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KION fully meets adjusted outlook, achieving record results – Strategy KION 2027 targets further profitable growth

- **Dematic consolidated for a full financial year for the first time**
- **Value of order intake increases to approx. €8 billion in 2017**
- **Revenue rises to around €7.7 billion**
- **Adjusted EBIT margin, at 10.0 percent, reaches double figures for the first time**
- **Strong free cash flow of €378.3 million**
- **Outlook for 2018: order intake, revenue, and adjusted EBIT set to further increase**
- **Proposed dividend of €0.99 per share is around 24 percent higher than in 2016**
- **CEO Gordon Riske: “KION 2027 puts the emphasis on innovation, digitalization, automation, efficient energy use, and performance”**

Frankfurt, March 1, 2018 – Achieving record results, the KION Group fully met its adjusted outlook for 2017 and has set a course for further profitable growth by rolling forward its corporate strategy. This was the first time that the figures for a full financial year have included Dematic, the specialist in automation and supply chain optimization acquired at the end of 2016. Driven by organic growth and the acquisition of Dematic, the Group achieved new records in the value of order intake and in revenue, adjusted EBIT, adjusted EBIT margin, and net income. Profitability, as measured by the EBIT margin of 10.0 percent, hit double figures for the first time. Free cash flow amounted to €378.3 million, which was at the upper end of the adjusted outlook range.

In 2018, the Group aims to build on its successful performance in 2017 and achieve further increases in order intake, revenue, and adjusted EBIT. The Executive Board and Supervisory Board of KION GROUP AG will propose a significantly increased dividend of €0.99 per share to the Annual General Meeting on May 9, 2018. This will be around 24 percent higher than in the prior year.

After a strong final quarter and in spite of negative currency effects, the value of order intake across the Group was up by 36.8 percent in 2017 to €7.979 billion. The main

drivers were the acquisition of Dematic and the new truck business. The order book for the KION Group stood at €2.615 billion at the end of 2017, which was 9.1 percent higher than twelve months earlier. By the end of the year, substantial orders had been secured, especially in Dematic's long-term project business.

Revenue increased by 37.0 percent to €7.654 billion. Alongside the consolidation of Dematic, this was attributable to the rapid expansion of the Industrial Trucks & Services segment, which generated not only much higher unit sales but also an increase in the segment's service business. Adjusted EBIT advanced by 42.5 percent to €765.6 million. The adjusted EBIT margin grew from 9.6 percent to 10.0 percent. Net income rose to €426.4 million, an increase of 73.3 percent. This was partly due to the one-off positive impact of the decision made in the US at the end of 2017 to reduce the corporate income tax rate. Free cash flow came to €378.3 million.

Segment performance in detail

In the **Industrial Trucks & Services segment** (forklift trucks, warehouse technology, and related services), the business with new trucks expanded in all sales regions. Orders for forklift trucks and warehouse equipment rose by 13.0 percent to reach around 201,400 units. Despite negative currency effects, the value of order intake rose by 8.8 percent to €5.859 billion, and gains were also recorded in the service business. Revenue in the segment rose by 8.2 percent to €5.631 billion, with the new truck business expanding by 9.3 percent. Despite an increase in material prices, adjusted EBIT rose by 9.1 percent to €640.1 million thanks to the growth in revenue. The segment's adjusted EBIT margin stood at 11.4 percent, slightly higher than the margin in 2016.

In terms of the number of units ordered, the global market for industrial trucks grew by an exceptional 17.9 percent in 2017, compared with 7.5 percent in the previous year. A total of around 1.4 million trucks were ordered around the world. IC trucks saw a particularly strong gain (up by 20.8 percent), primarily driven by the Chinese market. However, growth rates were also in the double digits for electric forklift trucks and warehouse trucks.

The **Supply Chain Solutions segment** received orders worth €2.099 billion in 2017, of which around 75 percent were attributable to its project business and 25 percent to services. In this segment, all activities are bundled under the Dematic brand. Following muted growth in the first three quarters of the year, contracts for a number of delayed customer projects were signed at the end of the year. The Supply Chain Solutions segment generated revenue totaling €2.006 billion in 2017. The segment's adjusted EBIT stood at €181.4 million, resulting in an adjusted EBIT margin of 9.0 percent.

CEO Gordon Riske: “Integration of Dematic at a very advanced stage”

“Last year, we made a great deal of progress with the new alignment of the KION Group following the acquisition of Dematic, whose integration into the Group is already at a very advanced stage,” said the Chief Executive Officer of the KION Group, Gordon Riske, as he presented the figures for 2017 at KION’s new headquarters right next to Frankfurt airport. “And by rolling forward our strategy with KION 2027, we are building on our expanded offering and our rapid growth of recent years. At the heart of the strategy are innovation, digitalization, automation, efficient energy use, and even better products and processes – everything we need to continue our profitable growth path.”

The strategy KION 2027

KION 2027 builds on the success of the Strategy 2020 (formulated before the acquisition of Dematic), under which profitable growth, efficient use of capital, and a high level of resilience to economic downturns have been achieved over the past five years.

The aim now is to consolidate the strong position achieved with the Strategy 2020, particularly in the Industrial Trucks & Services segment. Another objective of KION 2027 is to unlock the potential of all the companies in the Group and to focus even more on a joint customer-centric strategy for innovation, sales, and branding. The main emphasis in this regard will be the overarching development and marketing of integrated and automated supply chain solutions and mobile automation solutions. Overall, the KION Group is striving to steadily increase its share of the global material handling market and to continue to have the highest profitability in the industry. The other aims are to ensure the Group remains resilient to crises and maintains an attractive return on capital employed.

A KION Group press release that was also published today provides further detail on the strategy KION 2027.

Outlook for 2018: order intake, revenue, and adjusted EBIT set to increase

In 2018, the KION Group aims to build on its successful performance in 2017 and, based on the forecasts for market growth, achieve further increases in order intake, revenue, and adjusted EBIT.

The order intake of the KION Group is expected to be between €8.050 billion and €8.550 billion. The target figure for consolidated revenue is in the range of €7.700 billion to €8.200 billion. The target range for adjusted EBIT is €770 million to €835 million. Free cash flow is expected to be in a range between €410 million and €475 million; the cash payment for the planned acquisition of a non-controlling interest in the Chinese company EP Equipment has already been factored in. The target figure for ROCE is in the range of 8.7 percent to 9.7 percent.

The outlook for free cash flow and ROCE reflects the impact of applying the new IFRS accounting standards for the first time. Details can be found in the 'Basis of preparation' section of the notes to the consolidated financial statements in the annual report.

Order intake in the **Industrial Trucks & Services segment** is expected to be between €5.950 billion and €6.150 billion. The target figure for revenue is in the range of €5.700 billion to €5.900 billion. The target range for adjusted EBIT is €650 million to €685 million.

Order intake in the **Supply Chain Solutions segment** is expected to be between €2.100 billion and €2.400 billion. The target figure for revenue is in the range of €2.000 billion to €2.300 billion. The target range for adjusted EBIT is €180 million to €215 million.

The outlook is based on the assumption that material prices will hold steady and the current exchange rate environment will remain as it is.

Milestones in 2017

- Credit rating: The KION Group received its first investment-grade rating in January, two months after the acquisition of Dematic. Fitch Ratings gave the Group a long-term issuer rating of BBB- with a stable outlook.
- Financing I: In February, the KION Group successfully issued its first promissory note. The proceeds of more than €1 billion were put toward the refinancing of the bridge loan that the Company had agreed with its core group of banks for the acquisition of Dematic.
- New plant: Work has been taking place since March of last year to extend the Střfibro site in the Czech Republic to include a factory for automated conveyor systems. The new factory is due to start manufacturing modules for Dematic's automated storage and retrieval systems for the European market in 2018.

- **Products:** KION North America unveiled a comprehensive range of new trucks at the ProMat trade fair in spring in Chicago. It was also the first time that the KION brand companies Dematic, Linde and Baoli exhibited to customers together.
- **Financing II:** In May, KION GROUP AG carried out a successful capital increase, placing all 9,300,000 new shares with institutional investors at a price of €64.83 each. The resulting gross proceeds amounted to approximately €603 million, which was used to partly refinance the acquisition of Dematic.
- **Offering:** In September, Dematic signed a global agreement with the Norwegian warehouse systems provider AutoStore®, thereby expanding its range of integrated omni-channel solutions with an ultracompact goods-to-person warehouse order picking system.
- **Partnership:** In January 2018, the KION Group entered into an exclusive and global strategic partnership with the leading Chinese manufacturer and exporter EP Equipment in the fast-growing market for budget warehouse trucks. As part of the arrangement, the Group signed an agreement to purchase a minority stake in EP Equipment.

KION Group key performance indicators for 2017 and for the fourth quarter, which ended December 31, 2017

	2017	2016	Difference	Q4/ 2017	Q4/ 2016	Difference
€ million						
Order intake (value)	7,979.1	5,833.1	36.8%	2,279.6	1,782.7	27.9%
Revenue of which:	7,653.6	5,587.2	37.0%	1,978.3	1,739.5	13.7%
Industrial Trucks & Services	5,630.9	5,202.6	8.2%			
Supply Chain Solutions	2,006.3	366.0	>100%			
Corporate Services	266.6	242.0	10.2%			
Consolidation/reconciliation	-250.2	-223.4				
Order book[1,2]	2,614.6	2,396.6	9.1%			
EBITDA[3]	1,223.9	931.6	31.4%	325.5	277.6	17.2%
EBITDA[3] margin	16.0%	16.7%		16.5%	16.0%	
EBIT[3]	765.6	537.3	42.5%	203.8	171.2	19.0%
EBIT[3] margin	10.0%	9.6%		10.3%	9.8%	
Net income	426.4	246.1	73.3%			
Free cash flow	378.3	-1,850.0	>100%			
Employees[1] (FTEs, incl. apprentices/trainees)	31,608	30,544	3.5%			

[1] Figure as at December 31, 2017 compared with December 31, 2016.

[2] The order book for 2016 was adjusted in respect of specific customer orders under long-term construction contracts in the SCS segment

[3] EBIT and EBITDA adjusted for purchase price allocation items and non-recurring items.

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 warehouse automation.

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, while OM STILL is a market leader in Italy, and OM Voltas is a leading provider of industrial trucks in India.

With an installed base of more than 1.3 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 31,000 employees.

Disclaimer

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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.

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