

Press Release

KLINGEL Group begins restructuring process as a debtor in possession

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The KLINGEL Group, one of Germany's largest mail-order companies, is repositioning itself for the future. K - Mail Order GmbH & Co. KG, the group's main company based in Pforzheim, will continue to pursue its transformation strategy under debtor-in-possession restructuring proceedings. The company has filed a corresponding application.

In addition to K - Mail Order GmbH & Co. KG, Hamburg-based subsidiaries IMPRESSIONEN Versand GmbH and SCHNEIDER GmbH & Co. KG are also undergoing debtor-in-possession proceedings. Some 1,800 people are employed by the three companies. The other companies within the group, which employ more than 250 staff in total, are not affected by these measures.

Over the past few years, the KLINGEL Group has evolved to become a multichannel retailer through a series of targeted transformation steps. However, the digitalisation of its sales and marketing setup, which has already been implemented, is not enough in itself for it to continue to meet the needs of a market environment that has changed dynamically in recent months. The group will concentrate on strong product and retail brands, focus on online trade in addition to the print business, and integrate processes

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About PLUTA

PLUTA helps companies in legally and economically difficult situations. Since the company was founded in 1982, PLUTA has constantly grown. Today PLUTA has a staff of about 500 employees in Germany, Spain and Italy including more than 290 graduates in business economics and business management, attorneys, business lawyers, tax consultants, public auditors, certified accountants, economists, bankers, bookkeepers, engineers and insolvency administration specialists. Many of them own multiple qualifications what ensures practicable and economically sensible solutions. In particular, PLUTA provides support in restructuring companies affected by a crisis or insolvency and in continuing business operations, if necessary by involving restructuring experts in a responsible role. PLUTA is one of the top enterprises specialising in restructuring and turning around companies, as demonstrated by rankings and awards from INDat, JUVE, The Legal 500, Who's Who Legal, brandeins, and Focus. Further information at www.pluta.net

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and data with the intention of offering existing and new customers an improved shopping experience across a multitude of platforms in the future. This should also strengthen the group's resilience so that it will be in a position to respond even more rapidly to market and customer requirements in the future.

The current situation has arisen due to difficult market conditions caused by a number of factors, including the noticeably cautious approach to spending among consumers since the outbreak of the Ukraine war, significantly increased costs and high inflation. On top of that, a substantial amount of liquidity has been tied up in the warehouse due to delays caused by supply chain problems during the coronavirus pandemic. At the same time, the KLINGEL Group has had to cope with considerable cost increases. Catalogue production has become significantly more expensive, for example, and higher logistics prices have pushed up costs as well. The price of paper doubled in 2022 alone and there have been considerable increases in freight and container prices. A necessary switchover of IT systems carried out in the second half of 2022 also affected business operations considerably. This involved replacing a mainframe solution with a modern system landscape. The switchover, also a costly venture, represents the technical basis for the group's transformation. High efficiency and synergy effects are expected in the medium term. Accordingly, further improvements in IT processes are a key factor in the restructuring. The company has decided to file the application for debtor-in-possession proceedings at an early stage. This should allow for the best possible



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exploitation of the restructuring opportunities offered by them.

Ongoing business operations

The three companies' business operations will be maintained without restriction. Their some 1,800 employees have already been informed about the current situation. Dr Sven Axel Groos, Chairman of the Board of K – Mail Order GmbH & Co. KG, said, "The KLiNGEL Group, like the entire mail-order industry, has been facing massive challenges for the past year. The macroeconomic environment has changed enormously. In recent months, this has mainly been reflected in the buying behaviour of our customers and we now have to respond systematically to this. We have therefore decided to restructure the KLiNGEL Group under debtor-in-possession proceedings and accelerate the required transformation process. We are currently working together with experienced experts on the specifics of the restructuring measures and will inform our employees immediately once these have been established."

Mr Marcus Katholing from restructuring firm PLUTA has been supporting the multichannel mail-order retailer since March 2023 as Chief Restructuring Officer (CRO). The restructuring expert will implement the measures together with the current management team of Dr Sven Axel Groos, Mr Cord Henrik Schmidt and Mr Sven Christian Andrä. Mr Marcus Katholing said, "By taking this approach, we are ensuring the company's stability and long-term competitiveness. The business continues to operate – customers can place orders and will receive their goods as

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usual. The handling of returns and provision of all other services are also assured. Over the coming months, we will push ahead with the restructuring, simplify company processes and put the group on a viable footing to ensure its long-term survival.”

Mr Martin Mucha, an attorney from supra-regional law firm GRUB BRUGGER, has been appointed provisional insolvency monitor. He said, “Debtor-in-possession proceedings are an effective instrument for thoroughly restructuring companies. We will monitor the three proceedings to ensure the creditors’ interests are maximised.”

Main company operates ten brands

The company group based in Pforzheim was founded in 1923 and operates with multiple brands in the multichannel retail sector. In 2021, the group achieved sales of almost 1 billion euros. Fashion is its core business. Jewellery, shoes and lifestyle products complement the range, which is made available to customers in numerous online shops. The target group for all of the different brands is the over-55 demographic. More than 3.3 million customers aged 55 to 70 buy products under the KLINGEL brands. Over 50 per cent of orders are placed online – and that number is rising. The group has evolved from a traditional catalogue-based retailer to a multichannel operator with a clear focus on online business. More than 11 million orders, received through the online shop and app, but also via phone and catalogue, were handled in the past year for the KLINGEL Group’s brands.

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K - Mail Order GmbH & Co. KG is the group's main company. It employs more than 1,600 people and operates ten brands. These include the familiar KLINGEL brand, fashion brand Wenz, womenswear brand MONA, menswear brand Babista, jewellery retailer Diemer, purveyors of plus-size fashion HAPPYsize, MIAMODA and Meyermode, shoe shop Vamos and health brand Wellsana. The companies IMPRESSIONEN Versand GmbH and SCHNEIDER GmbH & Co. KG have been part of the group since 2017 and also operate in the online retail space.

IMPRESSIONEN runs an online shop of the same name selling furniture, home accessories and fashion, and therefore appeals to a younger clientèle. The company based in Hamburg employs more than 60 people. As has already been announced, the location there is due to close by late June. The brand and online shop will be maintained and will be managed from Pforzheim in the future in order to achieve synergy effects. Hamburg-based SCHNEIDER employs over 110 people and offers printable promotional items, furniture, accessories and gifts for business customers as well as furniture and accessories for private customers via its own online shop. The company also cooperates with marketplaces and wholesale partners.

Debtor-in-possession management as an opportunity

Debtor-in-possession proceedings are in-court restructuring proceedings to rescue and rehabilitate financially distressed companies. The company concerned manages the restructuring process itself, supervised by an insolvency monitor and supported by restructuring experts with relevant experience in this field. A comprehensive

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restructuring concept will be worked out together with all stakeholders over the coming weeks. The business restructuring is being supported by PLUTA Management GmbH through Mr Marcus Katholing as CRO and through Ms Daniela Schneider. Mr Stefan Warmuth from PLUTA Rechtsanwalts GmbH is advising on matters of insolvency law.

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