DIGITALISATION

ENERGY

Q1

AUTOMATION

INNOVATION

QUARTERLY STATEMENT
Q1 2020

PERFORMANCE

Key figures

KION Group overview

in € million	Q1 2020	Q1 2019	Change
Order intake	2,080.8	2,118.3	–1.8%
Revenue	2,027.7	2,083.4	–2.7%
Order book [1]	3,628.9	3,631.7	–0.1%
Financial performance			
EBITDA	349.2	377.7	–7.5%
Adjusted EBITDA [2]	351.0	378.9	–7.4%
Adjusted EBITDA margin [2]	17.3%	18.2%	–
EBIT	120.2	158.7	–24.3%
Adjusted EBIT [2]	144.0	182.4	–21.0%
Adjusted EBIT margin [2]	7.1%	8.8%	–
Net income	67.8	93.1	–27.2%
Financial position [1]			
Total assets	13,977.7	13,765.2	1.5%
Equity	3,703.6	3,558.4	4.1%
Net financial debt	1,875.4	1,609.3	16.5%
Cash flow			
Free cash flow [3]	–222.1	82.0	<–100%
Capital expenditure [4]	81.0	55.6	45.7%
Employees [5]	**35,131**	**34,604**	**1.5%**

1 Figure as at 31/03/2020 compared with 31/12/2019
2 Adjusted for PPA items and non-recurring items
3 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
4 Capital expenditure including capitalised development costs, excluding right-of-use assets
5 Number of employees (full-time equivalents) as at 31/03/2020 compared with 31/12/2019

All amounts in this quarterly statement are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

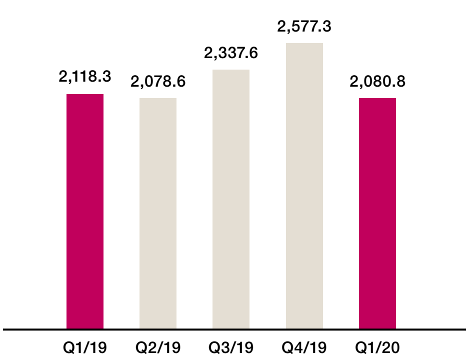
This quarterly statement is available in German and English at www.kiongroup.com. Only the content of the German version is authoritative.

Quarterly statement

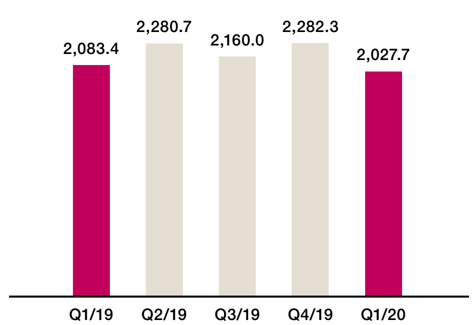
HIGHLIGHTS OF Q1 2020

- Overall, KION Group makes a solid start to a year of huge challenges
- Total value of order intake declines by 1.8 per cent to €2.081 billion
- At €3.629 billion, the order book is almost unchanged on the end of 2019
- Revenue decreases by 2.7 per cent to €2.028 billion
- Adjusted EBIT falls sharply to €144.0 million (Q1 2019: €182.4 million)
- Adjusted EBIT margin stands at 7.1 per cent (Q1 2019: 8.8 per cent)
- Net income for the period decreases by 27.2 per cent to €67.8 million
- Free cash flow amounts to minus €222.1 million (Q1 2019: €82.0 million), partly due to acquisitions

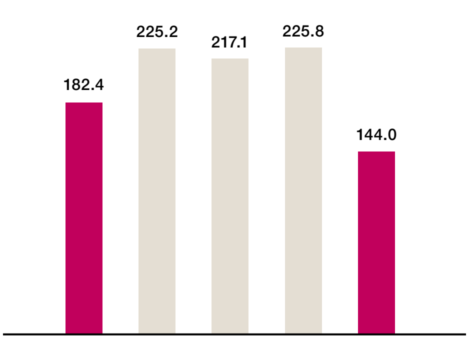
Order intake (€ million)



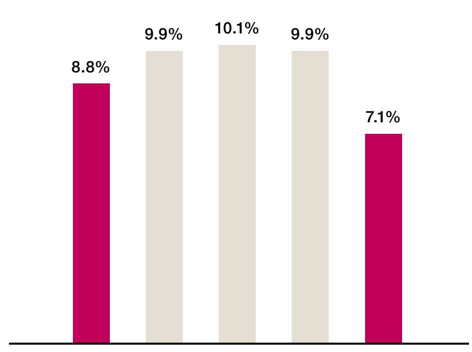
Revenue (€ million)



Adjusted EBIT (€ million)



Adjusted EBIT margin



SUMMARY OF BUSINESS PERFORMANCE

Sales markets

In the first quarter of 2020, the measures taken by many countries to contain the coronavirus pandemic weighed heavily on the global economy.

The global market for industrial trucks contracted sharply in the first quarter of 2020. At 346.2 thousand, the number of new trucks ordered was down by 9.4 per cent compared with the first quarter of 2019. The APAC region (Asia-Pacific) was particularly hard hit, with the number of orders lagging 17.3 per cent behind the figure for the first quarter of last year. New orders in the EMEA region (western Europe, eastern Europe, Middle East and Africa) fell by 5.2 per cent. The Americas region (North, Central and South America) managed a slight increase of 1.9 per cent compared with the prior-year period. New orders for IC trucks fell by 18.1 per cent, primarily due to the collapse of demand in China. The decreases in order intake for electric forklift trucks (down by 9.0 per cent) and warehouse trucks (down by 2.4 per cent) were slightly less pronounced.

The growing economic slowdown and accompanying reluctance to invest also impacted on the market for supply chain solutions. The knock-on effect for suppliers of warehouse automation solutions was the postponement of projects, particularly in the clothing and consumer durables sectors. In the KION Group’s assessment, however, the e-commerce, food, beverage and pharmaceutical industries continued to perform well.

Business performance in the Group

In a year marked by huge challenges, the KION Group made a solid start overall in the first quarter of 2020.

The KION Group continued to add new production facilities during this period with the aim of strengthening its market position for the long term in the growth regions of the global material handling market. On 3 January 2020, an agreement was signed with Weichai Power Co., Ltd., to jointly establish KION (Jinan) Forklift Co., Ltd., in which the KION Group holds a 95.0 per cent stake. The deal will see the construction of a new plant in Jinan, eastern China, to make counterbalance trucks for the Linde and Baoli brands. Capital investment totalling around €100 million has been budgeted for the new facility, which will be completed in 2022 at the earliest. The new plant in China will enable the KION Group to capitalise on opportunities for growth in the value segment and on the increasing electrification of industrial trucks in China.

The Group is also focusing on the development and production of lithium-ion batteries for an energy-efficient drive system for industrial trucks. The joint venture KION Battery Systems GmbH, operated in partnership with BMZ Holding GmbH in Karlstein am Main, started up at the beginning of the year. It will go a long way towards meeting the strong growth in demand for lithium-ion battery systems in the EMEA region.

On 2 March 2020, the KION Group acquired all of the shares in UK specialist software company Digital Applications International Limited (DAI), thereby significantly expanding its software offering in the Supply Chain Solutions segment. The total expenditure is likely to be around €120 million, of which €94.6 million was included in the calculation of free cash flow in the quarter under review. The integration of solutions provided by DAI in the areas of logistics automation and supply chain engineering gives Dematic additional capacity in these areas, enabling it to provide even better support for the transportation, storage and distribution of goods along the entire supply chain.

In light of the global spread of the coronavirus pandemic and the current unpredictability of its likely impact, the Executive Board and Supervisory Board of KION GROUP AG decided on 26 March 2020 to adjust the proposal for the appropriation of profit published in the 2019 annual report. Based on the current situation, the Company's proposal to the Annual General Meeting – which has been postponed to an as yet unspecified date – will recommend paying a dividend of €0.04 per share and adding the remainder of the distributable profit for 2019 to retained earnings. Furthermore, the outlook for 2020 provided in the 2019 annual report has been retracted.

Business situation and financial performance of the KION Group

Order intake and revenue

The KION Group's order intake amounted to €2,080.8 million, which was 1.8 per cent lower than the figure for the prior-year period (Q1 2019: €2,118.3 million). A 7.7 per cent fall in the Industrial Trucks & Services segment to €1,393.9 million (Q1 2019: €1,510.5 million) – primarily due to the much greater drop in demand in March 2020 caused by the spread of coronavirus – contrasted with an encouraging 13.8 per cent rise to €686.3 million in the Supply Chain Solutions segment (Q1 2019: €602.9 million). At €3,628.9 million, the order book was almost unchanged on the end of last year (31 December 2019: €3,631.7 million).

Consolidated revenue went down by 2.7 per cent to €2,027.7 million, compared with €2,083.4 million in the prior-year period. In the Industrial Trucks & Services segment, revenue generated from external customers fell by 4.4 per cent to €1,441.5 million (Q1 2019: €1,507.9 million). The decrease in revenue was due in particular to the significant loss of business in the APAC sales region, where the spread of coronavirus in China led to huge restrictions on economic activity at the start of the year. The revenue generated by the Supply Chain Solutions segment from external customers, in contrast, rose by 2.1 per cent year on year to reach €580.4 million (Q1 2019: €568.4 million). Business outside the Americas region accounted for much of this, with growth of 10.9 per cent. The proportion of consolidated revenue attributable to the service business grew to 43.6 per cent (Q1 2019: 42.2 per cent).

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) came to €120.2 million in the first quarter of 2020, which was 24.3 per cent below the figure for the same period of the previous year (Q1 2019: €158.7 million). This included budgeted negative effects from the purchase price allocation totalling €22.1 million (Q1 2019: €22.5 million). EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) went down by 21.0 per cent to €144.0 million (Q1 2019: €182.4 million). The adjusted EBIT margin was 7.1 per cent in the first quarter of 2020, compared with 8.8 per cent in the prior-year period. > TABLE 01

(Condensed) income statement TABLE 01

in € million	Q1 2020	Q1 2019	Change
Revenue	2,027.7	2,083.4	–2.7%
Cost of sales	–1,484.5	–1,531.8	3.1%
Gross profit	**543.2**	**551.7**	**–1.5%**
Selling expenses and administrative expenses	–378.9	–359.6	–5.4%
Research and development costs	–38.1	–36.5	–4.5%
Other	–6.0	3.1	<–100%
Earnings before interest and tax (EBIT)	**120.2**	**158.7**	**–24.3%**
Net financial expenses	–25.7	–24.8	–3.8%
Earnings before tax	**94.5**	**133.9**	**–29.5%**
Income taxes	–26.7	–40.9	34.6%
Net income	**67.8**	**93.1**	**–27.2%**

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased to €349.2 million (Q1 2019: €377.7 million). Adjusted EBITDA amounted to €351.0 million (Q1 2019: €378.9 million), giving an adjusted EBITDA margin of 17.3 per cent (Q1 2019: 18.2 per cent).

EBITDA for the long-term leasing business, which is derived from internal reporting and assumes a minimum rate of return on the capital employed, amounted to €85.1 million in the reporting period (Q1 2019: €82.5 million).

Key influencing factors for earnings

The main driver of the decline in the Group's earnings in the first quarter of 2020 was the growing impact of the global spread of the coronavirus pandemic. In the Industrial Trucks & Services segment, this caused huge disruption to business operations, in terms of both procurement and sales, first of all in China at the start of the year and then in other parts of the world, especially Europe. In the Supply Chain Solutions segment, however, most value creation processes, both in production and in the project business, continued to run smoothly. Production in Italy was suspended in March following a government decree, whereas government restrictions and business shutdowns at some other locations did not come into effect until late in the quarter under review.

In the first three months of 2020, the Group's cost of sales fell by 3.1 per cent to €1,484.5 million (Q1 2019: €1,531.8 million), which was slightly more than the 2.7 per cent drop in revenue. Bolstered by the good performance of the Supply Chain Solutions segment, the gross margin improved slightly to 26.8 per cent (Q1 2019: 26.5 per cent). In contrast, the Group's costs in sales, general administration, and research and development together rose by a substantial 5.3 per cent owing to the continued implementation of strategic projects and general increases in personnel expenses.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

The business performance of the Industrial Trucks & Services segment in the first quarter of 2020 was increasingly weighed down by the impact of the coronavirus pandemic on the economy as a whole, particularly in the core markets of Europe and China. The resulting fall in demand meant that at 45.9 thousand units, orders for new trucks in the Industrial Trucks & Services segment were 14.2 per cent down on the figure for the prior-year period (Q1 2019: 53.4 thousand units). The value of order intake including the service business also fell, by 7.7 per cent, to €1,393.9 million (Q1 2019: €1,510.5 million).

The 4.4 per cent decrease in segment revenue to €1,442.0 million (Q1 2019: €1,508.6 million) was primarily due to the slump in revenue in the new truck and service businesses in March. Revenue from the service business declined by 2.4 per cent compared to the first quarter of the prior year, while the new truck business decreased by 6.3 per cent. The proportion of the segment's external revenue accounted for by the service business thus rose to 50.2 per cent (Q1 2019: 49.2 per cent). Due to the fall in revenue and the production inefficiencies caused by widespread supply bottlenecks at suppliers, adjusted EBIT decreased significantly to €96.7 million (Q1 2019: €148.8 million). The segment's adjusted EBIT margin thus fell sharply to 6.7 per cent (Q1 2019: 9.9 per cent). > TABLE 02

Key figures – Industrial Trucks & Services TABLE 02

in € million	Q1 2020	Q1 2019	Change
Order intake	1,393.9	1,510.5	–7.7%
Total revenue	1,442.0	1,508.6	–4.4%
EBITDA	280.2	323.9	–13.5%
Adjusted EBITDA	280.2	324.0	–13.5%
EBIT	96.5	148.5	–35.0%
Adjusted EBIT	96.7	148.8	–35.0%
Adjusted EBITDA margin	19.4%	21.5%	–
Adjusted EBIT margin	6.7%	9.9%	–

Supply Chain Solutions segment

Despite the major challenges facing the whole economy, order intake in the Supply Chain Solutions segment in the first quarter of 2020 was up by an encouraging 13.8 per cent to €686.3 million (Q1 2019: €602.9 million). This was helped by new big-ticket orders secured during the period under review, for example in North America and Europe. Segment revenue improved moderately, by 2.2 per cent, to €581.2 million (Q1 2019: €568.8 million). While the long-term project business (business solutions) saw a slight decrease of 2.9 per cent, revenue in the service business jumped by 17.8 per cent compared to the first quarter of 2019. The segment's adjusted EBIT improved by 21.8 per cent to reach €58.7 million (Q1 2019: €48.2 million). This was thanks in part to the healthy revenue growth in the high-margin service business and the improvements in project execution. Consequently, the EBIT margin increased to 10.1 per cent (Q1 2019: 8.5 per cent). > TABLE 03

Key figures – Supply Chain Solutions TABLE 03

in € million	Q1 2020	Q1 2019	Change
Order intake	686.3	602.9	13.8%
Total revenue	581.2	568.8	2.2%
EBITDA	72.9	61.0	19.5%
Adjusted EBITDA	74.0	62.1	19.2%
EBIT	35.7	24.8	43.8%
Adjusted EBIT	58.7	48.2	21.8%
Adjusted EBITDA margin	12.7%	10.9%	–
Adjusted EBIT margin	10.1%	8.5%	–

Financial position and liquidity

Free cash flow – the sum of cash flow from operating activities and investing activities – fell to minus €222.1 million (Q1 2019: €82.0 million). In addition to the drop in earnings, cash flow was also negatively impacted by a sharp increase in working capital as expected for the first quarter. The growth of working capital resulted in a net cash outflow of €121.6 million (Q1 2019: €43.4 million). Cash flow from investing activities included gross payments of €94.6 million (excluding the cash and cash equivalents acquired) for the acquisition of UK software company Digital Applications International Limited (DAI); the net cash outflow was €85.8 million. > TABLE 04

(Condensed) statement of cash flows TABLE 04

in € million	Q1 2020	Q1 2019	Change
EBIT	120.2	158.7	–24.3%
Cash flow from operating activities	–60.5	132.0	<–100%
Cash flow from investing activities	–161.6	–50.0	<–100%
Free cash flow	**–222.1**	**82.0**	**<–100%**
Cash flow from financing activities	245.1	–97.0	>100%
Effect of exchange rate changes on cash	–11.2	3.7	<–100%
Change in cash and cash equivalents	**11.8**	**–11.3**	**>100%**

Cash and cash equivalents increased by €11.8 million in the first quarter of 2020 to reach €223.0 million (31 December 2019: €211.2 million). Taking into account the unutilised credit facility for €1,067.7 million, the unrestricted cash and cash equivalents available to the KION Group as at 31 March 2020 amounted to €1,286.7 million (31 December 2019: €1,357.4 million).

Net financial debt as at the reporting date equated to 1.2 times adjusted EBITDA on an annualised basis, compared to 1.0 times as at 31 December 2019. A reconciliation of net financial debt to industrial net operating debt is presented in > TABLE 05 below.

Industrial net operating debt

TABLE 05

in € million	31/03/2020	31/12/2019	Change
Promissory notes	1,319.3	1,317.3	0.2%
Liabilities to banks	466.1	498.3	–6.5%
Other financial liabilities	313.0	4.9	> 100%
Financial liabilities	**2,098.4**	**1,820.5**	**15.3%**
Less cash and cash equivalents	–223.0	–211.2	–5.6%
Net financial debt	**1,875.4**	**1,609.3**	**16.5%**
Liabilities from financial services (short-term rental fleet)	426.6	437.2	–2.4%
Other financial liabilities (short-term rental fleet)	151.0	178.6	–15.5%
Liabilities from short-term rental fleet financing	**577.5**	**615.8**	**–6.2%**
Liabilities from procurement leases	**485.1**	**486.1**	**–0.2%**
Industrial net operating debt	**2,938.1**	**2,711.2**	**8.4%**

OUTLOOK FOR 2020

In light of uncertainty about how the pandemic will unfold, its likely duration and its impact on the global economy, the Executive Board of KION GROUP AG decided on 26 March 2020 to retract the outlook for the 2020 financial year as published in the 2019 annual report.

Although the KION Group expects market demand for its cutting-edge automation and supply chain technologies to pick up strongly once the pandemic is over, it anticipates a significant decline in the most important key indicators for the 2020 financial year compared with those for 2019, especially in the Industrial Trucks & Services segment, where customers are likely to be especially reluctant to invest. The service business is also likely to face temporary restrictions, whereas the adverse impact on longer-term project business in the Supply Chain Solutions segment will be less pronounced. Overall, these changes in demand will take a heavy toll on order intake and revenue, which in turn will have a negative impact on adjusted EBIT and free cash flow. Steps have been taken in all segments to counteract these developments and the expected further reduction in available liquidity in the coming months. These include personnel measures, such as applying for short-time working, and various cost-cutting measures, the postponement of capital spending plans and the reduction of the dividend to €0.04 per share.

At the end of the first quarter of 2020, the KION Group continued to have significant headroom in respect to its current financing. Given the increasing uncertainty in the economy as a whole, the Executive Board has proactively begun concrete discussions with the banks to negotiate further credit commitments to strengthen the Group's financial position.

It will not be possible to provide a reliable outlook for 2020 as a whole until the wider economic situation, including that of the supply chains, has stabilised.

Frankfurt am Main, 27 April 2020

The Executive Board

DISCLAIMER

Rounding
Certain numbers in this quarterly statement have been rounded. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the quarterly statement. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

30 July 2020
Interim report for the period ended
30 June 2020 (Q2 2020)
Conference call for analysts

29 October 2020
Quarterly statement for the period ended
30 September 2020 (Q3 2020)
Conference call for analysts

2020 Annual General Meeting
A new date for the postponed meeting had not been set at the time of going to press.

Subject to change without notice

CONTACT INFORMATION

Contacts for the media

Michael Hauger
Senior Vice President
Corporate Communications
Phone: +49 69 201 107 655
michael.hauger@kiongroup.com

Frank Grodzki
Senior Director External Communications
Phone: +49 69 201 107 496
frank.grodzki@kiongroup.com

Contacts for investors

Antje Kelbert
Senior Manager Investor Relations
Phone: +49 69 201 107 346
antje.kelbert@kiongroup.com

Dana Unger
Senior Manager Investor Relations
Phone: +49 69 201 107 371
dana.unger@kiongroup.com

Securities identification numbers
ISIN: DE000KGX8881
WKN: KGX888

KION GROUP AG
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany
Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com

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We
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KION GROUP AG
Corporate Communications
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany

Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com