

KLINGELNBERG AG
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Press Release

KLINGELNBERG Group: 1st half-year 2019/20 with significant challenges

- Automotive and machine building industries are facing a rapidly weakening global economic environment
- Decline in sales and earnings due to investment backlogs in key customer sectors
- Klingelberg Group generates comprehensive program to increase efficiencies
- CEO Jan Klingelberg: "Proactively respond, increase efficiencies, streamline structures, reduce costs, expand sales and services, exploit change opportunities".
- Positive operating result expected

Zurich, 12 November 2019 – **The KLINGELNBERG Group, a world's leading manufacturer of high-end gear technology servicing a broad range of industries, is looking back on a difficult first half 2019/20. The Group's financial year runs from 1 April to 31 March of the following year. Against the backdrop of a global decline in total industrial output – particularly automobile production – significant uncertainty relating to Brexit and trade disputes, plus lack of direction in the future of mobility, Klingelberg posted a decline in net sales from some EUR 10,7 million to EUR 88,4 million in the first six months of the ongoing financial year. Given the seasonal nature of the business, where around 30–40 % of total annual sales are generated in the first half of each year, Klingelberg usually reports a negative result in that period. The first half of the new financial year was no exception, with an EBIT of EUR -10,0 million around EUR 5,3 million below the comparable figure for the previous year.**

Jan Klingelberg, CEO of the KLINGELNBERG Group: "Growth rates are declining worldwide. In many markets and key industries, we are facing signs of recession. Uncertainty about the consequences of trade conflicts is on the increase. Moreover, there are no guidelines from political authorities on the future of mobility. These factors are further enhancing uncertainty and consequently, restraint in demand for new vehicles. Compounded by sluggish demand for still costly electric vehicles, investment backlogs in the automotive industry are not surprising. The severity and suddenness with which this scenario began are extraordinary."

Klingelberg continues: "We are taking proactive measure to counter this trend. As already announced, our company will launch a comprehensive program to increase efficiencies. The Management of KLINGELNBERG AG will shortly begin talks with employee representatives. The aim is to develop and implement initiatives to increase efficiencies in the coming weeks already. Potential measures include the reorientation of R&D and production site responsibilities, the

pooling of redundant multiple competencies at company sites to streamline the organization, and creating a leaner product portfolio". Klingelberg further added that despite major challenges, the company would exploit any opportunities arising from the ongoing change scenario.

Whereas net sales fell by EUR 10,7 million to EUR 88,4 million in the first half of the year, Klingelberg still achieved growth in individual sectors, despite the challenges. However, this could not adequately offset the impact of investment attitudes in the automotive industry. In the bevel gear segment, sales fell by Euro 6 million year on year to Euro 35 million. This sector was particularly affected by hesitation in the global automotive industry. At the same time, the increasing need for retrofits and maintenance of installed machinery is generating business opportunities in these very areas. In cylindrical gear technology, Klingelberg increased sales by around EUR 4,1 million to EUR 22,8 million. Impetus came specifically from the global mining industry, which has been underinvesting for years, and from wind energy. In Asia, in particular, increased investment in wind energy is discernible. In the mining sector, demand for commodities such as cobalt and lithium for battery production will increase willingness to invest in the future. In the sector of measuring centers, sales fell significantly by EUR 9,1 million to EUR 21,0 million. This decline is almost exclusively attributable to investment policy restraints in the automotive industry. In the drive technology segment, Klingelberg increased sales by around EUR 1,0 million to EUR 5,9 million.

For the year as a whole, Klingelberg expects sales to decline around 15–20 % with a positive operating result without taking into account potential one-off expenses for the efficiency enhancement program as published on 14 October 2019. CEO Jan Klingelberg: "For many industries, the outlook is unusually bleak. It is important for us to emphasize that KLINGELNBERG AG is very well positioned to cope with the impact of these adverse conditions. We are proactive in tackling challenges, are the global technology leaders, and our customers have confidence in our group. We are active, and the outcome will be positive."

The complete KLINGELNBERG Group half-year report for the 2019/20 financial year is available online at <https://www.klingelberg.com/en/investors/financial-reports/>

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About Klingelberg

Founded in 1863, Klingelberg is a world leader in the gear industry. The company develops and produces machines for manufacturing of bevel and cylindrical gears, measuring centers for axially symmetrical objects of all types, as well as high-precision gear components. With headquarters in Zurich (Switzerland) and around 1,300 employees, Klingelberg operates development and production facilities in Zurich (Switzerland), Hückeswagen and Ettlingen (Germany) and Győr (Hungary) and is represented with sales and service offices in Germany, Switzerland, Hungary, France, Italy, Spain, Japan, India, China, Brazil, the United States and Mexico. Klingelberg shares are listed on the SIX Swiss Exchange (KLIN).

Disclaimer

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Furthermore, this release contains alternative performance indicators that are not defined or listed in the applicable, recognized accounting standard (Swiss GAAP FER). Definitions of these indicators and reconciliations between these indicators and the corresponding indicators in accordance with Swiss GAAP FER are included in this release.