



# Financial Half-Year Statements

## 2019/20

### **KLINGELNBERG AG**

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## Dear Shareholders,

In recent months the global economy has seen significant changes:

- Globally, growth rates are slowing.
- In numerous markets and key sectors, we are facing the onset of a recession.
- Uncertainty about the consequences of Brexit and potential trade conflicts is increasing.
- Lack of clear political direction, for example regarding the future of free movement of goods and labor, is creating uncertainty in the investment strategies of key players and major manufacturers, typically those of the automotive industry.

These factors, together with several others, mean that, months ago already, the global economy, which had persistently performed so well, experienced a reverse trend. Invariably with indications of a continuing economic slowdown, the machine building industry is one of the first to feel the impact.

This current economic slowdown, in some cases even a recession, is different. It has happened suddenly, is worrying particularly for the weaker players in our industry, while large sections of the general public, the media and key political circles are still unaware of it. After a decade of economic prosperity and boom, acceptance of this new reality is difficult. A further cause for concern is that, unlike in previous recessions, politicians cannot cut interest rates as leverage. Currently, there is simply no longer scope for reductions in the face of zero or even negative interest rates.

Both in our industry and at your own company, KLINGELNBERG Group, this constellation has left its mark. Whereas we were still able to report very respectable results in the previous financial year, this year reveals a different picture. The global market environment has deteriorated further, requiring us to adjust our already cautious forecast issued at the beginning of this financial year. Significant economic barriers persist and there are no foreseeable solutions to the primary conflicts. The situation is also compounded by other obstacles at regional level. India, for example, is still struggling with the consequences of changes in emissions standards from Euro 4 to Euro 6, while the ongoing and sometimes exaggerated climate debate in Europe has prompted significant hesitation among customers wanting to buy a car. Stagnating or even declining car sales have far-reaching repercussions on industrial output, as their overall impact affects a broad network of vehicle manufacturers and direct suppliers. That network, in turn, also causes uncertainty to spread, creating an investment backlog across the industry as a whole.

In the machine building sector, the first weakly positioned companies have exited the market. With its solid foundations and sound financial base, Klingelberg's market position is sustainable, but the company cannot and must not rest on its laurels. Contrary to what we expected at the beginning of the year, the negative economic environment is not only challenging the bevel gear sector. Rather, indirect networks mean that our entire equipment range, on which component volumes are processed on scales similar to the automotive industry, is coming under pressure, for example, as a result of investment backlogs in that same industry. In concrete terms, this means that orders for smaller cylindrical gear and measuring centers are also falling short of our expectations at the start of the year.

The effects can already be seen in the half-year result, with both revenues and earnings (EBIT) lower than planned earlier.

At around EUR 10,7 million, net revenues in the first half of the fiscal year were down on the previous fiscal year (decrease from EUR 99,1 million to EUR 88,4 million).

Operating EBIT also fell by around EUR 5,3 million year on year.

## Enhanced efficiency

Watching and waiting is not our style. We respond proactively to economic slowdowns, boosting our efficiency, streamlining company structures while simultaneously investing in promising sectors, even in times of crisis. KLINGELNBERG Group will implement a comprehensive program dedicated to enhancing efficiencies. The objectives are to significantly lower operating costs while continuing to optimize business processes.

We will also expand our sales organization to exploit new opportunities in the areas of non-gear, digitalization and complete machining whenever they arise. Moreover, we will continue to adapt our service products to match current market constraints and to expand our refurbishment and retrofit activities.

## Business performance trends

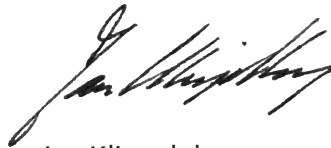
Customary seasonal trends seen in previous years were also apparent in the ongoing fiscal year. Usually, 30% – 40% of transaction value is generated in the first six months. We are cautiously optimistic that we can achieve correspondingly stronger net sales in the second half of the year and hence a higher contribution to earnings.

For the financial year 2019/20, we anticipate a decline in sales around 15-20%. We continue to expect a positive operating result without taking into account potential one-off expenses for the efficiency enhancement program already announced.

We wish to emphasize that KLINGELNBERG Group is very well positioned to manage the impact of the market parameters described above. We are proactive in tackling adverse challenges, we are global leaders in our field of technology and our customers have confidence in our company. We do not adopt a passive approach. Not least because that is what we owe you, our valued shareholders.



Dr. Jörg Wolle  
Chairman of the Board of Directors



Jan Klingelberg  
CEO

Zurich, 12 November 2019

## Financial report

### Segments and markets

Worldwide industrial production is down and the automotive industry in particular is currently in an identity crisis, all of which is impacting the current financial results of the KLINGELNBERG Group. Compared with the previous year, net sales decreased by EUR 10,7 million to EUR 88,4 million. While the Cylindrical Gear segment increased its net sales by EUR 4,1 million compared with the previous year, the automotive crisis is negatively impacting the Bevel Gear and Measuring Centers segments in particular.

#### ■ **Bevel Gear segment:**

The Bevel Gear segment ended the first half of the 2019/20 financial year with net sales of EUR 35,0 million, around EUR 6,0 million below the previous year's figure. This is from our point of view caused by uncertainty regarding future emission regulations on one side and still imperfect alternative drive concepts such as e-mobility on the other side. Both lead to a slow down in car sales. The automotive industry is therefore cautious investing in conventional drive technology and focuses on maintaining production. As consequence we are experiencing less demand on new machine projects and more demand for retrofits and overhauling activities.

#### ■ **Cylindrical Gear segment:**

The Cylindrical Gear segment recorded a satisfactory order and sales situation at the end of the first half of the year. Net sales increased by EUR 4,1 million compared with the previous year and totaled EUR 22,8 million.

Growth came from the non-automotive sector, in particular the mining and wind energy sector. After a prolonged phase of very low investments, mining and wind energy have started recovering over the last years. Especially Asia seems to be on the forefront of this upswing.

In light of increased awareness for global warming renewable energy should benefit. Similar we expect the mining industry investments to benefit from demand for lithium and cobalt, both used in battery production for electric vehicles.

### ■ Measuring Centers segment:

In the Measuring Centers segment, there was a significant decline by EUR 9,1 million to EUR 21,0 million compared with the same period of the previous year. As in the Bevel Gear segment, Measuring Centers are also heavily dependent on the automotive sector.

As a result, almost all investment decisions, especially in major projects, have been postponed. Nevertheless, we remain positive to compensate this decline partly by marketing our new optical metrology solutions as well as penetrating new applications. We have successfully entered the market segments for rings of roller bearings and cycloid gears for robotics. Both will over time create significant growth opportunities.

### ■ Drive Technology segment:

The Drive Technology segment closed the first half of the financial year 2019/20 with sales of around EUR 5,9 million, surpassing the previous year's figure by around EUR 1,0 million. This increase in output is due mainly to increased incoming orders in the fourth quarter of the last financial year with additional impetus from the global mining industry.

After many years of reluctance to invest due to consolidation, the returns of the global mining groups rose to almost record levels in 2018 and also caused an uptick in the Drive Technology segment of the KLINGELNBERG Group.

## Gross profit

Net sales reduction of EUR 10,7 million and a slight increase in change in inventory of EUR 0,6 million compared with the prior-year period resulted in a decrease in total operating performance of EUR 10,1 million. Lower net sales are due to the impaired dynamics of the global economy as described above.

Driven by decline in operating performance, material expense decreased by EUR 4,4 million. The materials ratio rose slightly to 45,5%, 0,2 percentage points above the previous year's level.

## Personnel expense and employees

Personnel expense totaled EUR 50,9 million at the end of the financial half-year, up EUR 2,1 million from the same period last year, due mainly to the collective bargaining agreement for the metal and electrical engineering industry that was concluded in February 2018. The rise of personnel

expense in relation to the significant lower total operating performance resulted in an increase of the personnel expense ratio of 5,6 percentage points to 45,8%. The KLINGELNBERG Group had 1.340 employees as of 30 September 2019 (compared to prior-year period +32 employees).

### Other operating expense

Other operating expense were below the previous year's figure by EUR 3,6 million, totaling EUR 18,0 million at the end of the first half of the financial year. This reduction is partly the result of lower legal and consulting expenses from one-off IPO costs in the same period last year. The decrease of the other operating expense was achieved by savings in IT, travel and building maintenance expenses. The ratio of other operating expense to total output decreased from 17,8% to 16,2%.

### Operating result

Net sales decreased to EUR 88,4 million in the first half of the year. Despite the fact that material expense and other operating expense were also lower, the operating result (EBIT) fell by EUR 5,3 million to EUR -10,0 million.

### Balance sheet

The balance sheet total of the KLINGELNBERG Group decreased by EUR 5,2 million compared with the financial statements for 31 March 2019 and totaled EUR 250,2 million on 30 September 2019. Non-current assets increased by EUR 3,9 million (+5,8%), while current assets fell by EUR 9,0 million (-4,8%). Inventories increased by EUR 27,0 million, cash and cash equivalents decreased by EUR 19,9 million and receivables from goods and services fell by EUR 18,7 million. The increase in inventories results from the usually spread of sales over the financial year with a significant increase in the second half-year.

Equity fell by EUR 14,1 million (-8,6%) to EUR 148,9 million compared with the financial statements for 31 March 2019. Two effects were decisive: the distribution of profit of EUR 8,1 million and current net profit of EUR -8,1 million. As a result, the equity ratio dropped by 4,3 percentage points to 59,5% compared with 31 March 2019.

Total liabilities grew by EUR 8,9 million compared with 31 March 2019 and totaled EUR 101,3 million as of 30 September 2019. This significant increase is due mainly to the rise of short-term financial liabilities.

Net debt increased by EUR 32,5 million and totaled EUR 10,3 million at the end of the six-month period. Overall, KLINGELNBERG Group is financially well positioned for the future.

## Cash flow statement

The cash flow from operating activities totaled EUR -24,1 million due to the increase in inventories of work in progress, which is necessary in order to achieve the increase in net sales in the second half of the financial year.

The cash flow from investing activities developed positively due to lower investments in tangible fixed assets as a result of the completion of the Manufacturing 2020 investment program.

The cash flow from financial activities amounted to EUR +4,6 million, while financial liabilities of EUR +12,7 million were recorded, profit distribution totaled EUR -8,1 million.

Overall, the net change in cash flow totaled EUR -19,9 million in the first half of the year (EUR -19,4 million compared with the same period last year).

## Outlook

For the financial year 2019/20, we anticipate a decline in sales around 15-20%. We continue to expect a positive operating result without taking into account potential one-off expenses for the efficiency enhancement program already announced. The nature and scope of this program are currently being worked out. According to German labor law employee representatives are involved in this discussions. Results of these negotiations and milestones of execution will be communicated in due time.



## Group key figures

EUR million	01.04.2019 - 30.09.2019 (unaudited)	01.04.2018 - 30.09.2018 (unaudited)	Change	01.04.2018 - 31.03.2019
Net sales from goods and services	88,4	99,1	-10,7	278,2
Order intake	105,3	124,5	-19,2	265,2
Operating result	-10,0	-4,7	-5,3	30,0
Operating result (adjusted, without IPO cost)	-10,0	-3,7	-6,3	31,1
Net profit	-8,1	-4,8	-3,3	19,2
Basic earnings per share (in EUR)*	-0,92	-0,56	-0,36	2,20
Diluted earnings per share (in EUR)*	-0,92	-0,56	-0,36	2,20
Operating result as % of net sales from goods and services	-11,3%	-4,7%	-6,6%	10,8%
Operating result (adjusted, without IPO cost) as % of net sales from goods and services	-11,3%	-3,7%	-7,6%	11,2%
Net profit as % of net sales from goods and services	-9,2%	-4,9%	-4,3%	6,9%
Cash flow from operating activities	-24,1	-4,9	-19,2	27,6
Investments	1,5	2,5	-1,0	7,8
Free cash flow	-25,3	-6,7	-18,6	22,0
Employees (FTE)	1.340,3	1.308,5	31,8	1.310,0

EUR million	30.09.2019	31.03.2019	Change	30.09.2018
Total liabilities and equity	250,2	255,4	-5,2	239,6
Net debt	10,3	-22,2	32,5	6,9
Total equity	148,9	163,0	-14,1	136,9
Equity ratio	59,5%	63,8%	-4,3%	57,1%

\* Due to the share split, the earnings per share as of 30 September 2018 and 31 March 2019, were adjusted for comparability. Our calculation took this into account with 1/200 of the earnings per share as of 30 September 2018 and 31 March 2019.

**Consolidated income statement**

EUR 000	01.04.2019 - 30.09.2019	01.04.2018 - 30.09.2018	01.04.2018 - 31.03.2019
<b>Net sales from goods and services</b>	<b>88.389</b>	<b>99.057</b>	<b>278.214</b>
Other operating income	917	2.487	7.424
Change in inventory of finished and unfinished goods as well as unbilled goods and services	22.704	22.138	-419
Material expense	-50.548	-54.945	-108.330
Personnel expense	-50.856	-48.723	-101.248
Depreciation on tangible fixed assets	-2.639	-3.057	-5.902
Amortization on intangible assets	-240	-238	-472
Other operating expense	-17.974	-21.553	-39.875
Share of result from joint ventures	245	182	587
<b>Operating result</b>	<b>-10.002</b>	<b>-4.652</b>	<b>29.979</b>
Financial result	-1.439	-1.740	-3.167
<b>Profit before income taxes</b>	<b>-11.441</b>	<b>-6.392</b>	<b>26.812</b>
Income taxes	3.316	1.570	-7.596
<b>Net profit</b>	<b>-8.125</b>	<b>-4.822</b>	<b>19.216</b>

**Earnings per share**

EUR	01.04.2019 - 30.09.2019	01.04.2018 - 30.09.2018	01.04.2018 - 31.03.2019
Basic earnings per share	-0,92	-0,56	2,20
Diluted earnings per share	-0,92	-0,56	2,20

**Additional information - non-GAAP measures**

EUR 000	01.04.2019 - 30.09.2019	01.04.2018 - 30.09.2018	01.04.2018 - 31.03.2019
EBITDA	-7.123	-1.357	36.353

## Consolidated balance sheet

EUR 000	30.09.2019	30.09.2018	31.03.2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8.750	8.111	28.695
Receivables from goods and services	52.238	49.924	70.981
Derivative financial instruments	44	10	81
Other short-term receivables	8.157	8.566	5.472
Inventories	109.880	103.075	82.870
Prepayments and accrued income	1.262	912	1.264
<b>Total current assets</b>	<b>180.331</b>	<b>170.598</b>	<b>189.363</b>
<b>Non-current assets</b>			
Tangible fixed assets	51.521	51.044	52.876
Loans and other receivables	104	757	350
Investments in joint ventures	2.368	1.719	2.123
Deferred tax assets	13.209	13.253	8.159
Other financial assets	1.058	637	796
Intangible assets	1.602	1.615	1.705
<b>Total non-current assets</b>	<b>69.862</b>	<b>69.025</b>	<b>66.009</b>
<b>Total assets</b>	<b>250.193</b>	<b>239.623</b>	<b>255.372</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term financial liabilities	15.076	9.459	1.735
Payables from goods and services	12.761	18.601	16.259
Derivative financial instruments	632	312	457
Other short-term liabilities	31.868	29.484	29.055
Accrued liabilities and deferred income	13.496	13.629	16.335
Short-term provisions	6.319	6.702	7.757
<b>Total current liabilities</b>	<b>80.152</b>	<b>78.187</b>	<b>71.598</b>
<b>Non-current (long-term) liabilities</b>			
Other long-term financial liabilities	3.940	5.505	4.722
Deferred tax liabilities	2.061	2.746	1.703
Long-term provisions	15.152	16.271	14.381
<b>Total non-current (long-term) liabilities</b>	<b>21.153</b>	<b>24.522</b>	<b>20.806</b>
<b>Total liabilities</b>	<b>101.305</b>	<b>102.709</b>	<b>92.404</b>
<b>Equity</b>			
Share capital	28.639	28.639	28.639
Capital reserves	43.134	51.267	51.267
Retained earnings	77.115	57.008	83.062
<b>Total equity</b>	<b>148.888</b>	<b>136.914</b>	<b>162.968</b>
<b>Total liabilities and equity</b>	<b>250.193</b>	<b>239.623</b>	<b>255.372</b>

**Consolidated cash flow statement**

EUR 000	01.04.2019 - 30.09.2019	01.04.2018 - 30.09.2018	01.04.2018 - 31.03.2019
<b>Net profit</b>	<b>-8.125</b>	<b>-4.822</b>	<b>19.216</b>
Depreciation / amortization / write-up of tangible fixed assets and intangible assets	2.879	3.295	6.374
Change in provisions (including deferred taxes)	-310	-603	-2.307
Profit / loss from the disposal of tangible fixed assets and intangible assets	1	16	-716
Change in receivables from goods and services	19.930	23.768	3.083
Change in inventories	-27.377	-26.404	-7.310
Change in other receivables and prepayments and accrued income (including deferred tax)	-7.585	-1.626	6.202
Share of loss / profits from the application of the equity method	-245	-182	-586
Change in payables from goods and services	-3.498	2.743	454
Change in other short-term liabilities and accrued liabilities and deferred income	783	-1.737	2.040
Other non-cash items	-519	624	1.137
<b>Cash flow from operating activities</b>	<b>-24.066</b>	<b>-4.928</b>	<b>27.587</b>
Inflows / outflows for investment in financial assets (including loans, participations, securities, etc.)	-16	659	815
Outflows for investment in tangible fixed assets	-1.396	-2.334	-7.268
Inflows from the sale of tangible fixed assets	318	34	1.366
Outflows for investment in intangible assets	-139	-177	-500
<b>Cash flow from investing activities</b>	<b>-1.233</b>	<b>-1.818</b>	<b>-5.587</b>
Distribution of profits	-8.133	0	0
Repayment / issuance of short-term financial liabilities	12.726	-13.514	-21.949
Inflows from capital increase	0	19.770	19.770
<b>Cash flow from financing activities</b>	<b>4.593</b>	<b>6.255</b>	<b>-2.179</b>
<b>Currency translation effects</b>	<b>761</b>	<b>-30</b>	<b>242</b>
<b>Net change in cash</b>	<b>-19.945</b>	<b>-521</b>	<b>20.063</b>
Opening balance of cash and cash equivalents at 01.04.	28.695	8.632	8.632
Closing balance of cash and cash equivalents at 31.03. / 30.09.	8.750	8.111	28.695
<b>Net change in cash</b>	<b>-19.945</b>	<b>-521</b>	<b>20.063</b>

## Consolidated statement of changes in equity

EUR 000	Share capital	Capital reserves	Retained earnings				Total equity
			Goodwill offset with equity	Other retained earnings	Cumulative foreign currency differences	Total retained earnings	
<b>Balance as at 01.04.2018</b>	<b>26.726</b>	<b>33.410</b>	<b>-20.517</b>	<b>76.228</b>	<b>4.414</b>	<b>60.125</b>	<b>120.261</b>
Capital increase	1.913	17.857	0	0	0	0	19.770
Currency translation differences	0	0	0	0	1.823	1.823	1.823
Net result from cash flow hedges	0	0	0	-118	0	-118	-118
Net profit	0	0	0	-4.822	0	-4.822	-4.822
<b>Balance as at 30.09.2018</b>	<b>28.639</b>	<b>51.267</b>	<b>-20.517</b>	<b>71.288</b>	<b>6.237</b>	<b>57.008</b>	<b>136.914</b>
<b>Balance as at 31.03.2019</b>	<b>28.639</b>	<b>51.267</b>	<b>-20.517</b>	<b>95.357</b>	<b>8.222</b>	<b>83.062</b>	<b>162.968</b>
<b>Balance as at 01.04.2019</b>	<b>28.639</b>	<b>51.267</b>	<b>-20.517</b>	<b>95.357</b>	<b>8.222</b>	<b>83.062</b>	<b>162.968</b>
Currency translation differences	0	0	0	0	2.157	2.157	2.157
Net result from cash flow hedges	0	0	0	21	0	21	21
Dividends	0	-8.133	0	0	0	0	-8.133
Net profit	0	0	0	-8.125	0	-8.125	-8.125
<b>Balance as at 30.09.2019</b>	<b>28.639</b>	<b>43.134</b>	<b>-20.517</b>	<b>87.253</b>	<b>10.379</b>	<b>77.115</b>	<b>148.888</b>

# Notes to the half-year financial statements 2019/20

## 1. Basis for the preparation of the financial statements and accounting policies

These consolidated financial statements cover the unaudited half-year results for the six months ending 30 September 2019. They have been prepared in accordance with Swiss GAAP FER as a whole and give a true and fair view of the assets, liabilities and earnings of KLINGELNBERG Group. In addition, the provisions of the Listing Rules of the SIX Swiss Exchange and Swiss accounting law were complied with. The consolidated interim financial statements for 2019/20 have been prepared in accordance with FER 31 "Supplementary Recommendation for Listed Companies".

These interim financial statements do not contain all the information and disclosures required in the annual consolidated financial statements. They should therefore be read in conjunction with the consolidated financial statements at 31 March 2019 (published 09 July 2019).

All line item amounts in the consolidated financial statements are presented in millions of Euro, and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, an addition of the figures presented can result in rounding differences.

## 2. Changes in the scope of consolidation

The Group consolidation structure has not changed since 31 March 2019.

## 3. Key exchange rates

The table below outlines the main exchange rates used in the preparation of our consolidated financial statements as at and for the years ended 30 September 2019 / 2018 and 31 March 2019.

	Period-end exchange rates			Average exchange rates		
	30.09.2019	31.03.2019	30.09.2018	01.04.2019 - 30.09.2019	01.04.2018 - 31.03.2019	01.04.2018 - 30.09.2018
CHF/EUR	1,08695	1,11835	1,13100	1,11120	1,14682	1,15928
USD/EUR	1,09220	1,12305	1,15815	1,12428	1,15812	1,17765
JPY/EUR	117,87025	124,37215	131,36320	121,39618	128,41348	129,88308

## 4. Segment information

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.

Disclosing operating results by business units would lead to competitive disadvantages in terms of our profitability and distribution margins as well as our cost calculations. Please read the consolidated half year statements under review in conjunction with the consolidated financial statements at 31 March 2019 (published 09 July 2019).

Net sales from goods and services						01.04.2019 - 30.09.2019
EUR 000						
Segments	Service location					Total
	Germany	Switzerland	Japan	USA	Rest of the World	
Bevel Gear	6.356	12.567	2.229	10.960	2.911	35.023
Cylindrical Gear	10.685	2.844	3.014	3.090	3.183	22.816
Measuring Centers	13.428	600	3.524	1.878	1.568	20.998
Drive Technology	5.820	0	0	0	57	5.877
Other	146	0	34	0	3.495	3.675
<b>Total</b>	<b>36.435</b>	<b>16.011</b>	<b>8.801</b>	<b>15.928</b>	<b>11.214</b>	<b>88.389</b>

Net sales from goods and services						01.04.2018 - 31.03.2019
EUR 000						
Segments	Service location					Total
	Germany	Switzerland	Japan	USA	Rest of the World	
Bevel Gear	23.613	70.875	4.818	13.659	9.509	122.474
Cylindrical Gear	31.036	3.099	6.917	9.120	2.947	53.119
Measuring Centers	53.226	4.699	9.962	6.365	6.136	80.388
Drive Technology	13.181	0	0	0	127	13.308
Other	425	0	125	0	8.375	8.925
<b>Total</b>	<b>121.481</b>	<b>78.673</b>	<b>21.822</b>	<b>29.144</b>	<b>27.094</b>	<b>278.214</b>

Net sales from goods and services						01.04.2018 - 30.09.2018
EUR 000						
Segments	Service location					Total
	Germany	Switzerland	Japan	USA	Rest of the World	
Bevel Gear	9.978	21.080	1.747	3.392	4.814	41.011
Cylindrical Gear	13.707	0	1.172	2.471	1.363	18.713
Measuring Centers	21.551	1.396	2.045	2.494	2.607	30.093
Drive Technology	4.854	0	0	0	42	4.896
Other	320	0	0	0	4.024	4.344
<b>Total</b>	<b>50.410</b>	<b>22.476</b>	<b>4.964</b>	<b>8.357</b>	<b>12.850</b>	<b>99.057</b>

## 5. Investments in associated companies and joint ventures

In the first half year 2019/20 as well as 2018/19, there were no changes in investments in associated companies and joint ventures.

## 6. Goodwill

Goodwill from the acquisition of consolidated entities is offset with equity at the date of the acquisition. Goodwill is theoretically amortized on a straight line basis over a useful life of 7-15 years. A theoretical capitalization of goodwill would have the following effects on the consolidated financial statements.

### Theoretical impact on equity

EUR 000	30.09.2019	31.03.2019	30.09.2018
Equity according to balance sheet	148.888	162.968	136.914
Theoretical net carrying amount goodwill	4.517	5.225	6.128
<b>Theoretical equity incl. net carrying amount of goodwill</b>	<b>153.405</b>	<b>168.193</b>	<b>143.042</b>

### Theoretical effect on income statement

EUR 000	30.09.2019	31.03.2019	30.09.2018
Net profit	-8.125	19.216	-4.822
Theoretical amortisation of goodwill	-708	-1.804	-902
<b>Theoretical net profit</b>	<b>-8.833</b>	<b>17.412</b>	<b>-5.724</b>

## 7. Shares

At 09 June 2018 the general assembly decided to split the shares from 1.000 CHF/per share to 5 CHF/per share and to increase the share capital by 440.000 registered shares with a nominal value of CHF 5 each. These new shares increased the share capital by CHF 2,2 million (EUR 1,9 million) and the capital reserve by CHF 20,5 million (EUR 17,9 million). The capital increase was carried out on 19 June 2018.

## 8. Significant events and business transactions

During the period under review, no material events or business transactions occurred that might have an impact on the critical estimates, appraisals and assumptions to be found in the consolidated financial statements as at 31 March 2019.

The capital increase has been mostly used for the repayment of short-term liabilities until the financing of investments.

The standard intra-year seasonal trends of recent years can also be seen in this year's business performance. In general, approximately 30% to 40% of total sales are generated in the first half of the year. As a result, sales are projected to be stronger and therefore profits higher in the second half of the year.



## 9. 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.

## 10. Events after the closing date

On 14 October 2019, KlingelInberg announced that due to a significant global slowdown in the automotive industry and engineering markets it is in the process of developing a comprehensive program to enhance KlingelInberg's efficiency by, amongst others, reducing KlingelInberg's operating costs and streamlining its processes. The structure and scope of the efficiency enhancement program, which is in early preparation stage only, are not determined and any potential related costs cannot be estimated yet. Other than that, there are no other significant events after the balance sheet date.

## About the company

Founded in 1863, KLINGELNBERG is one of the leading companies in the gear industry. On the background of many innovations in the areas of calculation, production, and measuring technology, KLINGELNBERG sees itself as a leader in this sector. With its acquisition of Höfler Maschinenbau GmbH's core business in 2012, KLINGELNBERG has added machines for machining cylindrical gears to its range of products, reinforcing its position as a complete system provider.

Headquartered in Zurich (Switzerland), KLINGELNBERG now develops and manufactures at its sites in Zurich (Switzerland), Hueckeswagen and Ettlingen (Germany), as well as in Győr (Hungary). The company also maintains a presence with sales and service offices and numerous marketing agents all over the world. KLINGELNBERG solutions are used in the automotive, commercial vehicle, and aviation industries, as well as in shipbuilding, the wind power industry, and the general transmission manufacturing industry. Applications range from vehicle drives, aircraft turbine engines, and cement mill gear units to drive systems for ships and oil rigs.

With over 200 patent grants, the company continuously demonstrates its capacity for innovation. Above and beyond this, its 14001 certification and participation in the VDMA's Blue Competence initiative give credence to the company's sustainable, environmentally sound business practices.

The shares of KLINGELNBERG AG are listed on the SIX Swiss Exchange (KLIN).



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