

KLINGELNBERG AG  
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Media Release

### **KLINGELNBERG AG adopts detailed action plan to increase efficiencies**

- Streamlining of key sectors and consolidation of locations
- Cost reductions exceeding 10 million Euro per year – non-recurrent charges around 15 million Euro to be absorbed largely within the current financial year
- Burdens from weak markets have increased further – economic impact of coronavirus both in Asia and globally lead to an ongoing decline at the beginning of the year

Zurich, 04 March 2020 – **KLINGELNBERG AG announced in October 2019 that it was developing a comprehensive program to increase efficiencies, and also entering into discussions with employee representatives. Following in-depth analyses and negotiations with those employee representatives, the company has now decided on a detailed plan of action. The aim of the measures is to respond promptly to market weaknesses, including the global mechanical engineering industry, as well as the noticeable investment backlogs in the automotive sector, while also preparing the company for a changing economic environment. As a result of the growing economic impact of the coronavirus in conjunction with the ongoing deterioration in the global automotive, automotive supplier and mechanical engineering sectors, KLINGELNBERG AG recorded a weaker start to the year than previously planned. Consequently, the company now expects a significantly lower order intake for the 2019/20 financial year ending 31 March. Given this combination of one-off costs for the increased efficiency measures and the impact of the additional burdens, KLINGELNBERG AG expects a loss on the level of net profit for the financial year. Owing to these uncertainties from external circumstances, a reliable detailed forecast for the end of the financial year is not currently feasible. In view of its solid financing and its very high equity base, the company can in any event cope with the burdens involved.**

At the core of the efficiency enhancing program that has since been defined is the streamlining of key sectors within the company, strengthening sales and marketing, and merging locations. Internationally, employee numbers will be reduced by some 200 from currently 1.340 (as at 30 September 2019). The major part of this reduction (approx. 160 employees) will be absorbed by the Ettlingen plant in Germany. Beginning 2021/22, i.e. once the program is completed, the positive economic impact will amount to over 10 million Euro per financial year, compared to 2018/19. The one-off costs of implementing these measures are estimated at around 15 million Euro and will be reflected largely in the result in the current financial year. As a consequence, the result of the KLINGELNBERG Group will be clearly negative this year and further burdened by additional fallout such as the impact of the coronavirus, postponement of investments in important customer industries and, in some cases, lack of liquidity in those organizations.

Dr. Jörg Wolle, Chairman of the Board of Directors: "We wish to thank the executive board of KLINGELNBERG AG for generating this convincing efficiency enhancement program, the necessity of which has become all the more urgent in view of trends across the global economy and particularly in the automotive and mechanical engineering sectors since the beginning of this evidently difficult year 2020. Undeniably, it includes a number of measures that are unwelcome, but unavoidable in the face of negative developments within the company's key customer industries. We share the view of the executive board that this program will ensure KLINGELNBERG AG continues to be solidly and sustainably positioned and that thereby, the stage is set for the company to cope well with the major challenges of the current upheavals. We are also convinced that through the adopted measures, Klingelberg is simultaneously setting course for the time following these difficulties, and has excellent opportunities for achieving compelling successes, particularly in an environment that has returned to normal".

Jan Klingelberg, CEO of KLINGELNBERG AG: "The efficiency enhancement program is comprehensive and should allow us to pragmatically and effectively prepare our company for the dramatically evolving situation in key sectors of the global economy. That, in turn, secures our ability to act and, not in the least, jobs. While doing so, it is vital to equally assume our responsibility towards all co-workers, an aspect which has invariably been important to us as an employer with a high proportion of family members. All necessary measures will be taken in the most socially responsible manner possible. I would like to take this opportunity to thank the employee representatives for their active participation in the constructive negotiations." Klingelberg added that in addition to existing challenges within important customer industries, the coronavirus has created further negative impact.

### **The efficiency enhancement program in detail:**

The focus on electromobility being promoted in political circles and continued uncertainties about the future course of business are currently causing postponements of structural investments in the automotive industry. Likewise, the effects of the coronavirus, extensive short-time working at our customers' facilities, plus the resultant absence of advance payments are generating further burdens. To mitigate this phase, KLINGELNBERG AG will in future concentrate all cylindrical gear division products at the Hückeswagen location. The production of standard components and bevel gear sets will be optimized and focused. Within the last years continued automation has anyway neutralized any cost advantages of the Hungarian location. Production at the Gyor site in Hungary will be discontinued as a result, thereby securing the utilization of capacities and profitability of the Hückeswagen location. In this context, the executive board and employee representatives have approved a works agreement on increased efficiencies, that allows the company to start the programme immediately.

Ettlingen as a facility will be secured by a clear focus on software development, cylindrical gear service, application engineering and sales activities.

In parallel, Klingelberg is investing in strengthening its sales operations and faster time-to-market for its innovations. To this end, Klingelberg will penetrate selected additional markets and develop new customer sectors. At the same time, the Board of Directors has decided to reflect the increased importance of sales in management and has appointed Mr. Prasad Kizhakeel as Chief Sales Officer (CSO) to the executive board effective 01 April 2020. Mr. Kizhakeel has been successfully active in various functions and different task profiles for 18 years. In the past eight years Mr. Kizhakeel has globally designed, established and built up one of today's most successful subsidiaries within the KLINGELNBERG Group, Klingelberg India Pvt. Ltd. Among other things, this subsidiary has become Klingelberg's first knowledge center outside of Europe, and an important pillar of the company's innovation strategy. The transformation of innovations into

marketable products, plus the identification of new sales sectors using modified existing products will thus be a focus of his activities.

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**About Klingelberg**

Founded in 1863, Klingelberg is a global leader in gear technology. The company develops and builds machines for the production of bevel and cylindrical gears, measuring centers for axially symmetric workpieces of all kinds, including high-precision transmission components to customer specifications. Headquartered in Zurich, Switzerland, and employing some 1,300 specialists, Klingelberg operates development and production facilities in Zurich (Switzerland), Hückeswagen and Ettlingen (Germany), and Győr (Hungary), and maintains sales and service subsidiaries in Germany, Switzerland, Hungary, France, Italy, Spain, Japan, India, China, Brazil, the USA and Mexico. Klingelberg shares are listed on the SIX Swiss Exchange (KLIN).

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