Press release

Website: kiongroup.com/media
Twitter: @kion_group

Further profitable growth for the KION Group in the first half of 2019

- **At €4.197 billion, order intake is 2.6 percent down on the very strong prior-year result, which had been bolstered by particularly high order levels in the project business of the SCS segment**
- **Revenue rises by a substantial 12.6 percent to €4.364 billion**
- **Adjusted EBIT increases sharply, by 18.2 percent, to €407.6 million**
- **Bottlenecks at suppliers resolved**
- **Adjusted EBIT margin improves from 8.9 percent to 9.3 percent**
- **Net income for the period up by a significant 47.7 percent to €218.3 million**
- **Outlook for 2019 confirmed**

Frankfurt/Main, July 25, 2019 – Following a strong start to the year, the KION Group maintained its path of profitable growth over the course of the first half of 2019. In a challenging market environment, consolidated revenue for the first six months saw a significant year-on-year increase of 12.6 percent to €4.364 billion. The two operating segments – Industrial Trucks & Services (IT&S) and Supply Chain Solutions (SCS) – contributed to this rise in equal measure. Adjusted EBIT increased by a healthy 18.2 percent to €407.6 million (H1 2018: €344.9 million) and thus grew at a much faster rate than revenue. This improvement in earnings was attributable not only to the fact that operational challenges caused by bottlenecks at suppliers to the IT&S segment in 2018 had been largely resolved, but also to only a modest rise in the price of materials and the relatively small increase in selling expenses and general administrative expenses. The adjusted EBIT margin improved from 8.9 percent to 9.3 percent accordingly.

Net income for the period surged by 47.7 percent to €218.3 million on the back of the good operating performance in the IT&S and SCS segments. The improvement in net interest expense and the ongoing reduction in the impact of purchase price allocations also made a positive contribution. As a result of the increase in net income, basic earnings per share for the first half of 2019 stood at €1.87 (H1 2018: €1.26). However, free cash flow fell from plus €9.0 million in the first half of 2018 to minus €31.6 million in the reporting period. This was primarily because there had been a higher, temporary increase in net working capital.

Order intake for the period January to June amounted to €4.197 billion, a modest year-on-year fall of 2.6 percent. However, it must be remembered that order intake in the SCS segment had been exceptionally strong in the first half of 2018, primarily thanks to the project business. Currency effects had a small positive impact on the value of the KION Group's overall order intake, raising it by €35.0 million. These effects were predominantly attributable to the stronger US dollar. The order book contracted by 5.2 percent and stood at €3.131 billion at the end of June 2019, compared with €3.301 billion at the end of December 2018.

Performance in the second quarter of 2019

Order intake amounted to €2.079 billion in the second quarter of 2019, a fall of 14.2 percent compared with the corresponding period of the previous year. The very strong showing from Q2 2018, which was dominated by project business, needs to be taken into account here. Revenue for the quarter rose by 12.3 percent to €2.281 billion. Adjusted EBIT came to €225.2 million, which was 20.5 percent higher than the figure for the prior-year period. The adjusted EBIT margin stood at 9.9 percent (Q2 2018: 9.2 percent). Net income for the period rose by a healthy 57.8 percent to €125.2 million. Free cash flow in the second quarter amounted to minus €113.6 million (Q2 2018: minus €3.7 million).

Mixed market trends

In the first half of 2019, the global market for industrial trucks was unable to replicate the growth seen in previous years. This was due in particular to current economic uncertainties but also to the impact of ongoing trade disputes, the growing levels of debt in emerging and developing economies, and the possibility of a no-deal Brexit.

The number of new trucks ordered worldwide fell by 5.2 percent to 759.5 thousand compared with the first half of 2018. New orders decreased by 7.0 percent in the EMEA region. The Americas region saw a significant year-on-year decline of 14.2 percent. Only the APAC region registered an increase in the first six months of 2019, albeit of just 0.8 percent.

According to the KION Group's estimates, the trend toward warehouse automation and toward sorting solutions and automated goods transport is continuing and it generated strong demand in the market for supply chain solutions. This trend was further bolstered by capital investment in connection with multichannel and e-commerce strategies. A growing number of businesses invested in the expansion and optimization of their warehouse and logistics capacities and in automated warehouse systems that include not only solutions for individual processes, such as picking and packing, but also fully integrated end-to-end solutions.

"We recorded significant revenue growth and a very good operating profit in the first half of 2019, and this was attributable to both the IT&S and SCS segments," said Gordon Riske, Chief Executive Officer of KION GROUP AG. "This sharp rise in earnings is particularly pleasing in light of the increasingly challenging conditions in the market. The good results for the first half of the year show that the KION Group remains on the right track. However, the headwinds from diminishing global trade, a slowdown in capital expenditure worldwide, political uncertainties, and trade disputes are increasing."

KION Group forges ahead with growth strategy and forms strategic alliance

In July 2019, the KION Group reached another milestone in its overall strategy for growth and innovation. The leading global provider of intralogistics solutions decided to join forces with BMZ Holding GmbH to form a joint venture under the name of KION Battery Systems GmbH. This joint venture will manufacture lithium-ion batteries for industrial trucks in the EMEA region. The two companies have already signed an agreement to this effect. KION GROUP AG and BMZ Holding GmbH will each hold a 50 percent stake in the new joint venture. The objective of the joint venture is to increase the lithium-ion product range as well as production capacity in order to meet the rapidly growing demand for lithium-ion battery systems in the intralogistics market. The transaction still needs to be approved by the competent antitrust regulator.

Focus on future energy sources

Under its KION 2027 strategy, the KION Group is placing particular emphasis on energy and energy efficiency, as these are topics that will have a significant influence on intralogistics and material handling. The Group's global research and development activities focus on drive technologies of the future. KION's product portfolio already comprises all manner of drive technologies, from internal combustion engines to lead-acid and lithium-ion batteries, and even fuel cells. Electric drive systems are of particular importance given that the KION Group, through its brand companies, is the leading provider of electric-powered forklift and warehouse trucks. Across its various brand companies, the Group has sold more than one million electric trucks in the past ten years. Last year, electric trucks accounted for more than 80 percent of unit sales – a figure that is set to keep on rising. Lithium-ion batteries offer a particular advantage for use in electric vehicles: In contrast with traditional lead-acid batteries, there is no need to swap batteries, because lithium-ion technology supports rapid charging and top-up charging. There have also been huge advances in the technological development of lithium-ion batteries. They are already a very attractive and cost-effective option in all areas where industrial trucks are used, especially where facilities operate an intensive shift schedule. The batteries are suitable even for heavy-duty trucks that carry substantial loads.

Segment performance in detail

In the **Industrial Trucks & Services segment** (industrial trucks, warehouse technology, and related services), the KION Group's brand companies took orders for 109.2 thousand new trucks during the first half of 2019. Despite a downturn in the market, the segment's orders were almost at the level of the prior-year period, falling by just 1.2 percent. In terms of order volume, the segment thus outperformed the market as a whole in virtually all sales regions in its new truck business. The value of order intake rose from €3.032 billion in the first half of 2018 to €3.084 billion in the first six months of this year, an increase of 1.7 percent. Total revenue in this segment for the first six months of this year went up by 11.7 percent to €3.147 billion (H1 2018: €2.818 billion). Adjusted EBIT improved by a significant 14.9 percent year on year to reach €326.5 million (H1 2018: €284.2 million). At 10.4 percent, the adjusted EBIT margin was in double figures again and was higher than the figure for the prior-year period (10.1 percent). In the second quarter, the fallout from the bottlenecks at suppliers had almost no impact on segment earnings.

In the second quarter of 2019, the value of order intake in the IT&S segment rose by 1.7 percent to €1.573 billion (Q2 2018: €1.547 billion). Segment revenue went up by 13.0 percent to €1.638 billion, compared with €1.450 billion in the prior-year period. At €177.7 million, adjusted EBIT was 19.9 percent higher than in the second quarter of 2018. The segment's adjusted EBIT margin rose from 10.2 percent in the second quarter of 2018 to 10.8 percent.

At €1.109 billion, the value of order intake in the **Supply Chain Solutions** segment was 12.7 percent lower than the strong level achieved in the prior-year period (H1 2018: €1.270 billion), as order intake reached a record level in the second quarter of 2018. Segment revenue increased by 15.4 percent to €1.211 billion because of the progressive fulfillment of the high level of orders in the order book from the end of 2018. The segment's adjusted EBIT rose by a significant 29.3 percent to €111.8 million in the first half of this year (H1 2018: €86.5 million). This was thanks to higher revenue and a disproportionately low increase in selling expenses and administrative expenses. Moreover, project-related personnel capacity had been underutilized in the prior-year period. As a result, the adjusted EBIT margin improved to 9.2 percent (H1 2018: 8.2 percent).

In the second quarter of 2019, the value of the SCS segment's order intake amounted to €506.0 million (Q2 2018: €874.2 million). Segment revenue went up by 10.9 percent to €642.0 million (Q2 2018: €578.8 million). Adjusted EBIT rose by 23.5 percent to €63.6 million (Q2 2018: €51.5 million). At 9.9 percent, the adjusted EBIT margin was higher than the figure of 8.9 percent for the second quarter of 2018.

Outlook

Compared with the forecasts made in the 2018 group management report, there has been a modest deterioration in the economic climate. The indicators for industrial output and manufacturing are also on a downward trend in comparison to the turn of the year.

Sectoral conditions are mixed. The positive trend that was anticipated for warehouse systems is being sustained by further fast growth in the online retail market. Unit sales of industrial trucks were weak in the first six months of the year, so there are currently doubts as to whether it will still be possible to achieve a growth rate close to the long-term trend of around 4 percent for the year as a whole, as originally expected. This will partly depend on what happens next in the trade talks, particularly those between the US and China. Nevertheless, the overall market for industrial trucks and warehouse systems is likely to expand again in 2019, as originally forecast.

Despite the temporary dip in economic data, the KION Group is adhering to the forecast for the year as a whole that was published in the 2018 combined management report and believes it will continue along its path of profitable growth while further improving its market position. Following rises in the first half of 2019, both revenue and adjusted EBIT are expected to increase over the year as a whole.

The order intake of the KION Group is still expected to be between €8.250 billion and €8.950 billion. The target figure for consolidated revenue remains in the range of €8.150 billion to €8.650 billion. The target range for adjusted EBIT is unchanged at €805 million to €875 million. Free cash flow is expected to be in a range between €380 million and €480 million. The target figure for ROCE is in the range of 9.0 percent to 10.0 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €6.250 billion and €6.450 billion. The target figure for revenue is in the range of €6.050 billion to €6.250 billion. The target range for adjusted EBIT is €685 million to €720 million.

Order intake in the Supply Chain Solutions segment is expected to be between €2.000 billion and €2.500 billion. The target figure for revenue is in the range of €2.100 billion to €2.400 billion. The target range for adjusted EBIT is €190 million to €225 million.

KION Group key performance indicators for the first half-year and for the second quarter, which ended June 30, 2019

€ million	H1 2019	H1 2018	Difference	Q2 2019	Q2 2018	Difference
Order intake	**4,196.8**	**4,309.0**	**-2.6%**	2,078.6	2,424.0	-14.2%
Revenue	**4,364.1**	**3,874.4**	**12.6%**	2,280.7	2,031.1	12.3%
Order book[1]	**3,130.7**	**3,300.8**	**-5.2%**			
Adjusted EBITDA[2] **Adjusted EBITDA[2] margin**	**804.0** **18.4%**	**717.8** **18.5%**	**12.0%** -	425.0 18.6%	377.0 18.6%	12.7% -
Adjusted EBIT[2] **Adjusted EBIT[2] margin**	**407.6** **9.3%**	**344.9** **8.9%**	**18.2%** -	225.2 9.9%	187.0 9.2%	20.5%
Net income for the period	**218.3**	**147.7**	**47.7%**	125.2	79.3	57.8%
Free cash flow[3]	**-31.6**	**9.0**	**< -100%**	-113.6	-3.7	< -100%
Employees[4] (FTEs, incl. apprentices/trainees)	**33,740**	**33,128**	**1.8%**			

[1] Figure as at June 30, 2019 compared with December 31, 2018.

[2] Adjusted for purchase price allocation items and non-recurring items.

[3] Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities.

[4] Number of employees stated in full-time equivalents as at June 30, 2019 compared with December 31, 2018.

The Company

The KION Group is a global leader in industrial trucks, related services and supply chain solutions. Across more than 100 countries worldwide, the KION Group designs, builds and supports logistics solutions that optimize material and information flow within factories, warehouses and distribution centers. The Group is the largest manufacturer of industrial trucks in Europe, the second-largest producer of forklifts globally and a leading provider of automation technology.

The KION Group's world-renowned brands are clear industry leaders. Dematic, the newest addition to the KION Group, is a global leader in automated material handling, providing a comprehensive range of intelligent supply chain and automation solutions. The Linde and STILL brands serve the premium industrial truck segment. Baoli focuses on industrial trucks in the economy segment. Among KION's regional industrial truck brand companies, Fenwick is the largest supplier of material handling products in France and OM Voltas is a leading provider of industrial trucks in India.

With an installed base of more than 1.4 million industrial trucks and over 6,000 installed systems, the KION Group's customer base includes companies in all industries and of all sizes on six continents. The Group has more than 33,000 employees and generated revenue of €8 billion in 2018.

Disclaimer

This document and the information contained herein are for information purposes only and do not constitute a prospectus or an offer to sell or a solicitation of an offer to buy any securities in the United States or in any other jurisdiction.

This release contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of technical studies, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. We do not undertake any responsibility to update the forward-looking statements in this release.

(fgr)

Further information for the media

Michael Hauger
Senior Vice President Corporate Communications
Tel: +49 (0)69 201 107 655
Cell: +49 (0)151 1686 5550
michael.hauger@kiongroup.com

Frank Grodzki
Senior Director External Communications & Group Newsroom
Tel: +49 (0)69.2 01 10-74 96
Mobil +49 (0)151 65 26 29 16
frank.grodzki@kiongroup.com

Further information for investors

Dr. Karoline Jung-Senssfelder
Senior Vice President, Corporate Strategy and Investor Relations
Tel: +49 (0)69 201 107 450
karoline.jung-senssfelder@kiongroup.com