

Press Release

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KION Group Achieves High Order Intake and Increase in Revenue in 2022, Significant Decline in Earnings

- Order intake of €11.708 billion despite dampening demand (previous year: €12.482 billion)
- Supply chain disruptions coupled with increased costs for materials, energy, and logistics negatively impacted the key financial figures
- Revenue up by 8.2 percent to €11.136 billion (previous year: €10.294 billion)
- Adjusted EBIT of €292.4 million significantly below previous year's level (€841.8 million)
- Due to significant decline in earnings and increased net working capital, free cash flow of -€715.6 million is significantly below previous year's level (€543.8 million)
- Proposed dividend of €0.19 per share at an EPS of €0.75
- Significant improvement in profitability and free cash flow expected for 2023

Frankfurt am Main, March 2, 2023—KION GROUP AG finished 2022 with order intake at a high level in a challenging macroeconomic and geopolitical environment. The global intralogistics Group recorded an increase in revenue compared to the previous year, including clearly positive currency effects. Sharply rising costs for materials, energy, and logistics coupled with ongoing supply chain disruptions had a significant impact on both operating segments in the last year, which was reflected in a decline in adjusted EBIT and a clearly negative free cash flow for the Group.

“We faced a great deal of challenges in 2022. In light of this, we are focusing on the systematic implementation of the numerous measures we have introduced to strengthen our resilience and profitability,” says Rob Smith, CEO of KION GROUP AG. “We are already in a far more agile and resilient position than we were this time last year. Our innovation pipeline is full and we invest in our sites worldwide. Furthermore, global growth drivers at KION Group such as digitalization, automation, and alternative energy systems remain intact. That’s why we are looking ahead to this year with optimism.”

At €11.708 billion, KION Group's order intake came to within 6.2 percent of the previous year's record figure (€12.482 billion), despite a noticeable drop in demand. Currency effects had a positive impact on order intake—€391.2 million in total.

The Industrial Trucks & Services segment increased the order intake in the reporting period by 3.2 percent to €8.426 billion (previous year: €8.166 billion) and also benefited from orders being brought forward as a result of longer delivery times. Overall, previous year figures were exceeded in all sales regions. In the second half of 2022, price adjustments for new trucks almost offset the significant fall in order numbers in terms of order intake value. The high-growth service business made a disproportionately large contribution to the increase in orders.

However, achieving the high unit order volumes of the previous year was not possible (-10.4 percent) based on figures in the new truck business, with 268,200 industrial trucks ordered.

In the Supply Chain Solutions segment customers slowed their new investments, especially in the e-commerce sector, which in turn led to a significant decline in order intake, down 22.3 percent at €3.362 billion (previous year: €4.329 billion). This downturn in new business, which affected both the North America and EMEA regions, was offset to a certain extent by an encouraging increase in orders in the service business.

In the second half of 2022, the KION Group order book increased by 6.3 percent to €7.078 billion at the balance sheet date.

The **Group revenue** exceeded the prior year's figure (€10.294 billion) by 8.2 percent, totaling €11.136 billion. Both operating segments contributed to this, mainly benefiting from the high volume of orders in the order book from the previous year and the strong performance of the service business. Currency effects had a positive impact, totaling €406.3 million.

Total revenue in the Industrial Trucks & Services segment were up 12.9 percent to €7.356 billion (previous year: €6.514 billion). In the second half of the year, the Group made significant progress in truck delivery, largely due to the improved availability of supplier parts. Last year's price increases have not yet made a significant impact on segment revenues, as revenue was mainly based on orders received before the price adjustments. The service business made a considerable contribution to the increase in revenue, mainly through the growing after-sales and rental business.

In the Supply Chain Solutions segment, overall revenue totaled €3.807 billion, largely due to positive currency effects with an increase of 0.3 percent on the comparable prior-year level (€3.796 billion). Service business revenue saw disproportionate growth, offsetting the decline in long-term project work.

KION Group's **adjusted EBIT** fell to €292.4 million, significantly below the 2021 comparable figure (€841.8 million), as a result of significant cost increases and supply chain disruptions. KION Group's adjusted EBIT margin totaled just 2.6 percent (previous year: 8.2 percent).

The adjusted EBIT in the Industrial Trucks & Services segment decreased significantly to €420.5 million (previous year: €536.0 million). The adjusted EBIT margin dropped to 5.7 percent in the reporting period (previous year: 8.2 percent). The positive effects on earnings from revenue growth were offset by the extensive negative effects from significant cost increases of materials, energy, and logistics as well as inefficiencies in production due to a lack of material availability in production. Although cost increases were capped through operational counter measures, the segment's gross margin fell sharply in the reporting period. Rising production costs could only be marginally offset by increases in list prices in the reporting period, as mainly customer orders received before the price adjustments were processed in the order book.

The adjusted EBIT in the Supply Chain Solutions segment fell to €-45.6 million and was thus significantly below the previous year's figure (€409.5 million). Accordingly, the adjusted EBIT margin dropped significantly to -1.2 percent (previous year: 10.8 percent). Over the course of the year, supply chain disruptions increasingly restricted the availability of important parts at project sites, leading to project delays and thus internal inefficiencies which were exacerbated by the shortage of skilled workers in North America. Only a small proportion of the huge project-related cost increases could be passed on to customers. From the second quarter of 2022, countermeasures were initiated on an operational level, such as amended price adjustment clauses in new contracts, significant improvements in project management processes, and an expanded supplier base, among others.

There was a significant fall in net income to €105.8 million compared to the previous year (€568.0 million). In addition to operating profits, the negative extraordinary effects from the Russian business in the Industrial Trucks & Services segment, which is to be sold, as well as from the reversal of a Russian business in the Supply Chain Solutions segment also reduced the Group's net income by a total of €36.8 million.

As a result, taking a roughly comparable number of shares, basic earnings per share fell to €0.75 (previous year: €4.34). KION GROUP AG will propose to pay a dividend of €0.19 (previous year: €1.50) per share at the 2023 Annual General Meeting.

At -€715.6 million (previous year: €543.8 million), **free cash flow** was considerably lower. In addition to the decline in earnings, the significant increase in net working capital compared with the previous year had a negative impact.

Depressed Global Economy with Mixed Material Handling Market

The ongoing war in Ukraine, global inflation and the associated hikes in interest rates as well as the rapid spread of coronavirus in China all had a negative impact on the global economy in 2022. There was a steady decline in the global demand for industrial trucks over the course of the year as a result of the general economic conditions. While order numbers in the first quarter were still above the previous year's level, momentum slowed significantly over the rest of the year. In the 2022 reporting period, global order numbers in the market are likely to be below the comparable period of the previous year—particularly in the EMEA region.

According to KION Group and based on the research institute Interact Analysis, in the 2022 reporting period the global market for supply chain solutions again exceeded the prior year's level, despite the general macroeconomic uncertainties. A significant decline in e-commerce providers' willingness to invest was more than offset by higher investment volumes in other customer segments. All regions (EMEA, Americas, and APAC) recorded positive market growth.

Outlook

Overall, the KION Group believes that it is well prepared for the future in view of the steps that it has taken to boost its resilience. It expects an increase in revenue and a significant improvement in both adjusted EBIT and return on capital employed (ROCE) in 2023. As a result, it anticipates that free cash flow will be comfortably into positive territory. However, the aforementioned market-related and geopolitical risks continue to create uncertainty regarding the business performance of the Group and its operating segments.

In 2022, the KION Group took decisive steps in both operating segments in order to enhance the long-term resilience of its business model. The steps taken to structure contracts in a way that allows price adjustments and manages risk, along with the measures designed to improve processes in procurement, production, and project management, are expected to have an effect on gross margins as early as 2023.

The revenue growth anticipated in the **Industrial Trucks & Services** segment will be only partly affected by the weakening of the market as there is still a very high volume of orders on the books from 2022 to be processed. The likely lower level of demand for new business should provide the segment with an opportunity to shorten delivery times over the course of the year and reduce the remaining inventories of unfinished trucks. Revenue and the gross margin for new business will benefit from the list price increases that were introduced in 2022 in response to the growth of manufacturing costs. The segment is progressively working through its order book, which means that most of these positive price effects will not materialize until the second half of the year. Given that the availability of materials is predicted to improve, the segment should see

year-on-year growth in revenue from new business. In the service business, the high number of industrial trucks in operation worldwide provides solid foundations for a small rise in revenue. The KION Group expects the adjusted EBIT of the Industrial Trucks & Services segment to improve markedly, mainly thanks to the positive price effects and the assumption that manufacturing costs for new business will remain largely stable.

In the **Supply Chain Solutions** segment, the focus is on continuing to strengthen operational resilience by structuring contracts in a way that minimizes risk and on improving processes in procurement, project delivery, and project management. The portfolio of integrated automation and software solutions is being systematically refined and provides the basis for a stable level of business in the key sales industries (general merchandise, textiles, food and beverage, and grocery retail). Nonetheless, the revenue that the segment earns from the project business (business solutions) is predicted to fall sharply, not least because there is likely to be less investment on the part of e-commerce providers. By contrast, further revenue growth is anticipated in the high-margin service business. The gross margin is expected to improve thanks to the higher proportion of new contracts with customers that contain adequate price adjustment clauses and thanks to the steps now under way to optimize project management processes. The adjusted EBIT of the Supply Chain Solutions segment is predicted to rise sharply, primarily on the back of the improved gross margin in the project business (business solutions).

Revenue, adjusted EBIT, free cash flow, and return on capital employed (ROCE) have been defined as the core key performance indicators that will be used to manage the KION Group from the 2023 financial year onward. Consequently, order intake is no longer included in the outlook.

The Executive Board expects the key performance indicators of the KION Group and its operating segments to be at the following minimum levels in 2023:

Outlook 2023

	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	2022	Outlook 2023	2022	Outlook 2023	2022	Outlook 2023
Revenue ¹	€11.1 billion	minimum €11.0 billion	€7.4 billion	minimum €7.8 billion	€3.8 billion	minimum €3.2 billion
Adjusted EBIT ¹	€292.4 million	minimum €550 million	€420.5 million	minimum €600 million	€-45.6 million	minimum €65 million
Free cash flow	€-715.6 million	minimum €500 million	–	–	–	–
ROCE	2.9%	minimum 5.0%	–	–	–	–

¹ Disclosures for the Industrial Trucks & Services and Supply Chain Solutions segments also include intra-group cross-segment revenue and effects on EBIT

KION Group Figures for the Financial Year 2022 and the Fourth Quarter Ending December 31, 2022

In € million	2022	2021	Diff.	Q4/2022	Q4/2021	Diff.
Order intake	11,707.6	12,481.6	-6.2%	2,535.6	3,492.6	-27.4%
<i>Industrial Trucks & Services</i>	8,425.6	8,166.3	3.2%	1,693.5	2,435.2	30.5%
<i>Supply Chain Solutions</i>	3,361.9	4,329.4	-22.3%	882.3	1,061.9	-16.9%
Revenue	11,135.6	10,294.3	8.2%	2,892.5	2,760.6	4.8%
<i>Industrial Trucks & Services</i>	7,356.1	6,514.0	12.9%	2,067.8	1,764.2	17.2%
<i>Supply Chain Solutions</i>	3,806.9	3,796.2	0.3%	836.5	1,001.9	-16.5%
Order book [1]	7,077.8	6,658.5	6.3%			
<i>Industrial Trucks & Services</i>	3,817.6	2,877.8	32.7%			
<i>Supply Chain Solutions</i>	3,327.5	3,792.2	-12.3%			
Adjusted EBIT [2]	292.4	841.8	-65.3%	81.8	150.8	-45.8%
<i>Industrial Trucks & Services</i>	420.5	536.0	-21.6%	120.0	112.9	6.3%
<i>Supply Chain Solutions</i>	-45.6	409.5	< -100.0%	-13.4	73.0	< -100.0%
Adjusted EBIT margin [2]	2.6%	8.2%	-	2.8%	5.5%	-
<i>Industrial Trucks & Services</i>	5.7%	8.2%	-	5.8%	6.4%	-
<i>Supply Chain Solutions</i>	-1.2%	10.8%	-	-1.6%	7.3%	-
Net income	105.8	568.0	-81.4%	38.9	137.2	-71.6%
Free cash flow [3]	-715.6	543.8	< -100.0%	256.3	409.1	-37.4%
Earnings per share in €	0.75	4.34	-82.8%	0.27	1.08	-75.4%
Employees [4] (FTE, incl. trainees)	41,149	39,602	3.9%			

[1] Value on closing date 12/31/2022

[2] Adjusted for effects of purchase price allocations as well as non-recurring items

[3] Free cash flow is defined as cash flow from ongoing business plus cash flow from investment activity

[4] Number of full-time equivalents on 12/31/2022

The Company

The KION Group is one of the world's leading providers of industrial trucks and supply chain solutions. Its full spectrum of services includes industrial trucks, such as forklift trucks and warehouse trucks, as well as integrated automation technologies and software solutions for the optimization of supply chains—including all related services.

The KION Group's solutions ensure the smooth flow of materials and information in customers' warehouses, production plants, and distribution centers in over 100 countries.

The MDAX listed group is the largest manufacturer of industrial trucks in the EMEA region based on the number of units sold in 2021. Based on revenue for the year 2021, the KION Group is the leading overseas manufacturer in China, and including domestic manufacturers, the third-largest supplier there. The KION Group is also one of the world's leading warehouse automation providers, based on 2021 revenue.

At the end of 2022, more than 1.7 million industrial trucks of the KION Group were in use by customers from all manner of sectors and of varying sizes on six continents. The group currently has around 41,000 employees and generated revenue of approx. €11.1 billion in the 2022 financial year.

You can access up-to-date image material for the KION Group via our image database <https://mediacenter.kiongroup.com/categories> as well as on our respective brands' websites.

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