Press release

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KION Group generates consistently strong level of order intake in the first nine months of 2020

- **Total value of order intake rises by 2.8 percent year on year to €6.715 billion, despite the coronavirus pandemic**
- **At €4.144 billion, the order book is up by 14.1 percent compared with the end of 2019**
- **Revenue decreases by 8.0 percent to €6.000 billion due to the crisis**
- **Adjusted EBIT falls sharply year on year to €363.8 million (Q1–Q3 2019: €624.7 million)**
- **Adjusted EBIT margin declines from 9.6 percent to 6.1 percent**
- **Net income for the period remains well into positive territory at €132.5 million**
- **Free cash flow amounts to minus €114.3 million (Q1–Q3 2019: €53.0 million), partly due to acquisitions**
- **Funding structure strengthened by successful placement of a bond of €500.0 million on the capital markets**
- **Outlook for 2020 confirmed and quantified**

Frankfurt/Main, October 29, 2020 – The KION Group believes it is well positioned for the future thanks to its clear strategy and comprehensive intralogistics portfolio, despite a challenging market environment due to the ongoing coronavirus pandemic affecting many parts of the world. The Supply Chain Solutions (SCS) segment, with its focus on automation solutions, was able to build on the strong performance of the previous quarters and again boosted orders for the Group in the third quarter of the year after being awarded major new projects. The positive business performance of the SCS segment was driven in particular by high demand in the e-commerce sector. Having fallen sharply in the first six months of this year, order intake in the Industrial Trucks & Services (IT&S) segment began to recover slowly in the third quarter but was still down significantly year on year for the reporting period as a whole.

In the first nine months of 2020, despite the difficult market conditions, the value of the KION Group's order intake actually surpassed the high level achieved in the prior-year period, rising by 2.8 percent to €6.715 billion (Q1–Q3 2019: €6.534 billion). At €4.144 billion, the Group's order book had grown by 14.1 percent compared with the end of 2019 (December 31, 2019: €3.632 billion), mainly thanks to the increase in the project business order book in the SCS segment. After nine months of 2020, the KION Group's revenue reflects the substantial adverse impact of the coronavirus pandemic: the consolidated revenue generated in the period January to September of this year fell by 8.0 percent to €6.000 billion (Q1–Q3 2019: €6.524 billion).

Adjusted EBIT dropped by 41.8 percent to €363.8 million, primarily because of the decline in revenue, and was therefore considerably lower than in the prior-year period (Q1–Q3 2019: €624.7 million), which had seen strong earnings in the third quarter. As a result, the adjusted EBIT margin for the first nine months of 2020 was down significantly year on year at 6.1 percent (Q1–Q3 2019: 9.6 percent) but was showing clear signs of recovery compared with the figure of 5.2 percent for the first half of 2020. Net income for the period decreased to €132.5 million (Q1–Q3 2019: €338.9 million) but remained comfortably in positive territory. Basic earnings per share stood at €1.18 (Q1–Q3 2019: €2.88). Free cash flow was in negative territory at minus €114.3 million (Q1–Q3 €53.0 million), mainly due to the sharp fall in operating profit. Although the reduced volume of business meant that the amount of net working capital tied up during the year was lower than in the prior-year period, higher tax payments and the acquisition of DAI in March 2020 had a significant negative effect on free cash flow in the reporting period.

"In the first three quarters of 2020, we achieved a very robust level of order intake and added to our order book in spite of the ongoing pandemic and the resulting challenges. We also significantly improved our funding structure once again by successfully placing a corporate bond of €500 million," said Gordon Riske, Chief Executive Officer of KION GROUP AG. "The business of automated solutions for global supply chains, which is influenced by long-term trends and customer expectations, has proved to be a significant source of stability for the KION Group's business model during the coronavirus pandemic. The results for the first nine months of this year show that the KION Group remains on the right track, despite the challenging market conditions worldwide." Despite the significant deterioration of global economic conditions and the resulting reluctance to invest during the pandemic, the market for supply chain solutions saw a rise in orders that was fueled by the continuing e-commerce boom.

Market environment remains challenging

Following its dramatic slump in the first half of the year, the global economy began to show early signs of recovery in the third quarter thanks to the easing of local lockdowns and the gradual restart of activity by companies that had faced restrictions. The extensive fiscal and monetary policy measures helped to mitigate the sharp drop in economic activity and global trade. In Europe and the United States, the economic decline triggered by the coronavirus pandemic was not as severe as had been anticipated by some in the first half of the year. Supported by government stimulus packages, China's economic output returned to the level seen before the outbreak of the pandemic.

Despite the recovery expected in the months ahead, it is expected that the global economy will contract significantly over 2020 as a whole. In its October forecast, the International Monetary Fund (IMF) predicts that global economic output will fall by 4.4 percent, although this is a smaller decrease than originally estimated. The global volume of trade is expected to contract by 10.4 percent.

Forecasts continue to come with a high degree of uncertainty as the continued course of the coronavirus pandemic is impossible to predict. A rise in infection rates could result in a return to local or national lockdown measures or other restrictions that might disrupt the recovery and amplify the recessionary trends again.

Segment performance in detail

The **Industrial Trucks & Services segment** (industrial trucks and related services) took orders for 137.5 thousand new trucks between January and September, a decrease of 12.8 percent on the first nine months of 2019. This poorer performance compared with the global market was mainly due to the challenging conditions in the segment's main sales market, the EMEA region (Europe, Middle East, and Africa). In the APAC region (Asia-Pacific), the segment recorded an increase in orders, primarily thanks to disproportionately strong growth in China.

The value of order intake declined by 10.9 percent to €4.077 billion (Q1–Q3 2019: €4.577 billion). The segment's total revenue decreased by 12.6 percent to €4.109 billion (Q1–Q3 2019: €4.700 billion), due in large part to the exceptional problems created by the coronavirus pandemic and the resulting significant weakness of the market in the EMEA region. The new truck business saw a sharp fall of 20.2 percent even in the nine-month period. Revenue generated by the segment's service business went down by just 4.1 percent, however, and thus proved to be a stabilizing factor.

Adjusted EBIT for the segment came to €205.3 million for the nine-month period (Q1–Q3 2019: €496.3 million). This reduction of 58.6 percent was due to the decrease in revenue in the new truck business and service business, production inefficiencies caused by supply bottlenecks affecting procurement that predominantly arose in the second quarter due to the lockdowns, and higher costs as a result of launching new products on the market. As a result of the crisis, the segment's adjusted EBIT margin stood at 5.0 percent (Q1–Q3 2019: 10.6 percent).

The value of order intake in the **Supply Chain Solutions segment** (automated warehouse systems) surged by 35.1 percent to €2.632 billion during the period under review (Q1–Q3 2019: €1.948 billion). Following big-ticket orders from e-commerce customers in the first half of the year, the segment received besides the ongoing online boom additional modernization and expansion orders that resulted in order intake in the third quarter that was again higher than the excellent level in the prior-year period. The segment's total revenue stood at €1.880 billion, which was slightly higher, by 3.8 percent, than the figure for the prior-year period (Q1–Q3 2019: €1.811 billion).

The segment's adjusted EBIT amounted to €184.0 million, which was 4.4 percent higher than the figure for the first nine months of the previous year (Q1–Q3 2019: €176.2 million). The adjusted EBIT margin, at 9.8 percent, was also slightly higher than in the first three quarters of last year (Q1–Q3 2019: 9.7 percent).

Bond of €500 million successfully placed on the capital markets

In September of this year, the KION Group successfully placed a bond with a principal amount of €500 million on the capital markets. There was considerable interest in the transaction from a broad range of institutional investors, and it was oversubscribed a little more than five times over. By issuing the corporate bond, KION GROUP AG is adding another element to its broad-based funding structure and thereby strengthening the Group's flexibility and resilience at a challenging time.

The unsecured corporate bond, which matures in 2025, was issued at a price of 99.407 percent and has an annual coupon of 1.625 percent.

The proceeds from the bond will be used to refinance existing liabilities earlier than planned. The aim in doing so is to improve the maturity profile of KION's borrowing.

Outlook

Compared with the forecasts made in the 2019 annual report, economic conditions have deteriorated substantially. Although economic output is beginning to recover – albeit still hesitantly in many regions – after its slump in the early part of 2020, the forecast for the year as a whole is for a sharp fall in global economic output and the global volume of trade. The IMF currently anticipates that global economic output will fall by 4.4 percent over 2020 as a whole. Risks include, in particular, further outbreaks of the virus, which could result in the renewed shutdown of public life and economic activity.

The forward-looking statements and information given below are based on the Company's current expectations and assessments against the backdrop of the very uncertain conditions that currently prevail. Consequently, they involve a relatively high number of risks and uncertainties. A further economic downturn in key sales markets would lead to KION Group's performance and financial results differing significantly from those in the outlook.

Different business sectors present a mixed picture. The current decline in global economic output is expected to continue depressing the market for industrial trucks and services over the remainder of the year. Looking at the year as a whole, China is the only sales region predicted to see market growth, whereas the market will contract in the rest of the world, including in the EMEA sales region. Despite the adverse effects of the coronavirus pandemic, the market for supply chain solutions is likely to grow as a result of the sustained uptrend in e-commerce.

Expected business situation and financial performance of the KION Group

In light of uncertainty about how the pandemic will unfold, its likely duration, and its impact on the global economy and sectoral conditions, the Executive Board of the KION Group in March retracted the outlook for the 2020 financial year that had been published in the 2019 annual report.

Given its robust market position and the cutting-edge nature of its automation and material handling technologies, the KION Group expects steady demand for its products once the pandemic is over and the global economy has picked up. However, the Group anticipates a significant decline in some key performance indicators for the 2020 financial year compared with 2019. The pandemic is resulting in a marked reluctance to invest. Coupled with the restrictions in the service business in the Industrial Trucks & Services segment, this will have a noticeable adverse impact on consolidated revenue for the year as a whole, which in turn will negatively affect adjusted EBIT and free cash flow. Thanks to the good level of orders in the Supply Chain Solutions segment, the Group's order intake is expected to be at a level more in line with that seen in 2019.

Over the course of 2020, the KION Group has initiated a capacity and structural program – primarily in the Industrial Trucks & Services segment. The program is aimed at streamlining and optimizing the organizational structures and capacity in production, sales, and service, particularly in Europe, to reflect the anticipated medium-term market environment after the coronavirus pandemic. The planned measures, which may include personnel measures in certain functional divisions in addition to cross-location bundling of certain functions, should generate long-term cost savings. The expenses that have been incurred in 2020 and will be incurred in the future in connection with the program will be treated as non-recurring items; their amount depends on factors such as the ongoing negotiations with local employee representative bodies and whether the market recovers in the short term. These expenses are therefore not included in adjusted EBIT for 2020 and will predominantly impact on free cash flow in 2021.

Assuming that economic conditions persistently stabilize in the business sectors relevant to the Industrial Trucks & Services segment, the KION Group now expects for the financial year 2020 order intake to be between €8.900 billion and €9.600 billion. The target figure for consolidated revenue is in the range of €7.850 billion to €8.450 billion. The target range for adjusted EBIT is €465 million to €545 million. Free cash flow is expected to be in a range between €50 million and €150 million. The target figure for ROCE is in the range of 5.2 percent to 6.2 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €5.500 billion and €5.800 billion. The target figure for revenue is in the range of €5.450 billion to €5.750 billion. The target range for adjusted EBIT is €265 million to €305 million.

Order intake in the Supply Chain Solutions segment is expected to be between €3.400 billion and €3.800 billion. The target figure for revenue is in the range of €2.400 billion to €2.700 billion. The target range for adjusted EBIT is €235 million to €275 million.

KION Group key performance indicators for the third quarter ended September 30, 2020 and for the first nine months of 2020

€ million	**Q3 2020**	**Q3 2019**	**Difference**	Q1–Q3 2020	Q1–Q3 2019	Difference
Order intake	**2,315.3**	**2,337.6**	**−1.0%**	6,715.4	6,534.5	2.8%
Revenue	**2,072.9**	**2,160.0**	**−4.0%**	6,000.2	6,524.2	−8.0%
Order book [1]				4,144.4	3,631.7	14.1%
Adjusted EBITDA [2] **Adjusted EBITDA [2] margin**	**367.3** **17.7%**	**420.1** **19.4%**	**−12.6%**	986.7 16.4%	1,224.1 18.8%	−19.4%
Adjusted EBIT [2] **Adjusted EBIT [2] margin**	**159.1** **7.7%**	**217.1** **10.1%**	**−26.7%**	363.8 6.1%	624.7 9.6%	−41.8%
Net income for the period	**81.9**	**120.7**	**−32.2%**	132.5	338.9	−60.9%
Free cash flow [3]	**105.3**	**84.6**	**24.4%**	−114.3	53.0	<−100%
Employees [4] (FTEs, incl. apprentices/trainees)				35,986	34,604	4.0%

[1] Figure as at September 30, 2020 compared with December 31, 2019.

[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 September 30, 2020 compared with December 31, 2019.

Explanations and reconciliations of key financial figures used can be found in KION GROUP AG's 2019 annual report (available at https://www.kiongroup.com/en/Investor-Relations/Publications/), especially on pages 57 et. seq., 69 et. seq., and 80.

The Company

The KION Group is one of the world's leading providers for industrial trucks and supply chain solutions. Its portfolio encompasses industrial trucks, such as forklift trucks and warehouse equipment, as well as integrated automation technology and software solutions for the optimization of supply chains, including all related services. Across more than 100 countries worldwide, the KION Group's solutions improve the flow of material and information within factories, warehouses, and distribution centers. The Group, which is included in the MDAX, is the largest manufacturer of industrial trucks in Europe and the second largest worldwide in terms of units sold. It is also a leading provider of automation technology.

The KION Group's world-renowned brands are well established. Dematic, the newest addition to the KION Group, is a global leader in warehouse automation, providing a broad 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 value segment. Among KION's regional industrial truck brand companies, Fenwick is the largest supplier of material handling products in France.

With an installed base of more than 1.5 million industrial trucks and over 6,000 installed systems, the KION Group's customers include companies in numerous industries of various sizes on six continents. The Group has currently more than 35,000 employees and generated revenue of €8.8 billion in 2019.

Current KION Group images can be found in our image database at https://mediacenter.kiongroup.com/categories and on the websites of our various brands.

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Disclaimer

This release 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 (including with respect to further developments in relation to the COVID-19 pandemic), 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.

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