

## Press Release

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### **KION Group expects negative third quarter results due to cost increases in project business**

- **Disrupted supply chains and significantly higher cost increases negatively impacting adjusted EBIT and free cash flow**
- **Low triple digit million EUR loss expected for Q3 2022**
- **Order intake is expected to be significantly below strong Q3 2021 and consolidated revenue is expected to be in line with previous year Q3**
- **KION Group provides new outlook for 2022**
- **KION Group confirms target to earn double digit adjusted EBIT margin in the years to come**
- **CEO Smith: “KION Group is taking decisive action to bring the Company back to profitable growth.”**

Frankfurt am Main, September 13, 2022 – KION GROUP AG expects a substantial impact to its third quarter 2022 earnings due to intensifying supply chain shortages, as well as significantly higher cost increases for materials, energy and logistics. Based on most recent estimates for the period, from July to September 2022, the Executive Board of KION GROUP AG anticipates adjusted EBIT to be in the range of € -100 to € -140 million (Q3 2021: € 228,9 million). Order intake is expected to be significantly below third quarter 2021 (Q3 2021: € 3.107 billion), with Supply Chain Management (SCS) substantially below the record level of the third quarter 2021 (Q3 2021: € 1.399 billion). Consolidated revenue is expected to be in line with the previous year (Q3 2021: € 2.566 billion). Free cash flow will continue to be negative and is expected to be significantly lower than the previous quarter (Q2 2022: € -158,9 million).

The **Supply Chain Solutions (SCS) segment** is driving much of the development. Adjusted EBIT in the third quarter 2022 in this segment is expected to range between € -160 to € -190 million (Q3 2021: € 109,3 million). Strong new business inflow in combination with the highly volatile macro-economic environment have intensified internal process inefficiencies. Adjusted EBIT margin in the SCS segment decreased from 7.3 percent in the first quarter 2022 to 4 percent in the second quarter 2022 excluding positive one-time-effects (Q2 2022: 7.0 percent). In August, higher costs on a number of projects led the Company to initiate a further in-depth assessment of the

project portfolio. This identified the following root causes for negative impacts on profitability:

- Cost of materials, components, labor and logistics for SCS' multiyear projects increased significantly and are expected to increase further. To date, SCS has only been able to pass a minor portion of the cost increases on to customers as the Company did not have cost escalation protection measures in place.
- Supply chain disruptions continue to cause delays and reduce the availability of critical parts on project sites. This results in labor inefficiencies and significantly higher total project cost. As more new projects are ramping up in parallel, the availability of skilled labor, especially in North America, has increasingly become a limiting factor due to high demand from other industries.

Together, these effects are expected to have a significant negative impact on the financial results of the third quarter 2022.

SCS' order intake in the third quarter 2022 is affected by reduced demand from e-commerce customers. Moreover, SCS saw selective order cancellations by customers in July and August.

In the **Industrial Trucks & Services (ITS) segment**, adjusted EBIT in the third quarter 2022 is expected to be close to prior quarter (Q2 2022: € 83,6 million). Shortages of parts and components are expected to continue and are exacerbated by a cyberattack on one of the segment's key electronics suppliers in the third quarter 2022, which severely impacts production at ITS. At the same time, the Company has been successful in reducing the number of at-risk-suppliers in its portfolio as well as reducing the inventories in semi-finished trucks quarter to date.

### **Company takes decisive action**

"The disruptive macro-economic situation has revealed substantial challenges within our internal processes, and we are analyzing these thoroughly. We are taking decisive action to lead the Company back to profitable growth," says Rob Smith, Chief Executive Officer of KION GROUP AG.

The existing measures in ITS like agile pricing, strengthening the supplier network as well as establishing alternative supply channels, have already started to show effect.

SCS is intensifying its initiatives and adding further substantial steps to improve end-to-end project management processes and project execution to deal with significant volatility in the supply chain.

"We are acting with urgency to overcome the challenges we are facing. In the second quarter of this year, we introduced price adjustment clauses in our project contracts allowing us to more effectively pass through cost increases to our customers. We are

also working with our suppliers to lock costs in early in the project life cycle. These steps will allow us to respond flexibly to cost changes during our usual 6-to-24-months project schedules,” explains Hasan Dandashly, member of the Executive Board of KION GROUP AG and President of the Supply Chain Solutions segment. “Additionally, we are enhancing our project management processes to be more agile and robust in a volatile macro-economic environment. We will continue to build on the great innovative power of SCS and implement our state-of-the art supply chain solutions and technologies to the benefit of our diverse customer base.”

With the long-term nature of the project business, it will take time for these measures to take full effect.

## 2022 Outlook

The Executive Board of KION GROUP AG today, September 13, 2022, provided a new outlook for 2022. The previous outlook published in the Annual Report 2021 was withdrawn on April 4, 2022, due to macro-economic uncertainties. The Executive Board currently expects that the key performance indicators of KION Group and its operating segments for 2022 will be within the following ranges:

€ million	KION Group	Industrial Trucks & Services	Supply Chain Solutions
Order intake <sup>1</sup>	11,600 – 12,500	8,200 – 8,600	3,400 – 3,900
Revenue <sup>1</sup>	10,450 – 11,250	6,800 – 7,200	3,650 – 4,050
Adjusted EBIT <sup>1</sup>	200 – 310	360 – 410	-60 – 0
Free cash flow	-950 – -700	–	–
ROCE	2.5 % – 3.3 %	–	–

<sup>1</sup> Disclosure for the Industrial Trucks & Services and Supply Chain Solutions segments also include intra-group cross-segment order intake, revenue and effects on EBIT

Given the ongoing deterioration in the macro-economic environment, the escalating energy crisis as well as persistent supply chain shortages and the risk of further rising procurement costs, the assessment of the performance of the Group and its operating segments over the remainder of the year continues to be subject to considerable uncertainty.

## KION Group confirms target to earn double digit adjusted EBIT margin

In the medium term, KION Group expects to return to a profitable growth path. “Our business model is intact. We operate in attractive market segments where we benefit from a number of megatrends including automation, urbanization, sustainability and e-commerce,” says CEO Rob Smith.

KION Group confirms its target to earn a double digit adjusted EBIT margin of 10-12 percent, more than 10 percent in the ITS segment and 12-14 percent in the SCS segment. The time frame for achieving this target remains under review due to the volatile macro-economic environment.

The KION Group will announce the final results for the third quarter of 2022 on Thursday, October 27, 2022, as planned.

## **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 Europe 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 2021, more than 1.6 million industrial trucks and over 8,000 installed systems from 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 40,000 employees and generated revenue of approx. € 10.3 billion in the 2021 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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