Press release

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Strong finish to 2018 for the KION Group – outlook matched in full

- **Sustained growth in the core markets**
- **Total value of order intake surges by 8.5 percent to a record €8.66 billion**
- **Revenue increases by 5.2 percent to almost €8 billion**
- **Adjusted EBIT margin at 9.9 percent**
- **Net income of €401.6 million**
- **Free cash flow amounts to €519.9 million**
- **Strong focus on energy, digitalization, and automation in line with the KION 2027 strategy**
- **Expansion of capacity to enable further growth**
- **Proposed dividend of €1.20 per share (up by 21 percent)**

Frankfurt/Main, February 28, 2019 – KION GROUP AG enjoyed another successful year in 2018, maintaining its robust revenue and earnings growth from previous years. The global manufacturer of industrial trucks, robotics, and automation technologies for material handling benefited from unwavering growth in its core markets in Europe, the United States and Asia. The trend toward global value chains and supply chains, combined with the rapid growth of eCommerce, has resulted in extensive capital expenditure on warehousing and logistics facilities worldwide. Wide-ranging automation is becoming an increasingly important feature of supply chain solutions. The KION Group is excellently positioned in this area, because it is one of the world's leading providers of automation systems and automated guided vehicle systems and, moreover, offers a full range of software and digital solutions.

The KION Group matched all KPIs in its outlook, both at Group level and in the two operating segments (Industrial Trucks & Services and Supply Chain Solutions). At €8.66 billion, the total value of order intake reached a record level in 2018. The order book grew substantially, standing at €3.30 billion on December 31, 2018, compared with €2.61 billion a year earlier. This provides an excellent foundation to build on in 2019.

Revenue rose by 5.2 percent to almost €8 billion in 2018. Excluding negative currency effects of €174.0 million, revenue would have increased by 7.5 percent. Adjusted EBIT amounted to €789.9 million, which represented slight year-on-year growth of 1.6 percent. The negative currency effects included in that figure came to €14.2 million. The adjusted EBIT margin stood at 9.9 percent, which was slightly lower than the margin of 10.2 percent for 2017. This was due to inefficiencies caused by temporary bottlenecks at individual suppliers in the Industrial Trucks & Services segment, negative currency effects, higher material and wage costs and temporary underutilization of project-related personnel capacity in the Supply Chain Solutions segment resulting from delays in the awarding of projects.

Net income amounted to €401.6 million, down by 4.9 percent from €422.5 million in 2017. Excluding non-recurring tax effects in both 2018 (positive item of €29.4 million) and 2017 (positive item of €92.2 million), net income rose by 12.7 percent. Due to the improved business performance, free cash flow went up by 9.6 percent year on year, reaching €519.9 million. The return on capital employed (ROCE) was unchanged at 9.3 percent.

“In 2018, we reported further strong growth, fully matched our outlook despite adverse influences and we will once again significantly raise our dividend,” emphasized Anke Groth, Chief Financial Officer of KION GROUP AG, adding, “Thus we have demonstrated in impressive fashion that the KION Group can maintain its successful course even when faced with increased headwinds. Also, our strong order book provides us with an excellent foundation for 2019.”

The Executive Board and Supervisory Board of KION GROUP AG will again put forward a significantly higher dividend at the Annual General Meeting on May 9. The proposed figure of €1.20 per share would constitute a year-on-year increase of 21 percent and an unchanged dividend payout rate of 35 percent.

Market momentum remains strong

The fundamental growth indicators for the global material handling market are still intact. Capital expenditure on warehouse capacity is expected to continue at a high level worldwide. Value chains are becoming more fragmented and consumers are increasingly opting to buy online. These are the factors that are continuing to drive the intralogistics market.

The KION Group will invest heavily in expanding its production capacity in the years ahead so that it can fully exploit the anticipated demand and further increase the flexibility of its production operations. The main areas of capital expenditure will be plant & machinery and ongoing improvements to processes in the existing plants. Furthermore, the Group will establish a new plant in Poland and add to its existing capacity in the fast-growing Indian as well as Chinese market.

Focus on digitalization, automation, and energy

Under its KION 2027 strategy, the KION Group is placing particular emphasis on energy, digitalization and automation since these areas will have a significant influence on intralogistics. In addition to creating the new position of Chief Digital Officer on the Executive Board and establishing the KION Digital Campus, the Group made significant progress on developing a variety of new products and solutions in 2018, some of which have now been launched on the market. The latest examples include the Dematic iQ Virtual software for simulating future warehouse management solutions as well as an app which enables Linde technicians to manage service orders from their smartphones and STILL's fleet optimization app. Another innovation is the new KION cloud, which provides unlimited capacity and maximum flexibility to customers of the KION brand companies who want to collect and analyze their intralogistics data.

The Robotics Center of Excellence has been established in the United States. One of the first developments to emerge is the robotic piece picking module, a software-controlled robot arm designed to speed up warehouse processes. It is equipped with sensors and visual processing capabilities and can grip objects. The KION Group's medium-term objective under its digitalization and automation strategy is a fully automated warehouse. With its automated solutions, the KION Group is helping customers move closer to the goal of a 'lights-out' warehouse.

"This capital expenditure is important, and with it, we are building the foundation for success and growth in the years ahead," said Gordon Riske, Chief Executive Officer of KION GROUP AG. "In the medium term, we predict that worldwide demand for industrial trucks will go up by around 4 percent annually and that growth in demand for supply chain solutions will be in the high single digits. We want to seize these opportunities by offering a wide range of new products, services and software. Digital solutions, autonomous trucks, automated warehouses and a high degree of energy efficiency will play a crucial role."

Segment performance in detail

The **Industrial Trucks & Services segment** (ITS) registered a year-on-year increase in orders across all sales regions of 7.6 percent to around 216,700 trucks. The total value of order intake in 2018 rose by 6.0 percent to €6.21 billion, despite negative currency effects of €98.5 million. In addition to new truck orders, the expanding service business also contributed to this growth. Revenue went up by 6.3 percent to €5.92 billion. The segment's adjusted EBIT increased to €655.4 million (2017: €642.7 million). The adjusted EBIT margin fell from 11.5 percent to 11.1 percent, mainly due to higher material prices, increased wage costs and production inefficiencies caused by temporary bottlenecks at suppliers.

The **Supply Chain Solutions segment** (SCS) saw a significant year-on-year improvement of 15.5 percent in its order intake to €2.43 billion in 2018. Following a restrained start to the year, the segment was awarded some major projects, especially in the second and third quarters. The segment's revenue increased moderately, by 2.3 percent, to reach €2.06 billion. Adjusted EBIT came to €180.2 million, which was below the figure for the prior year of €188.7 million. This was predominantly due to the temporary underutilization of personnel capacity. Consequently, the adjusted EBIT margin declined from 9.4 percent to 8.8 percent.

Outlook

In 2019, the KION Group plans to build on its successful performance in 2018 and, based on the forecasts for market growth, achieve further increases in revenue and adjusted EBIT.

The order intake of the KION Group is expected to be between €8,250 million and €8,950 million. The target figure for consolidated revenue is in the range of €8,150 million to €8,650 million. The target range for adjusted EBIT is €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 million and €6,450 million. The target figure for revenue is in the range of €6,050 million to €6,250 million. 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 million and €2,500 million. The target figure for revenue is in the range of €2,100 million to €2,400 million. The target range for adjusted EBIT is €190 million to €225 million.

The outlook is based on the current exchange rate environment at the time the outlook was prepared.

Actual business performance may deviate from the outlook due, among other factors, to the opportunities and risks described in the 2018 combined management report. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation.

KION Group key performance indicators for 2018 and for the fourth quarter, which ended December 31, 2018

€ million	2018	2017*	Difference	Q4 2018	Q4 2017*	Difference
Order intake	**8,657**	**7,979**	**8.5%**	2,287	2,280	0.3%
Revenue	**7,996**	**7,598**	**5.2%**	2,226	1,963	13.4%
Order book[1]	**3,301**	**2,615**	**26.2%**			
Adjusted EBITDA[2] **Adjusted EBITDA[2] margin**	**1,555** **19.4%**	**1,496** **19.7%**	**4.0%**	457.2 20.5%	404.9 20.6%	12.9%
Adjusted EBIT[2] **Adjusted EBIT[2] margin**	**789.9** **9.9%**	**777.3** **10.2%**	**1.6%**	252.3 11.3%	219.7 11.2%	14.8%
Net income	**401.6**	**422.5**	**-4.9%**			
Free cash flow[3]	**519.9**	**474.3**	**9.6%**			
Employees[4]	**33,128**	**31,608**	**4.8%**			

[1] Figure on the reporting date of December 31

[2] EBIT and EBITDA 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 full-time equivalents (FTEs) on December 31

* Key figures for 2017 have been adjusted due to the initial adoption of IFRS 15 and IFRS 16

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 2017.

Disclaimer

Further information for the media

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