



KLINGELBERG AG

Precision gearing champion with Swiss and German heritage



Presentation for Analysts and Investors

Financial Report H1 2019/20

Zurich, November 2019

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Agenda

1	Introduction
2	Financial results
3	Enhanced efficiency program
4	Outlook
5	Q&A

1 Introduction

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

General Market Conditions:

- Globally, growth rates are slowing
- In numerous markets and key sectors, we are facing the onset of a recession
- Significant uncertainty relating to Brexit and trade disputes
- No guidelines from political authorities on the future of mobility
- Global decline in total industrial output – particularly automobile production
- Investment backlogs in the automotive industry

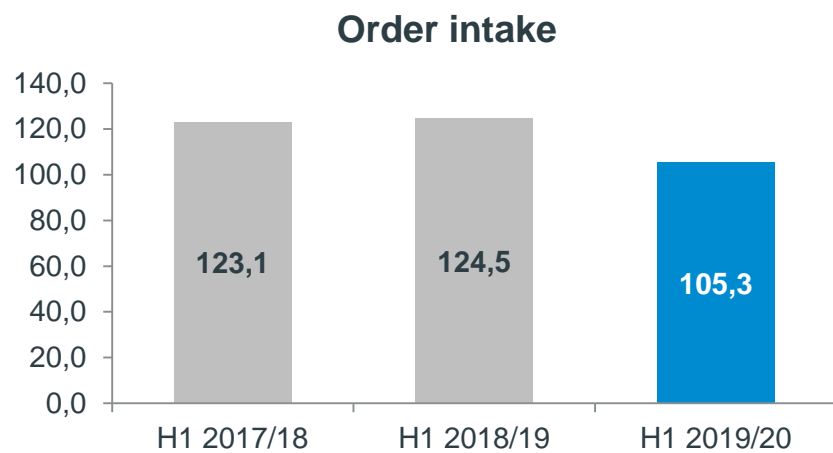
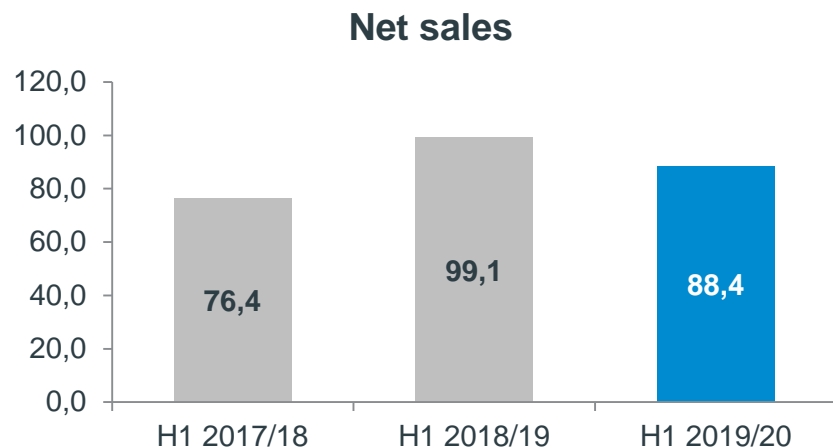
1 Major takeaways from the first half of the business year 2019/20

1	Decline in sales and order intake
2	Growth in Cylindrical Gears Unit despite market challenges
3	Operating half-year result down by EUR 5,3 million*
4	KLINGELNBERG Group expects lower sales and lower EBIT-Margins as communicated per October 14, 2019
5	Full Year operational result expected to be positive
6	KLINGELNBERG Group will implement a comprehensive program dedicated to enhancing efficiencies

*Compared to previous half-year result

2 Lower sales and orders due to impaired dynamics of global economy

KLINGELNBERG Group – Net sales and order intake (in M€)



- Net sales declined by EUR 10,7 million compared with the prior-year period, a reduction of 11%.
- Order intake fell by EUR 19,2 million from the same period last year, a decline of 15%.

Note: Unless otherwise indicated, all figures are rounded up or down to the nearest hundred thousand Euros.

2 Net sales: Bevel Gear and Measuring Centers dropped

KLINGELNBERG Group – Product mix: Significant shift to Cylindrical Gears (in M€)

Segments	H1 FY 2018/19		H1 FY 2019/20		Deviations	
Bevel Gear	41,0	41%	35,0	40%	-6,0	-15%
Cylindrical Gear	18,7	19%	22,8	26%	4,1	22%
Measuring Centers	30,1	30%	21,0	24%	-9,1	-30%
Drive Technology	4,9	5%	5,9	7%	1,0	20%
Other	4,3	4%	3,7	4%	-0,7	-15%
Total	99,1	100%	88,4	100%	-10,7	-11%

- Net sales increased in Cylindrical Gear and Drive Technology
- Substantial decline in sales in the Measuring Centers segment

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2 Sales and result below previous year's level

KLINGELNBERG Group – Income statement (in M€)

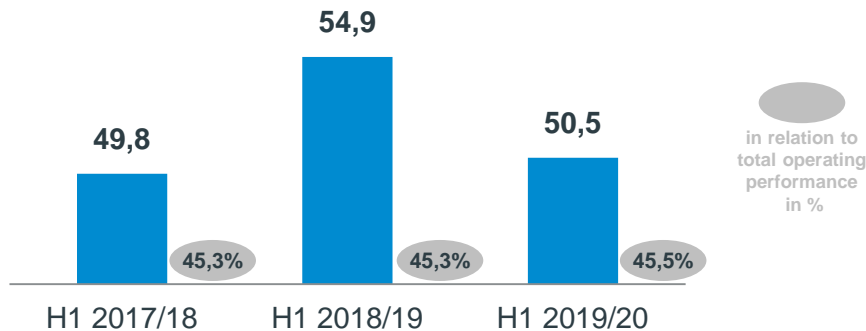
	H1 2018/19		H1 2019/20		Deviations	
Net sales from goods and services	99,1	100%	88,4	100%	-10,7	-11%
Other operating income	2,5	3%	0,9	1%	-1,6	-63%
Change in inventory of finished and unfinished goods	22,1	22%	22,7	26%	0,6	3%
Material expense	-54,9	-55%	-50,5	-57%	4,4	8%
Personnel expense	-48,7	-49%	-50,9	-58%	-2,1	-4%
Depreciation on tangible fixed assets	-3,1	-3%	-2,6	-3%	0,4	14%
Amortisation on intangible assets	-0,2	0%	-0,2	0%	0,0	-1%
Other operating expense	-21,6	-22%	-18,0	-20%	3,6	17%
Share of profit of associates	0,0	0%	0,0	0%	0,0	
Share of result from joint ventures	0,2	0%	0,2	0%	0,1	35%
Operating result	-4,7	-5%	-10,0	-11%	-5,3	-115%
Financial result	-1,7	-2%	-1,4	-2%	0,3	17%
Profit before income taxes	-6,4	-6%	-11,4	-13%	-5,0	-79%
Income taxes	1,6	2%	3,3	4%	1,7	111%
Net profit	-4,8	-5%	-8,1	-9%	-3,3	-68%

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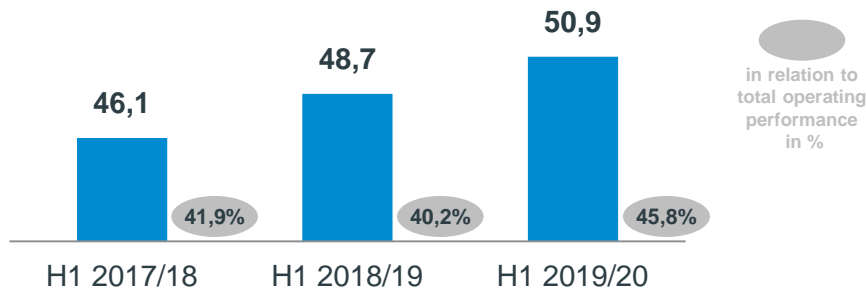
2 Personnel costs as expected, actions on the way

KLINGELNBERG Group – Income and cost development (in M€)

Material expense



Personnel expense



Personnel expense increased by EUR 2,1 million

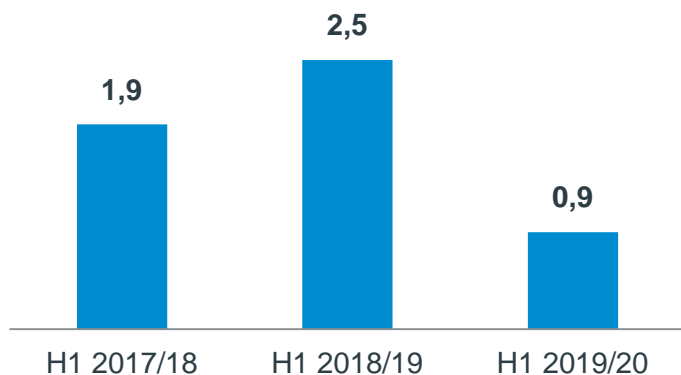
- Tariff increase: collective bargaining agreement for the metal and electrical engineering industry that was concluded in February 2018
- Number of FTEs increased from 1.309 to 1.340 due to the shift in product-mix
- Actual: Reduction of loan work (about 30 FTEs) and flexible work accounts

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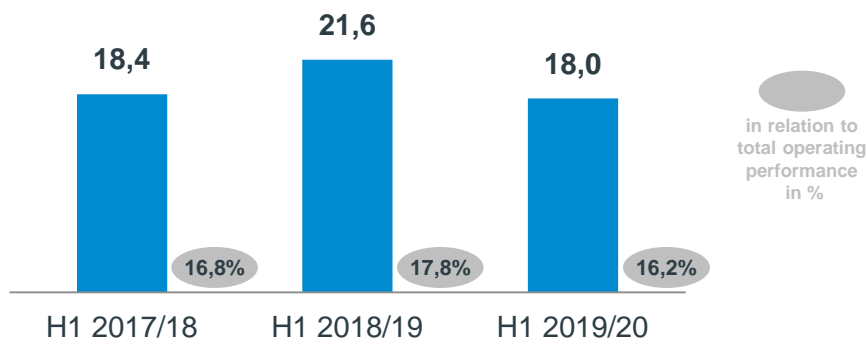
2 Other operating expense ratio decreased slightly

KLINGELNBERG Group – Income and cost development (in M€)

Other operating income



Other operating expense



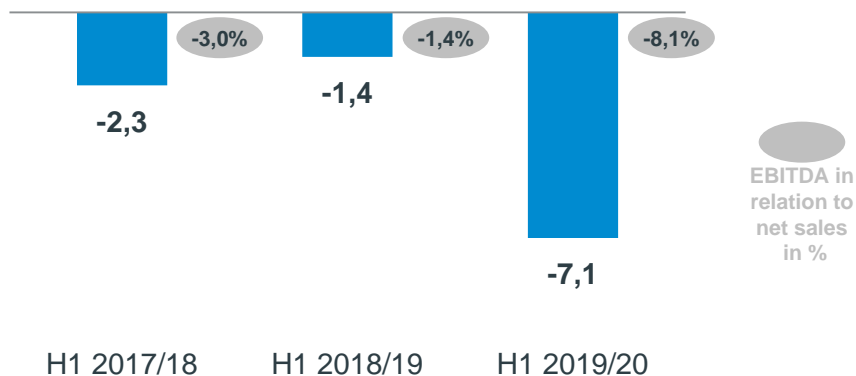
- The other operating income of the prior-year period contained outgoing invoices to the emitting shareholder amounting EUR 1,2 million (IPO).
- The other operating expenses of the prior-year period amounted to EUR 21,6 million, including IPO expenses of EUR 2,2 million.
- The other operating expense ratio decreased by 1,6 percentage points.

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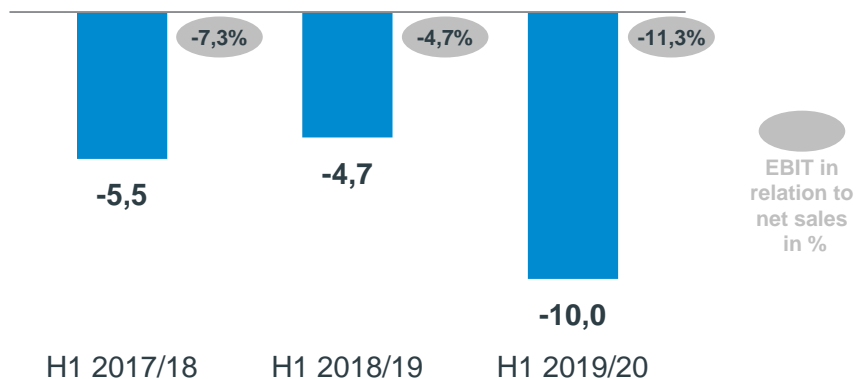
2 EBIT below previous year's figure

KLINGELNBERG Group – EBITDA & EBIT development (in M€)

EBITDA



EBIT



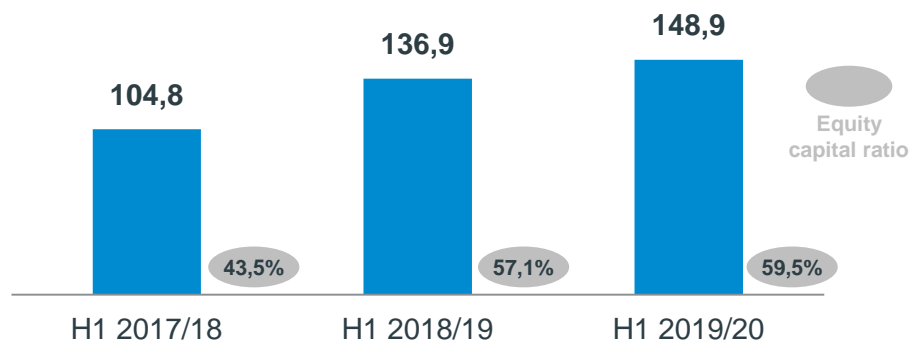
- Due to the decline in net sales by EUR 10,7 million compared with the previous year, both EBITDA and EBIT significantly decreased.
- In H1 2018/19 adjusted EBITDA amounted to EUR -0,4 million and adjusted EBIT amounted to EUR -3,7 million.

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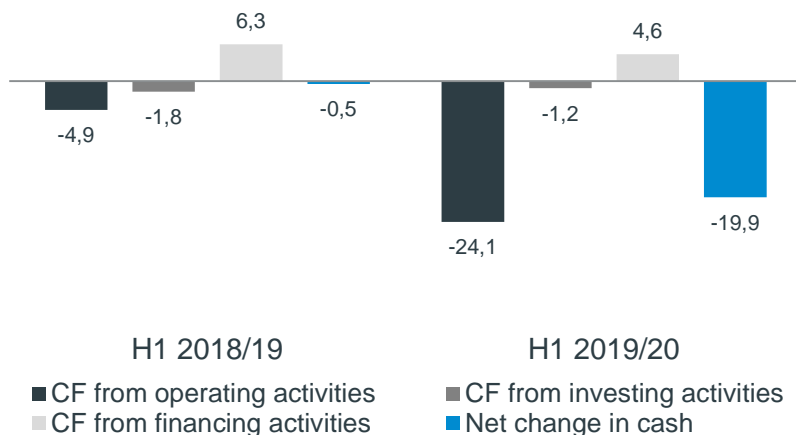
2 Healthy liquidity and strong equity ratio

KLINGELNBERG Group – Balance sheet ratios (in M€)

Equity capital (H1 2017/18 inclusive loan from shareholder (subordinated))



Cash flow statement

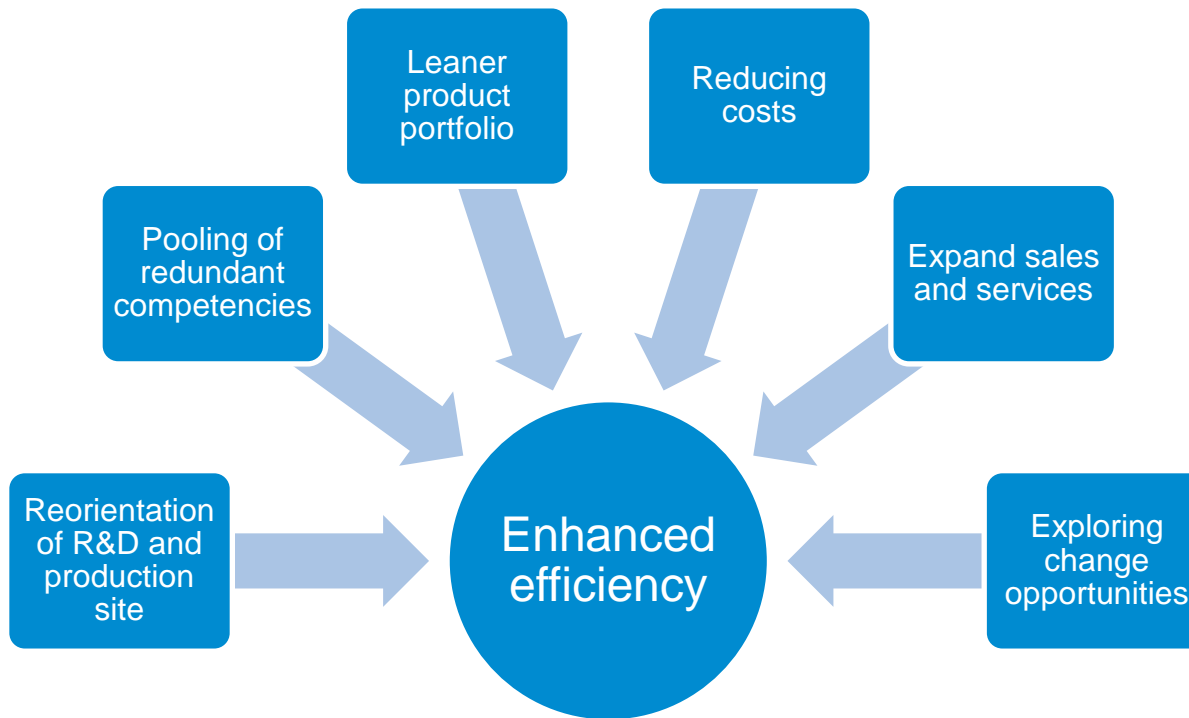


- Equity rose by EUR 12,0 million. This increase is mainly due to the allocation in retained earnings.
- Cash Flow H1 2019/20
 - The cash flow from operating activities totaled EUR -24,1 million due to the increase in inventories of work in progress, which is necessary to deliver the order backlog of machines for the second half of the financial year.
 - The cash flow from investing activities remained on a normal level
 - The cash flow from financial activities amounted to EUR +4,6 million, while financial liabilities of EUR +12,7 million were recorded, profit distribution totaled EUR -8,1 million.
 - Overall, the net change in cash flow totaled EUR -19,9 million in the first half of the year

Note: Unless otherwise indicated, all figures are rounded up or down to the nearest hundred thousand Euros.

3 Enhanced efficiency program

KLINGELNBERG Group – Proactive in tackling challenges



- KLINGELNBERG Group will launch a comprehensive program to increase efficiencies.
- The company is very well positioned to cope with the impact of adverse conditions.
- Proactive approach in tackling the future challenges.

4 Outlook

KLINGELNBERG Group – Financial Year 2019/20

- Sales are expected to be lower around 15-20%
- Operational: we expect a positive result
- Negotiations about possible efficiency program are on the way
- We will communicate any results, decisions and expected implications on financials as soon as possible

Appendix

Strong equity ratio

KLINGELNBERG Group – Balance sheet (in M€)

	2018-09-30 ACTUAL Q2		2019-09-30 ACTUAL Q2		Deviations	
Cash and cash equivalents	8,1	3%	8,7	3%	0,6	8%
Receivables from goods and services	49,9	21%	52,2	21%	2,3	5%
Inventories	103,1	43%	109,9	44%	6,8	7%
Other current assets	9,5	4%	9,5	4%	0,0	0%
Non-current assets	69,0	29%	69,9	28%	0,8	1%
Total assets	239,6	100%	250,2	100%	10,6	4%
Short-term financial liabilities	9,5	4%	15,1	6%	5,6	59%
Other long-term financial liabilities	5,5	2%	3,9	2%	-1,6	-28%
Payables from goods and services	18,6	8%	12,8	5%	-5,8	-31%
Other liabilities	69,1	29%	69,5	28%	0,4	1%
Total equity	136,9	57%	148,9	60%	12,0	9%
Total liabilities and equity	239,6	100%	250,2	100%	10,6	4%

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