



ANNUAL REPORT

2021/22

KLINGELNBERG AG

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Dear Shareholders,

Your company, KLINGELNBERG AG, looks back on an intense, eventful, busy, and ultimately, increasingly successful business year – despite all adversities we have come across! In the third year of external crises that have impacted KLINGELNBERG, the Company has once again proven its outstandingly high level of resilience.

Let's take a look back: At the end of 2019, years of peak global economic activity began to come to an end, and the first recessionary tendencies set in. As a cyclically sensitive sector, the global mechanical engineering industry quickly showed that it would not be able to escape this recession. KLINGELNBERG has used this time to streamline site operations, develop new business areas and markets, and lay the foundations for increased efficiency and clout. Then, starting in 2020, a much larger crisis ensued with the global Covid-19 pandemic. KLINGELNBERG has used its flexibility and agility to weather also this crisis well. Therefore, we were in a position to inform the capital markets that we expect earnings contributions to be clearly positive again in the 2021/22 financial year.

Shortly after the start of the new financial year, on 14 July 2021, our main site in Hückeswagen with around 750 employees was flooded as a result of a regional torrential rain. For days, it was not certain whether KLINGELNBERG would be able to recover from the severe economic damage caused. However, thanks to the great and joint efforts of the majority shareholder, the Board of Directors, the Executive Board, the Management staff, and the employees, KLINGELNBERG successfully overcame this crisis, too.

Despite the burdens resulting from the flood disaster, KLINGELNBERG recorded the highest order intake in the Company's history in the past financial year, with a total volume of roughly EUR 269 million. One of the factors contributing to this great success was the fact that KLINGELNBERG, despite the crises described above, continued to develop in an anti-cyclical manner by focusing on strongly growing sectors.

In an earlier annual report, we told you, dear shareholders, that KLINGELNBERG was confident of benefiting significantly more than average from these efforts after the crisis. And this is exactly what happened.

In particular, KLINGELNBERG participated to an above-average extent in the expanding global wind energy market. Against the backdrop of the increasing quality requirements of our customers, we were able to win significant orders in the e-mobility sector. KLINGELNBERG has positioned itself excellently, especially in the global mining and raw materials industry with its renewed willingness to invest. Today we can confirm: KLINGELNBERG is on track for success.

Challenges remain, particularly in terms of the global economy. As a result of the Ukraine war, important areas of the global economy have been disrupted. At present, no one can foresee the further impacts of this. In addition, the procurement markets and supply chains remain challenging for the mechanical engineering sector. Last but not least, the Company will have to be able to deal with rising supplier prices and incipient inflation.

Today, KLINGELNBERG is highly innovative and ideally positioned to benefit from global megatrends such as renewable energy, transformation to e-mobility, and raw material extraction.

For the 2022/23 financial year, we expect a significant increase in sales. The reasons for this are the almost complete elimination of the flood-related production constraints and the high order backlog, which grew by EUR 110,3 million to EUR 268,0 million in the 2021/22 financial year.

We expect the EBIT margin to be above 6% in the 2022/23 financial year.

KLINGELNBERG AG has demonstrated what it is capable of in difficult times, and it will continue to show its mettle going into the future.

Sincerely yours,



Dr. Jörg Wolle
Chairman of the Board of Directors



Jan Klingelberg
CEO

Zürich, 22 June 2022

At a Glance

Gear Noise Check by Single-Flank, Torsional Acceleration & Structure Borne Noise Test



Heat Treatment Distortion Check by Helix Test



Financial overview

Key facts

- Net sales of EUR 158,6 million (-0,1%)
- Order intake rose by EUR 53,4 million (+24,8%) to EUR 268,9 million
- Highest order intake and order backlog in Company's history
- EBIT amounted to EUR -15,7 million, a decrease of EUR 4,1 million
- Net loss amounted to EUR -21,7 million
- Equity ratio at 38,3%
- No dividend payout this year

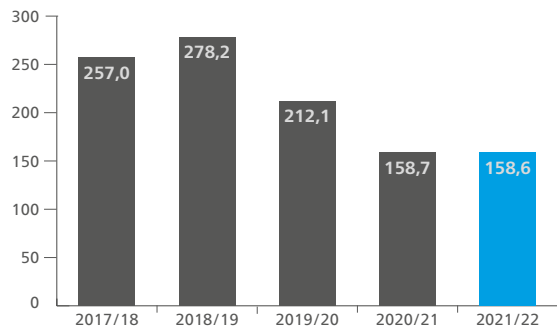
Group key figures

EUR million	2021/22	2020/21	Change
Net sales from goods and services	158,6	158,7	-0,1
Order intake	268,9	215,5	53,4
Order backlog	268,0	157,7	110,3
Operating result (EBIT)	-15,7	-11,6	-4,1
Net loss	-21,7	-7,3	-14,4
Basic earnings per share (in EUR)	-2,45	-0,82	-1,63
Diluted earnings per share (in EUR)	-2,45	-0,82	-1,63
Operating result as % of net sales from goods and services	(9,9%)	(7,3%)	(2,6%)
Net loss as % of net sales from goods and services	(13,7%)	(4,6%)	(9,1%)
Cash flow from operating activities	-54,5	7,6	-62,1
Investments	11,6	3,7	7,9
Free cash flow	-55,6	7,3	-62,9
Employees (FTE)	1.183	1.145	38

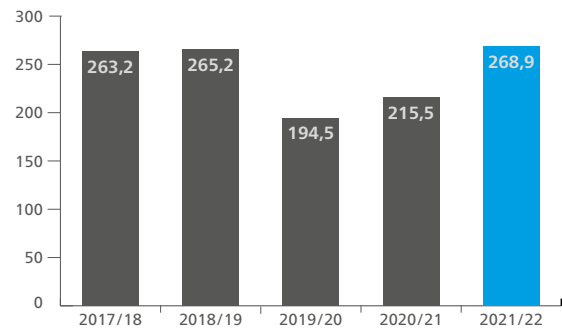
EUR million	31.03.2022	31.03.2021	Change
Total liabilities and equity	273,6	216,9	56,7
Net debt	40,1	-15,5	55,6
Total equity	104,7	120,5	-15,8
Equity ratio	38,3%	55,6%	(17,3%)

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

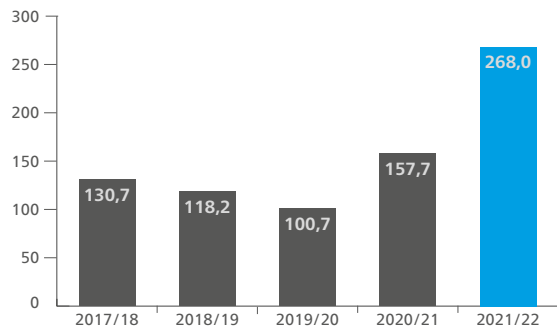
Net sales from goods and services, in EUR million



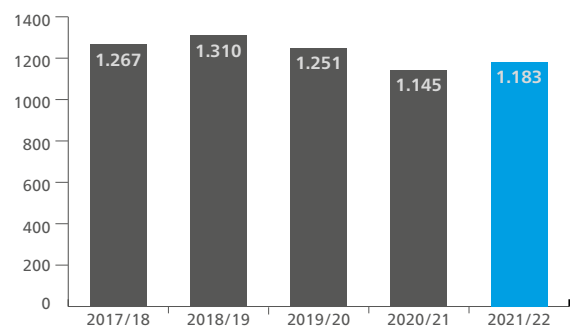
Order intake, in EUR million



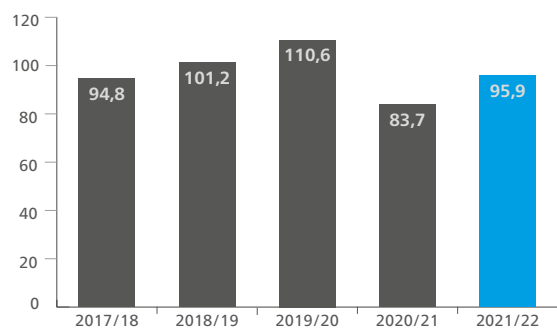
Order backlog, in EUR million



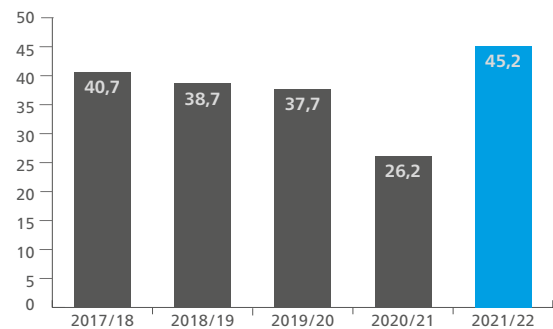
Employees (FTE), full time equivalents



Personnel expense, in EUR million

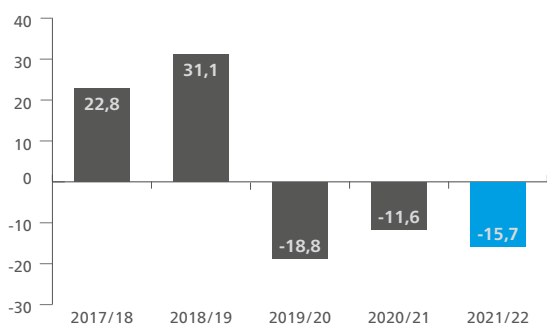


Other operating expense*, in EUR million

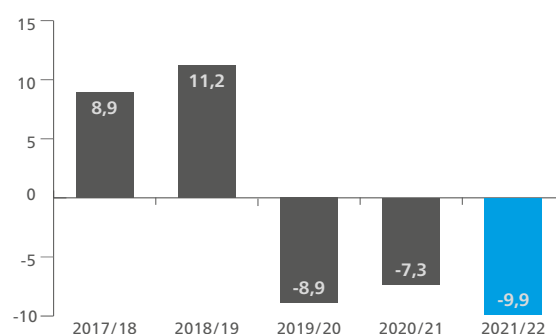


* 2017/18 and 2018/19 adjusted, without IPO costs

Operating result (EBIT)*, in EUR million



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



Share price, from April 2020 – March 2022



* 2017/18 and 2018/19 adjusted, without IPO costs

Highlights 2021/22



Special Projects:

KLINGELNBERG launches construction project for new assembly hall in Hückeswagen-Winterhagen (Germany)



The construction project of the new assembly hall at the future Gustav-Adolf-Klingelberg-Straße 1 began back in December 2021. The first machines are scheduled to be installed there in the fall/winter of 2022.

In December 2021, KLINGELNBERG launched a construction project for a new assembly hall with connected logistics, thereby renewing its commitment to the traditional location of Hückeswagen-Winterhagen (Germany). The new assembly hall will be designed for building large cylindrical gear machines, particularly for use in the wind power industry.

In December 2021, the groundwork was completed and the preparations were made for the foundation. To enable assembly of even the heaviest and most sensitive machinery, the halls will be fully air-conditioned and equipped with two bridge cranes – one with a 25-ton load capacity and one with a 40-ton capacity – and 10 wall-mounted traveling cranes with a 3,5-ton capacity each. The hall will be built to meet the climate-efficiency requirements according to KfW 55 – a standard that is not particularly common for industrial buildings at present. By implementing this efficiency standard, the energy demand and consequently the CO₂ emissions will be reduced. In addition, the plant technology was designed in such a way that currently 60% of the thermal energy is generated from renewable energies – an important step towards protecting the climate.

The new assembly hall, which will occupy a floor space of approximately 8.000 m² including offices, will be home to over 100 employees in the future. The new site will also have its own employee cafeteria.

The site is geared for the future and is capable of undergoing further expansion. The city of Hückeswagen has even named a street in the Company's honor. The future assembly hall will be located at Gustav-Adolf-Klingelberg-Straße 1.



The future assembly hall will be located at Gustav-Adolf-Klingelberg-Straße 1.

Product Highlights:**Flexible roll testing on the HÖFLER Cylindrical Gear Roll Testing Machine R 300**

The ideal position to be in is to have flexible access to all five known roll test methods – preferably combined on a machine such as the R 300.

Due to the increasing outsourcing of part and component production in large-scale transmission manufacturing, some transmission and vehicle manufacturers now require a certificate of quality for all gears installed in the powertrain. A further driver of ever-higher inspection levels is e-mobility. With the elimination of the combustion engine, there is an even greater focus on the noise behavior of the transmission than before, since the electric motor has a comparatively low masking effect on

gear noise. To meet this challenge, KLINGELNBERG is building on roll testing technology, a familiar method from the bevel gear industry that is now moving into the world of cylindrical gears.

Only with a flexible test machine can the many quality control requirements for gears be met. Depending on the configuration, the R 300 provides the option of using all five roll testing methods. These include the single flank test, the structure-borne noise test and torsional acceleration test, the double-flank test, and the helix roll test. Thus the R 300 can be used at every point in the production process chain for cylindrical gears – from monitoring the soft cutting to checking the hardening distortions, to evaluating the noise behavior of the installation-ready gear.

In terms of axis traversing paths, the HÖFLER Cylindrical Gear Roll Testing Machine R 300 covers the same component spectrum as the tried-and-tested HÖFLER Cylindrical Gear Generating Grinding Machine Speed Viper. Gear components up to an outside diameter of 300 mm can be tested, for example. In conjunction with the optional counter support, shafts up to 800 mm in length can be analyzed to determine their running performance and noise behavior. With a minimal footprint of 2 m², the machine's compact design also saves costs since it requires very little expensive floor space.



Gear noise testing by single flank, torsional acceleration and structure-borne noise testing.



Testing of hardness distortions by the Helix test.

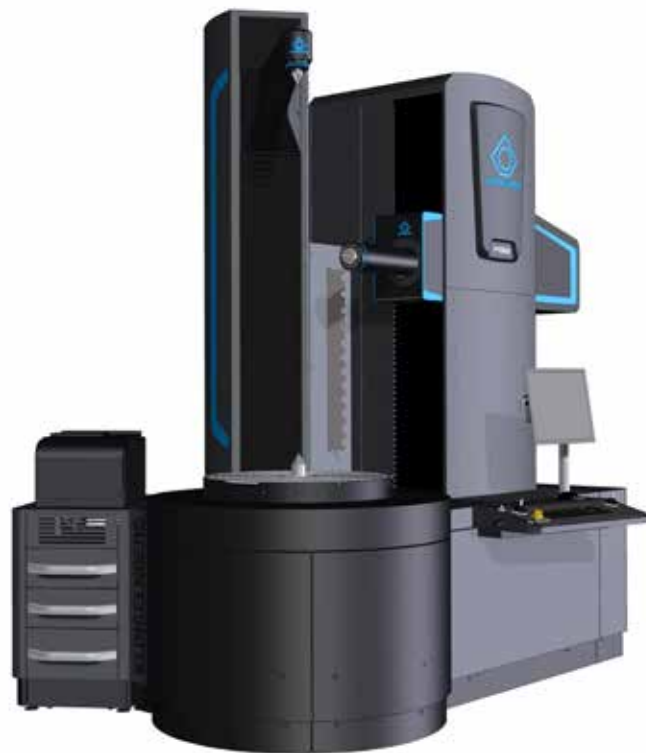


Innovative touchscreen technology with intuitive graphical user interface.

KLINGELNBERG Precision Measuring Center P 152 – High-volume for medium sized gears

The increasing cost pressure on large components for wind power requires new technologies that will enable proven principles for high-volume and mass production of smaller components to be transferred over to large components. To meet this need, KLINGELNBERG has developed a new Precision Measuring Center. The P 152 is the latest addition to the family of KLINGELNBERG Precision Measuring Centers. It is capable of measuring components with a maximum outside diameter of 1.520 mm and workpiece weights up to 8.000 kg with the usual precision.

Despite this high workpiece weight, no special foundation is required because the KLINGELNBERG design engineers succeeded in extending the machine concept of the small and medium series to the large component dimensions. The inherently rigid machine bed with a 3-point support plays a key role here. The bed design and floor support have been so cleverly selected that even when loaded with workpiece weights of up to 8.000 kg, the angular position of the individual machine axes to each other does not change significantly. This ensures high precision across the entire component spectrum from smaller to larger gears. The 3-point support enables the integration of an active vibration platform into the machine bed. This means that even the low-frequency vibrations from the shop floor can be safely absorbed. Because the machine is isolated from these vibrations, the P 152 can be located on the normal shop floor without having to build an inherently vibration-isolated foundation. Despite this, it is ensured that all changes visible in the measuring results actually do come from the component and are not induced by the ambient conditions. The P 152 thus acts as a bridge for medium-sized gears such as planetary gears used in wind power, making the operating principles used in high-volume and mass production applicable to large gears as well.



The 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.

Despite this, it is ensured that all changes visible in the measuring results actually do come from the component and are not induced by the ambient conditions. The P 152 thus acts as a bridge for medium-sized gears such as planetary gears used in wind power, making the operating principles used in high-volume and mass production applicable to large gears as well.

Machine overhaul to optimize the production process

Most companies have industrial plants with machines of varying ages. Over time, it becomes harder and more time-consuming to obtain spare parts for existing installations. The resulting production disruptions don't just cost money – the risk of downtime and lifecycle costs also continually increase. KLINGELNBERG machines are known for their durability. And if a machine's mechanics still work, an update can make sense to optimize the production process and significantly increase productivity.

KLINGELNBERG has done extensive work in this area and offers a preliminary cost-benefit analysis of a machine overhaul. Using this approach, KLINGELNBERG has developed a tried-and-tested strategy and has already overhauled a large number of machines around the world. At its core, a machine overhaul involves upgrading the control unit to the latest generation in order to restore spare parts availability. This is done by completely replacing the cabinet and operating panel. KLINGELNBERG also replaces the sensor system, the motors, and all cables, meaning that from an electrical perspective, the machine is like new. In terms of the mechanics, KLINGELNBERG always proceeds based on the situation, taking into account the machine condition and any service and repairs that have already been made. The machine is thoroughly inspected, and the scope of the overhaul is determined together with the customer, who knows the machine best. KLINGELNBERG also offers performance packages if appropriate. With performance packages, machines manufactured a long time ago can be retrofitted with the most recent advancements, resulting in enhanced machine functionality.



If a machine's mechanics still work, an update can make sense to optimize the production process and significantly increase productivity.

Trade Fairs:

After almost all trade shows were canceled in 2020 due to the coronavirus pandemic, KLINGELNBERG was once again able to exhibit its product portfolio at a number of international trade shows in the 2021/22 financial year. The countries in which KLINGELNBERG had a trade show presence included China, Italy, and the USA.



CIMT, Beijing, China

12.04.-17.04.2021

The China International Machine Tool Show (CIMT) was held for the 17th time. The KLINGELNBERG team was supported by joint venture partner DKSH. Visitors particularly enjoyed the live demonstrations of the KLINGELNBERG Precision Measuring Center P 40.

Motion + Power Technology Expo (MPT), St. Louis, USA

14.09.-16.09.2021

The Motion + Power Technology Expo (MPT), produced by the American Gear Manufacturers Association (AGMA), connects the top manufacturers, suppliers, buyers, and experts in the mechanical and gear power, electric power, and fluid power industries in St. Louis, Missouri/USA.



EMO Milano, Milan, Italy

04.10.-09.10.2021

Considered one of the world's leading trade shows for machine tools, EMO is held in Italy and Germany in alternating years. In 2021, the industry came together in Milan under the slogan "The magic world of metalworking". KLINGELNBERG debuted the HÖFLER Cylindrical Gear Roll Testing Machine R 300 for high-precision testing technology at the show.

Digital Events:

In order to increase customer awareness of certain topics, KLINGELNBERG continued its digital WebSeminar series in 2021. The topics of “wind power” and “electromobility” in particular were presented in the online events.

Wind power weeks

KLINGELNBERG took a deep dive into the theme of renewable energies and hosted an exclusive WebSeminar series on the topic of wind power in May and June 2021. Participants also enjoyed a fascinating guest lecture by Prof. Dr.-Ing. Manfred Fishedick, Scientific Director of the Wuppertal Institute for Climate, Environment and Energy. Wind power plants make use of a wide range of gear transmissions for various tasks: semi-rotary drives for adjusting the machine housing, drives for adjusting the rotor blades, and transmissions for adapting the rotor speed to the generator speed. To manufacture this variety of gears with maximum productivity, the market requires machines that can get the most out of the potential that modern gear designs and production-ready processes offer. This is where KLINGELNBERG comes in, offering a wide range of solutions for the wind power industry. Not only did KLINGELNBERG highlight outlooks and trends in renewable energy, it also presented concepts and developments and presented specific solutions to its customers.

DIMECON – Digital Measuring Conference

DIMECON – an acronym made from the first letters of Digital and Measuring, plus CON from Conference. KLINGELNBERG hosted a series of talks under this acronym between 17 November 2021 and 02 February 2022, which addressed relevant issues in quality assurance and measuring technology. The main theme of the inaugural DIMECON series was root cause analysis of unpleasant gear noise and a presentation of specific solutions for quiet-running, quality transmissions. The Company focused on production equipment and test instruments for drive components in electromobility. DIMECON is different from the conventional WebSeminar series, because in addition to theory, there were also live demonstrations directly on the machine in the factory. KLINGELNBERG set up a small television studio for the event, so that customers could experience the demonstrations live on the machine.



Left: Dr. Hartmuth Müller and Dr. Christof Gorgels in front of the green screen. Right: But participants see their colleagues in front of a projected background.

Awards:**KLINGELNBERG among winners of the 2021 German Innovation Awards**

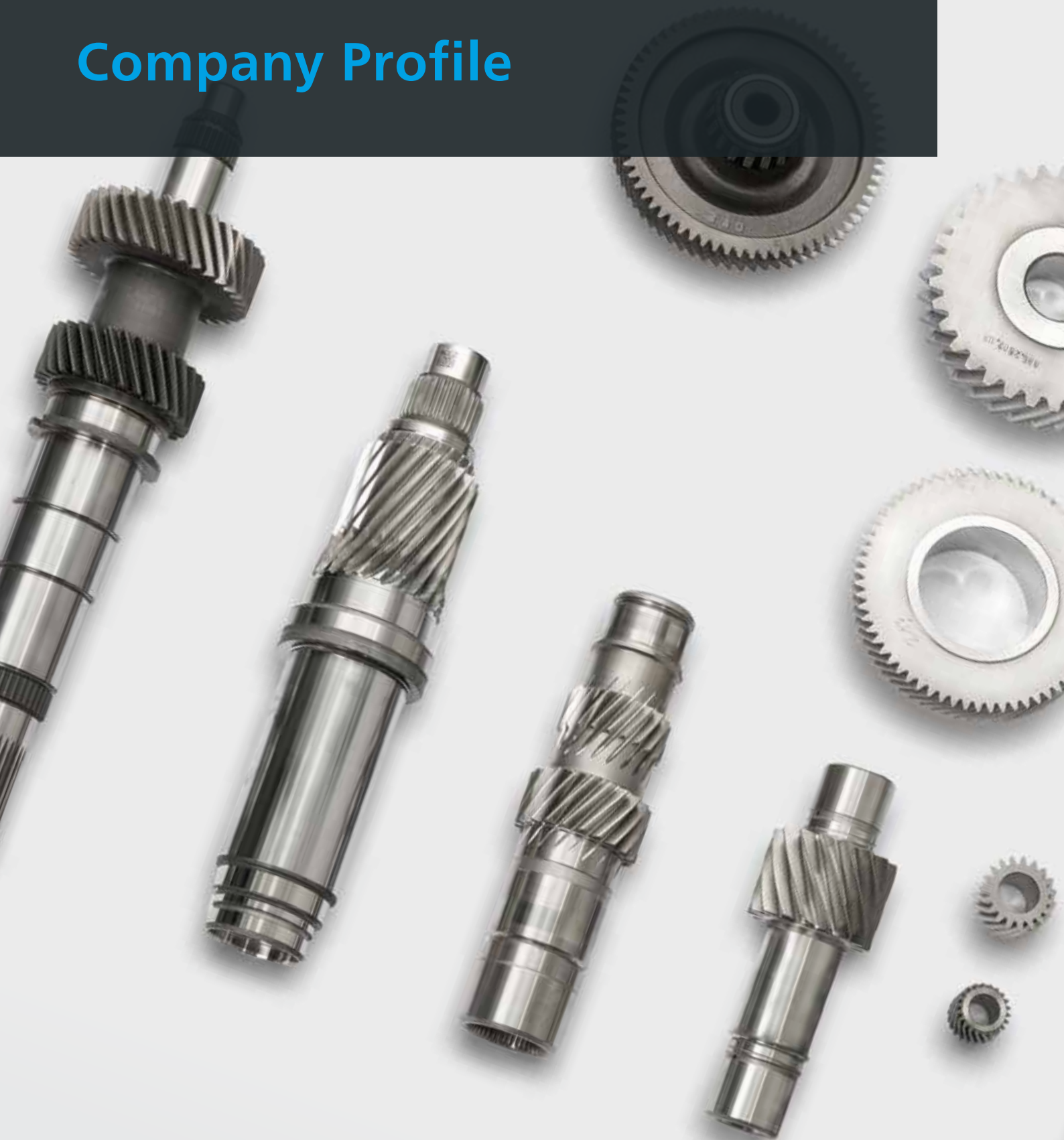
The German Innovation Awards are granted by the German Design Council.

KLINGELNBERG is the proud recipient of another award. This time, the Company won over the expert jury for the 2021 German Innovation Awards with its “Done-in-One – Complete Measurement in a Single Stage” solution. The German Innovation Awards honor products and solutions that distinguish themselves from earlier solutions primarily by their user centricity and added value. The German Innovation Awards are granted by the German Design Council, which was enacted into law by the German Parliament in 1953 and is funded by the Federation of German Industries (BDI).

With its innovative “Done-in-One – Complete Measurement in a Single Stage” solution, KLINGELNBERG entered the “Machine and Engineering” category in the “Excellence in Business to Business” competition class. KLINGELNBERG’s approach is to perform various measurement processes in a single stage as one complete measurement (“Done-in-One”), all in the immediate production environment. A KLINGELNBERG Precision Measuring Center (G variant) has rapid measurement capability for dimensions, shape, contour, and surface roughness in one automated cycle. By combining measurement tasks traditionally performed on up to four different devices, it is possible not only to lower investment costs, but also to decrease setup times and reduce quality costs. The integration of measuring technology into the immediate production environment, in particular, helps to increase the productivity and output of the production plants. In sum, a fully automatic measuring run can save approximately 40% of the measurement and setup time.

The jury is made up of independent interdisciplinary experts from industry, science, institutions, and finance. The assessment was based on the criteria of innovation, benefit to users, and economic efficiency. The innovation strategy had to take aspects such as social, ecological, and economic sustainability and the use of energy and resources into account. Factors such as the potential of the location and employability, durability, market maturity, technical quality and function, materiality, and synergy effects also played a decisive role in the judging process.

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.

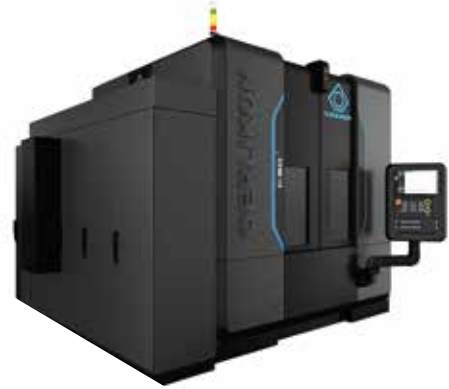
KLINGELNBERG operates engineering and manufacturing facilities in Switzerland and Germany. The Company ensures a global presence with regional sales offices and service centers. In addition, its ISO 14001 certification and participation in the VDMA's (German Mechanical Engineering Industry Association) "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).



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.



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.



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

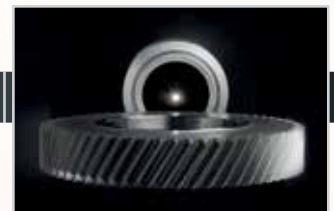
- Introduction of a dry cutting process for spiral bevel gears with the new generation of C machines: OERLIKON Spiral Bevel Gear Cutting Machine C 28.
- Introduction of a new series of OERLIKON Bevel Gear Grinding Machines G 27/G 60 with vertical concept.



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 to 2021

NEW MARKETS

- KLINGELNBERG wins Best of Industry Award 2018 and 2020 in the categories "Industry 4.0" and "Measuring Technology".
- Conquering new markets through further development of optical metrology and development of innovative solutions for the complete measurement of roller bearings.
- KLINGELNBERG receives the German Innovation Award 2021 for the "Done-in-One – Complete Measurement in a Single Stage" solution.

Management Report



Flood disaster

In the late evening of 14 July 2021, as a result of persistent heavy rain that hit especially in the western and southwestern parts of the Federal Republic of Germany, the Hückeswagen site at Peterstrasse of KLINGELNBERG GmbH was flooded in large parts due to high water. This resulted in relevant damage to buildings, equipment, machinery, means of production and inventories. In addition, production was impaired for months, so that further damage occurred as a result of the interruption of operation.

The flood damage alone 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 as a result of the flood. Among other things, cleaning costs for the entire site and equipment led to increased other operating expense of EUR 10,2 million.

By contrast, the 2021/22 annual result included flood-related insurance payments of EUR 15,8 million and a receivable from the Federal State of "Nordrhein-Westfalen"/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and flooding in July 2021" of EUR 20,0 million. In addition, the introduction of an in-house collective agreement and the waiver of remuneration by the Executive Board and the Board of Directors resulted in savings of around EUR 2,8 million in the last quarter of the 2021/22 financial year. Thus, the net loss caused by the flood, net of benefits and measures already received or still outstanding, amounted to EUR 25,5 million.

The loss resulting from the flood was therefore not covered by the benefits received or still outstanding in the 2021/22 financial year. Not all applications for the reconstruction have been submitted to the Federal State of "Nordrhein-Westfalen"/Germany at present and therefore the final amount of the relief payments is yet unknown. Additionally, only the damage of the interruption of operation of KLINGELNBERG GmbH was credited. The damage from the interruption of operation at all other business units of the Company that purchased products from KLINGELNBERG GmbH was not eligible for relief payments.

Although the targets for the 2021/22 financial year were missed, the strong order intake and further growth in the order backlog provide a positive outlook for the near future.

Segments and markets

In the 2021/22 financial year, the KLINGELNBERG Group found itself in an environment of opposing, and sometimes intensifying each other, economic trends. While the removal of pandemic restrictions provided an economic boost, the war in Ukraine and the sanctions taken in response exacerbated disruptions to global value chains. Material bottlenecks and raw material shortages have arisen from the military conflict, which overlapped the pandemic and remain incalculable in their full scope.

Global production initially expanded dynamically at a rate of 1,5% in the final quarter of 2021, compensating for a considerable part of the losses recorded in the previous year. Driven by the strong increase in production in the USA, gross domestic product in the G7 countries grew at a rate of 1,2% and therefore faster than in the previous quarter. Industrial production in particular picked up noticeably toward the end of the year, helped significantly by a strong expansion in automobile production, which had been severely curtailed in the summer due to supply bottlenecks.

On a regional level, the flooding that hit western Germany on 14 July 2021, caused significant damage to KLINGELNBERG's Hückeswagen site. At EUR 158,6 million, net sales were on a par with the previous financial year (EUR 158,7 million). However, due to the flood, the budgeted increase in sales for the 2021/22 financial year was missed. Despite these challenges, order intake picked up significantly thanks to strong momentum from the automotive and wind energy sectors. Order intake increased significantly by EUR 53,4 million compared to the previous financial year and amounted to EUR 268,9 million at the end of the financial year.

Around 39,5% of all sales were generated in the EMEA region, and a further 42,0% in the Asia-Pacific region.

Bevel Gear segment:

The Bevel Gear segment reported net sales of EUR 59,5 million at the end of the financial year, an increase of 18,1% over the previous financial year. Despite relevant damage caused by the flood on the one hand and a temporary interruption of operation on the other, the KLINGELNBERG Group succeeded in exceeding the previous financial year's figure by EUR 9,1 million. The ramp-up of global production after the Covid-19 crisis with the parallel revival of the bevel gear business in the automotive sector were the main reasons for this.

In the Bevel Gear segment, order intake increased significantly compared to the previous financial year. At the end of the financial year, it amounted to EUR 74,1 million, up EUR 4,8 million on the previous financial year. The main share of orders came from globally operating suppliers to the automotive and commercial vehicle industries, while the general gear manufacturing and mechanical engineering sectors remained stable. In addition to an upturn in new machine business,

the successful implementation of numerous retrofit and refurbishment projects also contributed to this success.

Cylindrical Gear segment:

In connection with the flood in July 2021 at the KLINGELNBERG site in Hückeswagen, there were also numerous postponements of machine deliveries in the Cylindrical Gear segment, so that the previous financial year's level could not be achieved. Net sales decreased from EUR 45,6 million to EUR 41,3 million, a decrease of EUR 4,3 million. However, beyond the impact of the floods, this segment recorded significant waves of demand from the wind power and general mechanical engineering sectors. Thanks to an increase in orders for medium-sized Rapid machines (Rapid 1250 and Rapid 1600), order intake was significantly up on the previous financial year. At the end of the financial year, it amounted to EUR 78,3 million, up EUR 6,4 million on the previous financial year. The Asian market, in particular China, remained the driving force.

Against the backdrop of China's goal of climate neutrality and the accelerated replacement of fossil fuels with renewable energies in the wake of the conflict in Ukraine, further orders are expected in the wind power sector.

Measuring Centers segment:

The Measuring Centers segment ended the 2021/22 financial year with net sales of EUR 44,9 million, down EUR 5,6 million on the previous financial year. Damage and impairments caused by the flooding at the Hückeswagen site had significantly slowed down the good sales performance recorded at the beginning of the financial year. Notwithstanding this event, the e-mobility reference projects won in the first half of the year led to extensive follow-up orders. Despite extended delivery times due to the flood event, a record order intake of EUR 84,7 million was achieved and thus the highest order volume in Measuring Centers within a single business year in the history of the KLINGELNBERG Group.

The Measuring Centers segment has thus also successfully positioned itself in the market for e-mobility and made positive use of the comprehensive transformation in the automotive industry. In addition to new applications in the field of e-mobility, the order intake was supported by a surge in demand from the commercial vehicles sector. The beneficial market position was even further strengthened in the field of large measuring centers. The international effort to replace fossil fuels with renewable energies such as wind power also indicates an increased demand for large P units (P 150 – P 350) in the future.

Drive Technology segment:

The Drive Technology segment ended the 2021/22 financial year with net sales of EUR 9,2 million, up EUR 0,2 million on the previous financial year. Following a noticeable market correction in

the wake of the global Covid-19 pandemic in the previous year and drastic investment cuts in the marine and mining markets, a strong ramp-up of target markets has made itself felt in the KLINGELNBERG Group's order books in the course of the 2021/22 financial year. Order intake increased significantly to EUR 15,7 million at the end of the financial year, up 88,0% on the previous financial year.

The Drive Technology segment also benefited from the strong growth in e-mobility and the raw materials required for it (including copper and lithium). The increasing demand for Bevel Gears for mining applications was already reflected in the order books. After years of declining investment in shipbuilding, there were also signs of a revival in this market, as a result of which the diversification of the Drive Technology segment gained significantly in profile.

Research and development

In the past 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.

The increasing cost pressure on large components for wind power requires new technologies that will enable proven principles for high-volume and mass production of smaller components to be transferred over to large components. To meet this need, KLINGELNBERG has developed a new Precision Measuring Center. The P 152 is the latest addition to the family of KLINGELNBERG Precision Measuring Centers. It is capable of measuring components with a maximum outside diameter of 1.520 mm and workpiece weights up to 8.000 kg with the usual precision. Despite this high workpiece weight, no special foundation is required because the KLINGELNBERG design engineers succeeded in extending the machine concept of the small and medium series to the large component dimensions. Despite this, it is ensured that all changes visible in the measuring results actually do come from the component and are not induced by the ambient conditions. The P 152 thus acts as a bridge for medium-sized gears such as planetary gears used in wind power and combines dimension, form, and position measurements with gear measurement, making the operating principles used in high-volume and mass production applicable to large gears as well. The P 152 offers all the possibilities of the Done-in-One principle in the mid-sized diameter range as well.

The HÖFLER Cylindrical Gear Roll Testing Machine R 300 is the latest machine development in the area of Cylindrical Gear technology. Due to the increasing quality requirements in large-scale transmission manufacturing, some transmission and vehicle manufacturers now require a certificate of quality for all gears installed in the powertrain. A further driver of ever-higher inspection levels is e-mobility, which places much higher demands on the noise behavior of a transmission due to the elimination of the combustion engine. To meet this challenge, KLINGELNBERG is building on roll testing technology, a familiar method from the Bevel Gear industry that is now moving into the world of Cylindrical Gears. Depending on the configuration, the R 300 provides the option

of using all five roll testing methods. These include the single flank test, structure-borne noise and angular acceleration test, double-flank and helix roll test. Thus, the R 300 can be used for checking heat treatment distortions in advance to the hard-finishing process and for evaluating the noise behavior of the installation-ready gear. In terms of axis traversing paths, the R 300 covers the same component spectrum as the tried-and-tested HÖFLER Generating Gear Grinding Machine Speed Viper. Wheel components can be tested up to an outside diameter of 300 mm. In conjunction with the optional counter support, shafts up to 800 mm long in extreme cases can be analyzed to determine their running performance and noise behavior. Yet the machine's footprint is a compact 2m² – saving costs on expensive production floor space.

The ratio of research and development expenses increased by 1,1 percentage points compared to the previous financial year and totaled 14,4% in the 2021/22 financial year. R&D expenditures of EUR 22,8 million underline the importance of product development for the KLINGELNBERG Group.

Gross profit

In the 2021/22 financial year, the KLINGELNBERG Group generated net sales from goods and services of EUR 158,6 million. Due to the flooding at the KLINGELNBERG site in Hückeswagen, however, the planned increase in sales was missed, so that they only reached the previous financial year's level (EUR 158,7 million). Benefiting from the strong order intake on the one hand and the delayed completion of customer machines due to the floods on the other, change in inventory of finished and unfinished goods as well as unbilled goods and services increased by EUR 46,8 million compared with the same prior-year period. This resulted in an increase in total operating performance by EUR 46,7 million to EUR 199,6 million.

As a result of the significant increase in inventories and scrapping due to the floods, material expense amounted to EUR 110,5 million at the end of the financial year, exceeding the previous financial year's figure by EUR 58,5 million. The materials ratio increased by 21,4 percentage points year-on-year to 55,4% at the end of the financial year.

Personnel expense and employees

Personnel expense amounted to EUR 95,9 million at the end of the financial year, up EUR 12,1 million on the previous financial year. This increase was mainly due to developments at KLINGELNBERG GmbH, where the short-time work with a volume of EUR 5,7 million was not received any more and expenses for external staff increased by EUR 4,8 million.

Due to the stronger increase in total operating performance compared with personnel expense, the personnel expense ratio decreased from 54,8% in the 2020/21 financial year to 48,0%. As at 31 March 2022, the KLINGELNBERG Group had 1.183 employees (FTE), 38 more than in the previous financial year.

Other operating expense

At the end of the financial year, other operating expense amounted to EUR 45,2 million. This was EUR 19,0 million above the previous financial year. At EUR 10,2 million, the largest increase was due to flood damage.

The other operating expense ratio was 22,7% at the end of the financial year, significantly above the prior-year level (+5,6 percentage points).

Other operating income

Other operating income amounted to EUR 40,3 million at the end of the financial year, up EUR 38,4 million on the previous financial year. The increase was mainly due to flood-related insurance payments of EUR 15,8 million and a receivable from the Federal State of "Nordrhein-Westfalen"/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and flooding in July 2021" of EUR 20,0 million at KLINGELNBERG GmbH.

Operating result

Triggered by the persistent heavy rainfall on 14 July 2021, the post-pandemic recovery of the KLINGELNBERG Group initially slowed down considerably. The operating result (EBIT) decreased significantly by EUR 4,1 million compared to the previous financial year and amounted to EUR -15,7 million at the end of the 2021/22 financial year. However, the strong order intake and further growth in the order backlog provide a positive outlook for the near future.

The operating result as % of net sales from goods and services was -9,9%, a decrease of 2,6 percentage points compared with the previous financial year. The basic earnings per share amounted to EUR -2,45.

Financial result

The KLINGELNBERG Group reported a financial result of EUR -4,0 million in the 2021/22 financial year. This loss resulted mainly from the exchange rate result in the accounts, which was incurred mainly by KLINGELNBERG AG. The holding company reports the Group figures in Euro, while the accounts of KLINGELNBERG AG are kept in Swiss francs.

Balance sheet

The balance sheet total of the KLINGELNBERG Group increased by EUR 56,7 million compared to the end of the previous financial year on 31 March 2021 and amounted to EUR 273,6 million as at 31 March 2022. While non-current assets decreased by EUR 3,9 million to EUR 59,1 million, partly due to the sale of the KLINGELNBERG GmbH property in Ettlingen, current assets increased by EUR 60,5 million (+39,3%) and amounted to EUR 214,4 million as at 31 March 2022. The significant increase resulted mainly from increased inventories (EUR +52,5 million), which were mainly due to the high order backlog in connection with the interruption of operation.

Total liabilities increased by EUR 72,4 million (+75,1%) compared to 31 March 2021 and amounted to EUR 168,8 million as at 31 March 2022. The largest increase was in current and non-current financial liabilities, which rose by EUR 40,8 million compared with the previous financial year. This significant increase served to finance the rise in inventories. Net debt increased by EUR 55,6 million and amounted to EUR 40,1 million at the end of 2021/22 financial year.

Equity decreased by EUR 15,8 million (-13,1%) to EUR 104,7 million compared to the end of the previous financial year on 31 March 2021. This decrease was mainly due to the flood-related net loss for the financial year. The equity ratio decreased by 17,3 percentage points to 38,3% compared with 31 March 2021.

Cash flow statement

The cash flow from operating activities decreased by EUR 62,1 million to EUR -54,5 million compared to the 2020/21 financial year, mainly due to flooding. On the one hand, net loss increased by EUR 14,4 million, on the other hand, change in inventories increased by EUR 60,6 million, as production was impaired as a result of the flood and machines could not be completed.

Outflows for investment in tangible fixed assets amounted to EUR 11,4 million in the financial year. The largest single investment was the new assembly hall in Hückeswagen, Germany, which is currently still under construction. Mainly due to the sale of the real estate in Ettlingen, Germany, inflows from the sale of tangible fixed assets of EUR 9,6 million were generated. The cash flow from investing activities amounted to EUR -1,1 million and was thus EUR 0,8 million lower than in the previous financial year.

New financial liabilities were taken on to finance the increase in inventories and the new assembly hall. Cash flow from financing activities increased by EUR 63,9 million compared with the 2020/21 financial year to EUR 40,8 million.

In total, the net change in cash amounted to EUR -14,9 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:** While the global economy tended to recover from the consequences of the Covid-19 pandemic in 2021, the war in Ukraine is currently weighing on the global economy.
- **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. To strengthen liquidity after the flooding, Credit Suisse is providing bridge financing in the amount of EUR 20,0 million, half of which is guaranteed by the KlingelInberg family.

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 global economy and the European industry in particular are being significantly impacted by the war in Ukraine. Oxford Economics, for example, has significantly reduced its growth forecast for the global economy in 2022 from 4,7% last fall to now 3,7%. The growth potential shifts even further into the future. However, the uncertainties and risks are currently very high. For example, supply chain bottlenecks and disruptions are intensifying.

By contrast, we expect a significant increase in sales in the 2022/23 financial year. The reasons for this are the almost complete elimination of flood-related production constraints and the high order backlog, which grew by EUR 110,3 million to EUR 268,0 million in the 2021/22 financial year. EBIT margin is expected to be above 6,0% in the 2022/23 financial year.

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 2022. 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.

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 2022 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 2022 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 2021/22 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 2022:

Date	Issuer	Beneficial owner / persons that can exercise the voting rights at their own discretion	Direct Shareholder	Position
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	Jan Klingelberg Diether Klingelberg ¹	KLINGELNBERG Luxemburg A.G.	48,62%
29 June 2018	KLINGELNBERG AG	Arndt Klingelberg		4,86%

¹ Jointly registered as a Group due to an agreement on exercising of voting rights.

Notifications made in 2021/22 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 2022, the Company held no treasury shares.

3.2 Cross-shareholdings

As at 31 March 2022, 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 2022, 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 2022, 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 in 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

According to Art. 3B of the Articles, the Board of Directors was authorized to increase the share capital at any time until 09 June 2020 by a maximum amount of CHF 4.456.400 by issuing a maximum of 891.280 fully paid-in registered shares with a nominal value of CHF 5 each. As this authorization expired at the end of 09 June 2020, there is no longer any authorized capital available for a capital increase as at 31 March 2022.

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

https://klingelberg.com/fileadmin/Investors/Statuten_Articles_of_Association_Klingelberg.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:

	31.03.2022	31.03.2021	31.03.2020	31.03.2019
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	4.456.400	4.456.400
Authorized capital in units	0	0	891.280	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://klingelberg.com/fileadmin/Investors/Statuten_Articles_of_Association_Klingelberg.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).

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

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 always 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 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 2021/22 financial year, an extraordinary trading blackout period was declared on 15 July 2021 due to a major flooding at the Hückeswagen site and revoked on 09 September 2021.

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 2021/22 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://klingelInberg.com/fileadmin/Investors/Statuten_Articles_of_Association_KlingelInberg.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
Diether Klingelberg	Member	NCC	1991
Dr. Hans-Martin Schneeberger	Member	NCC	2007
Hans-Georg Härter	Member	–	2008
Roger Baillod	Member	AC (Chairman)	2018
Prof. Dr. Michael Hilb	Member	AC	2018

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. He is a member of the Board of Directors of Kuehne Holding AG as well as a member of the Board of Trustees of the Kuehne Foundation, Switzerland. He has also been a member of the Board of Directors of OLAM International 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.

Diether Klingelberg

is a BoD member and German citizen born in 1944. Mr. Klingelberg has been a member of the Board of Directors of the Company since 1991 and has acted as its Chairman between 1991 and 2018. He became CEO of the Group in 1969 and held the position until being succeeded by Jan Klingelberg in 2004. In addition, he was the Managing Director of MF GmbH between 2002 and 2013. Mr. Klingelberg was President of the German Engineering Association (VDMA) between 2001 and 2004, and Vice President of the Federation of German Industries (BDI) between 2003 and 2006. Since 2019 he has been Managing Director of Aarpharma GmbH & Co. He holds a degree in Business and Engineering from the Technical University of Darmstadt, Germany.

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 currently is a member of the board and the former 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.

Hans-Georg Härter

is a BoD member and German citizen born in 1945. Mr. Härter has been a member of the BoD of the Company since 2008. Hans-Georg Härter currently serves as member of the Board of Directors of Walterscheid SE in Amsterdam (since 2019) and as a member of the European Advisory Board of BainCapital (since 2016). Previously, Hans-Georg Härter served as Chairman of the Supervisory Committee of Knorr-Bremse AG (between 2016 and 2018), as member of the Board of Directors of Saurer Jintan (between 2013 and 2018), as member of the Board of Directors and the Strategic Committee of Faurecia S.A. (between 2012 and 2019) and as Chairman of the Board of Directors of Deutz AG (between 2013 and 2018). He was also a member of the Board of Directors of ZF Friedrichshafen AG from 2006 until 2012 and the CEO between 2007 and 2012. Between 2002 and 2006, Hans-Georg Härter was the CEO of ZF Sachs AG. Between 1994 and 2001, he was the CEO of ZF Passau GmbH as well as a member of the Executive Committee of ZF Friedrichshafen AG. Before that, he held various roles in the ZF group since 1973. Mr. Härter holds a degree in engineering from Meersburg Academy in Germany.

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 and CEO 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 executive education programs at different business schools.

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:

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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 and Prof. Dr. Michael Hilb. 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 2022, the members of the NCC include Dr. Jörg Wolle, Diether Klingelberg 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 2021/22 financial year the BoD held four 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	4		3
Diether Klingelberg	4		3
Dr. Hans-Martin Schneeberger	3		3
Hans-Georg Härter	4		
Roger Baillod	4	6	
Prof. Dr. Michael Hilb	4	6	
Average meeting duration	02:50	02:20	00:40

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 four meetings of the BoD were attended by the CEO, the CFO, the COO and the CSO in the reporting period. The three meetings of the NCC in the reporting period were held in the presence of the CEO with regards to his requests. All six meetings of the AC in the reporting period were attended by the CFO, five of the meetings were attended by the CEO and the Head of Finance as well 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 2022, 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 had 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.

Martin Boelter

COO and a German citizen born in 1961. Mr. Boelter has been the COO of the KLINGELNBERG Group since 2015. From 2010 until 2015, he was COO and Managing Director at Sterling SIHI group and between 2007 and 2009 he worked as Managing Director for the production of turning machines at Gildemeister AG, Germany (today: DMG Mori) and from 2005 until 2007 as overall production manager at INDEX group in Germany. Mr. Boelter started his career at Heidelberger Druckmaschinen AG, Germany, in 1989 where he rose to Head of Operations of a business unit by the time of his departure in 2005. Mr. Boelter holds a degree in mechanical engineering from the Technical University of München, Germany. Mr. Boelter's employment ends on 31 October 2022, he was released from all obligations effective since 11 April 2022.

Prasad Kizhakel

CSO and an Indian citizen born in 1969. Mr. Kizhakel has been the CSO of the Group since 2021, after having been the Managing Director of KLINGELNBERG India Pvt. Ltd., since 2012. Mr. Kizhakel 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. Kizhakel started his career at Larsen & Toubro Ltd., in India, where he supported the Heavy Engineering Unit. Mr. Kizhakel 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 24 August 2021. 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 2021/22 financial year, PricewaterhouseCoopers AG invoiced the Company for EUR 270.984 in global audit fees.

Additional Fees:

In the 2021/22 financial year, PricewaterhouseCoopers AG invoiced the Company for EUR 50.667 in additional services. The additional fees were mainly invoiced for worldwide general and project-specific tax consultancy services.

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 2021/22 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 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 half year report 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, the Ordinance Against Excessive Compensation (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) 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, Diether Klingelberg and Dr. Hans-Martin Schneeberger. 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 2021/22 financial year, three 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 2022 to the 2023 AGM is provided in the invitation to the 2022 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 2022 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 and the associated massive economic losses, the EM waived its rights to compensation for the achievement of individual targets under the STIP for the 2021/22 financial year.

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-weight-

ed 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.

The first regular grant of PSUs under the LTIP was granted on 01 April 2019, with a vesting at the end of the financial year of the Company ending on 31 March 2022. As a transitional arrangement in the context of the IPO and in order to guarantee a fair transition from the pre-IPO long-term incentive plan, the current members of the EM (excluding the CEO) have been granted a number of PSUs determined by the BoD, which have been vested at the end of the financial year of the Company ending on 31 March 2021, subject to and in accordance with the principles set out above.

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 2021/22 financial year is disclosed herewith.

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

The AGM of 24 August 2021 voted for a maximum compensation of the BoD in the amount of CHF 700.000 until the end of the next AGM.

Within the 2021/22 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. No change from the previous financial year.

Due to the severe flooding of the Hückeswagen-Site and the associated serious damage and economic consequences, the members of the BoD as well waived half of their agreed fixed-fee in the 2021/22 financial year.

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 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 Baillod	▪	Chair		30.000,00	20.000,00	3.850,00
Prof. Michael Hilb	▪	▪		30.000,00	10.000,00	3.080,00
Total				222.000,00	60.000,00	15.313,60

The following table shows the compensation in the 2020/21 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	14.831,60
Diether Klingelberg	▪		▪	12.000,00	not applicable	not applicable
Dr. Hans-Martin Schneeberger	▪		▪	60.000,00	10.000,00	3.442,70
Hans-Georg Härter	▪			60.000,00	not applicable	not applicable
Roger Baillod	▪	Chair		60.000,00	20.000,00	6.160,00
Prof. Michael Hilb	▪	▪		60.000,00	10.000,00	5.390,00
Total				432.000,00	60.000,00	29.824,30

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 19 August 2020 voted for a maximum compensation of the EM in the amount of EUR 4.500.000 for the 2021/22 financial year.

The Company has no outstanding loan or guarantee commitments to members of the EM or related parties. No severance payments have been made. 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 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

* In the current year an additional member, the new CSO, Mr. Prasad Kizhakel, was appointed to the Executive Board. In addition, the management waived parts of the remuneration (STIP) as a contribution to compensate financial consequences of the flood.

The following table shows the compensation of the financial year ended 31 March 2021:

CHF ⁴	EM	of which Jan Klingenberg, CEO
Base compensation	1.077.456,19	500.000,00
STIP	261.360,00	40.000,00
LTIP ⁵	0,00	not applicable
Other compensation ⁶	184.386,39	104.402,68
Employer social security	135.320,11	54.065,85
Total	1.658.522,69	698.468,53

⁴ All conversions from EUR to CHF in the above tables have been made at the balance sheet exchange rate (as at 31 March 2022: EUR 1/CHF 1,02610 and as at 31 March 2021: EUR 1/CHF 1,10680).

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.

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

2020/21 financial year: Fair value PSU CHF 0, date of grant 01 April 2020, number of PSUs granted: 0.

⁶ Fringe benefits of all EM members and consultancy fees for consultation of subsidiaries by CEO.

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 2021/2022



Report of the statutory auditor to the General Meeting of Klingelberg AG Zurich

We have audited the compensation report of Klingelberg AG for the year ended 31 March 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables in chapter 5.1 and 5.2 on pages 69 to 71 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Klingelberg AG for the year ended 31 March 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Blaženka Kovács-Vujević
Audit expert
Auditor in charge



Regina Spaelti
Audit expert

Zürich, 21 June 2022

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Consolidated Financial Statements

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Consolidated balance sheet

EUR 000	Note	31.03.2022	31.03.2021
Assets			
Current assets			
Cash and cash equivalents	4.10	7.720	22.577
Receivables from goods and services	4.1	40.557	43.007
Derivative financial instruments	4.2	38	50
Other short-term receivables	4.3	31.157	6.342
Inventories	4.4	133.025	80.504
Prepayments and accrued income		1.916	1.406
Total current assets		214.413	153.886
Non-current assets			
Tangible fixed assets	4.5	45.993	49.174
Loans and other receivables		0	19
Investments in joint ventures	4.6	1.304	1.520
Deferred tax assets	4.7	9.948	10.131
Other financial assets	4.8	1.072	1.086
Intangible assets	4.9	832	1.125
Total non-current assets		59.149	63.055
Total assets		273.562	216.941

The enclosed notes are part of the consolidated financial statements.

Consolidated balance sheet

EUR 000	Note	31.03.2022	31.03.2021
Liabilities			
Current liabilities			
Short-term financial liabilities	4.10	40.091	5.343
Payables from goods and services	4.11	33.844	14.674
Derivative financial instruments	4.2	378	120
Other short-term liabilities	4.12	53.324	38.935
Accrued liabilities and deferred income	4.13	12.136	12.037
Short-term provisions	4.14	5.443	7.376
Total current liabilities		145.216	78.485
Non-current (long-term) liabilities			
Long-term financial liabilities	4.10	7.740	1.705
Deferred tax liabilities	4.14	1.114	1.222
Long-term provisions	4.14	14.769	15.002
Total non-current (long-term) liabilities		23.623	17.929
Total liabilities		168.839	96.414
Equity			
Share capital	4.15	28.639	28.639
Capital reserves	4.15	43.134	43.134
Retained earnings		32.950	48.754
Total equity		104.723	120.527
Total liabilities and equity		273.562	216.941

The enclosed notes are part of the consolidated financial statements.

Consolidated income statement

EUR 000	Note	2021/22	2020/21
Net sales from goods and services	5.1/6.2	158.608	158.719
Other operating income	6.2	40.284	1.850
Change in inventory of finished and unfinished goods as well as unbilled goods and services	5.2	40.965	-5.844
Material expense	6.2	-110.479	-52.000
Personnel expense	5.3	-95.851	-83.731
Depreciation on tangible fixed assets	4.5	-4.144	-4.559
Amortization on intangible assets	4.9	-419	-443
Other operating expense	5.4/6.2	-45.232	-26.201
Share of result from joint ventures	4.6	593	647
Operating result		-15.675	-11.562
Financial result	5.5	-3.993	2.211
Loss before income taxes		-19.668	-9.351
Income taxes	5.6	-2.009	2.059
Net loss		-21.677	-7.292

Earnings per share

EUR			
Basic earnings per share	5.7	-2,45	-0,82
Diluted earnings per share	5.7	-2,45	-0,82

Additional information - non-GAAP measures

EUR 000			
EBITDA	2.2	-11.112	-6.560

The enclosed notes are part of the consolidated financial statements.

Consolidated cash flow statement

EUR 000	Note	2021/22	2020/21
Net loss		-21.677	-7.292
Depreciation/amortization/write-up of tangible fixed assets and intangible assets	4.5/4.9	4.563	5.002
Change in provisions (including deferred taxes)	4.14	-2.274	-8.921
Profit/loss from the disposal of tangible fixed assets and intangible assets	4.5/4.9	928	-225
Change in receivables from goods and services	4.1	2.507	3.351
Change in inventories	4.4	-52.512	8.091
Change in other receivables and prepayments and accrued income (including deferred tax)	4.3/4.7	-25.111	-4.961
Share of profits from the application of the equity method	4.6	-593	-646
Change in payables from goods and services	4.11	19.177	3.352
Change in other short-term liabilities and accrued liabilities and deferred income	4.12/4.13	14.747	11.604
Other non-cash items		5.708	-1.738
Cash flow from operating activities		-54.537	7.617
Inflows for investment in financial assets (including loans, participations, securities, etc.)	4.6	842	1.782
Outflows for investment in tangible fixed assets	4.5	-11.441	-3.589
Inflows from the sale of tangible fixed assets	4.5	9.644	1.630
Outflows for investment in intangible assets	4.9	-134	-143
Inflows from the sale of intangible assets	4.9	0	53
Cash flow from investing activities		-1.089	-267
Change in short-term financial liabilities	4.10	34.751	-21.853
Change in long-term financial liabilities	4.10	6.036	-1.243
Cash flow from financing activities		40.787	-23.096
Currency translation effects		-18	-421
Net change in cash		-14.857	-16.167
Opening balance of cash and cash equivalents at 01.04.		22.577	38.744
Closing balance of cash and cash equivalents at 31.03.		7.720	22.577
Net change in cash		-14.857	-16.167

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 01.04.2020		28.639	43.134	-20.517	70.075	10.238	59.796	131.569
Currency translation differences		0	0	0	0	-3.741	-3.741	-3.741
Net result from cash flow hedges		0	0	0	-9	0	-9	-9
Net loss		0	0	0	-7.292	0	-7.292	-7.292
Balance as at 31.03./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
Net loss		0	0	0	-21.677	0	-21.677	-21.677
Balance as at 31.03.2022		28.639	43.134	-20.517	40.954	12.513	32.950	104.723

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 2022 were authorized for release by the Board of Directors on 21 June 2022 and are subject to approval by the Annual General Meeting.

Flood disaster:

In the late evening of 14 July 2021, as a result of persistent heavy rain that hit especially the western and southwestern parts of Germany. The Hückeswagen site of KLINGELNBERG GmbH at Peterstrasse was flooded in large parts due to 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.

The flood-related insurance payments of EUR 15,8 million, a receivable from the Federal State of "Nordrhein-Westfalen"/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and flooding in July 2021" of EUR 20,0 million, and the savings from the introduction of an in-house collective agreement and the waiver of remuneration by the Executive Board and the Board of Directors of around EUR 2,8 million led to a net loss caused by the flood, net of benefits and measures already received or still outstanding, of EUR 25,5 million (for further detail see Management Report).

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	
			31.03.2022	31.03.2021
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 Hungaria Kft., Győr, Hungary	HUF	12.200.000	liquidated	100%
KLINGELNBERG (Japan) Ltd., Yokohama, Japan	JPY	50.000.000	100%	100%
KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico	MXP	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	5.585.020	50%	50%

* Joint venture consolidated at equity

2.4 Business combinations

Net assets 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 4.9.

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 2022 and 31 March 2021.

	Year-end exchange rate		Average exchange rate	
	31.03.2022	31.03.2021	2021/22	2020/21
CHF/EUR	1,02610	1,10680	1,06805	1,07614
USD/EUR	1,10955	1,17350	1,16277	1,16701
JPY/EUR	135,01560	129,85950	130,54847	123,67595

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 are carried at historical cost less required impairments.

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 (fair value less cost to sell), 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.

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

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 this financial year.

4 Substantial information on the consolidated balance sheet items

4.1 Receivables from goods and services

EUR 000	31.03.2022	31.03.2021
Receivables from third parties	40.545	43.084
Receivables from joint ventures	125	213
Receivables from other related parties	45	0
Value adjustments	-158	-290
Receivables from goods and services	40.557	43.007
Thereof:		
- not due and due up to 90 days	40.088	40.191
- overdue more than 90 days	469	2.816

4.2 Derivative financial instruments

EUR 000	31.03.2022			31.03.2021		
	Asset	Liability	Purpose	Asset	Liability	Purpose
Basic value:						
Foreign exchange	38	378	Hedging	50	120	Hedging
Total	38	378		50	120	

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 20,0 million, taxes of EUR 7,9 million (as at 31 March 2021: EUR 4,6 million), Corona aid in the amount of EUR 0,9 million, and prepayments to suppliers of EUR 0,6 million (as at 31 March 2021: EUR 0,8 million). There were no value adjustments for the year under review (as at 31 March 2021: EUR 0).

4.4 Inventories

EUR 000	31.03.2022	31.03.2021
Finished products	8.165	8.583
Work in progress	83.272	41.948
Acquired parts	54.130	43.922
Supplies	83	91
	145.650	94.544
Value adjustments	-12.625	-14.040
Inventories	133.025	80.504

The significant increase resulted mainly from the high order backlog in connection with the business interruption caused by the flood disaster in July 2021.

4.5 Tangible fixed assets

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

A new assembly hall is under construction on the previously undeveloped site in Hückeswagen/ Germany since December 2021. Completion is scheduled for the end of 2022. The property has been reclassified as land and buildings, while construction costs for the new assembly hall have been classified as tangible fixed assets under construction.

Other fixed assets relate to tools, office equipment including hardware, office furniture and vehicles.

EUR 000	2020/21					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	45.481	50.922	24.875	1.258	124.703
Additions	0	1.500	934	853	863	4.150
Disposals	0	-47	-3.334	-1.123	0	-4.504
Foreign currency effects	0	-551	-136	-237	-1	-925
Reclassifications	0	740	67	216	-1.023	0
Gross value as at 31.03.	2.167	47.123	48.453	24.584	1.097	123.424
Accumulated depreciation as at 01.04.	0	14.038	39.690	19.485	0	73.213
Depreciation	0	1.297	1.655	1.607	0	4.559
Disposals	0	-21	-1.950	-1.075	0	-3.046
Foreign currency effects	0	-183	-100	-193	0	-476
Accumulated depreciation as at 31.03.	0	15.131	39.295	19.824	0	74.250
Net carrying amount as at 01.04.	2.167	31.443	11.232	5.390	1.258	51.490
Net carrying amount as at 31.03.	2.167	31.992	9.158	4.760	1.097	49.174

4.6 Investments in joint ventures

In the 2021/22 financial year our Chinese joint venture distributed a dividend in the amount of EUR 0,8 million (as at 31 March 2021: EUR 1,7 million). The share of the result from joint ventures amounts to EUR 0,6 million (as at 31 March 2021: EUR 0,6 million).

4.7 Deferred tax assets

In the 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.

In the current financial year, this also includes taxes from loss carryforwards of around EUR 4,4 million (as at 31 March 2021: EUR 3,9 million).

EUR 000			
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		
Tax loss carryforwards as at 31.03.2021	Capitalized	Not capitalized	Total
No expiry	12.366	35.501	47.867
Total losses carried forward	12.366	35.501	47.867
Potential tax effect on non-capitalized losses carried forward	0		
Deferred taxes capitalized	3.872		

4.8 Other financial assets

In the 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 0,9 million (as at 31 March 2021: EUR 0,9 million). The amount is calculated in accordance with the local legal requirements of the company that recognizes these assets.

4.9 Intangible assets

EUR 000	2021/22			2020/21		
	Software	Other intangible assets	Total	Software	Other intangible assets	Total
Acquisition cost						
Gross value as at 01.04.	8.025	327	8.352	8.105	350	8.455
Additions	134	0	134	143	0	143
Disposals and derecognitions	-137	0	-137	-181	0	-181
Foreign currency effects	76	25	101	-50	-15	-65
Reclassifications	0	0	0	8	-8	0
Gross value as at 31.03.	8.098	352	8.450	8.025	327	8.352
Accumulated amortization as at 01.04.	6.907	320	7.227	6.694	335	7.029
Amortization	419	0	419	443	0	443
Disposals and derecognitions	-128	0	-128	-181	0	-181
Foreign currency effects	75	25	100	-49	-15	-64
Accumulated amortization as at 31.03.	7.273	345	7.618	6.907	320	7.227
Net carrying amount as at 01.04.	1.118	7	1.125	1.411	15	1.426
Net carrying amount as at 31.03.	825	7	832	1.118	7	1.125

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

EUR 000	2021/22	2020/21
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	641	641
Accumulated amortization at 31.03.	17.603	16.962
Theoretical impact on equity		
Theoretical net carrying amount at 31.03.	2.914	3.555
Effect on equity		
Equity according to balance sheet	104.723	120.527
Theoretical net carrying amount goodwill	2.914	3.555
Theoretical equity incl. net carrying amount of goodwill	107.637	124.082
Theoretical impact on net income		
Effect on income statement		
Net loss	-21.677	-7.292
Theoretical amortization of goodwill	-641	-641
Theoretical net loss	-22.318	-7.933

4.10 Financial liabilities

EUR 000	31.03.2022	31.03.2021
Short-term financial liabilities	40.091	5.343
Long-term financial liabilities	7.740	1.705
Total financial liabilities	47.831	7.048
Thereof in:		
- EUR	47.190	6.288
- USD	585	644
- JPY	56	116
Thereof with maturity in:		
- 2 to 5 years	5.165	1.564
- > 5 years	2.575	141
Average interest rate	1,09%	0,89%
Unused credit facilities	33.747	49.963
Long-term financial liabilities include mortgages secured using mortgage notes		
Carrying amount of property	26.057	34.159
- thereof pledged	21.155	12.578
- thereof used	9.223	2.003

Due to the flood disaster, the funds of the subsidiaries were used for interim financing. As a result, cash and cash equivalents decreased accordingly. The financing of the increase in the inventories and the new assembly hall increased liabilities at the same time (refer to Note 1).

4.11 Payables from goods and services

EUR 000	31.03.2022	31.03.2021
Payables from goods and services		
- with third parties	32.769	14.420
- with joint ventures	151	119
- with other related parties	924	135
Payables from goods and services	33.844	14.674
Thereof:		
- not due and due up to 90 days	33.773	14.644
- overdue more than 90 days	71	30

4.12 Other short-term liabilities

This position contains mainly advance payments from customers amounting to EUR 43,1 million (as at 31 March 2021: EUR 29,5 million) and taxes and social insurance withholdings of EUR 7,9 million (as at 31 March 2021: EUR 7,1 million).

4.13 Accrued liabilities and deferred income

This item mainly includes liabilities from personnel accruals (vacation, Christmas bonus, overtime, performance bonus) EUR 7,7 million (as at 31 March 2021: EUR 7,7 million), outstanding invoices for products sold (assembly, training, freight) EUR 2,1 million (as at 31 March 2021: EUR 2,7 million) and income for subsequent years EUR 0,9 million (as at 31 March 2021: EUR 0,4 million).

4.14 Provisions

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

2020/21						
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.	5.310	12.881	8.581	4.552	31.324	1.197
Creation of provisions	1.142	968	55	313	2.478	107
Utilization of provisions	-3.103	-464	-4.534	-1.056	-9.157	0
Release of provision recognized in the income statement	-587	0	-1.505	-47	-2.139	-44
Foreign currency effects	-65	0	0	-63	-128	-38
Carrying amount as at 31.03.	2.697	13.385	2.597	3.699	22.378	1.222
of which, short-term	2.513	464	2.597	1.802	7.376	0
of which, long-term	184	12.921	0	1.897	15.002	1.222

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	
	31.03.2022	31.03.2022	31.03.2021				2021/22	2020/21
Pension funds without deficit or surplus (1)	0	0	0		0	-374	-374	-332
Pension funds without own assets (2)	0	-12.548	-13.385		837	-469*	368	-968
Total	0	-12.548	-13.385		837	-843	-6	-1.300

* 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 2021 the coverage of the collective plan as a whole amounts to 123,2% (as at 31.12.2020 the audited figures: 115,6%). The technical interest rate used amounted to 1,75% (prior year: 1,75%). The underlying mortality table remained unchanged (BVG 2015 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 1,31% (2020/21: 1,0%). 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 year was mainly due to the decrease of the discount rate.

Provision Efficiency Enhancement

The Efficiency Enhancement Program launched in 2019/20 year was largely implemented. The reversal is mainly the result of the provision not required for employees who left the Company but did not join the transfer company. The final closure was postponed to 30 September 2022, this implements payments from the transfer company until 30 June 2023. Because of that the provision changed accordingly and remained at EUR 1,3 million at year-end.

Other provisions

Other provisions include, among others, fire prevention measures of EUR 0,4 million (as at 31 March 2021: EUR 0,4 million), part-time phased retirement obligations of EUR 2,2 million (as at 31 March 2021: EUR 2,0 million) and for long service awards EUR 0,5 million (as at 31 March 2021: EUR 0,4 million).

The first regular grant of PSUs under the LTIP was granted on 01 April 2019, with a vesting at the end of the financial year of the company ending on 31 March 2022. As a transitional arrangement in the context of the IPO and in order to guarantee a fair transition from the pre-IPO long-term incentive plan, the current members of the EM (excluding the CEO) have been granted a number of PSUs determined by the BoD, which have been vested at the end of the financial year of the Company ending on 31 March 2021, subject to and in accordance with the principles set out above. For the financial year 2020/21 the BoD decided, with the consent of the EM, to refrain from granting PSUs under the LTIP for this period.

Due to the parameters influencing the value of the PSU, the provision for the LTIP in the year under review amounts to EUR 0 (as at 31 March 2021: EUR 0,2 million).

4.15 Share capital and capital reserves

Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2022 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						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

EUR 000						2020/21
Service location						
Segments	Germany	Switzerland	Japan	USA	Rest of the world	Total
Bevel Gear	15.739	19.874	2.003	7.390	5.346	50.352
Cylindrical Gear	24.946	3.275	5.436	7.835	4.066	45.558
Measuring Centers	36.473	1.244	4.176	5.046	3.540	50.479
Drive Technology	8.905	0	0	0	36	8.941
Other	180	0	120	0	3.089	3.389
Total	86.243	24.393	11.735	20.271	16.077	158.719

For explanations regarding the segment reporting refer to Note 2.5.

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

The increase by EUR 46,8 million to EUR 41,0 million is due on the one hand to the delay in the completion of customer machines caused by the flood and on the other hand to the strong order intake.

5.3 Personnel expense

Personnel expense in the 2021/22 financial year are EUR 12,1 million (14,5%) higher than in the previous financial year. This development is mainly due the discontinuation of short-time working compared with the previous financial year EUR 5,7 million and additional costs for temporary workers amounting to EUR 4,8 million. Further details can be found in the Management Report under the heading "Personnel expense and employees".

5.4 Other operating expense

In the financial year under review other operating expense increase by EUR 19,0 million mainly incurred by the damage repair of the flood damage at the German plant (EUR 10,2 million), as well as lower adjustment of warranty provisions (EUR 2,5 million), higher freight (EUR 1,4 million) and travel expense and representation (EUR 1,1 million).

5.5 Financial result

EUR 000	2021/22	2020/21
Interest expense (-)	-620	-505
Financial expense	-620	-505
Interest income (+)	157	214
Financial income	157	214
Currency translation difference and hedging expense	-8.667	-3.636
Currency gains	5.137	6.138
Foreign currency (loss) gain	-3.530	2.502
Financial result	-3.993	2.211

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

5.6 Income taxes

EUR 000	2021/22	2020/21
Current tax expense	-2.034	-1.701
Deferred tax expense	25	3.760
Tax expense recognized on the income statement	-2.009	2.059

The average applied tax rate for the Group is 33,33% (as at 31 March 2021: 40,80%) 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 2,0 million (as at 31 March 2021: EUR -2,1 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	2021/22	2020/21
Loss before taxes	-19.668	-9.351
Average applied tax rate	33,33%	40,80%
Expected income tax expense	-6.555	-3.815
Effect of non-recognition of tax losses in current year	6.594	3.872
Other effects	1.970	-2.116
Effective income tax expense	2.009	-2.059
Effective income tax rate	(10,21%)	22,02%

5.7 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	2021/22	2020/21
Net loss	-21.677	-7.292
Average number of outstanding shares	8.840.000	8.840.000
Basic earnings per share (EUR)	-2,45	-0,82
Diluted earnings per share (EUR)	-2,45	-0,82

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, this resulted in a payment of EUR 0,1 million (as at 31 March 2021: payment of EUR 0,1 million) and is recognized in personnel expense.

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

EUR 000	31.03.2022	31.03.2021
Up to 1 year	3.695	3.747
1 to 5 years	7.533	8.862
More than 5 years	1.316	2.439
Total obligations from operating leasing	12.544	15.048

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	2021/22	2020/21
Net sales from goods and services	1.916	1.850
Other operating income	166	51
Material expense	-3.704	-2.598
Other operating expense	-49	-30
Financial result	-18	0
Total	-1.689	-727

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 21 June 2022. On this date, the financial statements were authorized for release by the Board of Directors.

Klingelberg AG
Zürich

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements
2021/2022



Report of the statutory auditor to the General Meeting of Klingelberg AG

Zürich

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 2022 and the consolidated income statement, 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 policies.

In our opinion, the consolidated financial statements (pages 77 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 March 2022 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 Auditing Standards. 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 1.2 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 matters the following areas of focus have been identified:

Revenue recognition of goods and services in the appropriate period

Financial impact of flood disaster

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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 consolidated 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 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 1.2 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 TEUR 59 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.

The Group's financial statements are a consolidation of 14 reporting units, each of which is considered to be a component. 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 85% of the Group's revenue. The remaining 15% 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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Klingelberg Group recognizes net sales from goods and services in the period in which it transfers the risk and reward of ownership.

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 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.

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.

How our audit addressed the key audit matter

We performed the following audit procedures to assess whether net sales 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 was transferred. For the same sample, we assessed whether the revenue recognition was appropriate for the contractually agreed incoterms.

- We enquired with Management regarding controls that address the risk of recording revenue from goods and services in the wrong period.

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

Financial impact of flood disaster

Key audit matter

Due to heavy rain, the Peterstrasse site of Klingelberg GmbH in Hückeswagen was flooded on 14 July 2021. This led to damage to buildings, equipment, machinery, means of production and inventories, as well as to damage due to the interruption of operations, which burdened the 2021/22 result with EUR 64.1 million. Due to this significant impact on the financial statements of the Klingelberg Group, the accounting of the flood effects was a focus of our audit. We refer to the explanations in Note 1 on page 82.

The flood resulted in a business interruption. The damage reflected in the financial statements is composed as follows:

- Scrapping and rework of finished goods, work in progress (EUR 5.9 million) and raw materials (EUR 8.5 million)
- Cleaning costs of the entire premises and equipment (EUR 9.7 million).

The Group has been reimbursed for the flood damage so far as follows:

- Flood-related insurance payments (EUR 15.8 million)
- Claim against NRW/Germany for "Reconstruction NRW on the occasion of damage caused by heavy rain and floods in July 2021" (EUR 20.0 million).

Regarding the accounting for these effects, we have identified a risk that unjustified reimbursement claims are recognized.

How our audit addressed the key audit matter

We performed the following audit procedures to assess whether the accounting for the effects of the flood disaster was recognized appropriately:

- We gained an impression of the effects of the flood damage on site in Hückeswagen.

- We examined the client's records in relation to the damage incurred. For this purpose, we evaluated internal analyses and examinations with regard to scrapped items. Regarding the damage caused by business interruption, we assessed the reports of independent appraisers.

- We examined the relevant correspondence from the insurance companies and proof of payment.

- Further, we assessed the legal basis for the appropriateness claim to compensate for the flood damage by NRW/Germany.

We conclude Management's approach to account for the flood damage and related compensation to be reasonable.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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 Swiss Auditing Standards 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 at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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
Audit expert
Auditor in charge



Regina Spälti
Audit expert

Zürich, 21 June 2022

Statutory Financial Statements of KLINGELNBERG AG

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Statutory balance sheet

CHF	Note	31.03.2022	31.03.2021
Assets			
Current assets			
Cash and cash equivalents	3.6	28.575	64.040
Receivables from goods and services from third parties	3.1	7.265.285	10.775.304
Receivables from goods and services from group companies		389.305	878.285
Other short-term receivables from third parties	3.2	1.438.114	2.091.412
Other short-term receivables from group companies	3.3	77.829.147	56.832.597
Inventories	3.4	5.563.196	1.789.579
Prepayments and accrued income		279.750	174.190
Total current assets		92.793.372	72.605.407
Non-current assets			
Tangible fixed assets		566.346	618.189
Investments	3.5	90.618.122	90.888.122
Intangible assets		7.663	13.490
Total non-current assets		91.192.131	91.519.801
Total assets		183.985.503	164.125.208

Statutory balance sheet

CHF	Note	31.03.2022	31.03.2021
Liabilities			
Current liabilities			
Short-term financial liabilities to third parties	3.6	41	67
Short-term financial liabilities to group companies	3.3	27.961.849	11.866.888
Payables from goods and services to third parties	3.7	1.768.653	488.317
Payables from goods and services to group companies	3.3	7.918.733	8.715.624
Derivative financial instruments		173.747	7.616
Other short-term liabilities to third parties	3.8	11.072.433	6.791.779
Other short-term liabilities to group companies	3.9	726.044	0
Accrued liabilities and deferred income		5.268.538	5.428.659
Short-term provisions		162.115	252.781
Total current liabilities		55.052.153	33.551.731
Non-current (long-term) liabilities			
Long-term provisions		219.300	134.021
Total non-current (long-term) liabilities		219.300	134.021
Total liabilities		55.271.453	33.685.752
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		28.982.900	30.708.306
- thereof amount brought forward from the previous year		30.708.306	31.452.026
- thereof loss		-1.725.406	-743.720
Total equity		128.714.050	130.439.456
Total liabilities and equity		183.985.503	164.125.208

Statutory income statement

CHF	Note	2021/22	2020/21
Net sales from goods and services		32.341.280	28.640.683
Other operating income	4.1	2.136.879	927.585
Change in inventory of finished and unfinished goods as well as unbilled goods and services	4.2	3.767.568	186.456
Material expense	4.2	-27.422.980	-21.651.186
Personnel expense	4.3	-7.336.151	-6.503.368
Depreciation on tangible fixed assets		-116.161	-157.578
Impairment on investments	3.5	0	-164.877
Amortization on intangible assets		-6.630	-16.369
Other operating expense	4.4	-6.721.299	-6.917.465
Operating result		-3.357.494	-5.656.119
Financial result	4.5	1.831.795	5.016.697
Loss before income taxes		-1.525.699	-639.422
Income taxes	4.6	-199.707	-104.298
Loss		-1.725.406	-743.720

Notes to the financial statements

1 General information

KLINGELNBERG AG is a limited 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 2022 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	31.03.2022	31.03.2021
Receivables from goods and services (gross)	9.078.828	13.440.444
Receivables from joint ventures	2.857	28.760
Receivables from other related parties	0	0
Value adjustments	-1.816.400	-2.693.900
Receivables from goods and services	7.265.285	10.775.304
Thereof:		
- not due and due up to 90 days	7.265.075	10.775.304
- overdue more than 90 days	210	0

3.2 Other short-term receivables from third parties

The position includes refunds from VAT declarations from Germany and Switzerland in the amount of CHF 1,0 million (as at 31 March 2021: CHF 1,5 million).

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

The bank balance existing at the end of the previous financial year was used for internal financing. The cash pool account of KLINGELNBERG GmbH increased from CHF 56,5 million to CHF 77,8 million.

As further internal financing, KLINGELNBERG America Inc. granted a loan of USD 14,0 million and KLINGELNBERG (Japan) Ltd. granted a loan of JPY 160,0 million to KLINGELNBERG AG. Repayment is scheduled till September 2022 at the latest.

At the same time, the trade payables to the KLINGELNBERG GmbH decreased from CHF 8,4 million to CHF 7,5 million.

3.4 Inventories

CHF	31.03.2022	31.03.2021
Work in progress	5.626.718	1.859.150
Value adjustments	-63.522	-69.571
Inventories	5.563.196	1.789.579

3.5 Investments

As at 31 March 2022, KLINGELNBERG AG held the following investments:

- KLINGELNBERG GmbH, Hückeswagen, Germany (100%)
- KLINGELNBERG Imexma SA, Barcelona, Spain (100%)
- KLINGELNBERG France SAS, Saint German-en-Laye, France (100%)
- KLINGELNBERG Italiana S.R.L., Milano, Italy (100%)
- KLINGELNBERG (Japan) Ltd., Yokohama, Japan (100%)
- The KLINGELNBERG Corporation, Cincinnati, Ohio, USA (100%)
- KLINGELNBERG Mexico S.A. de C.V., Queretaro, Mexico (100%)
- KLINGELNBERG India Private Ltd., Pune, India (99,99%)
- DKSH KLINGELNBERG Service Ltd., Shanghai, China (joint venture/50%)
- KLINGELNBERG do Brasil, Sao Paulo, Brazil (99%)

Additional as at 31. March 2021:

- KLINGELNBERG Hungaria Kft. "v.a.", Győr, Hungary (100%); register deletion at 06 October 2021

In the 2019/20 financial year, KLINGELNBERG Group has started a Efficiency Enhancement Program. This includes the liquidation of the KLINGELNBERG Hungaria Service Kft.. Due to the various governmental lockdowns, caused by the corona pandemic, the formal liquidation under Hungarian law for KLINGELNBERG Hungaria Kft. "v.a." was only finalized in 2021/22.

3.6 Short-term financial liabilities to third parties

As at 31 March 2022 the existing line of credit was unused (as at 31 March 2021: CHF 0).

3.7 Payables from goods and services to third parties

CHF	31.03.2022	31.03.2021
Payables from goods and services	1.690.341	405.124
Payables from joint ventures	78.312	83.193
Payables from goods and services to third parties	1.768.653	488.317
Thereof:		
- not due and due up to 90 days	1.765.557	487.892
- overdue more than 90 days	3.096	425

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. Due to the increase of the orders, advance payments received increased from CHF 6,0 million to CHF 10,7 million. Other liabilities remained at the previous year's level.

3.9 Other short-term liabilities to group companies

In the financial year these included only down payments received.

3.10 Share capital

The paid-in capital of KLINGELNBERG AG as at 31 March 2022 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 2022, 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 4.15 of the Consolidated Financial Statements).

4 Substantial information on the income statement items

4.1 Other operating income

In the financial year, this position includes income from the reversal of general valuation allowances by CHF 0,9 million (as at 31 March 2021: CHF 0) and income of back charges about CHF 1,1 million (as at 31 March 2021: CHF 0,8 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 and change in inventory of finished goods, the cost of materials increased accordingly from CHF 21,7 million to CHF 27,4 million. The materials ratio rises from 75,1% to 75,9%.

4.3 Personnel expense

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

- At 01 April 2021 the Chief Sales Officer (CSO) started his work. Reference is made to Note 5 of the Compensation Report.
- The Board of Directors and the Executive Management waived parts of their right of compensation because of the flood disaster. Reference is made to Note 5 of the Compensation Report.
- Short-time working was implemented in the period from April 2020 to November 2020. This resulted in a reduction of personnel expense of CHF 0,7 million in the previous financial year 2020/21.

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.

4.5 Financial result

CHF	2021/22	2020/21
Interest expense (-)	-258.235	-160.725
Interest income (+)	1.493.540	1.072.523
Financial income	1.235.305	911.798
Currency translation difference and hedging expense	-7.744.271	-2.122.416
Currency gains	4.346.620	4.348.293
Foreign currency (loss) gain	-3.397.651	2.225.877
Investment income	3.994.141	1.879.022
Financial result	1.831.795	5.016.697

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. 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	31.03.2022	31.03.2021
Up to 1 year	1.423.755	1.426.505
1 to 5 years	5.429.218	5.500.123
More than 5 years	1.350.000	2.700.000
Total operating lease liabilities	8.202.973	9.626.628

5.3 Pension fund obligations

As at 31 March 2022, as well as at the end of the previous financial year, there are no liabilities to the occupational pension fund due.

5.4 Release of hidden reserves

During the period under review, hidden reserves in the amount of CHF 0,9 million have been released (prior financial year: CHF +0,7 million), due to the decrease of the allowance of 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. The increase mainly results from the guarantee of bank loans for a new assembly hall of KLINGELNBERG GmbH.

CHF 000	31.03.2022	31.03.2021
Guarantees and pledges to group companies in favor of third parties	92.843	81.171
Guaranteed maximum amount	92.843	81.171
Thereof utilized	59.744	19.848

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

Number of shares

	31.03.2022	31.03.2021
Jan Klingelberg, CEO	0	0
Christoph Küster, CFO	1.000	1.000
Martin Boelter, COO	2.000	2.000
Dr. Jörg Wolle, Member of the Board of Directors/Chairman	195.730	195.730
Diether Klingelberg, Member of the Board of Directors	20.000	15.000
Hans-Georg Härter, Member of the Board of Directors	430	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 (section 3.1 of the Corporate Governance report). 4.000 shares of Diether Klingelberg are 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 21 June 2022. 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	31.03.2022	31.03.2021
Amount brought forward from prior year	30.708.306	31.452.026
Loss	-1.725.406	-743.720
Statutory retained earnings	28.982.900	30.708.306
To be carried forward	28.982.900	30.708.306

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

CHF	31.03.2022	31.03.2021
Capital contribution reserves	55.531.150	55.531.150
To be carried forward	55.531.150	55.531.150

Due to the financial burden of the flood, the Board of Directors will propose to the Annual General Meeting on 23 August 2022 that no dividend will be paid out. In addition, the Board of Directors will propose that the retained earnings of CHF 29,0 million and capital contribution reserves of CHF 55,5 million will be 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 24 August 2021.

Klingelberg AG
Zurich

Report of the statutory auditor
to the General Meeting

on the financial statements 2021/2022



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, which comprise the Statutory balance sheet as at 31 March 2022, Statutory income statement and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 113 to 125) as at 31 March 2022 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 Auditing Standards. 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 entity 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 320'000



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 entity, the accounting processes and controls, and the industry in which the entity 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 320'000
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.

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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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
<p>The balance sheet item 'Investments' amounts to CHF 90.6 million as of 31 March 2022. We consider the valuation of investments in subsidiaries to be a key audit matter due to the significance of the balance (49.3% of total assets). An impairment of investments in subsidiaries could have a significant impact on the equity of the company.</p> <p>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.</p> <p>Due to the high economic and operational interdependence of subsidiaries, Management considers the aggregation of</p>	<p>With regard to the valuation of investments in subsidiaries, we performed the following audit procedures:</p> <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; – We compared the current year's business results with Management's prior period forecasts in order to assess in



the investments in subsidiaries as a group for valuation purposes to be appropriate.	retrospect the accuracy of Management's forecasting process.
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 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	How our audit addressed the key audit matter
<p>Klingelberg AG recognises net sales from goods and services in the period in which it transfers the risk and reward of ownership.</p> <p>A significant portion of the revenue is usually recognised 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.</p> <p>Please refer to the company's accounting principles in note 2.8.</p>	<p>We performed the following audit procedures to assess whether net sales from goods and services was recognised 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 2022 and April 2022 tested, on a sample basis, whether revenue was appropriately recognised 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; – Furthermore, we enquired with Management regarding controls that address the risk of recording revenue from goods and services in the wrong period. <p>We consider Management's approach to recognize revenue in the appropriate period to be reasonable.</p>

Responsibilities of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings complies 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
Audit expert
Auditor in charge



Regina Spaelti
Audit expert

Zürich, 21 June 2022

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	2021/22	2020/21
(1) Operating result	-15.675	-11.562
(2) Depreciation on tangible fixed assets	-4.144	-4.559
(3) Amortization on intangible assets	-419	-443
EBITDA (1) - (2) - (3)	-11.112	-6.560

EBIT:

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

EUR 000	2021/22	2020/21
Operating result	-15.675	-11.562

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	2021/22	2020/21
(1) Net sales from goods and services	158.608	158.719
(2) Change in inventory of finished and unfinished goods as well as unbilled goods and services	40.965	-5.844
Total operating performance (1) + (2)	199.573	152.875

Gross Profit:

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

EUR 000	2021/22	2020/21
(1) Total operating performance	199.573	152.875
(2) Material expense	-110.479	-52.000
Gross profit (1) + (2)	89.094	100.875

Materials Ratio:

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

EUR 000	2021/22	2020/21
(1) Total operating performance	199.573	152.875
(2) Material expense	-110.479	-52.000
Materials ratio (-2) / (1)	55,4%	34,0%

Personnel Expense Ratio:

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

EUR 000	2021/22	2020/21
(1) Total operating performance	199.573	152.875
(2) Personnel expense	-95.851	-83.731
Personnel expense ratio (-2) / (1)	48,0%	54,8%

Other Operating Expense Ratio:

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

EUR 000	2021/22	2020/21
(1) Total operating performance	199.573	152.875
(2) Other operating expense	-45.232	-26.201
Other operating expense ratio (-2) / (1)	22,7%	17,1%

Ratio of Research and Development Expenses:

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

EUR 000	2021/22	2020/21
(1) Net sales from goods and services	158.608	158.719
(2) Research and development expenses	-22.788	-21.100
Ratio of research and development expenses (-2) / (1)	14,4%	13,3%

Net Debt:

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

EUR 000	31.03.2022	31.03.2021
(1) Short-term financial liabilities	40.091	5.343
(2) Long-term financial liabilities	7.740	1.705
(3) Cash and cash equivalents	7.720	22.577
Net debt (1) + (2) - (3)	40.111	-15.529

Free Cash Flow:

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

EUR 000	31.03.2022	31.03.2021
(1) Cash flow from operating activities	-54.537	7.617
(2) Cash flow from investing activities	-1.089	-267
Free cash flow (1) + (2)	-55.626	7.350

Financial Calendar



Dates in the coming financial year

22.06.2022	Publication of figures for the financial year ending 31 March 2022
23.08.2022	Annual General Meeting 2021/22
18.11.2022	Publication of results for the half-year ending 30 September 2022



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