

INTERIM REPORT

Q2 2018

KION GROUP AG

Q2 2018 Update Call

Gordon Riske (CEO), Anke Groth (CFO) – Frankfurt, 26 July 2018



Agenda

1. **Highlights**
2. Market Update
3. Financial Update
4. Outlook

Q2 2018 Strategic Highlights

Continued implementation of strategy KION 2027

» Continued innovation in solutions and services



New award-winning
STILL RX20
E-truck family

New Dematic
robotic piece
picking module



New Linde
Li-ion battery
rental concept

» Clear positioning as solutions provider at tradeshow



Linde Material Handling

Linde

WORLD OF
MATERIAL
HANDLING
2018

CeMAT
The world's leading fair for intralogistics.



» New CDO position underlines strong digital focus



Q2 2018 Financial Highlights

KION confirms positive trend with a sharp rise in orders

Outlook	<ul style="list-style-type: none">- Outlook for FY 2018 confirmed
Growth	<ul style="list-style-type: none">- Order intake grew strongly by 23.0% to €2.4bn; revenue grew by 1.5% to €2.0bn in Q2 2018- IT&S¹ order intake increased by 2.2% to €1.5bn and revenue by 3.7% to €1.4bn- SCS² order intake increased by 93.3% to €874m; revenue grew by 3.0% at constant currency but declined in Euro terms by 3.5% to €579m due to significant FX headwinds
Profitability	<ul style="list-style-type: none">- Adj. EBIT³ of €187m results in a margin of 9.2% in Q2 2018 (Q2 2017: 10.5%)- IT&S margin decreased to 10.2% (Q2 2017: 11.4%) mainly due to delivery issues at suppliers- SCS margin declined to 8.9% (Q2 2017: 10.7%) due to weaker orders in previous quarters
Indebtedness	<ul style="list-style-type: none">- Net financial debt of €2.3bn as of Jun 2018 slightly above €2.1bn as at Dec 2017- Free cash flow of €9m in H1 2018 impacted by strong working capital increase

1. Segment Industrial Trucks & Services 2. Segment Supply Chain Solutions 3. Adjusted for PPA items and non-recurring items
Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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Industrial Truck Market

Global market maintains momentum

Order intake unit growth y-o-y (in %)

North America			
Q3/17	Q4/17	Q1/18	Q2/18
-0.9%	26.1%	19.2%	7.6%

Western Europe			
Q3/17	Q4/17	Q1/18	Q2/18
8.9%	11.6%	4.7%	19.4%

China			
Q3/17	Q4/17	Q1/18	Q2/18
39.0%	35.0%	15.2%	30.4%

Eastern Europe			
Q3/17	Q4/17	Q1/18	Q2/18
14.1%	19.4%	17.8%	27.5%

South/Central America			
Q3/17	Q4/17	Q1/18	Q2/18
32.4%	39.8%	29.0%	7.8%

World			
Q3/17	Q4/17	Q1/18	Q2/18
15.5%	21.0%	12.0%	18.9%

Source: WITS/FEM

Industrial Truck Market

KION continues to benefit from strong global market

Industrial trucks: Regional development

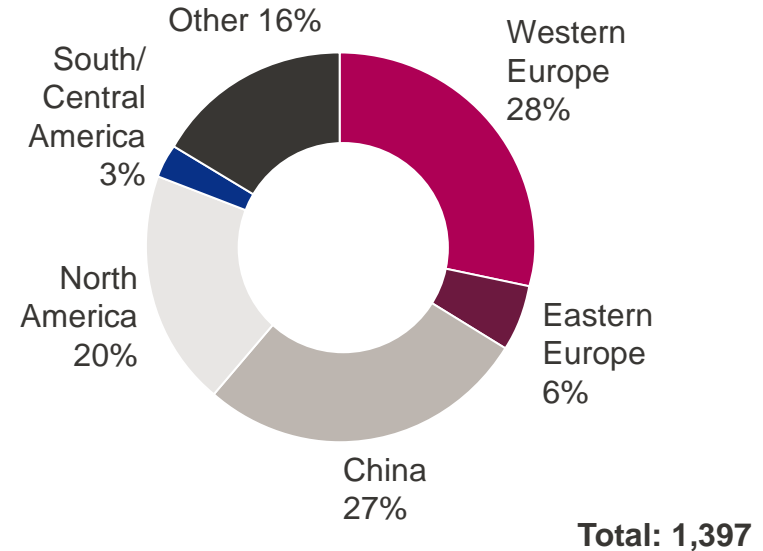
Order intake (in '000 units) and growth y-o-y (in %)

	H1 2018		Q2 2018	
	Market	KION	Market	KION
Western Europe	+11.6% ↑	+9.0% ↑	+19.4% ↑	+10.3% ↑
Eastern Europe	+22.5% ↑	+19.1% ↑	+27.5% ↑	+29.1% ↑
China	+22.7% ↑	+7.0% ↑	+30.4% ↑	+13.5% ↑
North America	+13.2% ↑	-25.3% ↓	+7.6% ↑	-43.5% ↓
South/Central America	+17.3% ↑	+18.4% ↑	+7.8% ↑	+13.4% ↑
World	801.1 +15.4% ↑	110.5 +7.9% ↑	408.5 +18.9% ↑	57.0 +8.4% ↑

Source: WITS/FEM

Industrial trucks: Market by region

Order intake FY 2017 (in '000 units)

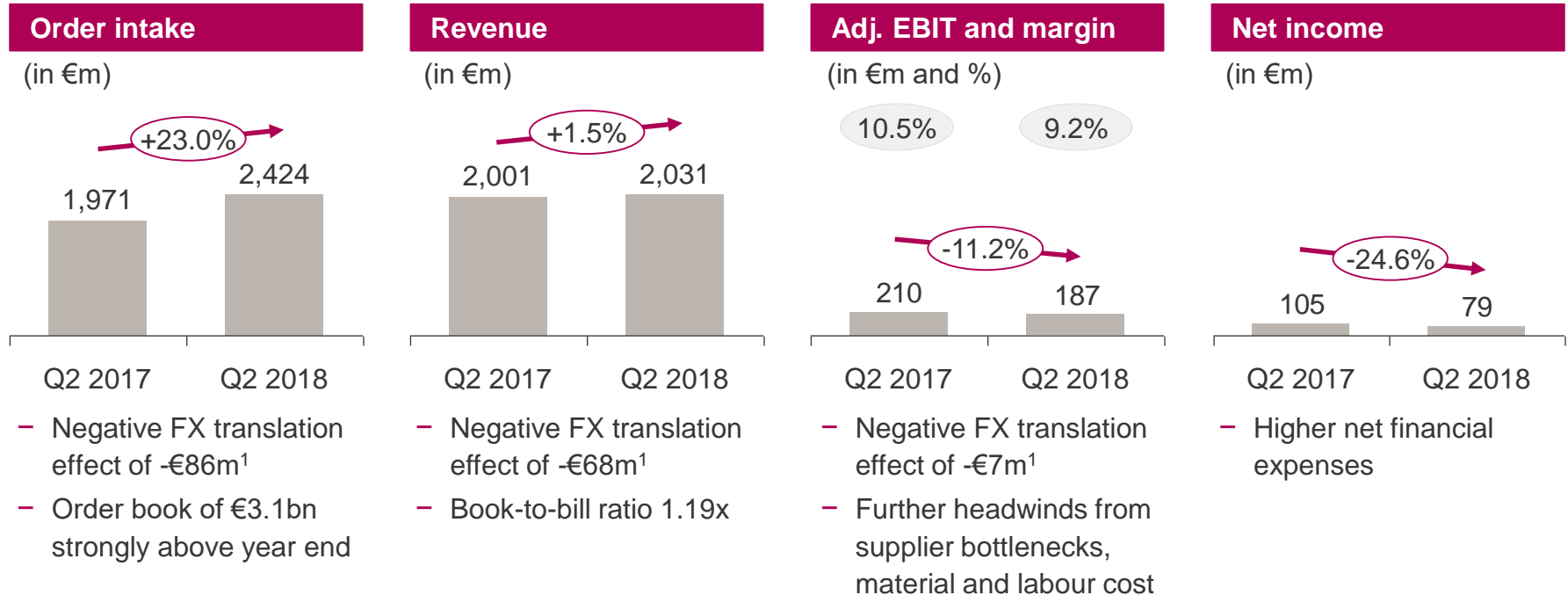


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Q2 2018 Key Financials

SCS business boosts quarterly order intake



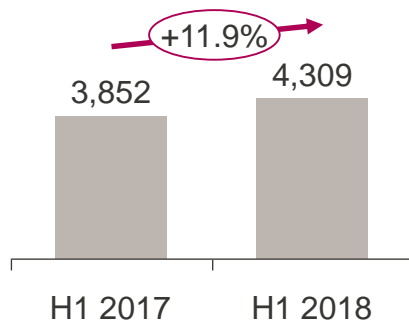
1. Calculated as delta between FX-effects as at H1 2018 and Q1 2018
 Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

H1 2018 Key Financials

Growth and margin hampered by headwinds

Order intake

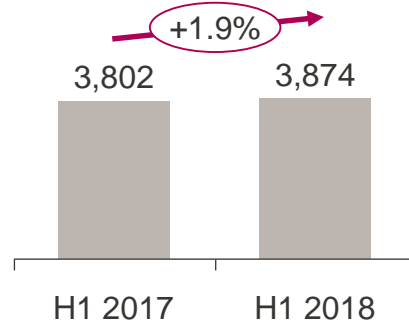
(in €m)



- Negative FX translation effect of -€160m

Revenue

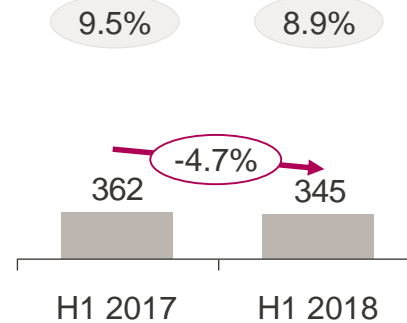
(in €m)



- Negative FX translation effect of -€151m
- Book-to-bill ratio 1.11x

Adj. EBIT and margin

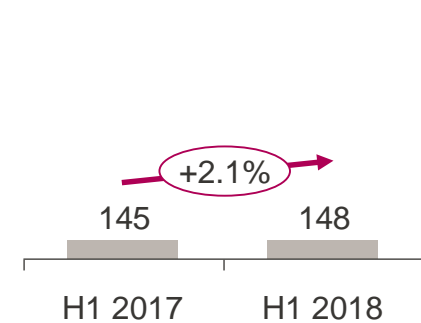
(in €m and %)



- Negative FX translation effect of -€14m
- Further headwinds from supplier bottlenecks, material and labour cost

Net income

(in €m)



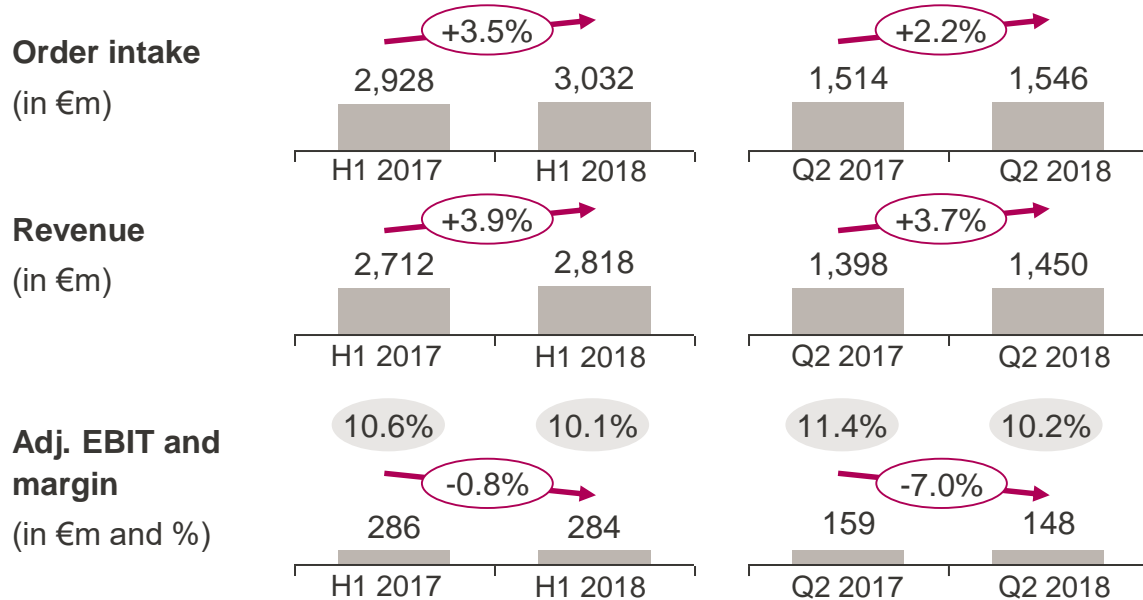
- Lower PPA and non-recurring items

Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Industrial Trucks & Services

Headwinds weigh on margin

Key financials



FX translation effect

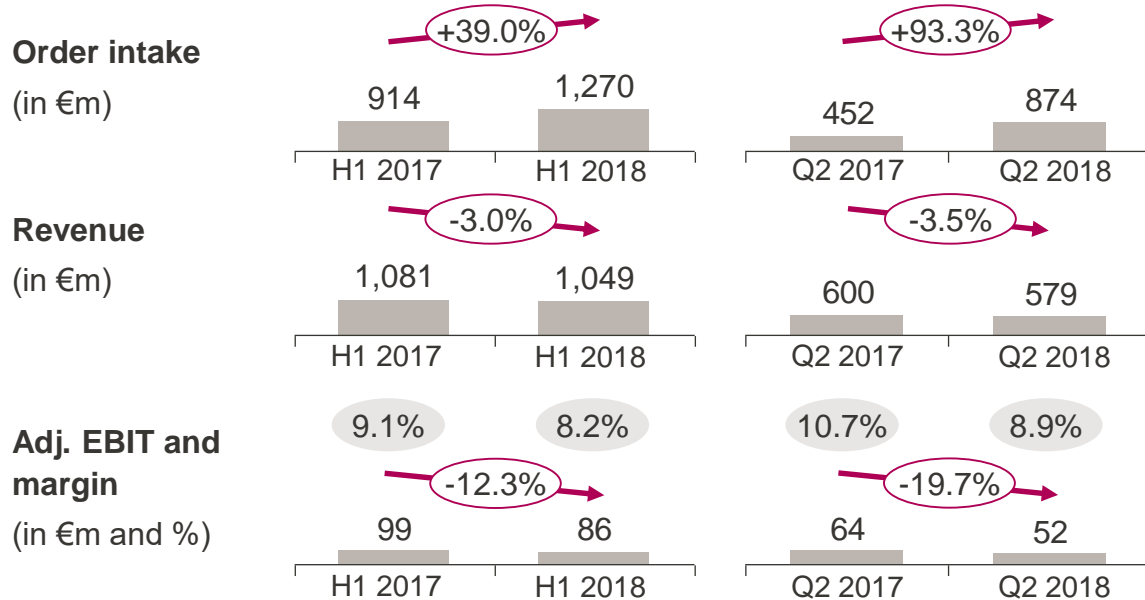
(in €m)	H1 2018	Q2 2018 ¹
Order intake	-61	-29
Revenue	-59	-29
Adjusted EBIT	-2	-1

1. Calculated as delta between FX-effects as at H1 2018 and Q1 2018
 Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Supply Chain Solutions

Boost in orders underlines Dematic's leading position

Key financials



FX translation effect

(in €m)	H1 2018	Q2 2018 ¹
Order intake	-99	-57
Revenue	-92	-39
Adjusted EBIT	-13	-6

1. Calculated as delta between FX-effects as at H1 2018 and Q1 2018
 Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Adjusted EBITDA to Net Income

Net income impacted mainly by operating headwinds

(in €m)	H1 2018	H1 2017	Change	Q2 2018	Q2 2017	Change
Adjusted EBITDA	718	710	1.1%	377	388	-2.8%
D&A	373	348	7.3%	190	177	7.2%
Adjusted EBIT	345	362	-4.7%	187	210	-11.2%
Non-recurring items (NRI)	-3	-15	-80.2%	-4	-6	-28.8%
PPA items	-74	-92	-19.3%	-41	-45	-9.2%
Reported EBIT	268	255	5.0%	142	160	-11.1%
Net financial expenses	-54	-48	11.4%	-25	-10	>100%
EBT	214	207	3.5%	117	150	-21.8%
Taxes	-66	-62	6.9%	-38	-45	-15.3%
Net income	148	145	2.1%	79	105	-24.6%
Reported EPS	€1.26	€1.30		€0.68	€0.93	
Adjusted EBITDA margin	18.5%	18.7%		18.6%	19.4%	
Adjusted EBIT margin	8.9%	9.5%		9.2%	10.5%	

Explanations

- Operating performance impacted by headwinds
- PPA relates mainly to Dematic
- Net financial expenses reflect among others a positive FX impact in 2017 from USD intercompany loan related to Dematic

Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Free Cash Flow Statement

Free cash flow impacted by temporary working capital increase

(in €m)	H1 2018	H1 2017	Change	Explanations
EBITDA	716	694	3.1%	
Change in Net Working Capital (NWC)	-196	-97	<-100%	- Increased inventories due to delivery issues at selected suppliers
Taxes paid	-91	-54	-69.3%	
Pension payments	-10	-17	40.8%	
Other	-32	-25	-26.2%	- Higher tax pre-payments
Rental capex (net)	-121	-97	-25.3%	
Change in leased assets and lease receivables/ liabilities and non-cash deferral of leasing profits	-162	-167	3.0%	- Rental capex driven by business volume
CF from operating activities	105	238	-56.1%	
Operating capex	-104	-87	-18.8%	
Acquisitions	-1	-	-	
Other	9	-8	>100%	
CF from investing activities	-96	-95	-0.2%	
Free cash flow	9	143	-93.7%	

Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Net Debt

Slight increase in debt from financing of net working capital

(in €m)	30 Jun 2018	31 Mar 2018 ³	31 Dec 2017 ³
Adjusted LTM EBITDA	1,504	1,515	1,496
Adjusted LTM industrial EBITDA ¹	1,183	1,207	1,195
Net financial debt	2,288	2,119	2,096
Liabilities from procurement leases	393	373	369
Liabilities from STR financing ²	529	483	516
Industrial net operating debt (INOD)	3,209	2,975	2,980
Net pension liabilities	999	994	979
Industrial net debt	4,208	3,970	3,960
Leverage on net financial debt	1.5x	1.4x	1.4x
Leverage on industrial net operating debt	2.7x	2.5x	2.5x
Leverage on industrial net debt	3.6x	3.3x	3.3x

Net debt development

- Adjusted definition of industrial net operating debt following IFRS changes and Dematic integration
- Net debt increases due to working capital financing requirements

Long-term leasing business

- Assets for long-term leasing of €2,129m (Dec 2017: €2,122m)
- Correspondingly, liabilities from long-term leasing of €2,057m (Dec 2017: € 2,050m)

1. Excludes LTM EBITDA for long-term leasing 2. Includes liabilities from short-term rental financing and liabilities from financial services (rental)

3. Restated based on adjusted definition of industrial net operating debt Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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FY 2018 Outlook

Outlook confirmed

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	FY 2017 ¹	Outlook FY 2018	FY 2017 ¹	Outlook FY 2018	FY 2017 ¹	Outlook FY 2018
Order intake	7,979	8,050 – 8,550	5,859	5,950 – 6,150	2,099	2,100 – 2,400
Revenue	7,654	7,700 – 8,200	5,631	5,700 – 5,900	2,006	2,000 – 2,300
Adj. EBIT	766	770 – 835	640	650 – 685	181	180 – 215
FCF	378	410 – 475				
ROCE	9.9%	8.7% – 9.7%				

1. Key figures for 2017 were not restated due to the initial application of IFRS 15 and IFRS 16. Note: The outlook is based on the assumption that material prices and the exchange rate environment will hold steady as at the time the outlook was prepared. Please see disclaimer on last page regarding forward-looking statements.

Financial Calendar



Date	Event
25 October 2018	Quarterly statement for the period ended 30 Sep 2018 (Q3 2018) and analyst call
28 February 2019	Publication of 2018 annual report (FY 2018) Financial statements press conference and analyst call
25 April 2019	Quarterly statement for the period ended 31 Mar 2019 (Q1 2019) and analyst call

Subject to change without notice

Key Financials by Quarter

FY 2017 restated due to the initial application of IFRS 15 and IFRS 16

	Group figures						Industrial Trucks & Services						Supply Chain Solutions					
(in €m)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Order intake	2,424	1,885	2,280	1,847	1,971	1,882	1,546	1,485	1,580	1,352	1,514	1,415	874	396	693	493	452	461
Revenue	2,031	1,843	1,963	1,832	2,001	1,801	1,450	1,369	1,547	1,313	1,398	1,314	579	471	412	516	600	482
Adj. EBITDA ¹	377	341	405	381	388	322	318	301	372	318	323	276	64	46	42	73	71	50
Adj. EBITDA margin ¹	18.6%	18.5%	20.6%	20.8%	19.4%	17.9%	21.9%	22.0%	24.0%	24.2%	23.1%	21.0%	11.1%	9.8%	10.1%	14.2%	11.9%	10.3%
Adj. EBIT ¹	187	158	220	196	210	152	148	136	206	150	159	127	52	35	29	61	64	34
Adj. EBIT margin ¹	9.2%	8.6%	11.2%	10.7%	10.5%	8.4%	10.2%	9.9%	13.3%	11.4%	11.4%	9.7%	8.9%	7.4%	7.0%	11.9%	10.7%	7.2%

1. Adjusted for PPA items and non-recurring items

Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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