals	0	-47	-3.334	-1.123	0	-4.504
Foreign currency effects	0	-551	-136	-237	-1	-925
Reclassifications	0	740	67	216	-1.023	0
Gross value as at 31.03.	2.167	47.123	48.453	24.584	1.097	123.424
Accumulated depreciation as at 01.04.	0	14.038	39.690	19.485	0	73.213
Depreciation	0	1.297	1.655	1.607	0	4.559
Disposals	0	-21	-1.950	-1.075	0	-3.046
Foreign currency effects	0	-183	-100	-193	0	-476
Accumulated depreciation as at 31.03.	0	15.131	39.295	19.824	0	74.250
Net carrying amount as at 01.04.	2.167	31.443	11.232	5.390	1.258	51.490
Net carrying amount as at 31.03.	2.167	31.992	9.158	4.760	1.097	49.174

EUR 000	2019/20					Total
	Undeveloped property	Land and buildings	Machines and equipment	Other assets	Tangible fixed assets under construction	
Acquisition cost						
Gross value as at 01.04.	2.167	44.550	51.784	23.930	172	122.603
Additions	0	785	1.855	1.509	1.244	5.393
Disposals	0	-99	-2.365	-721	-70	-3.255
Foreign currency effects	0	234	-352	82	-2	-38
Reclassifications	0	11	0	75	-86	0
Gross value as at 31.03.	2.167	45.481	50.922	24.875	1.258	124.703
Accumulated depreciation as at 01.04.	0	12.915	38.803	18.009	0	69.727
Depreciation	0	1.144	2.260	1.943	0	5.347
Disposals	0	-93	-1.116	-545	0	-1.754
Foreign currency effects	0	72	-257	78	0	-107
Accumulated depreciation as at 31.03.	0	14.038	39.690	19.485	0	73.213
Net carrying amount as at 01.04.	2.167	31.635	12.981	5.921	172	52.876
Net carrying amount as at 31.03.	2.167	31.443	11.232	5.390	1.258	51.490

4.6 Investments in joint ventures

In the financial year 2020/21 our Chinese joint venture distributed a dividend in the amount of EUR 1,7 million (as at 31 March 2020: EUR 0). The share of the result from joint ventures amounts to EUR 0,6 million (as at 31 March 2020: EUR 0,5 million).

4.7 Deferred tax assets

In the year under review the deferred tax assets mainly result from divergent valuations of pension provisions as well as provisions for partial retirement obligations, service anniversaries, and provisions for warranties.

In the current financial year, this also includes taxes from loss carryforwards of around EUR 3,9 million (as at 31 March 2020: EUR 0).

EUR 000			
Tax loss carryforwards as at 31.03.2021	Capitalized	Not capitalized	Total
No expiry	12.366	35.501	47.867
Total losses carried forward	12.366	35.501	47.867
Potential tax effect on non-capitalized losses carried forward	0		
Deferred taxes capitalized	3.872		
Tax loss carryforwards as at 31.03.2020	Capitalized	Not capitalized	Total
No expiry	0	31.866	31.866
Total losses carried forward	0	31.866	31.866
Potential tax effect on non-capitalized losses carried forward	0		
Deferred taxes capitalized	0		

4.8 Other financial assets

In the year under review, this item mainly comprises of an insolvency-protected life insurance policy to cover pension liabilities in connection with part-time phased retirement obligations in the amount of EUR 0,9 million (as at 31 March 2020: EUR 1,0 million). The amount is calculated in accordance with the local legal requirements of the company that recognizes these assets.

4.9 Intangible assets

EUR 000	2020/21			2019/20		
	Software	Other intangible assets	Total	Software	Other intangible assets	Total
Acquisition cost						
Gross value as at 01.04.	8.105	350	8.455	7.974	324	8.298
Additions	143	0	143	229	8	237
Disposals and derecognitions	-181	0	-181	-154	0	-154
Foreign currency effects	-50	-15	-65	56	18	74
Reclassifications	8	-8	0	0	0	0
Gross value as at 31.03.	8.025	327	8.352	8.105	350	8.455
Accumulated amortization as at 01.04.	6.694	335	7.029	6.277	316	6.593
Amortization	443	0	443	487	0	487
Disposals and derecognitions	-181	0	-181	-125	0	-125
Foreign currency effects	-49	-15	-64	55	19	74
Accumulated amortization as at 31.03.	6.907	320	7.227	6.694	335	7.029
Net carrying amount as at 01.04.	1.411	15	1.426	1.697	8	1.705
Net carrying amount as at 31.03.	1.118	7	1.125	1.411	15	1.426

A theoretical capitalization of goodwill would have the following effects on the consolidated financial statements.

EUR 000	2020/21	2019/20
Theoretical statement of changes in goodwill		
Acquisition cost		
Gross value as at 01.04.	20.517	20.517
Gross value as at 31.03.	20.517	20.517
Accumulated amortization at 01.04.		
Amortization	641	1.029
Accumulated amortization at 31.03.	16.962	16.321
Theoretical impact on equity		
Theoretical net carrying amount at 31.03.	3.555	4.196
Effect on equity		
Equity according to balance sheet	120.527	131.569
Theoretical net carrying amount goodwill	3.555	4.196
Theoretical equity incl. net carrying amount of goodwill	124.082	135.765
Theoretical impact on net income		
Effect on income statement		
Net loss	-7.292	-25.356
Theoretical amortization of goodwill	-641	-1.029
Theoretical net loss	-7.933	-26.385

4.10 Financial liabilities

EUR 000	31.03.2021	31.03.2020
Short-term financial liabilities	5.343	27.077
Long-term financial liabilities	1.705	2.983
Total financial liabilities	7.048	30.060
Thereof in:		
- EUR	6.288	29.087
- USD	644	784
- JPY	116	189
Thereof with maturity in:		
- 2 to 5 years	1.564	2.689
- > 5 years	141	294
Average interest rate	0,89%	0,92%
Unused credit facilities	49.963	28.010
Long-term financial liabilities include mortgages secured using mortgage notes		
Carrying amount of property	34.159	33.610
- thereof pledged	12.578	12.631
- thereof used	2.003	3.654

4.11 Payables from goods and services

EUR 000	31.03.2021	31.03.2020
Payables from goods and services		
- with third parties	14.420	10.597
- with joint ventures	119	151
- with other related parties	135	12
Payables from goods and services	14.674	10.760
Thereof:		
- not due and due up to 90 days	14.644	10.187
- overdue more than 90 days	30	573

4.12 Other short-term liabilities

This position contains mainly advance payments from customers amounting to EUR 29,5 million (as at 31 March 2020: EUR 15,5 million) and taxes and social insurance withholdings of EUR 7,1 million (as at 31 March 2020: EUR 8,7 million).

4.13 Provisions

EUR 000	2020/21					
	Provision for warranties	Provision for pension benefit obligation	Provision efficiency enhancement	Other provisions	Total provisions excl. deferred tax	Deferred tax
Carrying amount as at 01.04.	5.310	12.881	8.581	4.552	31.324	1.197
Creation of provisions	1.142	968	55	313	2.478	107
Utilization of provisions	-3.103	-464	-4.534	-1.056	-9.157	0
Release of provision recognized in the income statement	-587	0	-1.505	-47	-2.139	-44
Foreign currency effects	-65	0	0	-63	-128	-38
Carrying amount as at 31.03.	2.697	13.385	2.597	3.699	22.378	1.222
of which, short-term	2.513	464	2.597	1.802	7.376	0
of which, long-term	184	12.921	0	1.897	15.002	1.222

EUR 000	2019/20					
	Provision for warranties	Provision for pension benefit obligation	Provision efficiency enhancement	Other provisions	Total provisions excl. deferred tax	Deferred tax
Carrying amount as at 01.04.	6.342	11.797	0	3.999	22.138	1.703
Creation of provisions	3.929	1.548	8.581	1.423	15.481	62
Utilization of provisions	-3.705	-464	0	-666	-4.835	0
Release of provision recognized in the income statement	-1.329	0	0	-171	-1.500	-604
Foreign currency effects	73	0	0	-33	40	36
Carrying amount as at 31.03.	5.310	12.881	8.581	4.552	31.324	1.197
of which, short-term	4.522	464	8.581	2.230	15.797	0
of which, long-term	788	12.417	0	2.322	15.527	1.197

The valuation of provisions in all categories is based on latest available data (e.g., claims that have occurred or been reported) or on the experience of recent years and management estimates.

Provisions for warranties

The reduction in the warranty provision is mainly due to the decline in sales.

Provision for pension benefit obligations

EUR 000

Economic benefit/ economic obligation and pension benefit expenses	Surplus/deficit	Economic part of the organization		Change to prior year period or recognized in the current result of the period, respectively	Contributions concerning the business period	Pension benefit expense as part of personnel expense	
		31.03.2021	31.03.2020			2020/21	2019/20
Pension funds without deficit or surplus (1)	0	0	0	0	-332	-332	-379
Pension funds without own assets (2)	0	-13.385	-12.881	-504	-464*	-968	-1.548
Total	0	-13.385	-12.881	-504	-796	-1.300	-1.927

* Pension payments according to pension plan in the current financial year.

(1) The Swiss entity is affiliated to a collective pension plan where the surplus/deficit cannot be determined on the basis of the individual contract but it can be stated that based on the audited figures of the pension fund as at 31 December 2020 the coverage of the collective plan as a whole amounts to 115,6% (as at 31.12.2019 the audited figures: 115,3%). The technical interest rate used amounted to 1,75% (prior year: 2,0%). The underlying mortality table remained unchanged (BVG 2015 GT). Furthermore, there is a supplementary pension plan, which does not bear risk due to full insurance as part of a collective insurance contract.

(2) The economic obligation from pension funds without own funds contains primarily the obligation from employee benefit plans in Germany. The discount rate used in the calculation was 1,0% (2019/20: 1,3%). A provision for pension benefit obligation at the level of the economic obligation has been recorded. Pension benefit expense as part of the personnel expense includes the increase and decrease of provisions recorded in the income statement including changes of discount rates. The increase compared to the prior year was mainly due to the decrease of the discount rate.

Provision Efficiency Enhancement

The Efficiency Enhancement Program launched in the previous year was largely implemented. The releases of EUR 1,5 million provisions are mainly in the avoidance of dismissal protection suits through agreement as well as adjustments to the social plan and the transfer company. In addition, due to the new orders in the wind power sector, the final closure was postponed to 30 September 2022. Because of that the provision changed accordingly and remained at EUR 2,6 million at year-end.

Other provisions

Other provisions include, among others, fire prevention measures of EUR 0,4 million (as at 31 March 2020: EUR 0,4 million), part-time phased retirement obligations of EUR 2,0 million (as at 31 March 2020: EUR 2,1 million) and for long service awards EUR 0,4 million (as at 31 March 2020: EUR 0,3 million).

The first regular grant of PSUs under the LTIP was granted on 01 April 2019, with a vesting at the end of the financial year of the company ending on 31 March 2022. As a transitional arrangement in the context of the IPO and in order to guarantee a fair transition from the pre-IPO long-term incentive plan, the current members of the EM (excluding the CEO) have been granted a number of PSUs determined by the BoD, which have been vested at the end of the financial year of the company ending on 31 March 2021, subject to and in accordance with the principles set out above. Due to the general economic situation, the BoD decided for the financial year 2020/21, with the consent of the EM, to refrain from granting PSUs under the LTIP for this period.

Due to the parameters influencing the value of the PSU, the provision for the LTIP in the year under review amounts to EUR 0,2 million (as at 31 March 2020: EUR 0,1 million).

4.14 Share capital and capital reserves

Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2021 and the prior year are composed of 8.840.000 registered shares with a nominal value of CHF 5 each.

Capital reserves

The certification of the capital reserves as at 31 March 2019 has been available since 03 April 2020. According to the certificate, CHF 64.120.826,50 were recognized by the Swiss tax authorities. The certification including the reduction for the paid dividend in 2019/20 is approved by the Swiss tax authorities as at 20 May 2021. Considering this dividend (CHF 8,84 million), CHF 55.280.826,50 can be distributed tax-free in the future.

5 Substantial information on the consolidated income statement items

5.1 Net sales from goods and services

EUR 000						2020/21
Service location						
Segments	Germany	Switzerland	Japan	USA	Rest of the world	Total
Bevel Gear	15.739	19.874	2.003	7.390	5.346	50.352
Cylindrical Gear	24.946	3.275	5.436	7.835	4.066	45.558
Measuring Centers	36.473	1.244	4.176	5.046	3.540	50.479
Drive Technology	8.905	0	0	0	36	8.941
Other	180	0	120	0	3.089	3.389
Total	86.243	24.393	11.735	20.271	16.077	158.719

EUR 000						2019/20
Service location						
Segments	Germany	Switzerland	Japan	USA	Rest of the world	Total
Bevel Gear	16.202	36.940	4.812	19.799	6.934	84.687
Cylindrical Gear	23.881	5.212	6.501	9.216	4.580	49.390
Measuring Centers	35.326	2.855	8.716	5.475	4.892	57.264
Drive Technology	13.602	0	0	0	57	13.659
Other	247	0	123	0	6.723	7.093
Total	89.258	45.007	20.152	34.490	23.186	212.093

For explanations regarding the segment reporting refer to Note 2.5.

5.2 Change in inventory of finished and unfinished goods as well as unbilled goods and services

Due to the pandemic-related reduction in production, changes in inventories decreased by EUR 16,4 million year-on-year to EUR -5,8 million.

5.3 Personnel expense

Personnel expense in the financial year 2020/21 are EUR 26,9 million (-24,3%) lower than in the previous year. This development is mainly due to the Efficiency Enhancement Program (EUR 13,8 million), launched in the previous year, as well as short-time work, reduction for overtime and shift premiums (EUR 8,8 million). Further details can be found in the Management Report under the heading "Personnel expense and employees".

5.4 Other operating expense

Other operating expense includes mostly travel expense and representation, freight costs, commission, rent and related costs, warranty provisions, repair and maintenance of tangible fixed assets, and other expenses. The reduction of EUR 11,5 million is mainly due to the pandemic-related reduction in travel and postponed trade fairs (EUR 4,6 million) and revenue-related costs (EUR 4,2 million).

5.5 Financial result

EUR 000	2020/21	2019/20
Interest expense (-)	-505	-301
Financial expense	-505	-301
Interest income (+)	214	227
Financial income	214	227
Currency translation difference and hedging expense	-3.636	-8.913
Currency gains	6.138	6.868
Foreign currency gain (loss)	2.502	-2.045
Financial result	2.211	-2.119

The positive foreign currency result is mainly due to the currency fluctuations of the CHF against the EUR (Note 2.6).

5.6 Income taxes

EUR 000	2020/21	2019/20
Current tax expense	-1.701	-3.235
Deferred tax expense	3.760	-1.226
Tax expense recognized on the income statement	2.059	-4.461

The average applied tax rate for the Group is 40,80% (as at 31 March 2020: 30,84%) and is calculated based on the local tax rates of each local company weighted in proportion to the local company's earnings before tax in the financial year. Deferred taxes are calculated based on the tax rates applicable in each country.

In the last financial year, local changes in income tax rates had no significant impact on the effective income tax rate. The change in the effective income tax rate results from the varying profit situations of individual Group companies at different local tax rates.

The other effects are of EUR -2,1 million (as at 31 March 2020: EUR 0,2 million) mainly derived from non-taxable transactions. In particular, the acquisition gain from the merger of HMET Grundstücksverwaltungsgesellschaft mbH into KLINGELNBERG GmbH EUR -0,9 million (as at 31 March 2020: EUR 0) and subsequent tax refunds EUR -0,6 million (as at 31 March 2020: EUR 0) due to subsidy programs as a result of the corona pandemic.

EUR 000	2020/21	2019/20
Loss before taxes	-9.351	-20.895
Average applied tax rate	40,80%	30,84%
Expected income tax expense	-3.815	-6.444
Effect of non-recognition of tax losses in current year	3.872	10.729
Other effects	-2.116	176
Effective income tax expense	-2.059	4.461
Effective income tax rate	22,02%	(21,35%)

5.7 Earnings per share

Basic earnings-per-share amounts are calculated by dividing net loss/profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year.

EUR 000	2020/21	2019/20
Net loss	-7.292	-25.356
Average number of outstanding shares	8.840.000	8.840.000
Basic earnings per share (EUR)	-0,82	-2,87
Diluted earnings per share (EUR)	-0,82	-2,87

6 Additional information

6.1 Off-balance-sheet transactions

According to the takeover agreement of KLINGELNBERG GmbH/KLINGELNBERG Söhne GmbH & Co. Kommanditgesellschaft, KLINGELNBERG GmbH has an obligation to meet the expense of adjustments to the pensions of the retired employees of KLINGELNBERG Söhne GmbH & Co. Kommanditgesellschaft. In the financial year under review, this resulted in a payment of EUR 0,1 million (as at 31 March 2020: payment of EUR 0,1 million) and is recognized in personnel expense.

Obligations due to operating leases – KLINGELNBERG Group as the lessee:

EUR 000	31.03.2021	31.03.2020
up to 1 year	3.747	3.975
1 to 5 years	8.862	11.415
More than 5 years	2.439	3.837
Total obligations from operating leasing	15.048	19.227

This relates mainly to the leasing of buildings used for operational purposes, motor vehicle and machine leasing, and office equipment leasing (rental).

No significant new rental or leasing contracts were concluded, so that the obligation will be reduced over the remaining term.

6.2 Transactions with related parties

EUR 000	2020/21	2019/20
Net sales from goods and services	1.850	1.810
Other operating income	51	45
Material expense	-2.598	-3.267
Other operating expense	-30	-47
Total	-727	-1.459

Transactions with related parties include transactions with shareholders, joint ventures, and other related parties.

6.3 Events after the balance sheet date

No significant events occurred after the balance sheet date. Events after the balance sheet date were considered until 22 June 2021. On this date, the financial statements were authorized for release by the Board of Directors.

Klingelberg AG
Zurich

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements
2020/2021



Report of the statutory auditor to the General Meeting of Klingelberg AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Klingelberg AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2021 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 77 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: EUR 1'190'000

We concluded full scope audit work at two reporting units in two countries and audit of specific accounts in one country. Our audit scope addressed over 85% of the Group's revenue.

As key audit matters the following areas of focus have been identified:

Revenue recognition of goods and services in the appropriate period

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 1'190'000
How we determined it	0.75% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements use to evaluate the financial performance of the Group. It is also a generally accepted benchmark when profit varies greatly between accounting periods.

We agreed with the Audit Committee that we would report to them misstatements above EUR 59'500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 14 reporting units, each of which is considered to be a component. Following our assessment of the risk of material misstatement, we identified one reporting unit in Switzerland and one in Germany each which, in our view, require a full scope audit due to their size or risk characteristics. Additionally, we identified one reporting unit in the United States (US) which, in our view, require an audit of specified accounts due to their size or risk characteristics. The concluded full scope and specified accounts audit work addressed 85% of the Group's revenue. The remaining 15% of the Group's revenue is contributed by smaller reporting units which are deemed insignificant. Where the audit work was performed by component auditors, we determined the level of involvement needed to supervise the audit procedures and understand the results relating to significant audit areas. Senior members of the Group audit team discussed with the component auditor the risks identified, challenged the audit approach in significant risk areas and reviewed the audit documentation. Furthermore, the Group audit team performed analytical procedures to address the smaller reporting units.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Revenue recognition of goods and services in the appropriate period

Key audit matter	How our audit addressed the key audit matter
<p>Klingelberg Group recognises revenue from goods and services in the period in which it transfers the risk and reward of ownership.</p> <p>A significant portion of the revenue is normally recognised during the second half of the Group's financial year. We consider revenue recognition in the appropriate period to be a key audit matter because of the complexity involved when assessing and adhering to the contractually agreed incoterms as well as due to standard intra-year seasonal trends, which, in our view, increase the risk of material misstatement in revenue recognition in the appropriate period.</p> <p>Please refer to the company's accounting principles in note 2.20 and to note 5.1 'Net sales from goods and services' regarding the segment split.</p>	<p>We performed the following audit procedures to assess whether revenue from goods and services was recognised in the appropriate period:</p> <ul style="list-style-type: none">– We identified transactions occurring close to the balance sheet date and for the months of March 2021 and April 2021, tested, on a sample basis, whether revenue was appropriately recognised in the period in which the risk and reward of ownership were transferred. For the same sample, we assessed whether the revenue recognition was appropriate for the contractually agreed incoterms;– We enquired with Management regarding controls that address the risk of recording revenue from goods and services in the wrong period. <p>We consider the risk of material misstatement in revenue recognition in the appropriate period to be adequately addressed.</p>

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Blaženka Kovács-Vujević
Audit expert
Auditor in charge



Regina Spaelti
Audit expert

Zurich, 22 June 2021

Statutory Financial Statements of KLINGELNBERG AG

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Statutory balance sheet

CHF	Note	31.03.2021	31.03.2020
Assets			
Current assets			
Cash and cash equivalents	3.6	64.040	23.281.834
Receivables from goods and services from third parties	3.1	10.775.304	7.862.367
Receivables from goods and services from group companies		878.285	869.064
Other short-term receivables from third parties	3.2	2.091.412	1.220.116
Other short-term receivables from group companies	3.3	56.832.597	36.982.495
Inventories	3.4	1.789.579	1.598.845
Prepayments and accrued income		174.190	172.072
Total current assets		72.605.407	71.986.793
Non-current assets			
Tangible fixed assets		618.189	711.172
Investments	3.5	90.888.122	91.108.731
Intangible assets		13.490	29.859
Total non-current assets		91.519.801	91.849.762
Total assets		164.125.208	163.836.555

Statutory balance sheet

CHF	Note	31.03.2021	31.03.2020
Liabilities			
Current liabilities			
Short-term financial liabilities to third parties	3.6	67	7.292.889
Short-term financial liabilities to group companies	3.3	11.866.888	10.964.911
Payables from goods and services to third parties	3.7	488.317	479.473
Payables from goods and services to group companies	3.3	8.715.624	2.179.503
Derivative financial instruments		7.616	7.771
Other short-term liabilities to third parties	3.8	6.791.779	3.779.151
Other short-term liabilities to group companies	3.9	0	217.386
Accrued liabilities and deferred income	3.10	5.428.659	6.585.838
Short-term provisions		252.781	540.097
Total current liabilities		33.551.731	32.047.019
Non-current (long-term) liabilities			
Long-term provisions		134.021	606.360
Total non-current (long-term) liabilities		134.021	606.360
Total liabilities		33.685.752	32.653.379
Equity			
Share capital	2.10/3.11	44.200.000	44.200.000
Statutory capital reserves	3.12	55.531.150	55.531.150
- thereof reserves from capital contributions		55.531.150	55.531.150
Statutory retained earnings		30.708.306	31.452.026
- thereof amount brought forward from the previous year		31.452.026	34.326.935
- thereof loss		-743.720	-2.874.909
Total equity		130.439.456	131.183.176
Total liabilities and equity		164.125.208	163.836.555

Statutory income statement

CHF	Note	2020/21	2019/20
Net sales from goods and services		28.640.683	60.948.462
Other operating income	4.1	927.585	2.975.871
Change in inventory of finished and unfinished goods as well as unbilled goods and services		186.456	559.797
Material expense	4.2	-21.651.186	-47.901.490
Personnel expense	4.3	-6.503.368	-8.051.103
Depreciation on tangible fixed assets		-157.578	-238.723
Impairment on investments	3.5	-164.877	-2.536.353
Amortization on intangible assets		-16.369	-16.991
Other operating expense	4.4	-6.917.465	-8.021.901
Operating result		-5.656.119	-2.282.431
Financial result	4.5	5.016.697	-572.172
Loss before income taxes		-639.422	-2.854.603
Income taxes	4.6	-104.298	-20.306
Loss		-743.720	-2.874.909

Notes to the financial statements

1 General information

KLINGELNBERG AG is a limited company under Swiss law and is incorporated and domiciled in Zürich, Switzerland. These financial statements were prepared according to the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). Where not already prescribed by law, the significant accounting policies applied are described below.

KLINGELNBERG AG reports its consolidated financial statements based on the recognized standard (Swiss GAAP FER). In accordance with the legal provisions, it has decided not to provide notes on the audit fees, a cash flow statement or a report on the business situation.

2 Accounting principles

KLINGELNBERG AG's financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The main accounting principles are described below.

2.1 Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates as at the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the monthly average exchange rates as at their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement (financial result).

2.2 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances. These are valued at market value.

2.3 Receivables from goods and services from third parties

Receivables from goods and services are recognized at nominal value. Individual impairment charges are applied to these items, while a general allowance of 20% (foreign) and 10% (domestic) is applied.

2.4 Other short-term receivables/liabilities from/to group companies

These positions contain euro cash-pool balances within the group. Participants of the euro cash-pool are all group companies with a significant transaction volume in Euro. Interest rates are applied at the market rate.

2.5 Inventories

Inventories are measured at the lower of acquisition or manufacturing cost and net realizable value. Production costs comprise all directly attributable material and manufacturing costs as well as indirect costs incurred to bring the inventories to their present location and get them into their current state. Acquisition and production costs are determined using the weighted average cost method. Net realizable value is the estimated proceeds from disposal minus estimated costs of production and selling expenses. Value adjustments are applied in cases of unsaleable inventory and inventory with low turnover rates.

2.6 Tangible fixed assets

Tangible fixed assets are measured at acquisition cost or production cost less accumulated depreciation. Depreciation is recognized on a straight-line basis over the following estimated useful life of the asset:

Machines and equipment: 10 years
Other tangible fixed assets: 3 to 10 years

2.7 Investments

Investments in subsidiaries are carried at historical cost less required impairments. An impairment is considered as soon as the net asset value of all investments falls below total carrying value. In order to evaluate the amount to be impaired, a recognized valuation method is used. Subsidiaries are consolidated as a group for valuation purposes due to their high economical and operational interdependence.

2.8 Revenue recognition

Revenue comprises all proceeds from the sale of the products of KLINGELNBERG AG. Revenue is calculated on the basis of the services rendered to clients as at the balance sheet date. Revenue is recognized when the amount of the proceeds can be reliably determined, when it is sufficiently probable that the economic benefits from the sale will flow to KLINGELNBERG AG and the risk and reward of ownership is transferred.

2.9 Accrued expenses

Provisions are made when a legal or constructive obligation has arisen from past events as at the reporting date, the discharge of funds to fulfill this obligation is probable and a reliable estimate of the amount of the obligation is possible. The amount of the provision depends on the expected cash outflow to cover the obligation.

2.10 Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2021 is composed of 8.840.000 registered shares with a nominal value of CHF 5 each (no changes to the previous year).

3 Substantial information on the balance sheet items

3.1 Receivables from goods and services from third parties

CHF	31.03.2021	31.03.2020
Receivables from goods and services (gross)	13.440.444	9.781.857
Receivables from joint ventures	28.760	925
Receivables from other related parties	0	36.185
Value adjustments	-2.693.900	-1.956.600
Receivables from goods and services	10.775.304	7.862.367
Thereof:		
- not due and due up to 90 days	10.775.304	7.854.529
- overdue more than 90 days	0	7.838

3.2 Other short-term receivables from third parties

The position includes refunds from VAT declarations from Germany and Switzerland in the amount of CHF 1,5 million (as at 31 March 2020: CHF 0,8 million).

3.3 Other short-term receivables/financial liabilities/payables from goods and services from/to group companies

The bank balance existing at the end of the previous financial year was used for internal financing. The cash pool account of KLINGELNBERG GmbH increased from CHF 37,0 million to CHF 56,5 million.

At the same time, the trade payables to the KLINGELNBERG GmbH increased from CHF 2,0 million to CHF 8,4 million due to shipments in March 2021.

3.4 Inventories

CHF	31.03.2021	31.03.2020
Work in progress	1.859.150	1.672.694
Acquired parts	0	16.182
	1.859.150	1.688.876
Value adjustments	-69.571	-90.031
Inventories	1.789.579	1.598.845

3.5 Investments

As at 31 March 2021, KLINGELNBERG AG held the following investments:

- KLINGELNBERG GmbH, Hückeswagen, Germany (100%)
- KLINGELNBERG Imexma SA, Barcelona, Spain (100%)
- KLINGELNBERG France SAS, Saint German-en-Laye, France (100%)
- KLINGELNBERG Italiana S.R.L., Milano, Italy (100%)
- KLINGELNBERG (Japan) Ltd., Yokohama, Japan (100%)
- The KLINGELNBERG Corporation, Cincinnati, Ohio, USA (100%)
- KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico (100%)
- KLINGELNBERG Hungaria Kft. "v.a.", Győr, Hungary (100%) - in liquidation
- KLINGELNBERG India Private Ltd., Pune, India (99,99%)
- DKSH KLINGELNBERG Service Ltd., Shanghai, China (joint venture/50%)
- KLINGELNBERG do Brasil, Sao Paulo, Brazil (99%)

Additional as at 31. March 2020:

- KLINGELNBERG Hungaria Service Kft., Győr, Hungary (100%); register deletion at 16 July 2020

In the financial year 2019/20, KLINGELNBERG Group has started a Efficiency Enhancement Program. This includes the liquidation of the two Hungarian companies. The liquidation of the KLINGELNBERG Hungaria Service Kft. was completed in the financial year 2020/21. Due to the various governmental lockdowns, caused by the corona pandemic, the formal liquidation under Hungarian law for KLINGELNBERG Hungaria Kft. "v.a." is delayed. The company is expected to be deleted from the register in 2021/22.

The Hungarian entity which is in liquidation process has been assessed separately. This separate valuation resulted in an additional devaluation of CHF 0,2 million (as at 31. March 2020: CHF 2,5 million) at KLINGELNBERG Hungaria Kft. "v.a."

3.6 Short-term financial liabilities to third parties

As at 31 March 2021 the existing line of credit was unused (as at 31 March 2020: CHF 7,3 million).

3.7 Payables from goods and services to third parties

CHF	31.03.2021	31.03.2020
Payables from goods and services	405.124	463.404
Payables from joint ventures	83.193	16.069
Payables from goods and services to third parties	488.317	479.473
Thereof:		
- not due and due up to 90 days	487.892	475.996
- overdue more than 90 days	425	3.477

3.8 Other short-term liabilities to third parties

Other short-term liabilities include advance payments from customers, salaries and wages, commissions and taxes/social-insurance withholdings. Due to the increase of the orders, advance payments received increased from CHF 2,8 million to CHF 6,0 million. Other liabilities remained at the previous year's level.

3.9 Other short-term liabilities to group companies

In the previous year these included only down payments received.

3.10 Accrued liabilities and deferred income

The position essentially involves a decrease in outstanding invoices for machines billed in the amount of CHF 0,7 million and a decrease of paid tax liabilities of about CHF 0,6 million.

3.11 Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2021 is composed of 8.840.000 registered shares with a nominal value of CHF 5 each (no changes to the previous year).

3.12 Statutory capital reserves

As at 31 March 2021, the company had CHF 55,5 million (no changes to the previous year) of reserves from capital contributions, of which CHF 55,3 million has been recognized as such by the Swiss tax authorities (further details Note 4.14 of the Consolidated Financial Statements).

4 Substantial information on the income statement items

4.1 Other operating income

In the previous year, this position included income from the reversal of general valuation allowances by CHF 2,3 million.

4.2 Material expense

Due to the decline in sales, the cost of materials decreased accordingly from CHF 47,9 million to CHF 21,7 million. The materials ratio was reduced from 77,9% to 75,1%.

4.3 Personnel expense

Short-time working was implemented in the period from April 2020 to November 2020. This resulted in a reduction of personnel expense of CHF 0,7 million in the financial year 2020/21. Furthermore, the number of employees decreased by three.

4.4 Other operating expense

Other operating expenses include in particular rent expense, legal and consulting fees, travel and representation expense, freight charges, commissions, patent cost, capital tax and other expenses.

Due to the persisting corona pandemic, costs were cut in all areas, resulting in an overall reduction of CHF 1,1 million.

4.5 Financial result

CHF	2020/21	2019/20
Interest expense (-)	-160.725	-81.490
Interest income (+)	1.072.523	1.392.357
Financial income	911.798	1.310.867
Currency translation difference and hedging expense	-2.122.416	-7.383.420
Currency gains	4.348.293	4.582.881
Foreign currency gain (loss)	2.225.877	-2.800.539
Investment income	1.879.022	917.500
Financial result	5.016.697	-572.172

The floating of the EUR/CHF exchange rate is responsible for the foreign currency gain. Income from investments relates to dividends from subsidiaries.

4.6 Income taxes

The tax expense includes withholding tax and tax on profits. Capital tax is reported under other operating expenses (Note 4.4) in the same way as in the consolidated financial statements.

5 Additional information

5.1 Employees

The number of full-time equivalents (FTEs) did not exceed 50 as an annual average (no changes to the previous year).

5.2 Lease liabilities

Operating leases apply mainly to vehicles and building rents.

CHF	31.03.2021	31.03.2020
Up to 1 year	1.426.505	1.382.375
1 to 5 years	5.500.123	5.461.500
More than 5 years	2.700.000	4.050.000
Total operating lease liabilities	9.626.628	10.893.875

5.3 Pension fund obligations

As at 31 March 2021, as well as at the end of the previous year, there are no liabilities to the occupational pension fund due.

5.4 Release of hidden reserves

During the period under review, hidden reserves increased by CHF 0,7 million (prior year: CHF -2,3 million) mainly due to the increase of the allowance of receivables from goods and services (Note 3.1).

5.5 Guarantees

KLINGELNBERG AG, as the parent company, has taken over joint liability for different subsidiaries and their bank contracts. The contracts are concluded in EUR, JPY and CHF. The conversion into CHF is made at the closing rate.

CHF 000	31.03.2021	31.03.2020
Guarantees and pledges to group companies in favor of third parties	81.171	66.733
Guaranteed maximum amount	81.171	66.733
Thereof utilized	19.848	33.011

5.6 Contingent liabilities

At the end of the year under review, there were no contingent liabilities (no changes to the previous year).

5.7 Significant shareholders

An overview can be found in section 3.1 of the Corporate Governance report.

5.8 Compensations

Compensations paid to the members of the Board of Directors and the Executive Committee are disclosed in section 5 of the Compensation Report.

5.9 Shareholdings of members of the Board of Directors and Executive Management

Number of shares

	31.03.2021	31.03.2020
Jan Klingelberg, CEO	0	0
Christoph Küster, CFO	1.000	1.000
Martin Boelter, COO	2.000	1.000
Dr. Jörg Wolle, Member of the Board of Directors/Chairman	195.730	45.000
Diether Klingelberg, Member of the Board of Directors	15.000	15.000
Hans-Georg Härter, Member of the Board of Directors	430	430
Roger Baillod, Member of the Board of Directors	1.500	0
Prof. Dr. Michael Hilb, Member of the Board of Directors	1.000	0

4.294.349 shares are held by KLINGELNBERG Luxemburg A.G.. The shares of this company are directly and indirectly held by Jan and Diether Klingelberg (section 3.1 of the Corporate Governance report). 4.000 shares of Diether Klingelberg are jointly registered as a group due to an agreement with KLINGELNBERG Luxemburg A.G. on exercising of voting rights.

5.10 Events after the balance sheet date

No significant events occurred after the balance sheet date. Events after the balance sheet date were considered until 22 June 2021. On this date, the financial statements were authorized for release by the Board of Directors.

Appropriation of retained earnings

Proposal by the Board of Directors for the appropriation of retained earnings:

CHF	31.03.2021	31.03.2020
Amount brought forward from prior year	31.452.026	34.326.935
Loss	-743.720	-2.874.909
Statutory retained earnings	30.708.306	31.452.026
To be carried forward	30.708.306	31.452.026

Proposal of the Board of Directors for the appropriation of legal capital contribution reserves:

CHF	31.03.2021	31.03.2020
Capital contribution reserves	55.531.150	55.531.150
Withholding tax free distribution	0	0
To be carried forward	55.531.150	55.531.150

The Board of Directors will propose to the Annual General Meeting on 24 August 2021 that no dividend will be paid out. In addition, the Board of Directors will propose that the retained earnings of CHF 30,7 million and capital contribution reserves of CHF 55,5 million will be carried forward.

In the previous year, no dividend per registered share was paid out according to the decision of the Annual Shareholders' Meeting of 19 August 2020.

Klingelberg AG
Zurich

Report of the statutory auditor
to the General Meeting

on the financial statements 2020/2021



Report of the statutory auditor

to the General Meeting of Klingelberg AG

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klingelberg AG, which comprise the balance sheet as at 31 March 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 113 to 125) as at 31 March 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 280'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters the following areas of focus have been identified:

Valuation of investments in subsidiaries

Revenue recognition of goods and services in the appropriate period

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 280'000
How we determined it	1.00% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements use to evaluate the financial performance of the group. It is also a generally accepted benchmark when profit varies greatly between accounting periods.

We agreed with the Audit Committee that we would report to them misstatements above CHF 14'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investments in subsidiaries

Key audit matter

The balance sheet item 'Investments' includes a number of investments in subsidiaries and amounts to CHF 90.9 million as of 31 March 2021. We consider the valuation of investments in subsidiaries to be a key audit matter due to the significance of the balance (55.4% of total assets). An impairment of investments in subsidiaries could have a significant impact on the equity of the company.

Investments in subsidiaries are carried at historical cost less required impairments. Management considers an impairment as soon as the total net asset value falls below total carrying value. In order to evaluate the amount to be impaired, a recognised valuation method is used.

Due to the high economic and operational interdependence of subsidiaries, Management deemed the consolidation of the investments in subsidiaries as a group for valuation purposes to be appropriate.

Please refer to the accounting principles for 'Investments' in note 2.7 as well as the details of investments held in note 3.5.

How our audit addressed the key audit matter

With regard to the valuation of investments in subsidiaries, our audit consisted principally of the following procedures:

- We assessed the appropriateness of Management's applied valuation approach (comparison of carrying values against the respective net asset value);
- We challenged Management's considerations for applying portfolio valuation;
- We tested the mathematical accuracy of the impairment assessment prepared by Management;
- We compared the current year's business results with Management's prior period forecasts in order to assess in retrospect the accuracy of Management's forecasting process.

On the basis of the work performed, we gained sufficient evidence to address the risk of material misstatement of the valuation of investments in subsidiaries. We consider the valuation of investments in subsidiaries to be appropriately assessed by Management.

Revenue recognition of goods and services in the appropriate period

Key audit matter

Klingelberg AG recognises revenue from goods and services in the period in which it transfers the risk and reward of ownership.

A significant portion of the revenue is normally recognised during the second half of the Company's financial year. We consider revenue recognition in the appropriate period to be a key audit matter because of the complexity involved when assessing and adhering to the contractually agreed incoterms as well as due to standard intra-year seasonal trends, which, in our view, increase the risk of material misstatement in revenue recognition in the appropriate period.

Please refer to the company's accounting principles in note 2.8.

How our audit addressed the key audit matter

We performed the following audit procedures to assess whether revenue from goods and services was recognised in the appropriate period:

- We identified transactions occurring close to the balance sheet date and for the months of March 2021 and April 2021 tested, on a sample basis, whether revenue was appropriately recognised in the period in which the risk and reward of ownership were transferred. For the same sample, we assessed whether the contractually agreed incoterms were in agreement with the revenue recognition;
- Furthermore, we enquired with Management regarding controls that address the risk of recording revenue from goods and services in the wrong period.

We consider the risk of material misstatement in revenue recognition in the appropriate period to be adequately addressed.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Blaženka Kovács-Vujević
Audit expert
Auditor in charge



Regina Spaelti
Audit expert

Zurich, 22 June 2021

Alternative Performance Measures

Full refurbishment incl. ball screws, bearings, rails, belts and couplings – restoration of the original production quality

Performance package incl. faster gap finding and improved contact detection – higher efficiency and lower tooling costs

BEFORE AND ...



AFTER RETROFIT & REFURBISHMENT

New control cabinet incl. cables, motors, measuring systems and sensors – high production reliability and reduced failure probability

Modern machine control – intuitive touch display and the latest operating software

Alternative Performance Measures

In addition to the key figures defined or specified in the Swiss GAAP FER financial reporting framework, KLINGELNBERG also provides key financial ratios derived from or based on the prepared financial statements. These are known as Alternative Performance Measures (APM).

KLINGELNBERG considers these key financial ratios to be important supplemental information for investors and other readers of the financial reports. The key financial ratios should therefore be seen as an addition to and not a replacement of the information prepared in accordance with Swiss GAAP FER.

With regard to the requirements of the SIX Swiss Exchange guidelines on Alternative Performance Measures (APM), KLINGELNBERG provides an overview of the Alternative Performance Measures used, their definition and their compilation:

EBITDA:

Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes the operating result plus depreciation on tangible fixed assets and amortization on intangible assets.

EUR 000	2020/21	2019/20
(1) Operating result	-11.562	-18.776
(2) Depreciation on tangible fixed assets	-4.559	-5.347
(3) Amortization on intangible assets	-443	-487
EBITDA (1) - (2) - (3)	-6.560	-12.942

EBIT:

The operating result (Swiss GAAP FER) excluding non-operating and extraordinary results.

EUR 000	2020/21	2019/20
Operating result	-11.562	-18.776

Total Operating Performance:

Total operating performance is the sum of net sales from goods and services and change in inventory of finished and unfinished goods as well as unbilled goods and services.

EUR 000	2020/21	2019/20
(1) Net sales from goods and services	158.719	212.093
(2) Change in inventory of finished and unfinished goods as well as unbilled goods and services	-5.844	10.629
Total operating performance (1) + (2)	152.875	222.722

Gross Profit:

Gross profit is the sum of total operating performance and material expense.

EUR 000	2020/21	2019/20
(1) Total operating performance	152.875	222.722
(2) Material expense	-52.000	-90.606
Gross profit (1) + (2)	100.875	132.116

Materials Ratio:

The materials ratio is derived from the division of material expense by total operating performance.

EUR 000	2020/21	2019/20
(1) Total operating performance	152.875	222.722
(2) Material expense	-52.000	-90.606
Materials ratio (-2) / (1)	34,0%	40,7%

Personnel Expense Ratio:

The personnel expense ratio is derived from the division of personnel expense by total operating performance.

EUR 000	2020/21	2019/20
(1) Total operating performance	152.875	222.722
(2) Personnel expense	-83.731	-110.644
Personnel expense ratio (-2) / (1)	54,8%	49,7%

Other Operating Expense Ratio:

The other operating expense ratio is derived from the division of other operating expense by total operating performance.

EUR 000	2020/21	2019/20
(1) Total operating performance	152.875	222.722
(2) Other operating expense	-26.201	-37.722
Other operating expense ratio (-2) / (1)	17,1%	16,9%

Ratio of Research and Development Expenses:

Research and development expenses divided by net sales from goods and services.

EUR 000	2020/21	2019/20
(1) Net sales from goods and services	158.719	212.093
(2) Research and development expenses	-21.100	-24.908
Ratio of research and development expenses (-2) / (1)	13,3%	11,7%

Net Debt:

The sum of financial liabilities (long- and short-term) less cash and cash equivalents.

EUR 000	31.03.2021	31.03.2020
(1) Short-term financial liabilities	5.343	27.077
(2) Long-term financial liabilities	1.705	2.983
(3) Cash and cash equivalents	22.577	38.744
Net debt (1) + (2) - (3)	-15.529	-8.684

Free Cash Flow:

Cash flow from operating activities plus cash flow from investing activities.

EUR 000	31.03.2021	31.03.2020
(1) Cash flow from operating activities	7.617	-2.222
(2) Cash flow from investing activities	-267	-4.250
Free cash flow (1) + (2)	7.350	-6.472

Financial Calendar



Dates in the coming financial year

23.06.2021	Publication of figures for the financial year ending 31 March 2021
24.08.2021	Annual General Meeting
17.11.2021	Publication of results for the half-year ending 30 September 2021



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