



ANNUAL REPORT

2022/23

KLINGELNBERG AG

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Dear Shareholders,

The KLINGELNBERG Group has weathered the 2022/23 financial year very successfully – despite considerable external challenges. The Company was able to improve on key performance indicators significantly. Worth highlighting are the year-on-year increase in sales, which almost doubled to EUR 309,0 million, another record order intake of EUR 300,4 million, and not least, the massive rise in profits to operating result (EBIT) of EUR 23,8 million.

The crises of recent years are definitely behind us. As forecasted, your Company has benefited disproportionately from its realignment efforts. KLINGELNBERG has not only achieved a lot in absolute terms, but also in comparison with the competition. KLINGELNBERG's clear strategic positioning, innovative products, cost efficiency, and tight management have helped to position the Company as a global market leader in key growth markets.

Particularly remarkable is the growth of our global wind energy business, which KLINGELNBERG has continuously expanded despite the pandemic, economic downturns, and geopolitical tensions. Also, in the automotive sector, particularly in the transformation to electromobility, your Company made important decisions at an early stage and developed new products for this rapidly growing segment just as early as it did successfully. This success is already reflected in our strong order intake and sales figures. The future-oriented areas of electromobility and wind power today account for a significant share of our sales and order intake. We expect this development to continue dynamically.

Today, the Company is in a stronger position than ever before. Having been disproportionately battered in recent years – due to multiple crises and adverse events – it is gratifying to see that the positive development of our Company is also increasingly being rewarded by the capital market. The performance of the KLINGELNBERG share is stable on the upside. This is ultimately the result of hard and skilled work. For this, we would like to thank all employees, managing staff, and members of the Executive Board in the name of the Board of Directors.

At KLINGELNBERG, we know we cannot take these successes for granted. The heavily burdened economic environment continues to present major challenges. In particular, the tensions between China on one side and Europe and the US on the other are impacting procurement markets and supply chains. The Company must – and will – also be able to deal with rising prices and persistent inflation.

Dear shareholders, thank you for your patience and perseverance over the past years. We know it was not always easy to be a shareholder of your Company, but the figures now show that it was right to hold on to the Company. This will also be reflected in our dividend policy. We also want to thank our suppliers and customers for their ongoing support and trusting cooperation.

For the 2023/24 financial year, we are planning sales at the capacity limit at roughly the same level as the past financial year due to the continued pleasingly high order backlog and order intake. For our EBIT margin, however, we expect another increase in the 2023/24 financial year.

We confidently look to the future and are convinced that the new financial year will be another outstanding year for your Company.

Sincerely yours,



Dr. Jörg Wolle
Chairman of the Board of Directors



Jan Klingelberg
CEO

Zürich, 16 June 2023

At a Glance



Financial overview

Key facts

- Net sales of EUR 309,0 million (+94,8%)
- Order intake rose by EUR 31,5 million (+11,7%) to EUR 300,4 million
- Highest net sales and order intake in Company's history
- EBIT amounted to EUR +23,8 million, an increase of EUR 39,5 million
- Net profit amounted to EUR 20,8 million
- Equity ratio at 44,5%
- Dividend of CHF 0,40 per share

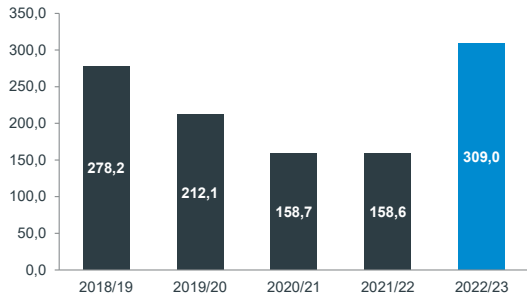
Group key figures

EUR million	2022/23	2021/22	Change
Net sales from goods and services	309,0	158,6	150,4
Order intake	300,4	268,9	31,5
Order backlog	259,6	268,0	-8,4
Operating result (EBIT)	23,8	-15,7	39,5
Net profit / loss	20,8	-21,7	42,5
Basic earnings per share (in EUR)	2,35	-2,45	4,80
Diluted earnings per share (in EUR)	2,35	-2,45	4,80
Operating result as % of net sales from goods and services	7,7%	(9,9%)	17,6%
Net profit / loss as % of net sales from goods and services	6,7%	(13,7%)	20,4%
Cash flow from operating activities	15,7	-54,5	70,2
Investments	18,3	11,6	6,7
Free cash flow	-1,9	-55,6	53,7
Employees (FTE)	1.229	1.183	46

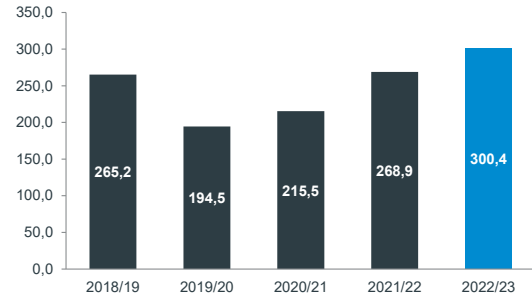
EUR million	31.03.2023	31.03.2022	Change
Total liabilities and equity	284,4	273,6	10,8
Net debt	41,8	40,1	1,7
Total equity	126,6	104,7	21,9
Equity ratio	44,5%	38,3%	6,2%

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

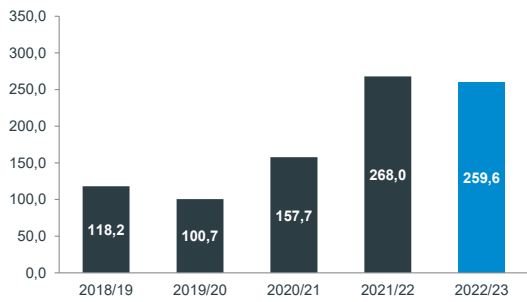
Net sales from goods and services, in EUR million



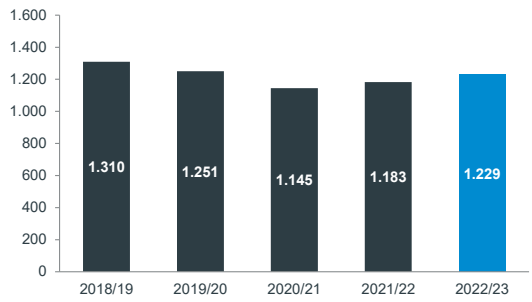
Order intake, in EUR million



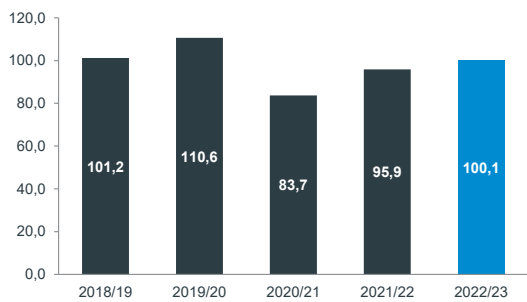
Order backlog, in EUR million



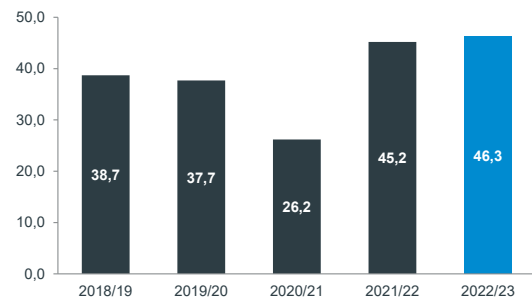
Employees (FTE), full time equivalents



Personnel expense, in EUR million

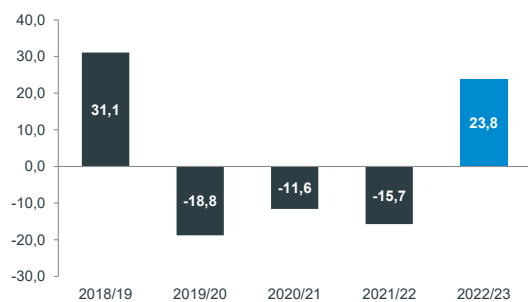


Other operating expense*, in EUR million

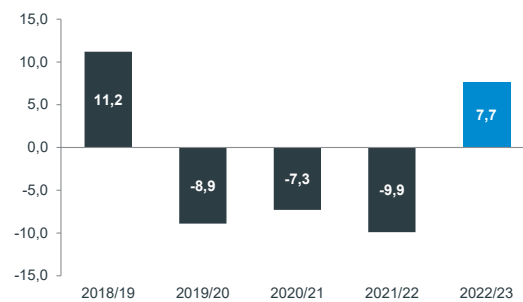


* 2018/19 adjusted, without IPO costs

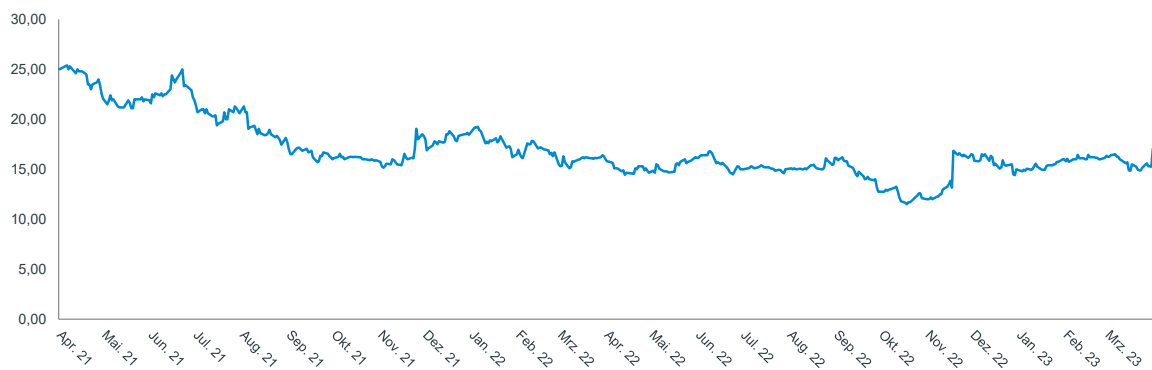
Operating result (EBIT)*, in EUR million



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



Share price, from 01 April 2021 – 31 March 2023



* 2018/19 adjusted, without IPO costs

Highlights 2022/23



Special Projects:

New KLINGELNBERG assembly hall officially inaugurated in Hückeswagen-Winterhagen



View into the new assembly hall covering a total area of 8.000 m².

After less than a year of construction, the new assembly hall with connected logistics center on the company premises of KLINGELNBERG GmbH in Hückeswagen-Winterhagen was officially inaugurated at the end of 2022. Covering a total area of 8.000 m² and located at Gustav-Adolf-Klingelberg-Straße 1, the new facility is where KLINGELNBERG is now building large gear manufacturing machines in particular, which are destined for use in the wind power industry, among other sectors. New office workspaces with a dedicated canteen were also built and ready in early 2023.

The challenging project set on a tight time line was completed in just ten months. The groundbreaking ceremony took place in December 2021. Two months later, the concrete columns were installed, followed by the roof trusses in April. Thanks to modern building and plant engineering practices, optimal operating conditions were created: the shops are fully air-conditioned and equipped with two bridge cranes – one with a 25-ton working load limit and one with a 40-ton working load limit – and 10 wall-mounted traveling cranes, each with a 3,5-ton working load limit. This means that even the most sensitive and heaviest machines can be assembled there. From the planning and realization phases onward, energy efficiency and environmental protection were a key focus. The hall is built to meet the climate-efficiency requirements according to KfW 55 – a climate standard that is not particularly common for industrial buildings at present.

The machine hall officially commenced operations at the end of 2022, with the start of assembly of the HÖFLER Cylindrical Gear Grinding Machines RAPID 1600 and HÖFLER Cylindrical Gear Grinding Machines VIPER 500. The RAPID-series HÖFLER Cylindrical Gear Grinding Machine is specialized for workpieces up to 8 m in diameter and 100 t. The HÖFLER Cylindrical Gear Grinding Machine VIPER 500 is designed for component diameters up to 500 mm and is therefore ideal for small to medium lot sizes. With its extensive machine portfolio covering a range of requirements, KLINGELNBERG meets the needs of just about every sector and industry.

Product Highlights:**KLINGELNBERG solutions for electromobility**

The electrification of the automobile has brought about a fundamental change in the design and quality requirements for motor vehicle drive trains. The transmissions have far fewer gear ratios and thus fewer gears on the one hand, yet at the same time the quality requirements have increased significantly. There are two main reasons for this. First, electric vehicles do not have an internal combustion engine, which provides a blanketing effect for noise in the vehicle and masks many other noises – including gear noise. Second, electric vehicles use recuperation for energy recovery, where the transmission must suddenly withstand torques on par with normal forward operation of the vehicle when coasting. In sum, the production tolerances for gears are significantly narrower, and noise behavior becomes a major quality criterion.

KLINGELNBERG has upgraded its production system and product portfolio to respond to these new requirements imposed by electromobility. The HÖFLER Cylindrical Gear Grinding Speed Viper Machine is optimized for large-scale gear grinding operations with extremely stringent accuracy and noise requirements. Noise requirements for gears are nothing new, in fact. That is why, in developing the HÖFLER Cylindrical Gear Roll Testing Machine R 300, KLINGELNBERG was able to apply its knowledge of torsional acceleration testing for right-angle gearboxes in the bevel gear world to the world of cylindrical gears for electromobility. This enables fast and efficient torsional acceleration testing of gears – up to 100% if necessary. And rounding off the portfolio is precision metrology, which measures the extremely high accuracies comparatively quickly while also predicting noise characteristics using a software application.

Connecting these three systems to form the Closed Loop helps gear and transmission manufacturers meet stringent quality requirements in their factories located around the world that are subject to a broad range of local conditions. This is achieved through a clever integration of the physical and digital world.



Trade Fairs:**KLINGELNBERG took part in a number of international trade shows**

KLINGELNBERG again took part in a number of international trade shows in 2022/23 financial year, including shows in Germany, USA, Japan and India. The exhibits featured the HÖFLER Cylindrical Gear Grinding Machine Speed Viper, the KLINGELNBERG Precision Measuring Center P 40 and the newly developed HÖFLER Cylindrical Gear Roll Testing Machine R 300, among others.

KLINGELNBERG also launched its own GEAR Seminar series in China and Turkey during the same time period. With events for industry professionals provided free of charge under the GEAR Seminar brand, KLINGELNBERG offers knowledge forums covering all aspects of gear technology. During the popular live events, KLINGELNBERG experts bring their customers up-to-date on current technologies, trending topics and innovations in Bevel Gear technology, Cylindrical Gear technology and Measuring technology.

Control 2022, Stuttgart, Germany

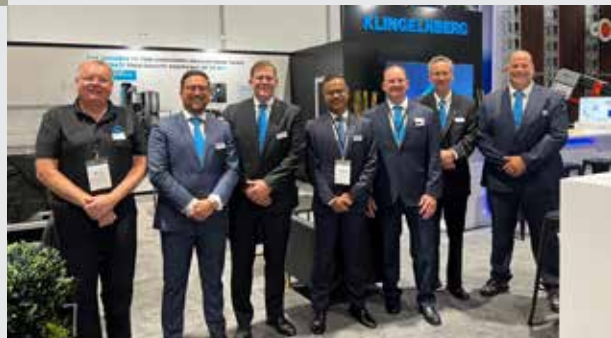
03.05.-06.05.2022

**AMB 2022, Stuttgart, Germany**

13.09.-17.09.2022

IMTS 2022, Chicago, USA

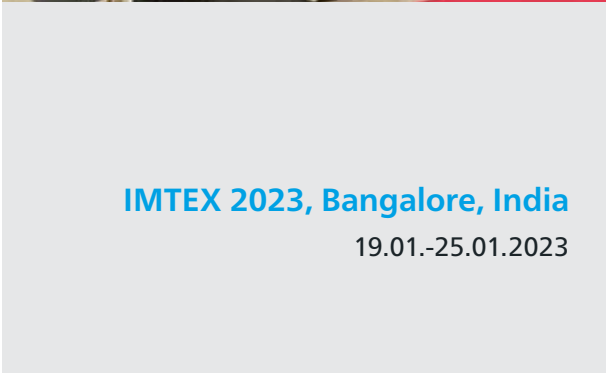
12.09.-17.09.2022



Trade Fairs:



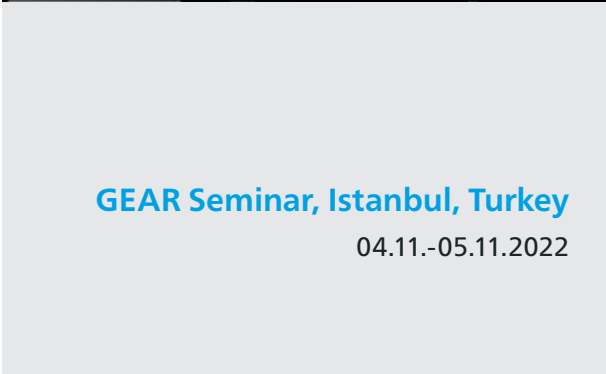
JIMTOF 2022, Tokyo, Japan
08.11.-13.11.2022



IMTEX 2023, Bangalore, India
19.01.-25.01.2023



GEAR Seminar China – Digital Event
21.09.-24.11.2022



GEAR Seminar, Istanbul, Turkey
04.11.-05.11.2022



Anniversaries:

KLINGELNBERG Italy and France Subsidiaries celebrate 90 years combined

In 2022, the KLINGELNBERG Group was celebrating not one, but two, company anniversaries. The Italian subsidiary KLINGELNBERG Italiana S.R.L., founded in 1962, was celebrating its 60th year, while the French company KLINGELNBERG France S.A.S., founded in 1992, was marking its 30th year. Both operations are wholly owned subsidiaries of KLINGELNBERG AG, headquartered in Zürich, Switzerland.



60 Years of KLINGELNBERG in Italy

KLINGELNBERG has had operations abroad since the 1950s. The founding of its Italian operation in 1962 laid the groundwork for offering customers and partners consultations and services in-country and in the local language. The Company is located in Cernusco sul Naviglio, near the metropolitan city of Milan.



30 Years of KLINGELNBERG in France

France also has cause for celebration – 30 years in its case. Since 1992, customers have been able to rely on support directly in their home country of France. The offices of the French operation are located in Saint Germain-en-Laye, located approximately 25 km from Paris.

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.

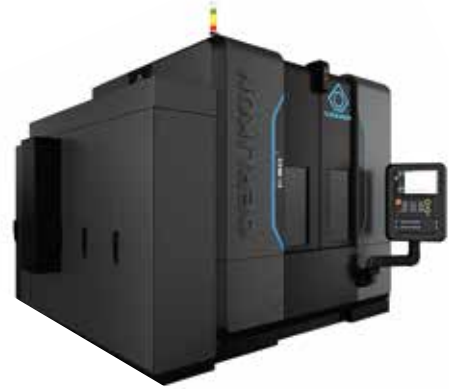
KLINGELNBERG operates engineering and manufacturing facilities in Switzerland and Germany. The Company ensures a global presence with regional sales offices and service centers. In addition, its ISO 14001 certification and participation in the VDMA's (German Mechanical Engineering Industry Association) "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 in the cylindrical gear process chain. The production steps in the process chain include process design, grinding, deburring, measuring 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

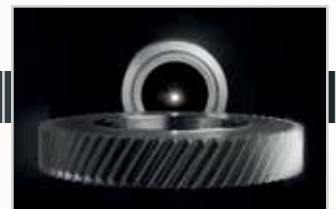
- Introduction of a dry cutting process for spiral bevel gears with the new generation of C machines: OERLIKON Spiral Bevel Gear Cutting Machine C 28.
- Introduction of a new series of OERLIKON Bevel Gear Grinding Machines G 27/G 60 with vertical concept.



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.



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 Hückeswagen-Winterhagen, Germany.
- Assumption of core business of Höfler Maschinenbau GmbH in Ettlingen, Germany.



2018 til today

NEW MARKETS

- After just ten months of construction, the new assembly hall covering a total area of 8.000 square meters was officially inaugurated in Hückeswagen-Winterhagen at the end of 2022.
- Conquering new markets through further development of optical metrology and development of innovative solutions for e-mobility and wind power.
- KLINGELNBERG wins Best of Industry Award 2018 and 2020 as well as the German Innovation Award 2021.

Management Report



Segments and markets

Starting from the effects of the corona pandemic and the impression of high energy prices triggered by the war in the Ukraine, the tightened monetary policy in the wake of noticeable inflationary pressure slowed down the recovery of the global economy. In this environment of diverse macroeconomic challenges throughout the 2022/23 financial year, the KLINGELNBERG Group was still able to give proof of its resilience and recorded new record figures for order intake and net sales.

Due to China's long-prevailing zero-Covid policy and subsequent waves of infections, the disruptions in the Chinese economy were largely responsible for the decrease in international trade and declining global industrial production towards the end of the year. Coupled with high energy prices and a significantly tightened monetary policy, the growth in global production had slowed down by the end of 2022 in accordance with these factors. For the year as a whole, global production increased by 3,2%, but for the final quarter it was only 1,8% higher than a year earlier. In Germany, the growth rate of gross domestic product (GDP) in 2022 was 1,8%. Continuing supply difficulties for intermediate products, severe turbulence with extreme price spikes on the energy markets and a shortage of labor reduced production capacities and prevented a more vigorous expansion of GDP.

After the post-pandemic upswing in the 2021/22 financial year was severely impaired by the flood disaster at KLINGELNBERG's site in Hückeswagen, the KLINGELNBERG Group managed to emerge from this crisis strong and resilient already in the 2022/23 financial year. Compared to the same period of the previous financial year, net sales increased significantly by EUR 150,4 million to EUR 309,0 million. The 94,8% increase was due both to the absence of flood-related production restrictions and to the significantly high order backlog at the end of the 2021/22 financial year. All segments reported significant increases in sales and order intake. Thanks to strong impetus from the wind energy, mining, and electromobility sectors, both key figures showed new record highs. Order intake significantly increased year-on-year by EUR 31,5 million to EUR 300,4 million.

Around 51,7% of all sales were generated in the Asia-Pacific region, and a further 31,2% in the EMEA region.

Bevel Gear segment:

The Bevel Gear segment achieved net sales of EUR 111,3 million at the end of the 2022/23 financial year, an increase of EUR 51,8 million (87,1%) compared to the previous financial year. On the one hand, the successful management of the flood disaster from the previous financial year contributed to this significant jump in sales. On the other hand, the post-pandemic upward forces were strong enough to avert the feared stalling of global production despite high energy prices and to contribute to a revival of the Bevel Gear business. Noticeable sales momentum for Bevel Gear ma-

chines continued to emerge from the automotive and commercial vehicle industries. In addition, projects in the aviation sector could be secured.

At the end of the financial year, order intake was slightly down on the previous financial year (EUR 74,1 million) at EUR 71,6 million. The main reason for the drop in order intake were shifts in automakers' investment plans in response to changes in drive concepts. Nevertheless, the Bevel Gear segment stood its ground within these structural dynamics and continued to win orders from globally operating suppliers to the automotive and commercial vehicle industries. In particular, the development of the Dual-Spindle Grinding Machine G 35 enabled the Company to participate in the recovery of the aerospace industry and to maintain a stable order intake.

Cylindrical Gear segment:

With an impressive increase in net sales by EUR 51,7 million to EUR 93,1 million, the Cylindrical Gear segment generated growth of 125,3% compared to the same period of the previous financial year. The Cylindrical Gear segment had thus also successfully overcome the effects of the flood. Following a very positive development in the first half of the financial year, demand for Cylindrical Gear machines continued in the second half. In addition to orders received from the wind energy, mining, as well as general mechanical and gear engineering sectors, order intake in the electromobility sector further increased. Compared to the previous financial year, order intake recorded a significant increase of EUR 26,3 million to a total of EUR 104,6 million. Thus, the Cylindrical Gear segment had once again achieved a record in the order book and had developed into a strong sales driver of the KLINGELNBERG Group due to a healthy mix of customers from different industries.

The Speed Viper series in combination with the newly developed Cylindrical Gear Roll Testing Machine R 300 met with strong interest on the market, so that further growth can be expected in the field of electromobility. The efforts to replace fossil fuels with renewable energies was reflected in a large number of wind energy projects. This means that a growing market for medium-sized Rapid machines can also be expected in the future. The Asian market, in particular China, remains the driving force in this respect.

Measuring Centers segment:

The Measuring Centers segment had also successfully coped with the flood event and recorded net sales of EUR 84,7 million. This represents an increase of EUR 39,8 million or 88,7%. In addition, the record order intake of EUR 84,7 million from the previous financial year was exceeded by a further EUR 4,3 million and the Company set a new record by achieving EUR 89,0 million. Supported by the high innovation potential of KLINGELNBERG Measuring Centers and consolidated, global market positions in the areas of electromobility and wind power, the Company recorded the highest order volume of Measuring Centers within a single financial year in the history of the KLINGELNBERG Group.

The newly developed Measuring Centers P 125 and P 152 have been very positively received by the market and have established themselves as successful players in this segment. While the KLINGELNBERG Group successfully positioned itself in the electromobility market with the P 26 / P 40 series including optical measurement technology and successfully capitalized on the comprehensive transformation in the automotive industry, the new Measuring Center P 152 set new standards in the wind power and non-automotive (industrial applications) sectors and benefited from the international efforts to replace fossil fuels with renewable energies such as wind power. Required measuring capacities for both already realized and still planned wind power projects lead to the expectation of a continued increased demand for Measuring Centers of these series.

Drive Technology segment:

The Drive Technology segment concluded the 2022/23 financial year with net sales of EUR 15,1 million, up EUR 5,9 million on the previous financial year. Order intake increased significantly to EUR 19,2 million at the end of the financial year, up 22,1% on the previous financial year.

Due to the massive expansion of offshore activities for diversified gas production in the wake of the Ukraine conflict, demand for rudder thruster propellers featuring bevel gears from the Drive Technology segment significantly increased.

In the mining markets, increasing demand for bevel gears in the mill gearboxes sector emerged in the 2022/23 financial year after years of drastic investment cutbacks. The background to this was the need for raw materials for the switch to electric drive technology necessitated by the energy transition. For bevel gears in the large diameter range, Drive Technology had a manufacturing advantage over market competitors thanks to its highly productive C 300 Gear Cutting Machines. Thanks to the circular arc gear cutting processes implemented in the past, the Drive Technology segment was able to supply replacements for individual bevel gears in master gear quality. This was crucial for the further penetration of the mining market segment.

Research and development

In the 2022/23 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.

Compact and tailored to the needs of the automotive industry, the Precision Measuring Center P 26 has always been extremely popular among customers. Its 25-year success story was built on a foundation of new measurement and evaluation methods, the implementation of innovative measuring systems, and uniform quality and reliability. The well-established combination of tactile metrology (3D NANOSCAN) and optical metrology (HISPEED OPTOSCAN) for measuring Cylindrical Gears is now available for this model series as well. The Precision Measuring Center P 26

in particular has become a fixture on the shop floor. Therefore, it is very important that not only new measurement strategies, but also the temperature compensation for hybrid metrology could be integrated. Now there is a clear line of sight to achieving even greater reductions in measuring time in the shop-floor environment.

Due to the worldwide expansion of wind energy production, the demand for large components is experiencing tremendous growth in the gear sector. A logical consequence of this is the targeted introduction of high-volume processes in large-gear manufacturing. The KLINGELNBERG Precision Measuring Center P 152, designed for gears with a maximum outside diameter up to 1.520 mm and weighing up to 8.000 kg, offers an innovative solution here. This extremely flexible machine requires no foundation and can be placed on an integrated vibration isolation platform if required. The development of the newest member of the P series family was successfully completed in 2022, and delivery of the first machine will take place at the beginning of the 2023/24 financial year.

Having access to all five roll testing methods puts customers in the ideal position – even better when combined with the KLINGELNBERG production cell. Consisting of the Cylindrical Gear Grinding Machine Speed Viper, the CompactLoader, and the integrated Cylindrical Gear Roll Testing Machine R 300, the KLINGELNBERG production cell is the solution for the manufacture and 100% quality testing of high-precision gears for the electric drive train. With the optionally available R 300 production monitor, users always have a documented overview of the current key quality indicators in their operations. The production cell can be equipped with all machine models in the Speed Viper series – from the Speed Viper 80² (dual spindle) to the Speed Viper 300. Whatever the setup, the 100% quality inspection is always carried out with the HÖFLER Cylindrical Gear Roll Testing Machine R 300.

The ratio of research and development expenses to net sales decreased by 6,4 percentage points compared to the previous financial year and totaled 8,0% in the 2022/23 financial year. The decline was mainly due to the significant increase in net sales of 94,8%. R&D expenditures of EUR 24,7 million underline the importance of product development for the KLINGELNBERG Group.

Gross profit

In the 2022/23 financial year, the KLINGELNBERG Group achieved the highest net sales from goods and services in the Company's history at EUR 309,0 million, EUR 150,4 million above the previous financial year's figure and EUR 30,8 million above the previous record net sales from goods and services recorded in the 2018/19 financial year. This significant increase was due both to the flood-related interruption of operations at KLINGELNBERG's central site in Hückeswagen in the previous financial year and the persistently high order backlog at the end of the 2021/22 financial year. The change in inventory of finished and unfinished goods as well as unbilled goods and services amounted to EUR -18,8 million in the 2022/23 financial year (previous financial year:

EUR +41,0 million). The main reasons for the reduction in change in inventory were the absence of the flood-related delays in the delivery of customer machines and improved material availability. However, inventories were still well above pre-flood levels. The combination of net sales and the change in inventory resulted in an increase in total operating performance of EUR 90,5 million to EUR 290,1 million.

Driven by sales, material expense increased at a lower rate than total operating performance due to the reduction in inventories and the absence of material damage that occurred as a result of the flooding in the previous financial year and amounted to EUR 125,8 million, EUR 15,3 million higher than in the previous financial year. The materials ratio decreased by 12,0 percentage points year-on-year to 43,4% at the end of the financial year. Thus, gross profit amounted to EUR 164,3 million and was EUR 75,2 million higher than in the same period of the previous financial year.

Personnel expense and employees

Personnel expense amounted to EUR 100,1 million at the end of the financial year, up EUR 4,2 million on the previous financial year. Wages and salaries including social security contributions increased by EUR 6,0 million, mainly due to the increase in the number of employees. By contrast, the expense for employee benefits decreased by EUR 2,7 million. The primary reason for this was a reversal of the pension provision at KLINGELNBERG GmbH due to interest-related factors.

Due to the significant increase in total operating performance the personnel expense ratio decreased from 48,0% in the 2021/22 financial year to 34,5%. As at 31 March 2023, the KLINGELNBERG Group employed 1.229 employees (FTE), 46 more than in the previous financial year.

Other operating expense

At the end of the financial year, other operating expense amounted to EUR 46,3 million, up EUR 1,1 million on the previous financial year. Although the flood damages decreased by EUR 9,7 million, performance-related costs (amongst others freight costs, travel expenses, commission expenses) increased significantly. The other operating expense ratio was 15,9% at the end of the financial year, significantly under the prior-year level (-6,8 percentage points).

Other operating income

Other operating income amounted to EUR 9,5 million at the end of the financial year, down EUR 30,7 million on the previous financial year. The decrease, in each case relating to KLINGELNBERG GmbH, was mainly due to the lower flood-related insurance payments (EUR 15,5 million) and the reduction in reconstruction aid from the Federal State of "Nordrhein-Westfalen"/Germany from EUR 20,0 million in the previous financial year to EUR 5,6 million.

Operating result

After the post-pandemic upturn in the previous financial year was severely slowed down by the flood disaster on 14 July 2021, the KLINGELNBERG Group once again impressively managed to emerge stronger from a crisis. The operating result (EBIT) increased significantly by EUR 39,5 million compared to the previous financial year and amounted to EUR +23,8 million at the end of the 2022/23 financial year. Both the highest order intake in the Company's history and the still very high order backlog provide a positive outlook for the future.

The operating result as % of net sales from goods and services in the 2022/23 financial year was +7,7%, an increase of 17,6 percentage points compared with the previous financial year. The basic earnings per share amounted to EUR +2,35.

Financial result

The KLINGELNBERG Group reported a financial result of EUR -2,3 million in the 2022/23 financial year. This loss resulted on the one hand from the exchange rate result in the accounts, which was incurred mainly by the KLINGELNBERG AG. The KLINGELNBERG AG conducts most of its business in Euros, while the accounts of KLINGELNBERG AG are kept in Swiss francs. Because the holding company reports the Group figures in Euro, the Euro transactions of the KLINGELNBERG AG have to be converted twice. On the other hand, higher bank interest rates impacted the financial result.

Balance sheet

The balance sheet total of the KLINGELNBERG Group increased by EUR 10,8 million compared to the previous financial year ending on 31 March 2022 and amounted to EUR 284,4 million as at 31 March 2023. While non-current assets increased by EUR 16,9 million (+28,5%) to EUR 76,0 million, partly due to the new assembly hall of KLINGELNBERG GmbH in Hückeswagen that went into operation, current assets decreased by EUR 6,0 million and amounted to EUR 208,4 million as at 31 March 2023. Although receivables from goods and services increased significantly by EUR 30,6 million as a result of the large number of customer machines delivered at the end of the 2022/23 financial year, inventories fell significantly by EUR 15,4 million for the same reason. In addition, other short-term receivables decreased by EUR 22,8 million mainly due to payments by the Federal State of "Nordrhein-Westfalen"/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and flooding in July 2021".

Total liabilities decreased by EUR 11,0 million (-6,5%) compared to 31 March 2022 and amounted to EUR 157,8 million as at 31 March 2023. While long-term financial liabilities increased by EUR 10,8 million due to the financing of the new assembly hall in Hückeswagen, current liabilities decreased by a total of EUR 18,8 million. Among others, short-term financial liabilities (EUR -8,1 million) and payables from goods and services (EUR -6,3 million) recorded declines. Net debt increased by EUR 1,7 million and amounted to EUR 41,8 million at the end of the 2022/23 financial year.

Equity increased by EUR 21,9 million (+20,9%) compared to 31 March 2022 and amounted to EUR 126,6 million as at 31 March 2023. This increase was mainly due to the positive annual result of the KLINGELNBERG Group. Compared with 31 March 2022 the equity ratio increased by 6,2 percentage points to 44,5%. The KLINGELNBERG Group has thus further strengthened its solid financial position in the 2022/23 financial year.

Cash flow statement

The cash flow from operating activities increased by EUR 70,2 million to EUR 15,7 million compared to the 2021/22 financial year. The main reason for this was the absence of flood damage or flood-related production restrictions. Among others, net profit increased by EUR 42,5 million.

Outflows for investment in tangible fixed assets amounted to EUR 18,0 million in the 2022/23 financial year. The largest single investment was the new assembly hall in Hückeswagen, Germany, which was already inaugurated. The cash flow from investing activities amounted to a total of EUR -17,6 million and was thus EUR 16,5 million lower than in the previous financial year.

Current and non-current financial liabilities were in total 5,5% above the previous financial year's level, cash flow from financing activities amounted to EUR 2,6 million. As financial liabilities increased significantly in the previous financial year, the cash flow from financing activities decreased by EUR 38,2 million.

In total, the net change in cash amounted to EUR 1,0 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 risks: The Russian war of aggression against Ukraine dampened growth in all regions, drove inflation and intensified shortages in individual markets. One of KLINGELNBERG's measures to counter this risk is regional diversification.
- 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 risks

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 risks

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.

Operational risks

- Supply chain: Supply bottlenecks can lead to delays in the delivery of products and services.
- Natural disasters: Potential physical risks include floods, storms, and heat waves that can lead to disruption of production.

Outlook

The war in the Ukraine is still ongoing and is weighing on economic development. According to Oxford Economics, global gross domestic product is expected to grow by 1,7% in 2023. With gas prices falling again and a comparatively mild winter, Europe is weathering the energy crisis better than feared, and the US economy is also proving somewhat more stable than expected. Overall, the impression of a weak global economy in the current year 2023 remains.

We expect sales in the 2023/24 financial year to remain at around the same level as in the 2022/23 financial year due to the continued pleasingly high order backlog. EBIT margin in the 2023/24 financial year is expected to be above that of the 2022/23 financial year.

The background of the page is a close-up photograph of industrial machinery, likely a lathe or mill, with various metal components, gears, and a cutting tool. A semi-transparent dark blue horizontal bar is positioned across the upper portion of the image. A white rectangular box with rounded corners is overlaid on the left side of the page, containing a table of contents. The text is in a clean, sans-serif font. The overall aesthetic is professional and technical.

Corporate Governance

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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 2023. 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://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. A revision of the Articles in accordance with the new law will be proposed to the AGM.

2 Group structure

2.1 Operational group structure

Headquartered in Zürich, Switzerland, KLINGELNBERG AG is the parent company of the KLINGELNBERG Group with 12 subsidiaries in 10 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 2023 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”), the Chief Operations Officer (hereinafter the “COO”) and the Chief Sales Officer (hereinafter the “CSO”). The EM is supervised by the BoD and its Committees.

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 2023 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 2022/23 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 2023:

Date	Issuer	Beneficial owner / persons that can exercise the voting rights at their own discretion	Direct Shareholder	Position
30 November 2022	KLINGELNBERG AG	Jan Klingelberg*	KLINGELNBERG Luxemburg A.G.	48,58%
26 January 2022	KLINGELNBERG AG	Janus Henderson Group plc	- The European Smaller Companies Trust - Janus Henderson Horizon Fund - Janus Henderson UK & Europe Funds	6,57%
20 November 2021	KLINGELNBERG AG	J Safra Sarasin Investmentfonds AG	Saraselect	5,74001%
07 November 2019	KLINGELNBERG AG	UBS Fund Management (Switzerland) AG		3,14%
29 June 2018	KLINGELNBERG AG	Arndt Klingelberg		4,86%

*Please refer to Note 5.9 to the Statutory Financial Statements

Notifications made in 2022/23 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 2023, the Company held no treasury shares.

3.2 Cross-shareholdings

As at 31 March 2023, 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 2023, 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 2023, 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 into share register, see also Note 4.6 below) each share entitles to one vote (Art. 11 of the Articles).

https://klingelInberg.com/fileadmin/Investors/Statuten_Articles_of_Association_KlingelInberg.pdf

4.2 Authorized and conditional capital

4.2.1 Authorized share capital

The possibility of a capital increase by way of authorized capital expired on 09 June 2020 in accordance with Art. 3B of the Articles.

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

https://klingelInberg.com/fileadmin/Investors/Statuten_Articles_of_Association_KlingelInberg.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://klingelberg.com/fileadmin/Investors/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:

	31.03.2023	31.03.2022	31.03.2021	31.03.2020
Ordinary capital (in CHF)	44.200.000	44.200.000	44.200.000	44.200.000
Share capital in units	8.840.000	8.840.000	8.840.000	8.840.000
Authorized capital (in CHF)	0	0	0	4.456.400
Authorized capital in units	0	0	0	891.280
Conditional capital (in CHF)	2.228.200	2.228.200	2.228.200	2.228.200
Conditional capital in units	445.640	445.640	445.640	445.640

There have been no changes in the capital structure since 31 March 2021. 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://klingelInberg.com/fileadmin/Investors/Statuten_Articles_of_Association_KlingelInberg.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).

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4.6.4 Blackout-Periods

Employees who have or may have insider knowledge must acknowledge the regulations of the insider trading directive of the Company and are as well affected by the Company's trading blackout periods. The Company has implemented two fixed trading blackout periods. The first trading blackout period usually begins at the end of the financial year (31 March) and ends with the day after publication of the annual report. The second trading blackout period starts usually on 30 September and ends with the day after publication of the half-year results. Furthermore, the Company may also declare extraordinary trading blackout periods as required. In the 2022/23 financial year, no extraordinary trading blackout periods were declared by the Company.

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 of 19 August 2020). 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 2022/23 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://klingelberg.com/fileadmin/Investors/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://klingelberg.com/fileadmin/Investors/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
Dr. Hans-Martin Schneeberger	Member	NCC	2007
Philipp Buhofer	Member	NCC	2022
Roger Baillod	Member	AC (Chairman)	2018
Prof. Dr. Michael Hilb	Member	AC	2018
Kalina Scott	Member	AC	2022

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 and is a member of the Board of Directors of Kuehne Holding AG. He has also been a member of the Board of Directors of OLAM Group 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.

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 is the Past-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.

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 has served as a member of the Board of Directors since 2013, since 2021 as Chairman of the Board of Directors and Chairman of the Remuneration and Nomination Committee and before that as Chairman of the Audit and Risk Management Committee of BKW AG from 2013 to 2021, as member of the Board of Directors and Vice-Chairman of Ed. Geistlich Söhne AG, 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. 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. 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 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 visiting fellow at Harvard University and INSEAD and completed several Executive Education Programs.

Philipp Buhofer

is a BoD member and Swiss citizen born in 1959. Mr. Buhofer studied Business Administration at the HWV Lucerne. After working for several years in procurement management at Metro International in Europe and Asia, he joined EPA AG in 1987, where he held various management positions in procurement and sales. From 1997, he was a member and later Chairman as well as Delegate of the Board of Directors of EPA AG until its transfer to COOP in 2003. Today, in addition to his activities at DAX Holding AG, he is active on the boards of several industrial companies, including as Chairman of the Board of Directors of Cham Group AG (OTC) as well as a member of the Board of Directors of the listed Kardex Holding AG and Schaffner Holding AG.

Kalina Scott

is a BoD member and Swiss citizen born in 1974. She is a seasoned professional with 25 years of broad experience in finance, ranging from operational finance to mergers & acquisitions and capital markets. Kalina Scott is since 2019 Chief Financial Officer of duagon AG, a Swiss-based supplier for communication, computing and control technology for regulated critical applications in the railway and medical electronics markets with approximately 600 employees worldwide. Prior to that, from 2017, she was a Chief Financial Officer of Polyphor AG, a biotech company listed on the SIX Swiss Exchange. Ms. Scott's background is in Investment Banking, where she started her career at UBS in 1997, focusing on structured finance and credit risk management, followed by leading roles in UBS's investment banking in Zurich and London, covering leveraged finance as well as mergers & acquisitions. From 2006 until 2008 Ms. Scott worked as Director of Corporate Finance at KPMG Zurich, followed by a position as Managing Director for Bank am Bellevue. Ms. Scott holds a degree in Business Administration.

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://klingelberg.com/fileadmin/Investors/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://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://klingelberg.com/fileadmin/Investors/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, Prof. Dr. Michael Hilb and Kalina Scott. 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://klingelberg.com/fileadmin/Investors/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 2023, the members of the NCC include Dr. Jörg Wolle, Philipp Buhofer 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://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 2022/23 financial year the BoD held five 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	5		4
Diether Klingelberg (until 23 August 2022)	2		2
Dr. Hans-Martin Schneeberger	5		4
Hans-Georg Härter (until 23 August 2022)	2		
Roger Baillod	4	4	
Prof. Dr. Michael Hilb	3	4	
Philipp Buhofer (from 23 August 2022)	3		2
Kalina Scott (from 23 August 2022)	3	3	
Average meeting duration	02:12	02:12	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, the CSO and the COO. Meetings are also attended by the Corporate Secretary. The BoD consults external experts when necessary in connection with specific topics.

All five meetings of the BoD were attended by the CEO and the CFO, the COO and the CSO attended four of the meetings in the reporting period. 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 CEO and the CFO, whereas the Head of Finance attended three meetings of the Audit Committee 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://klingelberg.com/fileadmin/Investors/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://klingelberg.com/fileadmin/Investors/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 CSO, 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, the CSO 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 2023, 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 has 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.

Philipp Kannengießer

COO and a German citizen born in 1973. Mr. Kannengießer became COO of the KLINGELNBERG Group in 2022. From 2016 until 2022, he served as Executive Board CFO / COO of Rothenberger AG. He launched his career in 2000 at SMS Group GmbH, where he started out as a member of corporate staff working in international consultancy. Still with the SMS Group, between 2003 and 2012, he was CFO at SMS Elotherm GmbH and between 2013 and 2016, CFO at SMS Concast AG. Philipp Kannengießer holds a degree in Business Administration from the University of Münster, Germany.

Prasad Kizhakeel

CSO and an Indian citizen born in 1969. Mr. Kizhakeel has been the CSO of the Group since 2021, after having been the Managing Director of KLINGELNBERG India Pvt. Ltd., since 2012. Mr. Kizhakeel has been successfully handling various functions and different task profiles for KLINGELNBERG AG since 1998. Previously he worked in the Auto Planning division of Tata Motors in India between 1995 and 1998. Mr. Kizhakeel started his career at Larsen & Toubro Ltd., in India, where he supported the Heavy Engineering Unit. Mr. Kizhakeel holds a degree in Mechanical Engineering from the National Institute of Technology - Jaipur, India and completed a Finance Course for Senior Managers at the London Business School.

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://klingelberg.com/fileadmin/Investors/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://klingelInberg.com/fileadmin/Investors/Statuten_Articles_of_Association_KlingelInberg.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 re-

striction 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://klingelberg.com/fileadmin/Investors/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://klingelberg.com/fileadmin/Investors/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 23 August 2022. 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 2022/23 financial year, PricewaterhouseCoopers AG invoiced the Company for EUR 292.091 in global audit fees.

Additional Fees:

In the 2022/23 financial year, PricewaterhouseCoopers AG invoiced the Company for EUR 40.466 in additional services. The additional fees included consultancy fees in the areas of direct and indirect taxes, transfer prices, customs duties, and subsidies.

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 2022/23 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 financial 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 Financial Half-Year Statements 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://klingelberg.com/en/investors/news> and <https://klingelberg.com/en/investors/ad-hoc-notice> 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://klingelberg.com>

On the KLINGELNBERG website <https://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 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), the Chief Sales Officer (CSO) 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://klingelberg.com/en/investors/corporate-governance/regulations-of-the-company>

The current members of the NCC are Dr. Jörg Wolle, Dr. Hans-Martin Schneeberger, and Philipp Buhofer. 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 2022/23 financial year, 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://klingelberg.com/fileadmin/Investors/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 2023 to the 2024 AGM is provided in the invitation to the 2023 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, the CSO 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 2023 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.

Due to the severe flooding of the production facilities at the Hückeswagen site in July 2021 and the associated massive economic losses, the CEO, CFO and CSO waived their rights to compensation for the achievement of individual targets under the STIP for the 2022/23 financial year. The EBT target is not included in the waiver.

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, the CSO 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.

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 2022/23 financial year is disclosed herewith.

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

The AGM of 23 August 2022 voted for a maximum compensation of the BoD in the amount of CHF 700.000 until the end of the next AGM.

Within the 2022/23 financial year 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. In the 2021/22 financial year the BoD waived half of their fixed compensation due to the flood.

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 financial year. No compensations, loans, or credits were paid to related persons.

The following table shows the compensation in the 2022/23 financial year:

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	11.910,20
Diether Klingelberg (until 23 August 2022)	▪		▪	5.000,00	not applicable	not applicable
Dr. Hans-Martin Schneeberger	▪		▪	60.000,00	10.000,00	3.458,65
Hans-Georg Härter (until 23 August 2022)	▪			25.000,00	not applicable	not applicable
Roger Bailod	▪	Chair		60.000,00	20.000,00	6.160,00
Prof. Dr. Michael Hilb	▪	▪		60.000,00	10.000,00	5.390,00
Philipp Buhofer (from 23 August 2022)	▪		▪	35.000,00	5.833,35	3.144,15
Kalina Scott (from 23 August 2022)	▪	▪		35.000,00	5.833,35	3.103,80
Total				460.000,00	71.666,70	33.166,80

The following table shows the compensation in the 2021/22 financial year:

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	90.000,00	20.000,00	6.866,05
Diether Klingelberg	▪		▪	12.000,00	not applicable	not applicable
Dr. Hans-Martin Schneeberger	▪		▪	30.000,00	10.000,00	1.517,55
Hans-Georg Härter	▪			30.000,00	not applicable	not applicable
Roger Bailod	▪	Chair		30.000,00	20.000,00	3.850,00
Prof. Dr. Michael Hilb	▪	▪		30.000,00	10.000,00	3.080,00
Total				222.000,00	60.000,00	15.313,60

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 24 August 2021 voted for a maximum compensation of the EM in the amount of EUR 4.500.000 for the 2022/23 financial year.

The Company has no outstanding loan or guarantee commitments to members of the EM or related parties. 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 2023:

CHF ⁴	EM	of which Jan Klingenberg, CEO
Base compensation	1.392.925,30	500.004,00
STIP	657.599,53	175.910,00
LTIP ⁵	340.000,00	not applicable
Other compensation ⁶	345.196,33	95.869,78
Employer social security	130.079,21	64.466,15
Total	2.865.800,37	836.249,93

The following table shows the compensation of the financial year ended 31 March 2022:

CHF ⁴	EM	of which Jan Klingenberg, CEO
Base compensation	1.371.352,30	500.004,00
STIP	0,00	0,00
LTIP ⁵	510.000,00	not applicable
Other compensation ⁶	192.487,61	97.623,76
Employer social security	198.833,80	56.393,05
Total	2.272.673,71	654.020,81

⁴ All conversions from EUR to CHF in the above tables have been made at the balance sheet exchange rate (as at 31 March 2023: EUR 1/CHF 0,99735 and as at 31 March 2022: EUR 1/CHF 1,02610).

⁵ This value represents not the current LTIP value paid out to the EM but the LTI-Amount allocated for later calculation of the LTI paid out in fact.

2022/23 financial year: Fair value PSU CHF 15,80, date of grant 01 April 2022, number of PSUs granted: 10.756

2021/22 financial year: Fair value PSU CHF 22,34, date of grant 01 April 2021, number of PSUs granted: 7.610

⁶ Fringe benefits of all EM members and consultancy fees for consultation of subsidiaries by CEO. For the current financial year, this amount includes as well an extraordinary settlement payment to a former member of the Executive Board due to local legal requirements.

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 compensation report 2022/2023



Report of the statutory auditor

to the General Meeting of Klingelberg AG

Zurich

Report on the audit of the compensation report

Opinion

We have audited the compensation report of Klingelberg AG (the Company) for the year ended 31 March 2023. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables marked 'audited' on pages 67 to 69 of the compensation report.

In our opinion, the information on remuneration, loans and advances in the accompanying compensation report (pages 59 to 70) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the compensation report' section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the compensation report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report 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 a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to

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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 SA-CH 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 this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG



Blaženka Kovács-Vujević
Licensed audit expert
Auditor in charge



Regina Spälti
Licensed audit expert

Zürich, 15 June 2023

Consolidated Financial Statements

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Consolidated balance sheet

EUR 000	Note	31.03.2023	31.03.2022
Assets			
Current assets			
Cash and cash equivalents		8.718	7.720
Receivables from goods and services	4.1	71.147	40.557
Derivative financial instruments	4.2	134	38
Other short-term receivables	4.3	8.363	31.157
Inventories	4.4	117.588	133.025
Prepayments and accrued income		2.465	1.916
Total current assets		208.415	214.413
Non-current assets			
Tangible fixed assets	4.5	58.733	45.993
Loans and other receivables	4.6	134	0
Investments in joint ventures	4.7	1.333	1.304
Deferred tax assets	4.8	13.749	9.948
Other financial assets	4.9	1.348	1.072
Intangible assets	4.10	732	832
Total non-current assets		76.029	59.149
Total assets		284.444	273.562

The enclosed notes are part of the consolidated financial statements.

Consolidated balance sheet

EUR 000	Note	31.03.2023	31.03.2022
Liabilities			
Current liabilities			
Short-term financial liabilities	4.11	31.964	40.091
Payables from goods and services	4.12	27.573	33.844
Derivative financial instruments	4.2	78	378
Other short-term liabilities	4.13	46.925	53.324
Accrued liabilities and deferred income	4.14	15.164	12.136
Short-term provisions	4.15	4.720	5.443
Total current liabilities		126.424	145.216
Non-current (long-term) liabilities			
Long-term financial liabilities	4.11	18.516	7.740
Deferred tax liabilities	4.15	1.329	1.114
Long-term provisions	4.15	11.566	14.769
Total non-current (long-term) liabilities		31.411	23.623
Total liabilities		157.835	168.839
Equity			
Share capital	4.16	28.639	28.639
Capital reserves	4.16	43.134	43.134
Retained earnings		54.836	32.950
Total equity		126.609	104.723
Total liabilities and equity		284.444	273.562

The enclosed notes are part of the consolidated financial statements.

Consolidated income statement

EUR 000	Note	2022/23	2021/22
Net sales from goods and services	5.1/6.2	308.961	158.608
Other operating income	5.2/6.2	9.547	40.284
Change in inventory of finished and unfinished goods as well as unbilled goods and services	5.3	-18.844	40.965
Material expense	6.2	-125.790	-110.479
Personnel expense	5.4	-100.114	-95.851
Depreciation on tangible fixed assets	4.5	-3.956	-4.144
Amortization on intangible assets	4.10	-367	-419
Other operating expense	5.5/6.2	-46.260	-45.232
Share of result from joint ventures	4.7	613	593
Operating result		23.790	-15.675
Financial result	5.6/6.2	-2.330	-3.993
Profit / loss before income taxes		21.460	-19.668
Income taxes	5.7	-705	-2.009
Net profit / loss		20.755	-21.677

Earnings per share

EUR			
Basic earnings per share	5.8	2,35	-2,45
Diluted earnings per share	5.8	2,35	-2,45

Additional information - non-GAAP measures

EUR 000			
EBITDA	2.2	28.113	-11.112

The enclosed notes are part of the consolidated financial statements.

Consolidated cash flow statement

EUR 000	Note	2022/23	2021/22
Net profit / loss		20.755	-21.677
Depreciation/amortization of tangible fixed assets and intangible assets	4.5/4.10	4.323	4.563
Change in provisions (including deferred taxes)	4.15	-3.712	-2.274
Loss from the disposal of tangible fixed assets and intangible assets	4.5/4.10	138	928
Change in receivables from goods and services	4.1	-29.304	2.507
Change in inventories	4.4	16.156	-52.512
Change in other receivables and prepayments and accrued income (including deferred tax)	4.3/4.8	18.693	-25.111
Share of profits from the application of the equity method	4.7	-613	-593
Change in payables from goods and services	4.12	-5.857	19.177
Change in other short-term liabilities and accrued liabilities and deferred income	4.13/4.14	-5.033	14.747
Other non-cash items		157	5.708
Cash flow from operating activities		15.703	-54.537
Inflows from investment in financial assets (including loans, participations, securities, etc.)	4.7	584	842
Outflows for investment in financial assets (including loans, participations, securities, etc.)	4.9	-410	0
Outflows for investment in tangible fixed assets	4.5	-18.048	-11.441
Inflows from the sale of tangible fixed assets	4.5	561	9.644
Outflows for investment in intangible assets	4.10	-270	-134
Inflows from the sale of intangible assets	4.10	3	0
Cash flow from investing activities		-17.580	-1.089
Change in short-term financial liabilities	4.11	-8.134	34.751
Change in long-term financial liabilities	4.11	10.722	6.036
Cash flow from financing activities		2.588	40.787
Currency translation effects		287	-18
Net change in cash		998	-14.857
Opening balance of cash and cash equivalents at 01.04.		7.720	22.577
Closing balance of cash and cash equivalents at 31.03.		8.718	7.720
Net change in cash		998	-14.857

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 01.04.2021		28.639	43.134	-20.517	62.774	6.497	48.754	120.527
Currency translation differences		0	0	0	0	6.016	6.016	6.016
Net result from cash flow hedges		0	0	0	-143	0	-143	-143
Loss		0	0	0	-21.677	0	-21.677	-21.677
Balance as at 31.03./01.04.2022		28.639	43.134	-20.517	40.954	12.513	32.950	104.723
Currency translation differences		0	0	0	0	918	918	918
Net result from cash flow hedges		0	0	0	213	0	213	213
Net profit		0	0	0	20.755	0	20.755	20.755
Balance as at 31.03.2023		28.639	43.134	-20.517	61.922	13.431	54.836	126.609

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 public limited company under Swiss law, incorporated and registered in Zürich, Switzerland. The shares of KLINGELNBERG AG are listed in Switzerland under the Swiss Reporting Standard of SIX Swiss Exchange.

The consolidated financial statements as at and for the year ended 31 March 2023 were authorized for release by the Board of Directors on 15 June 2023 and are subject to approval by the Annual General Meeting.

Flood disaster:

On the evening of 14 July 2021, as a result of persistent heavy rain, particularly in the west and southwest of the Federal Republic of Germany, the Hückeswagen site at Peterstrasse of KLINGELNBERG GmbH was flooded in large parts by high water.

This damage burdened the 2021/22 annual result by EUR 64,1 million. Of this, the loss from the interruption of operation amounted to EUR 39,5 million based on gross profit, the change in inventory of finished and unfinished goods as well as unbilled goods and services due to scrapping amounted to EUR 5,9 million. In addition, material expense increased by EUR 8,5 million due to scrapping and rework. Cleaning costs for the entire site and equipment led to increased other operating expense of EUR 10,2 million. By contrast, the other operating income included reimbursements from insurance of EUR 15,8 million, as well as a subsidy from the Federal State of "Nordrhein-Westfalen"/Germany EUR 20,0 million.

The flood-related settlement of claims with the Federal State of "Nordrhein-Westfalen"/Germany have not yet been finally concluded. In the current financial year, income of EUR 5,6 million (Federal State of "Nordrhein-Westfalen"/Germany), insurance reimbursements of EUR 0,3 million and other operating expenses of EUR 0,5 million are included.

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 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 any 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	
			31.03.2023	31.03.2022
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 (Japan) Ltd., Yokohama, Japan	JPY	50.000.000	100%	100%
KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico	MXN	500.000	100%	100%
KLINGELNBERG America Inc., Saline, USA	USD	200	100%	100%
The KLINGELNBERG Corporation, Cincinnati, Ohio, USA	USD	254	100%	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%
DKSH KLINGELNBERG Service Ltd., Shanghai, China *	CNY	5.393.815	50%	50%

* Joint venture consolidated at equity

2.4 Business combinations

Assets and liabilities 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 4.10.

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 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 2023 and 31 March 2022.

	Year-end exchange rate		Average exchange rate	
	31.03.2023	31.03.2022	2022/23	2021/22
CHF/EUR	0,99735	1,02610	0,99433	1,06805
USD/EUR	1,08705	1,10955	1,04173	1,16277
JPY/EUR	144,93090	135,01560	140,91568	130,54847

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.

Expenditures on maintaining and repairing tangible fixed assets are charged to the income statement. Capital expenditures for existing tangible fixed assets are capitalized if classified as value-adding and depreciated over the remaining 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 in joint ventures are recognized using the equity method.

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 (higher of fair value less cost to sell and value in use), 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 (no reversal for goodwill impairments) 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 values.

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 of 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. For further information refer to Note 4.1 of the Compensation Report.

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 handled mostly by 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

There were no changes to the scope of consolidation in this financial year.

The closure and liquidation of KLINGELNBERG Hungaria Kft., which was launched as part of the Efficiency Enhancement Program in 2019/20, was successfully completed in the previous financial year.

4 Substantial information on the consolidated balance sheet items

4.1 Receivables from goods and services

EUR 000	31.03.2023	31.03.2022
Receivables from third parties	71.002	40.545
Receivables from joint ventures	306	125
Receivables from other related parties	0	45
Value adjustments	-161	-158
Receivables from goods and services	71.147	40.557
Thereof:		
- not due and due up to 90 days	68.946	40.088
- overdue more than 90 days	2.201	469

4.2 Derivative financial instruments

EUR 000	31.03.2023			31.03.2022		
	Asset	Liability	Purpose	Asset	Liability	Purpose
Basic value:						
Foreign exchange	134	78	Hedging	38	378	Hedging
Total	134	78		38	378	

4.3 Other short-term receivables

This position includes the claim against the Federal State of "Nordrhein-Westfalen"/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and flooding in July 2021 (Wiederaufbau NRW anlässlich von Schäden durch Starkregen und Hochwasser im Juli 2021)" of EUR 3,4 million (as at 31 March 2022: EUR 20,0 million), for further details refer to Note 1. Furthermore taxes of EUR 2,0 million (as at 31 March 2022: EUR 7,9 million), Corona aid in the amount of EUR 1,1 million (as at 31 March 2022: EUR 0,9 million), and prepayments to suppliers of EUR 0,6 million as in the previous financial year. The value adjustments for the financial year under review amounted to EUR 0,2 million (as at 31 March 2022: EUR 0).

4.4 Inventories

EUR 000	31.03.2023	31.03.2022
Finished products	7.846	8.165
Work in progress	66.728	83.272
Acquired parts	55.325	54.130
Supplies	188	83
	130.087	145.650
Value adjustments	-12.499	-12.625
Inventories	117.588	133.025

The main reason for the reduction in inventories was the absence of the flood-related delay in the delivery of customer machines that had occurred in the previous financial year and improved material availability. However, inventories were still well above pre-flood levels.

4.5 Tangible fixed assets

EUR 000	2022/23				
	Land and buildings	Machines and equipment	Other assets	Tangible fixed assets under construction	Total
Acquisition cost					
Gross value as at 01.04.	39.649	41.156	23.457	8.965	113.227
Additions	12.653	3.048	1.757	47	17.505
Disposals	0	-4.130	-2.505	-205	-6.840
Foreign currency effects	-216	69	-10	0	-157
Reclassifications	8.071	584	2	-8.657	0
Gross value as at 31.03.	60.157	40.727	22.701	150	123.735
Accumulated depreciation as at 01.04.	13.592	34.806	18.836	0	67.234
Depreciation	1.240	1.166	1.550	0	3.956
Disposals	0	-3.678	-2.466	0	-6.144
Foreign currency effects	-124	87	-7	0	-44
Accumulated depreciation as at 31.03.	14.708	32.381	17.913	0	65.002
Net carrying amount as at 01.04.	26.057	6.350	4.621	8.965	45.993
Net carrying amount as at 31.03.	45.449	8.346	4.788	150	58.733

The new assembly hall in Hückeswagen/Germany (EUR 20,7 million) was completed by the end of 2022. Other fixed assets relate to tools, office equipment including hardware, office furniture and vehicles.

EUR 000	2021/22					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	47.123	48.453	24.584	1.097	123.424
Additions	0	490	861	1.758	8.332	11.441
Disposals	0	-10.514	-8.389	-3.135	0	-22.038
Foreign currency effects	0	-9	231	177	1	400
Reclassifications	-2.167	2.559	0	73	-465	0
Gross value as at 31.03.	0	39.649	41.156	23.457	8.965	113.227
Accumulated depreciation as at 01.04.	0	15.131	39.295	19.824	0	74.250
Depreciation	0	1.323	1.319	1.502	0	4.144
Disposals	0	-2.814	-6.009	-2.651	0	-11.474
Foreign currency effects	0	-48	201	161	0	314
Accumulated depreciation as at 31.03.	0	13.592	34.806	18.836	0	67.234
Net carrying amount as at 01.04.	2.167	31.992	9.158	4.760	1.097	49.174
Net carrying amount as at 31.03.	0	26.057	6.350	4.621	8.965	45.993

4.6 Loans and other receivables

This position mainly includes accounts receivables from customers with a payment term longer than one year.

4.7 Investments in joint ventures

In the 2022/23 financial year our Chinese joint venture distributed a dividend in the amount of EUR 0,6 million (as at 31 March 2022: EUR 0,8 million). The share of the result from joint ventures amounts to EUR 0,6 million (as at 31 March 2022: EUR 0,6 million).

4.8 Deferred tax assets

In the financial 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. Deferred taxes are calculated based on the tax rates applicable in each country. The average applied tax rate is 26,84% (previous financial year 33,33%).

In the current financial year, this also includes taxes from loss carryforwards of around EUR 9,4 million (as at 31 March 2022: EUR 4,4 million). The difference of EUR 5,0 million results from the updated forecast of loss offsetting in subsequent years.

EUR 000			
Tax loss carryforwards as at 31.03.2023	Capitalized	Not capitalized	Total
No expiry	29.484	38.060	67.544
Total losses carried forward	29.484	38.060	67.544
Potential tax effect on non-capitalized losses carried forward	0		
Deferred taxes capitalized	9.393		
Tax loss carryforwards as at 31.03.2022	Capitalized	Not capitalized	Total
No expiry	13.321	55.014	68.335
Expiry up to 7 years	1.350	1.705	3.055
Total losses carried forward	14.671	56.719	71.390
Potential tax effect on non-capitalized losses carried forward	0		
Deferred taxes capitalized	4.447		

4.9 Other financial assets

In the financial 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 1,2 million (as at 31 March 2022: EUR 0,9 million). The amount is calculated in accordance with the local legal requirements of the company that recognizes these assets.

4.10 Intangible assets

EUR 000	2022/23			2021/22		
	Software	Other intangible assets	Total	Software	Other intangible assets	Total
Acquisition cost						
Gross value as at 01.04.	8.098	352	8.450	8.025	327	8.352
Additions	270	0	270	134	0	134
Disposals and derecognitions	-171	0	-171	-137	0	-137
Foreign currency effects	28	10	38	76	25	101
Reclassifications	0	0	0	0	0	0
Gross value as at 31.03.	8.225	362	8.587	8.098	352	8.450
Accumulated amortization as at 01.04.	7.273	345	7.618	6.907	320	7.227
Amortization	367	0	367	419	0	419
Disposals and derecognitions	-168	0	-168	-128	0	-128
Foreign currency effects	28	10	38	75	25	100
Accumulated amortization as at 31.03.	7.500	355	7.855	7.273	345	7.618
Net carrying amount as at 01.04.	825	7	832	1.118	7	1.125
Net carrying amount as at 31.03.	725	7	732	825	7	832

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

EUR 000	2022/23	2021/22
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	574	641
Accumulated amortization at 31.03.	18.177	17.603
Theoretical impact on equity		
Theoretical net carrying amount at 31.03.	2.340	2.914
Effect on equity		
Equity according to balance sheet	126.609	104.723
Theoretical net carrying amount goodwill	2.340	2.914
Theoretical equity incl. net carrying amount of goodwill	128.949	107.637
Theoretical impact on net income		
Effect on income statement		
Net profit / loss	20.755	-21.677
Theoretical amortization of goodwill	-574	-641
Theoretical net profit / loss	20.181	-22.318

4.11 Financial liabilities

EUR 000	31.03.2023	31.03.2022
Short-term financial liabilities	31.964	40.091
Long-term financial liabilities	18.516	7.740
Total financial liabilities	50.480	47.831
Thereof in:		
- EUR	49.985	47.190
- USD	495	585
- JPY	0	56
Thereof with maturity in:		
- 2 to 5 years	10.059	5.165
- > 5 years	8.457	2.575
Average interest rate	1,97%	1,09%
Unused credit facilities	22.373	33.747
Long-term financial liabilities include mortgages secured using mortgage notes		
Carrying amount of property	45.449	26.057
- thereof pledged	20.600	21.155
- thereof used	19.859	9.223

While long-term financial liabilities increased by EUR 10,8 million due to the financing of the new assembly hall in Hückeswagen, short-term financial liabilities decreased overall by EUR 8,1 million due to the positive cash flow from operating activities.

4.12 Payables from goods and services

EUR 000	31.03.2023	31.03.2022
Payables from goods and services		
- with third parties	26.814	32.769
- with joint ventures	381	151
- with other related parties	378	924
Payables from goods and services	27.573	33.844
Thereof:		
- not due and due up to 90 days	27.485	33.773
- overdue more than 90 days	88	71

4.13 Other short-term liabilities

This position contains mainly advance payments from customers amounting to EUR 41,3 million (as at 31 March 2022: EUR 43,1 million) and taxes and social insurance withholdings of EUR 3,5 million (as at 31 March 2022: EUR 7,9 million).

4.14 Accrued liabilities and deferred income

This item mainly includes liabilities from personnel accruals (vacation, Christmas bonus, overtime, performance bonus) EUR 8,5 million (as at 31 March 2022: EUR 7,7 million), outstanding invoices for products sold (assembly, training, freight) EUR 4,4 million (as at 31 March 2022: EUR 2,1 million) and income for subsequent years EUR 0,9 million (as at 31 March 2022: EUR 0,9 million).

4.15 Provisions

2022/23						
EUR 000	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.	2.648	12.548	1.253	3.763	20.212	1.114
Creation of provisions	2.703	0	0	556	3.259	316
Utilization of provisions	-1.783	-492	-946	-300	-3.521	0
Release of provision recognized in the income statement	-260	-3.069	-307	-3	-3.639	-114
Foreign currency effects	2	0	0	-27	-25	13
Carrying amount as at 31.03.	3.310	8.987	0	3.989	16.286	1.329
of which, short-term	2.576	492	0	1.652	4.720	0
of which, long-term	734	8.495	0	2.337	11.566	1.329

2021/22						
EUR 000	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.	2.697	13.385	2.597	3.699	22.378	1.222
Creation of provisions	2.167	0	8	521	2.696	30
Utilization of provisions	-1.817	-469	-516	-378	-3.180	0
Release of provision recognized in the income statement	-427	-368	-836	-84	-1.715	-182
Foreign currency effects	28	0	0	5	33	44
Carrying amount as at 31.03.	2.648	12.548	1.253	3.763	20.212	1.114
of which, short-term	2.173	469	1.253	1.548	5.443	0
of which, long-term	475	12.079	0	2.215	14.769	1.114

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.

Provision for pension benefit obligations

EUR 000

Economic benefit/ economic obligation and pension benefit expenses	Surplus/deficit		Economical 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	
	31.03.2023	31.03.2022				2022/23	2021/22
Pension funds without deficit or surplus (1)	0	0	0	0	-418	-418	-374
Pension funds without own assets (2)	0	-8.987	-12.548	3.561	-492*	3.069	368
Total	0	-8.987	-12.548	3.561	-910	2.651	-6

* 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 2022 the coverage of the collective plan as a whole amounts to 106,6% (as at 31.12.2021 the audited figures: 123,2%). The technical interest rate used amounted to 2,00% (prior year: 1,75%). The underlying mortality table remained unchanged (BVG 2020 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 4,05% (2021/22: 1,31%). 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 financial year was mainly due to the decrease of the discount rate.

Provision Efficiency Enhancement

The Efficiency Enhancement Program launched in 2019/20 financial year was completed in the financial year under review. EUR 0,9 million of the provisions were utilized and EUR 0,3 million were released.

Other provisions

Other provisions include, among others, fire prevention measures of EUR 0,4 million (as at 31 March 2022: EUR 0,4 million), part-time phased retirement obligations of EUR 2,4 million (as at 31 March 2022: EUR 2,2 million) and for long service awards EUR 0,4 million (as at 31 March 2022: EUR 0,5 million).

Due to parameters influencing the value of the PSU, the provision for the LTIP in the financial year under review amounts to EUR 0,1 million (as at 31 March 2022: EUR 0). For further information refer to Note 4.1 of the Compensation Report.

4.16 Share capital and capital reserves

Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2023 and the prior year is 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						2022/23
Service location						
Segments	Germany	Switzerland	Japan	USA	Rest of the world	Total
Bevel Gear	29.489	51.277	5.923	13.446	11.165	111.300
Cylindrical Gear	68.208	4.724	3.524	12.298	4.300	93.054
Measuring Centers	65.658	3.439	5.514	5.153	4.957	84.721
Drive Technology	15.033	0	0	0	35	15.068
Other	2.852	0	148	0	1.818	4.818
Total	181.240	59.440	15.109	30.897	22.275	308.961

EUR 000						2021/22
Service location						
Segments	Germany	Switzerland	Japan	USA	Rest of the world	Total
Bevel Gear	19.330	23.076	1.437	9.221	6.418	59.482
Cylindrical Gear	26.703	2.593	1.983	5.702	4.326	41.307
Measuring Centers	28.774	3.188	3.116	5.620	4.205	44.903
Drive Technology	9.115	0	0	0	58	9.173
Other	1.757	0	63	0	1.923	3.743
Total	85.679	28.857	6.599	20.543	16.930	158.608

For explanations regarding the segment reporting refer to Note 2.5.

5.2 Other operating income

The other operating income decreased from EUR 40,3 million to EUR 9,5 million mainly because of lower income from flood-related insurance payments (EUR 15,5 million), reduction in reconstruction aid from the Federal State of "Nordrhein-Westfalen"/Germany (EUR 14,4 million), government financial aid for the Corona pandemic (EUR 1,4 million), and higher capitalized goods on own account (EUR 1,3 million).

In the 2022/23 financial year the other operating income consisted mainly of flood-related government aid (EUR 5,6 million), for further information refer to Note 1. Furthermore included were capitalized work on own account (EUR 1,5 million), and income from insurance claims (EUR 0,5 million).

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

The main reasons for the reduction in change in inventory by EUR 59,8 million to EUR -18,8 million were the absence of the flood-related delays in the delivery of customer machines and improved material availability (Note 4.4).

5.4 Personnel expense

Personnel expenses amounted to EUR 100,1 million at the end of the financial year, up EUR 4,2 million on the previous financial year. Wages and salaries including social security contributions increased by EUR 6,0 million, mainly due to the increase in the number of employees. Expenses for employee benefits, on the other hand, decreased by EUR 2,7 million. The primary reason for this was a reversal of the pension provision at KLINGELNBERG GmbH due to interest-related factors (refer to Note 4.15).

5.5 Other operating expense

In the financial year under review other operating expense increased by EUR 1,1 million mainly incurred by higher freight costs (EUR 3,8 million), higher marketing, travel and representation expense (EUR 2,4 million), which were partially offset by reduced costs (EUR 9,7 million) from the flood damages (refer to Note 1).

In the financial year under review the largest positions of other operating expense were freight (EUR 9,0 million), travel and representation costs (EUR 5,2 million), rent expense (EUR 4,0 million), and other administrative expenses (EUR 3,7 million).

5.6 Financial result

EUR 000	2022/23	2021/22
Interest expense (-)	-1.222	-620
Financial expense	-1.222	-620
Interest income (+)	180	157
Financial income	180	157
Currency translation difference and hedging expense	-14.868	-8.667
Currency gains	13.580	5.137
Foreign currency loss	-1.288	-3.530
Financial result	-2.330	-3.993

The interest costs for short-term financial liabilities increased due to the rise in market interest rates and the additional loan for the new assembly hall in Hückeswagen.

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

5.7 Income taxes

EUR 000	2022/23	2021/22
Current tax expense	-4.324	-2.034
Deferred tax expense	3.619	25
Tax expense recognized on the income statement	-705	-2.009

The average applied tax rate for the Group is 26,84% (as at 31 March 2022: 33,33%) 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.

As 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 0,7 million (as at 31 March 2022: EUR 2,0 million) mainly derived from non-taxable transactions. In particular, the distribution of profits between the companies as well as tax additions in accordance with local legislation.

EUR 000	2022/23	2021/22
Profit / loss before taxes	21.460	-19.668
Average applied tax rate	26,84%	33,33%
Expected income tax expense	5.760	-6.555
Effect of non-recognition of tax losses in current year	-5.955	6.594
Other effects	900	1.970
Effective income tax expense	705	2.009
Effective income tax rate	3,29%	(10,21%)

5.8 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	2022/23	2021/22
Net profit / loss	20.755	-21.677
Average number of outstanding shares	8.840.000	8.840.000
Basic earnings per share (EUR)	2,35	-2,45
Diluted earnings per share (EUR)	2,35	-2,45

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, the payments and reductions balance each other out (as at 31 March 2022: payment of EUR 0,1 million and was recognized in personnel expense).

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

EUR 000	31.03.2023	31.03.2022
Up to 1 year	3.555	3.695
1 to 5 years	6.986	7.533
More than 5 years	0	1.316
Total obligations from operating leasing	10.541	12.544

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	2022/23	2021/22
Net sales from goods and services	1.603	1.916
Other operating income	28	166
Material expense	-4.415	-3.704
Other operating expense	-221	-49
Financial result	-49	-18
Total	-3.054	-1.689

Transactions with related parties include transactions with shareholders, joint ventures, and other related parties. The conditions do not significantly differ from those agreed with third 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 15 June 2023. 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
2022/2023



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 2023, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting principles.

In our opinion, the consolidated financial statements (pages 75 to 104) give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 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 Standards on Auditing (SA-CH). 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 1.5 million

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 matter the following area of focus has been identified:

Revenue recognition of goods and services in the appropriate period

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

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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 1.5 million
Benchmark applied	Net sales from goods and services
Rationale for the materiality benchmark applied	We chose net sales 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 kEUR 75 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.

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 which requires an audit of specified accounts due to their size or risk characteristics. The concluded full scope and specified accounts audit work addressed over 85% of the Group's revenue. The remaining 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. Our instructions ensured an appropriate and a consistent audit was performed by the component auditors. 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 as well as the audit reporting. Furthermore, the Group audit team performed analytical procedures to address the smaller reporting units.

Key audit matters

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 recognizes net sales from goods and services in the period in which it transfers the risk and reward of ownership. In the financial year 2022/2023 total net sales from goods and services of EUR 309.0 million were recognized.</p> <p>A significant portion of the revenue is usually recognized during the second half of the Group's financial year. We consider revenue recognition in the appropriate period at year-end 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 usual 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 Group'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 net sales from goods and services was recognized 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 2023 and April 2023, tested, on a sample basis, whether revenue was appropriately recognized in the period in which the risk and reward of ownership was transferred. For the same sample, we assessed whether the revenue recognition was appropriate for the contractually agreed incoterms. <p>We consider Management's approach to recognize revenue in the appropriate period at year-end to be reasonable.</p>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH 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 on EXPERT-suisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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
Licensed audit expert
Auditor in charge



Regina Spälti
Licensed audit expert

Zürich, 15 June 2023

Statutory Financial Statements of KLINGELNBERG AG

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Statutory balance sheet

CHF	Note	31.03.2023	31.03.2022
Assets			
Current assets			
Cash and cash equivalents		234.323	28.575
Receivables from goods and services from third parties	3.1	14.596.414	7.265.285
Receivables from goods and services from group companies		2.477.006	389.305
Other short-term receivables from third parties	3.2	2.193.769	1.438.114
Other short-term receivables from group companies	3.3	61.386.796	77.829.147
Inventories	3.4	3.165.980	5.563.196
Prepayments and accrued income		242.462	279.750
Total current assets		84.296.750	92.793.372
Non-current assets			
Tangible fixed assets		532.820	566.346
Investments	3.5	100.585.622	90.618.122
Intangible assets		2.410	7.663
Total non-current assets		101.120.852	91.192.131
Total assets		185.417.602	183.985.503

Statutory balance sheet

CHF	Note	31.03.2023	31.03.2022
Liabilities			
Current liabilities			
Short-term financial liabilities to third parties	3.6	44	41
Short-term financial liabilities to group companies	3.3	25.188.702	27.961.849
Payables from goods and services to third parties	3.7	1.097.429	1.768.653
Payables from goods and services to group companies	3.3	13.175.914	7.918.733
Derivative financial instruments		68.235	173.747
Other short-term liabilities to third parties	3.8	8.546.783	11.072.433
Other short-term liabilities to group companies	3.9	522.020	726.044
Accrued liabilities and deferred income		3.965.069	5.268.538
Short-term provisions		104.015	162.115
Total current liabilities		52.668.211	55.052.153
Non-current (long-term) liabilities			
Long-term provisions		392.200	219.300
Total non-current (long-term) liabilities		392.200	219.300
Total liabilities		53.060.411	55.271.453
Equity			
Share capital	2.10/3.10	44.200.000	44.200.000
Statutory capital reserves	3.11	55.531.150	55.531.150
- thereof reserves from capital contributions		55.531.150	55.531.150
Statutory retained earnings		32.626.041	28.982.900
- thereof amount brought forward from the previous year		28.982.900	30.708.306
- thereof net profit / loss		3.643.141	-1.725.406
Total equity		132.357.191	128.714.050
Total liabilities and equity		185.417.602	183.985.503

Statutory income statement

CHF	Note	2022/23	2021/22
Net sales from goods and services		67.430.432	32.341.280
Other operating income	4.1	1.087.007	2.136.879
Change in inventory of finished and unfinished goods as well as unbilled goods and services	4.2	-2.403.265	3.767.568
Material expense	4.2	-47.110.094	-27.422.980
Personnel expense	4.3	-8.220.558	-7.336.151
Depreciation on tangible fixed assets		-96.658	-116.161
Amortization on intangible assets		-8.528	-6.630
Other operating expense	4.4	-10.350.492	-6.721.299
Operating result		327.844	-3.357.494
Financial result	4.5	3.332.269	1.831.795
Profit / loss before income taxes		3.660.113	-1.525.699
Income taxes	4.6	-16.972	-199.707
Net profit / loss		3.643.141	-1.725.406

Notes to the financial statements

1 General information

KLINGELNBERG AG is a limited liability 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 2023 is composed of 8.840.000 registered shares with a nominal value of CHF 5 each (no changes to the previous financial year).

3 Substantial information on the balance sheet items

3.1 Receivables from goods and services from third parties

CHF	31.03.2023	31.03.2022
Receivables from goods and services (gross)	17.984.289	9.078.828
Receivables from joint ventures	10.025	2.857
Value adjustments	-3.397.900	-1.816.400
Receivables from goods and services	14.596.414	7.265.285
Thereof:		
- not due and due up to 90 days	14.550.643	7.265.075
- overdue more than 90 days	45.771	210

3.2 Other short-term receivables from third parties

The position mainly includes refunds from VAT declarations from Germany and Switzerland in the amount of CHF 1,6 million (as at 31 March 2022: CHF 1,0 million).

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

The cash pool account of KLINGELNBERG GmbH decreased from CHF 77,8 million to CHF 61,4 million in the 2022/23 financial year, in particular due to the payment of CHF 10,0 million into the capital reserves of KLINGELNBERG GmbH. As a result, the investment increased by the same amount.

The loan given by KLINGELNBERG (Japan) Ltd. in the previous financial year was repaid on time. The loan from KLINGELNBERG America Inc. was repaid including the cash pool account. KLINGELNBERG America Inc. is now using the existing cash pool account to settle future machine invoices.

At the same time, trade payables to KLINGELNBERG GmbH increased from CHF 7,5 million to CHF 11,9 million.

3.4 Inventories

CHF	31.03.2023	31.03.2022
Work in progress	3.223.453	5.626.718
Value adjustments	-57.473	-63.522
Inventories	3.165.980	5.563.196

3.5 Investments

As at 31 March 2023, KLINGELNBERG AG held the following investments:

Company, head office	Currency	Capital	Share of capital and voting rights	
			31.03.2023	31.03.2022
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 (Japan) Ltd., Yokohama, Japan	JPY	50.000.000	100%	100%
KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico	MXN	500.000	100%	100%
The KLINGELNBERG Corporation, Cincinnati, Ohio, USA	USD	254	100%	100%
KLINGELNBERG India Private Ltd., Pune, India	INR	27.700.000	100%	100%
KLINGELNBERG do Brasil, Sao Paulo, Brazil	BRL	3.950.000	99%	99%
DKSH KLINGELNBERG Service Ltd., Shanghai, China *	CNY	5.393.815	50%	50%

* Joint venture consolidated at equity

Additional as at 31. March 2023:

In the 2022/23 financial year, KLINGELNBERG AG made an additional payment into the capital reserve of KLINGELNBERG GmbH of EUR 10,0 million.

3.6 Short-term financial liabilities to third parties

As at 31 March 2023 the existing line of credit was, as in the previous financial year, unused.

3.7 Payables from goods and services to third parties

CHF	31.03.2023	31.03.2022
Payables from goods and services	987.022	1.690.341
Payables from joint ventures	110.407	78.312
Payables from goods and services to third parties	1.097.429	1.768.653
Thereof:		
- not due and due up to 90 days	1.090.732	1.765.557
- overdue more than 90 days	6.697	3.096

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. The advance payments received decreased from CHF 10,7 million to CHF 8,1 million. Other liabilities remained at the previous financial year's level.

3.9 Other short-term liabilities to group companies

As in the previous financial year, these included only down payments received.

3.10 Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2023 is composed of 8.840.000 registered shares with a nominal value of CHF 5 each (no changes to the previous financial year).

3.11 Statutory capital reserves

As at 31 March 2023, the Company had CHF 55,5 million (no changes to the previous financial 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 4.16 of the Consolidated Financial Statements).

4 Substantial information on the income statement items

4.1 Other operating income

In the 2022/23 financial year, this position includes income of back charges about CHF 1,1 million (as at 31 March 2022: CHF 1,1 million).

4.2 Material expense/change in inventory of finished and unfinished goods as well as unbilled goods and services

Due to the increase in sales, the cost of materials increased accordingly from CHF 27,4 million to CHF 47,1 million, while the materials ratio decreased from 75,9% to 72,4%.

4.3 Personnel expense

The change compared with the previous financial year is due to various factors:

- The changed composition and associated changes to the fees of the Board of Directors. Reference is made to Note 5 of the Compensation Report.
- The Board of Directors and the Executive Management waived in the prior financial year parts of their right of compensation because of the flood disaster. Reference is made to section 5 of the Compensation Report.
- The increased number of employees (FTEs) from 46 to 50.

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. The increase is mainly due to the increase in sales, which causes an increase of general valuation allowances by CHF 1,6 million, commissions (CHF 1,1 million), freight costs (CHF 0,6 million) and travel cost (CHF 0,3 million).

4.5 Financial result

CHF	2022/23	2021/22
Interest expense (-)	-621.738	-258.235
Interest income (+)	2.232.196	1.493.540
Financial income	1.610.458	1.235.305
Currency translation difference and hedging expense	-11.950.808	-7.744.271
Currency gains	11.163.635	4.346.620
Foreign currency loss	-787.173	-3.397.651
Investment income	2.508.984	3.994.141
Financial result	3.332.269	1.831.795

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

4.6 Income taxes

The tax expense includes withholding tax and tax on profits. In the current financial year, the loss carryforward was taken into account to reduce the current taxes. Furthermore, the item includes tax refunds from previous years of CHF 0,2 million.

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 financial year).

5.2 Lease liabilities

Operating leases apply mainly to vehicles and building rents.

CHF	31.03.2023	31.03.2022
Up to 1 year	1.402.756	1.423.755
1 to 5 years	5.447.075	5.429.218
More than 5 years	0	1.350.000
Total operating lease liabilities	6.849.831	8.202.973

5.3 Pension fund obligations

As at 31 March 2023, as well as at the end of the previous financial year, there are no liabilities to the occupational pension fund due.

5.4 Increase of hidden reserves

During the period under review, hidden reserves increased by CHF 1,6 million (prior financial year: CHF -0,9 million), due to the general value adjustments to be booked because of the increase in receivables from goods and services from third parties (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	31.03.2023	31.03.2022
Guarantees and pledges to group companies in favor of third parties	87.626	92.843
Guaranteed maximum amount	87.626	92.843
Thereof utilized	63.194	59.744

5.6 Contingent liabilities

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

Only shares of the active members of the Board of Directors and Executive Management acting for KLINGELNBERG Group on the respective year-end date are shown, otherwise this is shown as n/a.

Number of shares

	31.03.2023	31.03.2022
Jan Klingelberg, CEO	20.000	0
Christoph Küster, CFO	1.000	1.000
Philipp Kannengießer, COO (from April 2022)	2.000	n/a
Martin Boelter, COO (EM until March 2022)	n/a	2.000
Dr. Jörg Wolle, Member of the Board of Directors/Chairman	224.414	195.730
Diether Klingelberg, Member of the Board of Directors (BoD until August 2022)	n/a	20.000
Hans-Georg Härter, Member of the Board of Directors (BoD until August 2022)	n/a	430
Roger Baillod, Member of the Board of Directors	1.500	1.500
Prof. Dr. Michael Hilb, Member of the Board of Directors	1.000	1.000

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 till 15 October 2022 (section 3.1 of the Corporate Governance report). Due to the death of Mr. Diether Klingelberg on 15 October 2022, Mr. Jan Klingelberg holds these shares alone. In the previous financial year, 4.000 shares were 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 15 June 2023. 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	31.03.2023	31.03.2022
Amount brought forward from prior year	28.982.900	30.708.306
Net profit / loss	3.643.141	-1.725.406
Statutory retained earnings	32.626.041	28.982.900
Distribution	-1.768.000	0
To be carried forward	30.858.041	28.982.900

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

CHF	31.03.2023	31.03.2022
Capital contribution reserves	55.531.150	55.531.150
Withholding tax free distribution	-1.768.000	0
To be carried forward	53.763.150	55.531.150

The Board of Directors will propose to the Annual General Meeting on 22 August 2023 to pay out a dividend of CHF 0,40 per registered share. The Board of Directors will propose to distribute half of the dividend from the legal capital reserve and half from the profit carried forward.

In the previous financial year, no dividend per registered share was paid out according to the decision of the Annual Shareholders' Meeting on 23 August 2022.

Klingelberg AG
Zurich

Report of the statutory auditor
to the General Meeting

on the financial statements 2022/2023



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 (the Company), which comprise the Statutory balance sheet as at 31 March 2023, the Statutory income statement and notes to the financial statements for the year then ended, including a summary of significant accounting principles.

In our opinion, the accompanying financial statements (pages 111 to 123) 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 Standards on Auditing (SA-CH). 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 Company 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 500'000



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 Company, the accounting processes and controls, and the industry in which the Company 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 500'000
Benchmark applied	Net sales from goods and services
Rationale for the materiality benchmark applied	We chose net sales 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 25'000 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.

Key audit matters

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	How our audit addressed the key audit matter
The balance sheet item 'Investments' amounts to CHF 100.6 million as of 31 March 2023. We consider the valuation of investments in subsidiaries to be a key audit matter due to the significance of the balance (54.2% of total assets). An impairment of investments in subsidiaries could have a significant impact on the equity of the company.	With regard to the valuation of investments in subsidiaries, we performed the following audit procedures: <ul style="list-style-type: none"> - We assessed the appropriateness of Management's applied valuation approach; - We challenged Management's considerations for applying portfolio valuation; - We tested the mathematical accuracy of the impairment assessment prepared by Management;



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 considers the aggregation 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.

- 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.

We consider Management's approach to assess the valuation of investments to be reasonable.

Revenue recognition of goods and services in the appropriate period

Key audit matter

Klingelberg AG recognizes revenue from goods and services in the period in which it transfers the risk and reward of ownership. In the financial year 2022/2023 total net sales from goods and services of CHF 67.4 million were recognized.

A significant portion of the revenue is usually recognized 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 recognized in the appropriate period:

- We identified transactions occurring close to the balance sheet date and for the months of March 2022 and April 2022 tested, on a sample basis, whether revenue was appropriately recognized 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;

We consider Management's approach to recognize revenue in the appropriate period at year-end to be reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 on EXPERTsuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings and the proposed repayment of the legal capital reserve comply 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
Licensed audit expert
Auditor in charge

Regina Spälti
Licensed audit expert

Zürich, 15 June 2023

Alternative Performance Measures



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	2022/23	2021/22
(1) Operating result	23.790	-15.675
(2) Depreciation on tangible fixed assets	-3.956	-4.144
(3) Amortization on intangible assets	-367	-419
EBITDA (1) - (2) - (3)	28.113	-11.112

EBIT:

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

EUR 000	2022/23	2021/22
Operating result	23.790	-15.675

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	2022/23	2021/22
(1) Net sales from goods and services	308.961	158.608
(2) Change in inventory of finished and unfinished goods as well as unbilled goods and services	-18.844	40.965
Total operating performance (1) + (2)	290.117	199.573

Gross Profit:

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

EUR 000	2022/23	2021/22
(1) Total operating performance	290.117	199.573
(2) Material expense	-125.790	-110.479
Gross profit (1) + (2)	164.327	89.094

Materials Ratio:

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

EUR 000	2022/23	2021/22
(1) Total operating performance	290.117	199.573
(2) Material expense	-125.790	-110.479
Materials ratio (-2) / (1)	43,4%	55,4%

Personnel Expense Ratio:

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

EUR 000	2022/23	2021/22
(1) Total operating performance	290.117	199.573
(2) Personnel expense	-100.114	-95.851
Personnel expense ratio (-2) / (1)	34,5%	48,0%

Other Operating Expense Ratio:

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

EUR 000	2022/23	2021/22
(1) Total operating performance	290.117	199.573
(2) Other operating expense	-46.260	-45.232
Other operating expense ratio (-2) / (1)	15,9%	22,7%

Ratio of Research and Development Expenses:

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

EUR 000	2022/23	2021/22
(1) Net sales from goods and services	308.961	158.608
(2) Research and development expenses	-24.736	-22.788
Ratio of research and development expenses (-2) / (1)	8,0%	14,4%

Net Debt:

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

EUR 000	31.03.2023	31.03.2022
(1) Short-term financial liabilities	31.964	40.091
(2) Long-term financial liabilities	18.516	7.740
(3) Cash and cash equivalents	8.718	7.720
Net debt (1) + (2) - (3)	41.762	40.111

Free Cash Flow:

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

EUR 000	31.03.2023	31.03.2022
(1) Cash flow from operating activities	15.703	-54.537
(2) Cash flow from investing activities	-17.580	-1.089
Free cash flow (1) + (2)	-1.877	-55.626

Financial Calendar



Dates in the coming financial year

16.06.2023	Publication of figures for the financial year ending 31 March 2023
22.08.2023	Annual General Meeting 2022/23
17.11.2023	Publication of results for the half-year ending 30 September 2023



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