2020

Annual report

KION Group Key figures for 2020

KION Group overview

in € million	2020	2019	2018	Change 2020 / 2019
Order intake	9,442.5	9,111.7	8,656.7	3.6%
Revenue	8,341.6	8,806.5	7,995.7	–5.3%
Order book[1]	4,441.3	3,631.7	3,300.8	22.3%
Financial performance				
EBITDA	1,327.7	1,614.6	1,540.6	–17.8%
Adjusted EBITDA[2]	1,383.5	1,657.5	1,555.1	–16.5%
Adjusted EBITDA margin[2]	16.6%	18.8%	19.4%	–
EBIT	389.9	716.6	642.8	–45.6%
Adjusted EBIT[2]	546.9	850.5	789.9	–35.7%
Adjusted EBIT margin[2]	6.6%	9.7%	9.9%	–
Net income	210.9	444.8	401.6	–52.6%
Financial position[1]				
Total assets	14,055.7	13,765.2	12,968.8	2.1%
Equity	4,270.8	3,558.4	3,305.1	20.0%
Net financial debt	880.0	1,609.3	1,869.9	–45.3%
ROCE[3]	6.2%	9.7%	9.3%	–
Cash flow				
Free cash flow[4]	120.9	568.4	519.9	–78.7%
Capital expenditure[5]	283.8	287.4	258.5	–1.3%
Employees[6]	36,207	34,604	33,128	4.6%

1 Figures as at balance sheet date Dec. 31
2 Adjusted for PPA items and non-recurring items
3 ROCE is defined as the proportion of adjusted EBIT to capital employed
4 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
5 Capital expenditure including capitalized development costs, excluding right-of-use assets
6 Number of employees (full-time equivalents) as at balance sheet date Dec. 31

All amounts in this annual report 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 (€ thousand).

Contents

Company profile

The KION Group is among the world's leading suppliers of industrial trucks and supply chain solutions. Its portfolio encompasses industrial trucks, such as forklift trucks and warehouse trucks, as well as integrated automation technology and software solutions for the optimization of supply chains, including all related services. Across more than 100 countries worldwide, the KION Group's logistics solutions improve the flow of material and information within factories, warehouses, and distribution centers. The KION Group, which is included in the MDAX, is the largest manufacturer of industrial trucks in Europe in terms of units sold in 2020. It is also the leading provider of warehouse automation, as measured by revenue in 2019.

The KION Group's world-renowned brands are well established. Measured by revenue in 2019, Dematic is the global leader in warehouse automation, providing a broad range of intelligent supply chain and automation solutions. The Linde and STILL brands serve the premium and higher value segments of the industrial truck market. Baoli focuses on industrial trucks in the lower value and economy segments. In 2020, the regional industrial truck brand Fenwick was one of the leading suppliers of material handling products in France, while OM is among the leading vendors in the Indian market.

With an installed base of more than 1.6 million industrial trucks and over 6,000 installed systems as at December 31, 2020, the KION Group's customers include companies of various sizes in numerous industries on six continents.

We keep the world moving.

Segments

Industrial Trucks & Services

The Industrial Trucks & Services segment encompasses forklift trucks, warehouse technology, and related services, including complementary financial services. It pursues a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the regional brands Fenwick and OM.

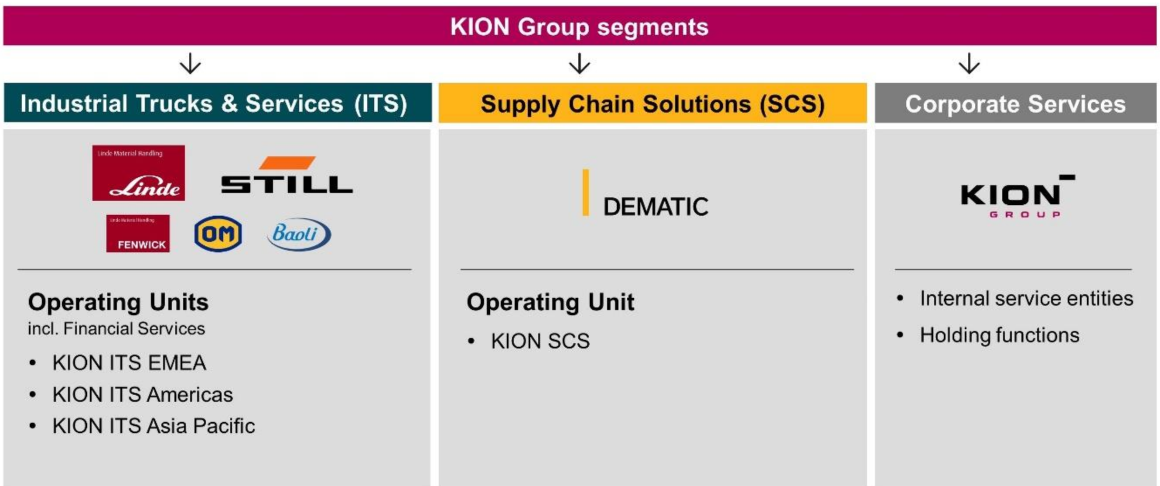
Since January 1, 2021, Industrial Trucks & Services has consisted of three Operating Units: KION ITS EMEA, which concentrates on Europe, the Middle East, and Africa, plus KION ITS APAC and KION ITS Americas, which are responsible for the Asia-Pacific region and for North and South America respectively.

Supply Chain Solutions

The Supply Chain Solutions segment encompasses integrated technology and software solutions that are used to optimize supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and Multishuttle warehouse systems through to order picking. The Supply Chain Solutions segment comprises the Operating Unit KION SCS with the Dematic brand.

Corporate Services

The Corporate Services segment comprises holding companies and other service companies that provide services such as IT, logistics, and general administration across all segments.



To our shareholders

Letter to shareholders

Dear shareholders, customers, partners, and friends of the KION Group,

The events of last year were unprecedented and it will go down in history as the year of coronavirus, with all its effects on our personal and working lives and on our business. Building on our successful KION 2027 strategy, we were able to steer the KION Group through the pandemic relatively well in 2020 despite a business environment that was very difficult at times. For us, not every aspect of COVID-19 has been a challenge. Booming e-commerce and the subsequent demand for automation and material handling technologies used in warehouse logistics opened up opportunities for growth in our supply chain solutions business. As a result, our software-driven solutions for global supply chains proved to be a significant stabilizing factor last year. Our corporate structure with two strong operating segments has proven its worth.

Above all, however, we owe our success to the amazing work of our approximately 36,000 employees worldwide. Even during the hardest phases of the pandemic, they were always there for our customers, supplied them with products, and offered them the best possible service. I would like to offer my heartfelt thanks – and those of the entire Executive Board, the Supervisory Board, and our Company's owners – to our employees for these outstanding achievements in the most difficult of circumstances. This team showed that the KION Group can be relied upon.

Our response to the changing situation since March 2020 has been rapid and thorough, particularly when it comes to protecting our employees' health, which is our highest priority. We also liaised closely with workforce representatives in order to make full use of opportunities for internal flexibility. In addition, we provided our suppliers and other business partners with intensive support. We also took action to protect our finances during the crisis, strengthening our funding structure for the long term by issuing a corporate bond that was oversubscribed many times over, and carrying out a highly successful capital increase. Our ongoing strategic capital expenditure on research and development and the construction and expansion of production sites are laying the foundations for our cutting-edge and increasingly digitalized intralogistics solutions of tomorrow. And since the start of this year, our Operating Units have been directly represented on the Executive Board. This new governance model is more appropriate to the size of our Group and allows us to create the structures for the next stage of our growth.

All of this shows that we are able to maintain our course, even in such choppy waters. We are all working our hardest every day to achieve even greater success in the years to come. We are resilient and, at the same time, focused on the future. As a full-service provider with a strong presence on every continent, we were again able to capitalize on our opportunities during the crisis of last year. We also set a course for sustainable, profitable growth.

2020: a challenging year that also offered many opportunities

Despite the coronavirus pandemic, our order intake in 2020 increased by 3.6 percent compared with 2019. However, consolidated revenue fell by 5.3 percent year on year. Adjusted EBIT was also below the prior-year figure at €547 million. Net income amounted to €211 million. As already anticipated during the course of the year, a number of our key performance indicators thus fell behind those of the prior year, albeit that 2019 had been the best year in KION's history. The Supply Chain Solutions segment performed very well in 2020: It received a huge boost to growth from the sustained expansion of e-commerce and the demand for material handling technologies in warehouse logistics. Software-driven solutions for global supply chains therefore proved to be a stabilizing factor for the KION Group. The impact of the pandemic on market conditions meant that the Industrial Trucks and Services segment was unable to repeat the success that it had enjoyed in the record year of 2019: Its poorer performance in terms of unit sales was mainly due to the challenging conditions in the segment's main sales market, the EMEA region. In the APAC region, the segment recorded an increase that was primarily driven by disproportionately strong growth in China.

On course for success with KION 2027

Our corporate strategy, KION 2027, continues to provide the basis for our success. Focusing on the growth sectors of automation, digitalization, and high-performance energy systems has again proven its worth. We are on the right track, as can be seen from the high level of order intake in our Supply Chain Solutions segment, for example. We anticipated major trends in our industry at an early stage and are strengthening our solid market position.

Digital transformation is becoming a game changer

Last year delivered further proof that the acquisition of Dematic in 2016, followed by UK logistics software company Digital Applications International Limited (DAI) in 2020, has greatly enriched our business. The trend for fully automated warehouses gathered further pace in 2020. Digital transformation and the steadily increasing degree of automation remain a decisive distinguishing factor in intralogistics because rapid, reliable, and efficient supply chains create a crucial competitive edge in the web economy. This trend will continue to grow and will enable more accurate analysis and activity in real time as the 5G communications standard is introduced. As a result, our customers will be able to operate even more efficiently than at present.

Driverless industrial trucks will also offer huge potential in the future. They are already used wherever there are recurring processes. Based on revenue generated in 2019, the KION Group is one of the leading players in this rapidly expanding market. That is why it entered into a strategic partnership with Quicktron, a young Chinese manufacturer of autonomous mobile robots for warehouses, last year. The partnership enables Quicktron products to be sold worldwide through the KION Group's sales and service networks.

Gordon Riske

Chief Executive Officer

Competitive edge with sustainable drive systems

New energy systems are a particular focus of research and development in the KION Group. We have observed that energy efficiency is also becoming an increasingly important issue in material handling. To reflect this, we offer our customers the full range of drive technologies, from internal combustion engines to electric drives and fuel cells. Our recently formed subsidiary, KION Battery Systems GmbH (KBS), is a joint venture between KION GROUP AG and BMZ Holding GmbH and went into full production of state-of-the-art lithium-ion batteries for industrial trucks in the autumn. The new production facility in Karlstein am Main, Germany, has the capacity to manufacture more than 12,000 batteries per year for forklift trucks and other industrial trucks.

Groundbreaking innovation

The development work of the KION brand companies embodies the KION Group's capacity to innovate. Dematic, for example, has developed a new generation of the successful Multishuttle, which increases the speed of transportation and improves accuracy and availability in warehouses and distribution centers. The Multishuttle 2.0 is even more efficient and reliable than its predecessor.

OPX iGo neo, an autonomous order picker developed by STILL, uses ultra-modern sensors to detect its surroundings, obstacles, and distances. It makes its own decisions using the transmitted data and defined algorithms. OPX iGo neo thus reduces picking errors and significantly increases picking performance. STILL has also launched the RX 60 electric forklift truck (3.5 to 5.0t load capacity). This latest member of the RX 60 family boasts impressive handling capacity and high availability, but without emitting any exhaust gases.

Linde Material Handling is setting new standards for counterbalance trucks with its 1202 H20-H35 series with combustion engines. This latest generation offers excellent performance and versatility and is robust, user-friendly, and digitally connected. Its developers have responded to the growing demands placed on users on a daily basis.

Investment in global growth

With a view to further growth, we are also continuously forging ahead with the optimization of our manufacturing operations and investing in the expansion of our worldwide capacity. The fast-growing Chinese market is critical to these plans and, last summer, we began to construct an additional plant for counterbalance trucks in Jinan, China. We are expanding our portfolio of industrial trucks in order to seize our opportunities for growth in the value segment in one of the world's biggest markets for material handling. To this end, we are investing around €100 million and intend to create more than 800 new jobs by 2025. Moreover, the minority interest of our anchor shareholder Weichai Power – also headquartered in Shandong province – ensures that we have a strong local presence in the region. Our second plant in the Xiamen region, where we began manufacturing warehouse trucks last year, will also help us to unlock further potential in the Chinese market. At the same time, we want to increase sales in China and benefit from the trend toward the electrification of industrial trucks in the country.

The KION Group is also continuing to grow in the EMEA region. In 2020, we expanded our site in Stříbro, near Plzeň in the Czech Republic, and brought a new, third factory building on stream for Dematic's manufacturing operations. More than €60 million has been invested in the construction of a cutting-edge industrial truck plant in Kołbaskowo, Poland, which is now almost complete. In 2020, the KION Group invested a total of around €284 million in its sites worldwide and in research and development, of which approximately €139 million was accounted for by Germany.

Continuing the story of success

KION's story is and remains one of success. We began in 2006 with the organizational structures of a mid-sized business. Today, the KION Group is a global group of companies with a broad portfolio of products and services that operates in more than 100 countries and, in 2020, reported revenue of around €8.3 billion – almost three times as much as a decade ago. We want to build on this track record in 2021. Our successful KION 2027 strategy, our extensive and high-performance intralogistics portfolio, our strengthened balance sheet, our flexibility, and the allocation of direct responsibility for individual Operating Units to members of the Executive Board have laid the foundations on which we intend to generate profitable growth going forward. Our global positioning and the strength of our service business provide us with excellent prospects for long-term growth. The positive trend in e-commerce and the long-term trends driving the expansion of our automation technology project business also give us cause for optimism.

That is why we are looking to 2021 with confidence – for us and for our customers.

With best wishes,

Gordon Riske

Chief Executive Officer

KION GROUP AG

Executive Board of KION GROUP AG

Gordon Riske

- Chief Executive Officer (CEO)
- born in 1957 in Detroit, USA

Anke Groth

- Chief Financial Officer (CFO) and Labor Relations Director
- born in 1970 in Gelsenkirchen, Germany

Dr. Eike Böhm

- Chief Technology Officer (CTO)
- born in 1962 in Pforzheim, Germany

Hasan Dandashly

- President of KION Supply Chain Solutions
- born in 1960 in Beirut, Lebanon

Andreas Krinninger

- President of KION ITS EMEA
- born in 1967 in Bergisch Gladbach, Germany

Ching Pong Quek

- President of KION ITS Asia Pacific & Americas
- born in 1967 in Batu Pahat / Johor, Malaysia

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

Our Company, employees, the Executive Board, and the Supervisory Board faced extraordinary challenges in 2020. On behalf of the entire Supervisory Board, I would like to thank the employees of KION GROUP AG and its Group companies in Germany and worldwide and the Executive Board for their outstanding work in what were sometimes extremely difficult and uncertain times. These efforts were needed in order to continue providing our customers with our high-performance products and services in the adverse economic environment created by the coronavirus pandemic. We particularly commend all the people working in our Company's health services, who very prudently and promptly implemented appropriate and effective measures to protect everyone, both within the KION Group and at our customers' sites.

The past year, which was unusual in so many ways, was characterized by two phrases: crisis management and preparation for the future. The Supervisory Board advised and monitored the Executive Board as it took a prudent but resolute approach to tackling the effects of the coronavirus pandemic. When the health risks of coronavirus and the resulting challenges to our business became apparent, the Supervisory Board began receiving weekly updates from the Executive Board and offered its advice and support. The Supervisory Board gave the Executive Board its backing, not only in respect of measures required at short notice to protect business operations but also with regard to the launch of medium- to long-term structural initiatives in order to safeguard the Company's commercial success in the different markets for its products.

Over the course of the year, it became very clear that the ITS business (industrial trucks and services) and the SCS business (automation solutions for logistics processes) were facing very different market conditions. The market for industrial trucks experienced a softening of demand – with significant regional variation – in various customer markets on the one hand and, on the other, a surge in demand for warehouse trucks at low price points in the Chinese market. By contrast, the SCS business was able to tap into the e-commerce boom. This provided strong proof that the decision made a few years ago to enter the automation solutions business was spot on.

Alongside the necessary structural changes, primarily in the EMEA region, the Company was able to build on the growth-oriented capital expenditure and innovation programs that had been initiated in 2019. This shows that, by firmly pursuing its KION 2027 strategy, our Company is and remains on the right course.

Dr. Michael Macht

Chairman of the Supervisory Board

To protect its funding at a time when the economic and financial implications of the coronavirus pandemic were still difficult to gauge, the Company – in close consultation with the Supervisory Board – reached agreement on a loan facility with the participation of Kreditanstalt für Wiederaufbau (KfW), Germany's state development bank. This sent a signal of financial security and stability at an early stage. KION GROUP AG terminated this loan facility in December 2020, having not needed to draw on it during its term. Besides this facility, the Group extended its funding options by making use of the trust placed in it by the financial markets. A corporate bond that was oversubscribed many times and a very successful capital increase in the fourth quarter – using the authorized capital approved at the 2020 Annual General Meeting – enabled the Company to further improve its equity ratio. The Company thus has additional resources at its disposal that it can use to equip itself for a successful future in fast-growing markets. The capital increase was also a strong sign of the support that our Company has from its shareholders, particularly our anchor investor Weichai Power. The Supervisory Board was involved in every key step of the capital increase and gave the necessary approvals unanimously. This trust that has been placed in the Company is an obligation on all of us to ensure a successful future.

Strengthening of the organizational structure and corporate governance in the Company

The efforts to tackle the coronavirus crisis prompted our Company to review how its business, and thus its governance model, is organized. Recognizing that the Company's core markets have never been so buoyant and, at the same time, the internal organizational structure seemed to have reached its limits, the Executive Board – with the support of the Supervisory Board – drew up a proposal to update the Company's organizational structure and presented a new governance model. This is designed to provide a basis for profitable growth and help to achieve efficiencies within the KION Group. It should also simplify responsibility for the Operating Units and provide even greater clarity about where responsibilities lie. The resulting structure creates the ideal conditions for rapid, organic, and agile growth. Consequently, the Company's governance model was fundamentally reorganized at the start of this year so that the different Operating Units are now directly represented on the Executive Board by the people with operational responsibility for them. The direct dialog between the Supervisory Board and the Executive Board members responsible for these business operations strengthens a fundamental element of the purpose for which the supervisory body is appointed, i.e. its oversight of the Company's management team.

Personnel matters relating to the Executive Board

Two new Executive Board posts had to be created and filled in connection with the updating of the business organization. The Supervisory Board and, in particular, the Executive Committee carefully dealt with these personnel matters, drawing on the support of an external consultant. The starting point was the choice of available candidates within the Company. In a structured process, a profile of the necessary professional and personal requirements and business experience was drawn up for the new Executive Board roles and the internal candidates then underwent a thorough assessment. Following a series of personal discussions between members of the Supervisory Board and the candidates, as well as being introduced during an Executive Committee meeting, Mr. Krinninger and Mr. Dandashly were unanimously appointed to the Executive Board by the Supervisory Board on December 17, 2020, with their appointment taking effect on January 1, 2021.

In parallel to the appointments to these new positions, it appeared opportune in this context to deal with the succession planning for the role of Chief Technology Officer (CTO). The decision to bring forward this process slightly, which had been scheduled to take place over the course of 2021, was reached in full agreement with the current CTO Dr. Böhm, who is retiring. He is currently the Executive Board member responsible for development, procurement, and technical departments. Another very suitable, qualified, and experienced internal candidate, Dr. Puhl, was available to take up this role. The Supervisory Board unanimously resolved to appoint Dr. Puhl as CTO on December 17, 2020. He will take up his post on July 1, 2021.

The appointment of the two new Executive Board members and the early succession planning for the CTO role have paved the way for an effective and experienced Executive Board team. This step is crucial if the Company is to firmly grasp opportunities for growth during the recovery from the crisis. It is a sign of strength that all of the new Executive Board appointments are managers from within the Company's ranks and have a long track record of success.

Collaboration between the Supervisory Board and Executive Board

Last year, the Supervisory Board continued to fulfill the tasks and responsibilities imposed on it by the law, the Company's articles of association, and the German Corporate Governance Code with dedication and diligence.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent, made necessary decisions, regularly advised the Executive Board on all significant matters relating to managing the Company, and monitored the Executive Board's running of the Company's business. The Supervisory Board was always fully involved in major decisions affecting the Company from an early stage. The Executive Board presented to the Supervisory Board with due lead-time transactions that, according to the law, the Company's articles of association, or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent so that it could adopt resolutions. Between meetings of the Supervisory Board and between those of its committees, the chairmen of the Supervisory Board and Audit Committee remained in close contact at all times with the Chief Executive Officer and Chief Financial Officer. There was also regular contact between the chairman of the Audit Committee and those responsible for internal audit and compliance in the Company.

Updating of the Executive Board remuneration system

Another major focus of the Supervisory Board's work was the development of a new remuneration system for the Company's Executive Board. The Supervisory Board formed a working group – with an equal number of shareholder representatives and employee representatives as its members – in order to implement the new statutory provisions in the German Act Implementing the Second Shareholder Rights' Directive (ARUG II) and the main recommendations on executive board remuneration in the new German Corporate Governance Code, which came into force in March 2020, and to reflect the well-understood expectations of the international capital markets. Building on the preparations carried out in 2019 and supported by an external, independent remuneration consultant, the working group drew up the broad outline for the updated Executive Board remuneration system over five sessions. The Supervisory Board then unanimously voted in favor of this at its meeting in December.

One of the main changes is the inclusion of ESG targets for the Executive Board's short-term and long-term variable remuneration that are linked to the Company's sustainability strategy. The Company's success – and thus the success of the Executive Board – will also be measured using non-financial targets, such as the accident rate in the Company, employee satisfaction, improvement of the Company's sustainability profile, and the certification of sites according to ISO standards.

The new remuneration system will be presented to the Company's Annual General Meeting on May 11, 2021 for approval.

Other corporate governance matters handled by the Supervisory Board

The Supervisory Board and its committees carried out preparations regarding the Supervisory Board's own obligations in relation to the Company's corporate governance decisions and declarations before adopting unanimous resolutions.

At its meeting on December 17, 2020, the Supervisory Board held its final discussion on the alignment of the KION Group's processes with the recommendations in the German Corporate Governance Code and issued its declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This has been made permanently available to the public on the KION GROUP AG website.

The Supervisory Board must review the content of the non-financial Group report, which the Company is obliged to publish in accordance with section 315b of the German Commercial Code (HGB). The Supervisory Board had engaged our Company's auditors for the preparation of this review of the 2019 report, which was presented to the Supervisory Board for a decision in April 2020 and published on April 30, 2020, and also for the preparation of the review of the upcoming report for 2020. No concerns were raised as a result of the Supervisory Board's review of the report. As was the case in the previous year, the Supervisory Board will take account of the auditors' assessment in its own review of the 2020 non-financial Group report, which will take place in April 2021, i.e. after this report of the Supervisory Board has been submitted. After carrying out detailed preparations, the Supervisory Board will make a decision promptly to ensure that the report can be published on time by the end of April.

The Executive Board and Supervisory Board provide a detailed report on corporate governance at KION GROUP AG in the corporate governance statement, which can be found on pages 27 to 41 of this annual report and on the KION GROUP AG website at www.kiongroup.com/governance. Information on the steps taken by the Supervisory Board in connection with its regular self-assessment can also be found there.

No conflicts of interest occurred on the Supervisory Board during the year under review.

Relationships with affiliated entities (dependency report)

The Supervisory Board also examined the report concerning relationships with affiliated entities (dependency report), which the Executive Board signed off on February 19, 2021. The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed on February 19, 2021 without having identified any deficiencies, the auditors issued the following opinion:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the facts in the report are stated accurately,
2. the consideration given by the entity for the transactions specified in the report was not unreasonably high,
3. there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different to the opinion of the Executive Board."

The dependency report and the auditors' report about it were distributed to all the members of the Supervisory Board in good time. Both reports were discussed in detail in the presence of the auditors at the Supervisory Board meeting on March 1, 2021 after the auditors had presented their report in person. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the dependency report.

Work of the committees

KION GROUP AG's Supervisory Board had four standing committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee, and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. The chairmen of the committees each report regularly to the full Supervisory Board on their committee's deliberations. In addition, the minutes of the committee meetings are distributed to the other members of the Supervisory Board for information purposes once the committee members have approved them.

In 2020, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 19 meetings. These consisted of seven meetings of the full Supervisory Board, four of the Executive Committee, and eight of the Audit Committee. The Mediation Committee did not meet in the reporting period. There were also several telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

With the exception of Mr. Tan Xuguang, all members of the Supervisory Board participated in all seven Supervisory Board meetings. Mr. Tan Xuguang participated in one of these seven meetings and sent his apologies for his absence from the other meetings. With the exception of Ms. Alexandra Schädler, all members of Supervisory Board committees took part in all of the relevant committee meetings. Ms. Alexandra Schädler was absent from two of the eight meetings of the Audit Committee and sent her apologies.

Engagement of the auditors; audit of the separate and consolidated financial statements

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Munich, Frankfurt am Main branch office, audited the separate financial statements, consolidated financial statements, and combined management report for KION GROUP AG and the Group for the year ended December 31, 2020 following their engagement by the Annual General Meeting on July 16, 2020. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. The proposal was discussed at the Audit Committee's meeting on February 19, 2021, and committee members were given the opportunity to speak to the auditors in person.

The auditors were appointed by the chairman of the Supervisory Board on November 27, 2020. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 28, 2020.

The auditors submitted their report and the documents relating to the 2020 financial statements to the members of the Audit Committee and the members of the Supervisory Board, in each case with the required lead time. The Audit Committee and Supervisory Board each discussed the report extensively, in both cases in the presence of the auditors. The auditors reported in detail on the main findings of the audit on each occasion.

The auditors issued an unqualified opinion for the separate financial statements, consolidated financial statements, and group management report, which was combined with the Company's management report, on February 19, 2021 and March 1, 2021, respectively. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2020, the Supervisory Board – on the basis of a recommendation from the Audit Committee – agreed with the findings of the audit by the auditors after further discussing these findings at its meeting on March 1, 2021. Based on the final outcome of its own review, the Supervisory Board did not raise any objections. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended December 31, 2020 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on March 1, 2021, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.41 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning, and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Personnel changes on the Supervisory Board

There were no personnel changes on the Supervisory Board during the reporting year. In this context, it should be mentioned that the shareholders at the Annual General Meeting agreed with and approved the proposal made by the Supervisory Board and Executive Board to introduce staggered terms of office for the shareholder representatives. Consequently, four shareholder representatives who, as agreed, had resigned before the Annual General Meeting, were appointed as shareholder representatives for a further five years.

The training offered to Supervisory Board members by the Company related to particular aspects of the Supervisory Board's work. The training primarily consisted of in-depth information on the new requirements concerning the remuneration system for executive boards in listed companies, personnel matters at Executive Board level, and the changes to the Company's governance model. This in-depth information was conveyed by external and internal experts.

The details of this report were discussed thoroughly at the Supervisory Board meeting on March 1, 2021, when it was adopted.

Dr. Michael Macht

Chairman

KION shares

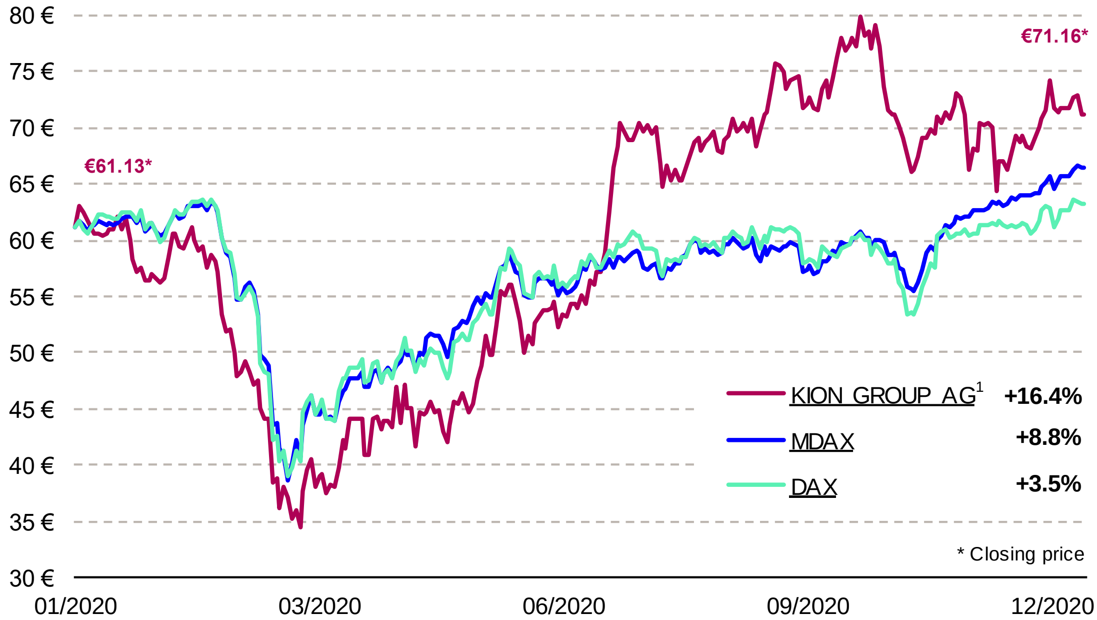
Equity markets largely defy the coronavirus pandemic

The effects of the coronavirus pandemic on economic growth and on companies' financial position and financial performance significantly influenced the equity markets in the first half of 2020. The measures required to contain the virus – initially in China and subsequently worldwide – and the great uncertainty about how the pandemic would unfold caused the DAX to slump by around 40 percent in the first quarter. However, monetary policy measures implemented by central banks and comprehensive economic support packages put in place by national governments helped to soften the economic impact. Despite the emergence of a second wave of cases at the end of the third quarter, growing confidence that the pandemic could be controlled and steady progress in the development of COVID-19 vaccines in the fourth quarter led to a rally at the end of the year. Over the year as a whole, the DAX added 3.5 percent while the MDAX gained 8.8 percent.

KION shares outperform their benchmark indices

KION shares again comfortably outperformed their benchmark indices. After sliding to their low for the year of €32.97 in March, the shares subsequently recouped a large part of their losses in the first half of 2020. The share price continued to rise in the third quarter, supported by solid financial results from the Supply Chain Solutions segment. The shares briefly lost momentum as a result of the rights issue in late November / early December before rising again. They ended 2020 at €71.16, which was 16.4 percent higher than at the end of the previous year. Based on around 131.2 million shares (December 31, 2019: around 118.1 million shares), this equates to market capitalization of €9.3 billion, of which €5.1 billion was attributable to shares in free float.

Share price performance 2020 compared with the DAX and MDAX



1 Price data before the 2020 capital increase adjusted

Successful virtual Annual General Meeting

KION GROUP AG's Annual General Meeting on July 16, 2020 took place virtually for the first time, without shareholders being physically present, due to the restrictions imposed as a result of the coronavirus pandemic. Around 100.4 million of the approximately 118.1 million voting shares were represented, equating to around 85 percent of the share capital. The shareholders voted in favor of the motions, in each case by a large majority. In light of the unpredictability of the pandemic's likely impact, the Executive Board and Supervisory Board of KION GROUP AG had decided to lower the proposal for the appropriation of profit from €1.30 per share, as published in the 2019 annual report, to €0.04 per dividend-bearing share. The total dividend payout therefore amounted to approximately €4.7 million, enabling €148.8 million to be transferred to retained earnings.

The 2021 Annual General Meeting is scheduled to take place on May 11. The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend of €0.41 per share (2019: €0.04) to the Annual General Meeting. This gives a total dividend payout of €53.7 million. The dividend payout rate accordingly amounts to around 25 percent with earnings per share for 2020 of €1.81.

Basic information on KION shares

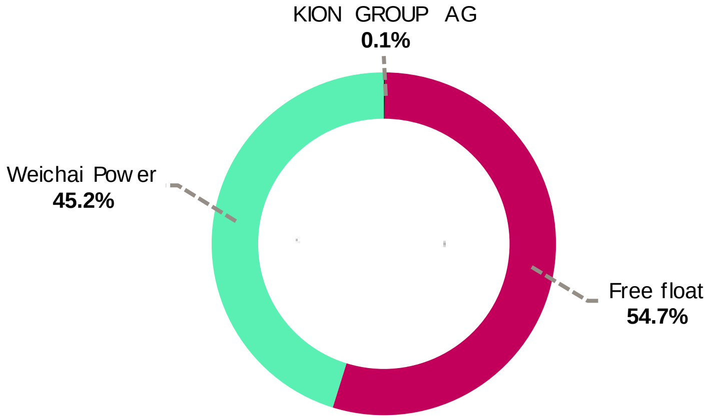
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX:GR
Reuters	KGX.DE
Share type	No-par-value shares
Index	MDAX, MSCI World, STOXX Europe 600, FTSE EuroMid, FTSE4Good, DAX 50 ESG

Successful capital increase – shareholder structure remains stable

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on November 18, 2020 to increase the Group's share capital by way of a rights issue against cash contributions, using a large part of the authorized capital. The aim was to strengthen the KION Group's financial position and prepare it for accelerated profitable growth after the coronavirus pandemic. The subscription offer was successfully completed on December 4, 2020: 12,557,440 new shares were subscribed to and thus 95.8 percent of pre-emption rights were exercised. The remaining 551,207 shares were sold to eligible institutional investors as part of a private placement in an accelerated bookbuilding process in accordance with the applicable securities legislation. The capital increase generated gross issue proceeds totaling around €813 million.

KION GROUP AG's anchor shareholder, Weichai Power Co., Ltd., Weifang, People's Republic of China, had contractually agreed before the capital increase to exercise all of its pre-emption rights and to acquire around 5.9 million new shares. The shareholder structure therefore remained almost unchanged in the reporting year. As at December 31, 2020, Weichai Power held 45.2 percent of the shares, while KION GROUP AG continued to hold 0.1 percent. A total of 18,467 shares (2019: 67,104 shares) were acquired by staff under the KION Employee Equity Program (KEEP). Consequently, the number of shares held in treasury stood at 112,177 as at the reporting date (December 31, 2019: 130,644). The free float therefore accounted for 54.7 percent at the end of 2020.

Shareholder structure as at December 31, 2020



KION shares mainly recommended as a buy

As at December 31, 2020, 20 brokerage houses were following and reporting on the KION Group (December 31, 2019: 22). Of this total, twelve analysts recommended KION shares as a buy, six rated them as neutral, and two advised selling them. The median target price specified by the sell-side analysts was €77.00 (December 31, 2019: €62.50).

Share data

Closing price at the end of 2019[1]	€61.13
High for 2020[1]	€80.27
Low for 2020[1]	€32.97
Closing price at the end of 2020	€71.16
Market capitalization at the end of 2020	€9,336.1 million
Performance in 2020	16.4%
Average daily XETRA trading volume in 2020 (no. of shares)	285.9 thousand
Average daily XETRA trading volume in 2020 (€)	€16.6 million
Share capital	€131,198,647
Number of shares as at Dec. 31, 2020	131,198,647
Earnings per share for 2020[2]	€1.81
Dividend per share for 2020[3]	€0.41
Dividend payout rate[3]	25.0%
Total dividend payout[3]	€53.7 million
Equity ratio as at Dec. 31, 2020	30.4%

1 Price data before the 2020 capital increase adjusted

2 Calculated on the basis of the average number of shares outstanding of 118,862,704

3 Proposed dividend for 2020

Investment-grade credit rating affirmed

The KION Group continues to have an investment-grade credit rating. In October 2020, Fitch Ratings reaffirmed the Group’s long-term issuer default rating of BBB– with a stable outlook and its short-term issuer default rating of F3. The new bond placed by KION GROUP AG in September was given a rating of BBB–.

Standard & Poor’s confirmed KION’s issuer rating of BB+ with a stable outlook in November 2020 and awarded a senior unsecured rating of BB+.

Services for shareholders

Active investor relations

The objective of investor relations work is to ensure, through continuous dialog, that the capital markets value the Company appropriately. The Executive Board and the KION Group's investor relations team continued to communicate directly with investors and analysts last year, despite the restrictions resulting from the coronavirus pandemic. The KION Group participated in eleven – mostly virtual – investor conferences and provided information about the KION Group's performance during one-on-one meetings and ten roadshow days.

Around 110 shareholders and shareholder representatives participated in the Annual General Meeting of KION GROUP AG on July 16, 2020. A total of 85.0 percent of the share capital was represented. In line with the German COVID-19 Measures Act, the meeting was held as a purely virtual event for the first time. Questions could be submitted online by July 13, 2020 and were answered individually during the meeting. There were no countermotions, nominations, or requests for additions to the agenda. The complete webcast of the Annual General Meeting can be accessed from the KION Group's website.

To coincide with the publication of the 2019 annual report on March 3, 2020, the Executive Board of KION GROUP AG held a financial statements press conference and conference call to explain the results. At a Capital Markets Day for financial analysts, institutional investors, and bank representatives, the Executive Board presented on subjects such as the value drivers in the operating segments. In addition, the Executive Board held conference calls to report on each set of quarterly results. Transcripts from the annual and quarterly conference calls, along with the associated presentations, form part of the extensive information for investors that is available on the Company's website.

Information on the website

Detailed information on KION shares as well as press releases, reports, presentations, and information about the Annual General Meeting can be found at www.kiongroup.com/ir. The KION Group's annual report is also available here, both as a PDF file and as an interactive online version. The contact details of the investor relations team can be found under IR Contact. Information on corporate governance in the Group is published at www.kiongroup.com/Governance.

kiongroup.com/
ir

Corporate governance statement

Corporate governance

Corporate governance covers the whole system of managing and monitoring an enterprise, the principles and guidelines that shape its business policy, and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that a commitment, born from responsibility for the Company, to rigorous corporate governance in accordance with the accepted standards is essential to the Company's long-term success. Compliance with these principles also promotes the trust that our investors, employees, business partners, and the public have in the management and monitoring of the Company.

In accordance with principle 22 of the German Corporate Governance Code as amended on December 16, 2019 (the '2020 Code'), the Supervisory Board and Executive Board report on the Company's corporate governance in the declaration on corporate governance required by section 289f and section 315d of the German Commercial Code (HGB). The declaration on corporate governance pursuant to section 289f and section 315d HGB is part of the combined management report. According to section 317 (2) sentence 6 HGB, the information provided in accordance with section 289f and section 315d HGB does not have to be reviewed by the auditor.

1. Declaration of conformity pursuant to section 161 (1) AktG

Section 161 (1) of the German Stock Corporation Act (AktG) requires the management board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, and intends to comply with, the recommendations in the prevailing version of the German Corporate Governance Code ('Code') or stating the recommendations with which it has not complied or does not intend to comply, and the reasons why.

The Executive Board and Supervisory Board submitted the Company's previous declaration of conformity on December 2 / 19, 2019.

Both decision-making bodies again considered the recommendations of the prevailing versions of the Code in detail and, on December 17, 2020, issued the following declaration of conformity for KION GROUP AG as required by section 161 (1) AktG:

Since issuing the last declaration of conformity in December 2019, KION GROUP AG has complied with all but one of the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (the '2017 Code').

In derogation of section 3.8 (3) of the 2017 Code, the articles of association of KION GROUP AG do not provide for a deductible for members of the Supervisory Board under D&O insurance. The Company believes that such an excess is not typical at international level and would therefore make it considerably more difficult to find independent candidates for the Supervisory Board, in particular candidates from outside Germany.

KION GROUP AG intends to comply with all but two of the recommendations of the German Corporate Governance Code as amended on December 16, 2019 (the '2020 Code') in the future.

With regard to recommendation B.3 of the 2020 Code, the Supervisory Board will determine the duration of initial appointments of members of the Executive Board on a case-by-case basis and in the Company's best interests.

In deviation from recommendation G.10 sentence 2 of the 2020 Code, the remuneration system for the Executive Board of KION GROUP AG will provide that the respective member of the Executive

Board will have access to the granted long-term variable remuneration components after only three years. The Company believes that the uniformity of the remuneration system for members of the Executive Board with the remuneration system for the Company's managers should be maintained and the term should be consistent with the initial appointment period of a member of the Executive Board of three years.

Furthermore, the Company assumes that recommendation C.4 of the 2020 Code is complied with, since all members of the Supervisory Board do not hold more than five supervisory board mandates at non-group listed companies. Although Jiang Kui in principle holds six supervisory board mandates at listed companies, three of these mandates (KION GROUP AG, Weichai Power Co., Ltd., and Power Solutions International, Inc.) are considered by the Company to be intra-group mandates within the meaning of recommendation C.4 of the 2020 Code, as they belong to the Weichai Group.

Frankfurt am Main, December 17, 2020

For the Executive Board:

Gordon Riske   Anke Groth

For the Supervisory Board:

Dr. Michael Macht

The declaration of conformity is permanently available to the public on the KION GROUP AG website at: www.kiongroup.com/conformity

2. Corporate governance practices

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act (AktG) and the German Codetermination Act (MitbestG) and also follows the recommendations of the German Corporate Governance Code. KION GROUP AG complied with all but one of the Code's recommendations in the reporting period. These fundamental principles are combined with a commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2020, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. The Supervisory Board's Audit Committee, which was appointed to support this task, received regular reports on the accounting standards and associated processes, on changes to the regulatory environment and the internal control and risk management systems, and on the audit of financial statements and the effectiveness and quality of this, and then reported back to the Supervisory Board on these matters.

2.1 Internal control system

KION GROUP AG has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external accounting processes, the efficiency of the Company's business operations, and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle, and written policies and procedures. The overarching aim is for the separate financial statements, consolidated financial statements, and combined management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analyzed on an ongoing basis and taken into account as appropriate. Details can be found in the risk report, which is part of the combined management report.

2.3 Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must use the risk management system established in the Company to regularly gather information about current risks and how they are evolving, and then report on this to the Supervisory Board's Audit Committee. The KION Group's risk management system is documented in a Group risk policy that defines tasks, processes, and responsibilities and sets out the rules for identifying, assessing, reporting, and managing risk. Specific individual risks are then reported by each Group entity using a reporting tool that is tailored to requirements. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant departments at Group level. The risks that have been reported are reviewed on a quarterly basis and re-assessed until the reason for reporting a risk no longer exists.

2.4 Compliance management system

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering rigorously to broad-ranging compliance standards is essential to sustained financial success. That is why a detailed compliance program, centering around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

The KION Group Code of Compliance, which is available in all of the main languages relevant to the KION Group companies, provides all employees with clear guidance on how to conduct their business in accordance with sound values and ethics and in compliance with the law. The aim is that all employees should receive regular training on the most important compliance subjects, in particular anti-corruption, liability of senior management / directors' and officers' liability, data protection and IT security, communications, competition law, and foreign trade / export controls. Compliance activities are also focused on these areas.

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reports to the Chief Financial Officer of KION GROUP AG. The performance of compliance duties has been delegated to the Chief Compliance Officer. The presidents of the Operating Units are responsible for compliance within the operating business, while the functional managers are responsible for core administrative processes in the departments at the Group's headquarters. Ultimate responsibility for the compliance management system lies with the CFO of the Group. The KION compliance department, the KION compliance team, and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing guidance, information, advice, and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

Actual or suspected incidents of non-compliance can be reported anonymously or otherwise by contacting an external 24-hour compliance hotline, by sending an email or letter, by calling an internal KION Group hotline, or by contacting a compliance officer directly.

As part of its work, the compliance department at KION GROUP AG cooperates closely with the legal, internal audit, and human resources departments. The KION compliance committee, which is staffed by the heads of these departments and chaired by the Chief Compliance Officer, operates as a cross-functional committee that primarily advises on and examines reported incidents of non-compliance and, if appropriate, punishes incidents of misconduct.

2.5 Audit of the financial statements

The Company's independent auditors, which are appointed by means of a resolution of the Annual General Meeting, audit the separate financial statements prepared by the Executive Board of KION GROUP AG, the consolidated financial statements, and the combined management report. Since the audit of the 2014 separate and consolidated financial statements, Ms. Kirsten Gräbner-Vogel has been the global lead service partner at the appointed independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). The separate financial statements, consolidated financial statements, combined management report, and non-financial report are discussed by the Audit Committee and then reviewed and approved by the Supervisory Board.

The independent auditors review the condensed consolidated interim financial statements and condensed interim group management report in the half-year financial report. They also review the non-financial report. The Executive Board discusses the two quarterly statements and the half-year financial report with the Audit Committee before they are published.

2.6 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and may be harmful to the Company. KION GROUP AG and its governing bodies therefore adhere strictly to the Code's recommendations on this subject. The employees of KION GROUP AG and its subsidiaries are made aware of the problem of conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest. Every Executive Board member must disclose potential conflicts of interest to the chairman of the Supervisory Board and the Chief Executive Officer immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or related parties must be concluded on an arm's-length basis.

The Company attaches high priority to preventing possible conflicts of interest from occurring in the first place. This is especially important given that Weichai Power Co., Ltd., Weifang, People's Republic of China, indirectly holds a stake of 45.2 percent in KION GROUP AG. The Company achieves these aims by avoiding business scenarios or personnel structures that could give the impression of a conflict of interest and by taking transparent steps and issuing clear communications.

The Company's Chief Executive Officer, Mr. Gordon Riske, was appointed a non-executive director of Weichai Power Co., Ltd., with effect from June 24, 2013. On June 14, 2018, the term of his appointment was extended to June 13, 2021. The Supervisory Board had previously given its consent to this appointment. Appropriate precautions have been taken to ensure that this role at a parent company of the Company does not create a conflict of interest relating personally to Mr. Riske. Formal processes have been put in place to ensure that Mr. Riske, in his role as a non-executive director of Weichai Power Co., Ltd., is not involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor is Mr. Riske involved in transactions relating to the exercise of voting rights by Weichai Power Co., Ltd. or its subsidiaries at the Annual General Meeting of KION GROUP AG. It has been ensured that Mr. Riske maintains a strict separation between his duties as a non-executive director of Weichai Power Co., Ltd., and his duties as Chief Executive Officer of KION GROUP AG and fulfills all of his legal obligations in the interests of the Company.

3. Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board

3.1 Working methods of the Executive Board

The Executive Board of KION GROUP AG comprised four members in 2020. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees, and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board, and ensures that it is implemented. The Executive Board as a whole is collectively responsible for the Group's business, determines the budget and the allocation of resources, and makes key operational decisions. Every Executive Board member is responsible for his or her own area of responsibility within the scope of the rules of procedure for the Executive Board and the defined thresholds for business transactions, and keeps the other Executive Board members informed of developments on an ongoing basis.

Responsibilities within the KION Executive Board as at December 31, 2020

Member Executive Board	Areas of responsibility
Gordon Riske	**CEO KION GROUP AG** LMH EMEA STILL EMEA Dematic, including Software & Digital Solutions Development Corporate Communications Corporate Office Corporate Strategy Digital Business Internal Audit KION Group IT Mobile Automation
Dr. Eike Böhm	**CTO KION GROUP AG** Product & Technology Strategy Product Development Industrial Trucks Product Development SCS Module & Component Development Procurement Procurement SCS Quality Production System KION New Energy Systems
Anke Groth	**CFO KION GROUP AG** Corporate Accounting & Tax Corporate Compliance Corporate Controlling Corporate Finance / M&A Corporate HR / Labor Relations Director Financial Services Health, Safety & Environment Investor Relations Legal Performance Excellence
Ching Pong Quek	**Chief Asia Pacific & Americas Officer (CAPAO) KION GROUP AG** KION Americas KION APAC

The allocation of responsibilities was adjusted in January 2021 following the appointment of Mr. Andreas Krinninger and Mr. Hasan Dandashly as further members of the Executive Board.

The rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the Chief Executive Officer. Due to the coronavirus pandemic, Executive Board members often had to take part in meetings via video conference in the reporting year. At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, must be approved by the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The Chief Executive Officer has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings.

Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely, and comprehensive information on all matters of relevance to the business as a whole relating to the intended operating policy, strategic planning, business performance, financial position, financial performance, and business risks. The Chief Executive Officer discusses these matters regularly with the chairman of the Supervisory Board. The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions, or capital expenditure, for example, require the consent of the Supervisory Board.

In accordance with its articles of association, the Company is represented by two members of the Executive Board or by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation).

3.2 Working methods of the Supervisory Board

The Supervisory Board of KION GROUP AG appoints the members of the Executive Board and advises and monitors the Executive Board in its management of the Company. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG. The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship focused on ensuring the sustained success of the Company. The members of the Executive Board attend Supervisory Board meetings, although the Supervisory Board also met to discuss individual agenda items without the Executive Board during the year under review. Going forward, the Supervisory Board will also meet regularly without the Executive Board.

The Supervisory Board of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder representatives. The shareholder representatives are elected by the Annual General Meeting by simple majority.

The Supervisory Board has drawn up rules of procedure for its work that apply in addition to the requirements of the articles of association. These rules of procedure are published on the KION GROUP AG website at www.kiongroup.com/Rules-of-Procedure. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs the meetings of the Supervisory Board, and represents it externally. The Supervisory Board meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. In 2020, there were seven Supervisory Board meetings in total. The focus of the Supervisory Board's advisory activities in 2020 is detailed in the Supervisory Board's report to the Annual General Meeting. Between these meetings, resolutions may also be adopted in writing, by telephone, or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favor of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote.

The Supervisory Board regularly assesses the effectiveness and efficiency of its work and that of its committees (self assessment), with support from an external advisor if required. This assessment did not take place in 2020 and has been scheduled for 2021. The Supervisory Board last reviewed its efficiency (efficiency review) in 2015 and 2018, in both cases with the support of an external advisor. The review involved holding discussions with the Supervisory Board and Executive Board members. The subjects addressed included (i) regulatory requirements, (ii) the tasks of the Supervisory Board (particularly examination of the Company's strategy, the appointment of Executive Board members, and Executive Board remuneration), (iii) the membership of the Supervisory Board (particularly its composition and training), (iv) cooperation within the Supervisory Board, (v) cooperation with the Executive Board and the provision of information by the Executive Board, (vi) the structure and organization of meetings, and (vii) committee work.

3.3 Working methods and composition of the committees of the Supervisory Board

KION GROUP AG's Supervisory Board had four standing committees in the year under review. These are defined in the Supervisory Board's rules of procedure. Their tasks, responsibilities, and work processes comply with the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The minutes of the committee meetings are made available to all Supervisory Board members. The standing committees have each drawn up rules of procedure that define their tasks and working methods. In addition, the Supervisory Board formed a working group – with an equal number of shareholder representatives and employee representatives as its members – that dealt with the preparations for an updated remuneration system for the Executive Board. The working group's results were discussed by the Executive Committee and then, as recommended, were approved by the Supervisory Board following detailed deliberations.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the declaration of conformity pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the declaration of conformity. It also prepares documents for the Supervisory Board when Executive Board members are to be appointed or removed and, if applicable, when a new Chief Executive Officer is to be appointed. Documents relating to any matters in connection with Executive Board remuneration are also compiled by the Executive Committee. In addition, the Executive Committee is responsible for resolutions concerning the conclusion, amendment, and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy, and other matters and for resolutions on any matters arising as a result of such contracts and agreements, unless they relate to remuneration. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members, and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit. In consultation with the Executive Board, the Executive Committee regularly discusses long-term succession planning for the Executive Board.

Members of the Executive Committee as at December 31, 2020:

Dr. Michael Macht (chairman)

Özcan Pancarci (deputy chairman)

Dr. Alexander Dibelius

Jiang Kui

Olaf Kunz

Jörg Milla

Hans Peter Ring

Claudia Wenzel

The chairman of the Executive Committee, Dr. Michael Macht, is a Supervisory Board member who is independent of the Company and Executive Board.

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative, and a shareholder representative. It only convenes in exceptional cases. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed.

Members of the Mediation Committee as at December 31, 2020:

Dr. Michael Macht (chairman)

Özcan Pancarci (deputy chairman)

Jörg Milla

Hans Peter Ring

Audit Committee

The Audit Committee comprises four members. Its primary purpose is to monitor financial reporting (including non-financial reporting), the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the auditing of the financial statements, and compliance, thereby supporting the Supervisory Board in its task of monitoring the Company's management. The Audit Committee also reviews the work carried out by the independent auditors and checks that the independent auditors are qualified and independent. It is responsible for engaging the independent auditors, determining the focus of the audit, and agreeing the fee. The Audit Committee regularly evaluates the quality of the audit. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

Members of the Audit Committee as at December 31, 2020:

Hans Peter Ring (chairman)

Alexandra Schädler (deputy chairwoman)

Dr. Michael Macht

Jörg Milla

The chairman of the Audit Committee, Hans Peter Ring, is a Supervisory Board member who is independent of the Company, the Executive Board, and the controlling shareholder and has the required expertise in the areas of accountancy and auditing specified in sections 100 (5) and 107 (4) AktG.

Nomination Committee

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's task is to propose new candidates for the Supervisory Board to the Company's Annual General Meeting.

Members of the Nomination Committee as at December 31, 2020:

Dr. Michael Macht (chairman)

Dr. Alexander Dibelius (deputy chairman)

Birgit A. Behrendt

Jiang Kui

4. Diversity

One of the main concerns of good corporate governance is to ensure that appointments to the Executive Board and Supervisory Board are appropriate to the specific needs of the business. Key criteria in this regard include the professional and personal skills and qualifications of the members of the Executive Board and Supervisory Board as well as diversity in the composition of both boards – including an appropriate degree of female representation – and the independence of the Supervisory Board.

Composition of the Supervisory Board

The Supervisory Board has laid down specific requirements and objectives for its composition in recognition of its responsibilities and obligations and taking into account the business needs of KION GROUP AG. Besides having the minimum professional skills required to be a Supervisory Board member, as specified by law and the highest courts, all members of the Supervisory Board of KION GROUP AG should meet the following criteria:

- Identification with the fundamental values and beliefs of KION GROUP AG
- Positive attitude toward the basic principles of responsible corporate governance
- Personal integrity and a responsible approach to dealing with potential conflicts of interest
- Ability to devote the expected amount of time required and compliance with the limit on the number of mandates that may be held at any one time

Other targets set by the Supervisory Board with regard to its composition are a standard age limit of no more than 70 at the time of appointment / election and a maximum limit for length of membership of four terms of office.

All of the current Supervisory Board members meet these requirements.

In addition, the Supervisory Board has defined what it considers to be an adequate number of independent Supervisory Board members. Accordingly, five shareholder representatives on the Supervisory Board should be independent of the Company and Executive Board (see recommendation C.7 of the 2020 Code). Dr. Macht, Mr. Ring, Dr. Reuter, Ms. Behrendt, Ms. Xu, and Dr. Dibelius are currently independent of the Company and Executive Board. Ms. Xu does not have any business and / or personal relationships with KION GROUP AG or any of its subsidiaries; the Supervisory Board views her role as an advisor to the anchor investor Weichai (through Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, a subsidiary of Weichai Power Co., Ltd., Weifang, People's Republic of China) as unproblematic. Dr. Dibelius has been a member of the Supervisory Board of KION GROUP AG since 2007, but the Supervisory Board still considers him to be independent. He has no business or financial ties to the Company or Executive Board.

Two shareholder representatives on the Supervisory Board should also be independent of the controlling shareholder (see recommendation C.9 of the 2020 Code). The Supervisory Board considers four shareholders to currently be independent of the anchor investor Weichai: Mr. Ring, Dr. Reuter, Ms. Behrendt, and Dr. Dibelius.

As regards the employee representatives, the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

The Supervisory Board is of the opinion that the priority in aiming for a board composition based on diversity is the expertise of the individual members and a balanced mix of personal qualities, experience, skills, qualifications, and knowledge in line with the requirements of the business. This is the basis on which the Supervisory Board has drawn up its profile of skills and expertise. The following profile of skills and expertise defines the knowledge acquired through professional practice (experience) and theoretical / academic knowledge (expertise) that should be represented on the Supervisory Board:

- Experience
  - Automotive industry, components, and drive technologies
  - Intralogistics
  - Automation, particularly automation in intralogistics
  - Service / aftersales business, particularly in intralogistics
  - Development of international marketing strategies and product portfolio strategies
- Expertise
  - Development and assessment of technology
  - Service / aftersales business models and technological developments in this area
  - Digitalization and automation
  - In-depth understanding of the markets in EMEA, the Americas, and Asia
- Experience
  - Management of companies with an international presence, including the development of corporate cultures and organizational structures
  - Supervisory board membership in companies with an international presence
  - Acquisitions and strategic alliances
- Experience and expertise
  - Corporate governance and compliance principles as well as their implementation in at least two of the regions relevant to the Company
  - Accounting and auditing
  - Capital markets and international finance

Each of these fields of competence is currently covered by at least six members of the Supervisory Board.

As 31.25 percent of its members are female (five of 16), the Supervisory Board meets the statutory requirements regarding gender representation on supervisory boards pursuant to section 96 (2) AktG. The shareholder representatives and the employee representatives are agreed that attaining the objectives in relation to diversity, in particular the objectives relating to the involvement of women and people from different cultural backgrounds, is considered to be in the interests of KION GROUP AG and a task that forms part of the collective responsibility of the entire Supervisory Board. The Supervisory Board therefore supports the inclusion of additional female members and members from different cultural backgrounds who meet the above criteria insofar as the skills requirements are met.

When proposing candidates to the Annual General Meeting in the future, the Nomination Committee and Supervisory Board will take all of the aforementioned targets into account and strive to ensure that the profile of skills and expertise is still achieved. The Nomination Committee and Supervisory Board have no influence on the composition of the group of employee representatives on the Supervisory Board because the employees in Germany are free to choose whom they elect.

Composition of the Executive Board

Against the background of the aforementioned diversity considerations as well as demographic requirements and strategic operating challenges, the Supervisory Board strives for diversity at Executive Board level, not only in terms of appropriate female representation but also in respect of experience, skills, expertise, cultural background, and personality. Ultimately, however, the Supervisory Board is guided exclusively by the skills and qualifications of the persons concerned when making appointments to the Executive Board.

When implementing these objectives during the process of appointing successors or recruiting for a new position, the Supervisory Board draws up a shortlist of candidates who appear to be suitable for the Company as a result of their strategic management experience, expertise, skills, and qualifications. Demographic criteria (including the standard retirement age of 65 for Executive Board members) and diversity criteria are then also taken into account. However, these criteria are of a subordinate nature when making a final decision on the person to appoint. In 2017, the Supervisory Board therefore set the target for the minimum proportion of women on the Executive Board of KION GROUP AG at 0 percent, to be achieved by December 31, 2021. The specification of this type of target is required by the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG).

In 2020, one of the four Executive Board members was female (Ms. Anke Groth). The proportion of women on the Executive Board of KION GROUP AG was therefore 25 percent as at December 31, 2020.

Long-term succession planning for the Executive Board

When required, the Executive Committee examines – sometimes in consultation with the Chief Executive Officer – the long-term succession planning for the Executive Board (section 7 (4) of the rules of procedure for the Supervisory Board). The Executive Committee holds four regular meetings per year. When required, long-term succession planning is included on the agenda for Executive Committee meetings. Under this agenda item, the committee discusses general parameters, such as the planning horizon, the identification of required skills and qualifications, and the internal talent pool. An external consultancy assists the Executive Committee with long-term succession planning where required.

Appointments to management positions below the level of the Executive Board of KION GROUP AG

When selecting candidates for senior management levels, the Executive Board generally considers that it is under an obligation to make such selections on the basis of diversity, capability, character, and experience.

As regards the number of women appointed to senior management positions in the Company, the Executive Board is striving in its implementation of the new KION 2027 strategy to increase the current proportion of women in management positions. In this context, the Executive Board set the target at 10 percent for the first management level below the Executive Board of KION GROUP AG and at 30 percent for the second management level, to be achieved by December 31, 2021. The specification of this type of target is required by Germany’s ‘Act for the equal participation of women and men in managerial positions in the private and public sectors’. In 2020, two of the 17 executives at the first management level and 15 of the 91 executives at the second management level were female. As at December 31, 2020, the proportion of women was therefore 11.8 percent at the first management level and 16.5 percent at the second management level at KION GROUP AG.

In 2018, as part of the HR initiative under the KION 2027 strategy, a dedicated diversity program was launched whose initial areas of activity were defined in workshops involving participants drawn from various Operating Units and sites. The Female Mentoring Program, in which the Company's high-potential female employees are systematically coached by managers from the highest management level in the Company, was run successfully in 2019, for example. KION GROUP AG is also an active member of the initiative 'Chefsache. Drive the Change – For Men and Women'. This network of companies and leaders from industry and science, the public sector, and the media advocates equal opportunities for women and men. By participating in this initiative, KION GROUP AG's ambition and objective is to promote the change of mindset that is required throughout society by exploring new concepts and approaches.

Combined management report

Preliminary remarks

The combined management report published in the 2020 annual report includes the group management report and the management report of KION GROUP AG. Unless stated otherwise, the description of the course of business (including business performance), position, and expected development refers both to the Group and to KION GROUP AG. Sections that only contain information on KION GROUP AG are indicated as such. The report on the economic position includes a separate section containing disclosures for KION GROUP AG in accordance with the German Commercial Code (HGB).

Fundamentals of the KION Group

Profile of the KION Group

Organizational structure

The KION Group comprises the parent company KION GROUP AG, which is a public limited company under German law, and its subsidiaries. The KION Group's strategic management holding company, KION GROUP AG, is listed on the Frankfurt Stock Exchange and is part of the indices MDAX, MSCI World, STOXX Europe 600, FTSE Euro Mid, FTSE4Good, and DAX 50 ESG.

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), a subsidiary of Weichai Power Co. Ltd., Weifang, People's Republic of China, which, to the knowledge of the Company, held 45.2 percent of the shares at the end of 2020. The free float accounted for 54.7 percent of the shares, while the remaining 0.1 percent were treasury shares. Details of treasury shares (pursuant to section 160 (1) no. 2 of the German Stock Corporation Act (AktG)) are provided in note [28] 'Equity' in the notes to the consolidated financial statements.

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (DCGK), as amended, provides the framework for management and control. As required by section 289f and section 315d of the German Commercial Code (HGB), the corporate governance standards that the Group applies are set out in the declaration on corporate governance. This declaration also contains the declaration of conformity pursuant to section 161 AktG, which was issued by both the Executive Board and the Supervisory Board of KION GROUP AG on December 17, 2020, and the corporate governance report pursuant to principle 22 of the 2020 German Corporate Governance Code, which also provides information about the compliance standards in the Group. The declaration on corporate governance can be viewed and downloaded on the Company's website. It also forms part of this annual report and is a component of the combined management report.

The essential features of the remuneration system are described in the 'Remuneration report' section. The total amounts for Executive Board remuneration and Supervisory Board remuneration are also reported in the notes to the consolidated financial statements (note [47]).

Non-financial declaration

A separately published sustainability report provides detailed information on the sustainable management of the KION Group. It contains the KION Group's report on non-financial matters as required under the German law to implement the corporate social responsibility (CSR) directive. The non-financial Group report focuses on targets, action steps, and due diligence processes relating to the key environmental, social, and employee-related aspects of the KION Group's business model, the observance of human rights, and the fight against corruption and bribery.

In accordance with the statutory disclosure deadlines defined in section 325 HGB, the KION Group publishes its annual sustainability report (including the non-financial declaration) by no later than the end of April each year on its website (www.kiongroup.com), where it will remain available for at least ten years.

Executive Board

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group and had four members in 2020. Susanna Schneeberger and the Supervisory Board reached agreement by amicable and mutual consent that her employment at the KION Group would end on March 31, 2020 due to differing views on corporate strategy. A member of the Executive Board of KION GROUP AG, she was in charge of the Supply Chain Solutions segment (Dematic) and held the post of Chief Digital Officer with responsibility for digital transformation. These duties were reassigned among the remaining four Executive Board members.

The responsibilities of the Executive Board members as at December 31, 2020 are listed in the declaration on corporate governance.

Since January 1, 2021, the Executive Board of KION GROUP AG, which is responsible for the operational management of the KION Group, has had six members. The Supervisory Board appointed Hasan Dandashly for four years and Andreas Krinninger for three years as additional members of the Executive Board of KION GROUP AG with effect from the start of 2021. All of the Group's operating activities are now explicitly assigned to particular areas of responsibility on the Executive Board of KION GROUP AG. The Executive Board as a whole is collectively responsible for key operational and strategic decisions and for the allocation of resources. Hasan Dandashly has Executive Board responsibility for the Supply Chain Solutions (SCS) segment, which comprises the global business of Dematic. Andreas Krinninger has assumed responsibility within the Executive Board for the EMEA business of the Industrial Trucks & Services (ITS) segment, which includes the operational business of KION brand companies Linde, STILL, and Baoli within the EMEA region.

The Supervisory Board of the KION GROUP AG has also appointed Dr. Henry Puhl for three years as a member of the Executive Board in the role of CTO with effect from July 1, 2021. He will succeed Dr. Eike Böhm, who will be retiring on June 30, 2021.

Ching Pong Quek retains responsibility within the Executive Board of KION GROUP AG for the Industrial Trucks & Services (ITS) segment in the APAC and Americas regions. Anke Groth will continue as CFO and Labor Relations Director. Gordon Riske remains the CEO.

The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

Supervisory Board

The Supervisory Board, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. In addition to its control function, it advises the Executive Board in its handling of significant matters and business transactions. To increase the efficiency of its work, the Supervisory Board is supported by four standing committees: the Nomination Committee, the Executive Committee, the Audit Committee, and the Mediation Committee.

All of the shareholder representatives on the Supervisory Board have been elected for a term of five years. Jiang Kui, Dr. Christina Reuter, Hans Peter Ring, and Xu Ping resigned as Supervisory Board members with effect from the end of the Annual General Meeting on July 16, 2020 so that the terms of office of the shareholder representatives on the Supervisory Board would not all end at the same time in the future. As proposed by the Supervisory Board, they were then re-elected to the Supervisory Board for a term of five years. This has created a staggered board structure, thereby helping to ensure the continuity of the Supervisory Board's work.

Business model and organizational structure

The KION Group's business model is designed so that customers of all sizes and from all sectors can obtain the full spectrum of material handling products and services from a single source. Thanks to its broad technology base, diversified product portfolio, and worldwide service network, the KION Group is able to bring a comprehensive portfolio of such products and services to the market.

The KION Group's market activities was divided into five Operating Units in the financial year 2020: LMH EMEA, STILL EMEA, KION APAC, KION Americas, and Dematic. LMH EMEA and STILL EMEA each concentrate on Europe, the Middle East, and Africa. KION APAC and KION Americas hold cross-brand responsibility for industrial truck business in the Asia-Pacific region and the Americas respectively. Dematic is the global supply chain solutions business. While KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy, the allocation of resources, and groupwide business standards, the Operating Units have full commercial responsibility for their business.

For internal management purposes, the KION Group has divided its operating business into two segments that correspond to the operating segments as required by international financial reporting standards (IFRS 8). The industrial truck business, including the sales supporting financial services, is shown in the Industrial Trucks & Services segment, while activities focusing on end-to-end supply chain solutions make up the Supply Chain Solutions segment. The two segments complement each other in terms of their respective market position and regional presence. The Corporate Services segment comprises the other activities and holding functions of the KION Group. These include service companies that provide services such as IT, logistics, and general administration across all segments.

Industrial Trucks & Services segment

The Industrial Trucks & Services segment encompasses the activities of the international brand companies Linde, STILL, and Baoli, the local brand companies Fenwick and OM (formerly OM Voltas), plus the financial services business.

- Linde is an international and technologically innovative premium brand that manufactures forklift and warehouse trucks and provides accompanying fleet management solutions, driver assistance systems, and service options, meeting even the most demanding customer requirements in terms of technology, efficiency, functionality, and design. In France, Linde products are sold under the Fenwick brand.
- STILL, a provider of forklift trucks, warehouse trucks, and intralogistics systems, drives innovation in its field and has a particular focus on the European market and Brazil.
- Baoli is the international brand for the lower end of the volume segment and the economy segment.
- OM is the local brand company for the Indian market, through which the KION India Pvt. Ltd. subsidiary manufactures and sells electric and IC industrial trucks and warehouse trucks.
- KION Financial Services (KION FS) is an internal funding partner for the Industrial Trucks & Services segment, providing finance solutions to support sales.

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers the key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management, and financial services that support the core industrial truck business.

The segment earns just over half of its revenue in the financial year 2020 from the sale of industrial trucks. The product portfolio includes counterbalance trucks powered by an electric drive or internal combustion engine, warehouse trucks (ride-on and hand-operated), and towing vehicles for industrial applications covering all load ranges. Worldwide research and development activities strengthen the Industrial Trucks & Services segment's position as a technology driver, which it is extending in areas such as energy-efficient and low-emission drive technologies and automation solutions. In this field, the KION Group operates 17 production facilities for industrial trucks and components in eight countries. So that it can ensure security of supply and the availability of spare parts for important components in order to meet customers' specific requirements, the segment manufactures major components itself, notably lift masts, axles, counterweights, and safety equipment. Energy-efficient lithium-ion battery systems are manufactured by the joint venture KION Battery Systems (KBS). Other components – such as hydraulic components, electronic components, conventional rechargeable batteries, engine components, and industrial tires – are purchased through the global procurement organization.

As a rule, industrial trucks are built according to the customer's individual specifications. The premium positioning of the international Linde and STILL brands is based on the integration of end-to-end mobile automation solutions, advantages for customers in terms of total cost of ownership (TCO), and high energy efficiency and safety standards. The segment is underpinned by an extensive sales and service network. As at December 31, 2020, this network comprised around 1,800 outlets in over 100 countries and was staffed by around 19,000 service employees, just under half of whom were employed by the KION Group.

The worldwide vehicle fleet, which consisted of more than 1.6 million industrial trucks at the end of 2020, provides a broad base for the service business. This business helps to smooth out fluctuations in the segment's revenue and is aimed at reducing dependency on market cycles and supporting new truck sales by maintaining lasting customer relationships. Extensive and innovative services such as digital fleet management are offered for every stage of the lifecycle, mainly for premium products. There are also individual orders for repairs and maintenance work as well as for spare parts. In addition, the Operating Units have extensive used truck and rental truck businesses, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired.

Financial services support the sale of new trucks in many markets, forming another pillar of the service business. Its activities comprise the financing of long-term leasing business for external customers, the internal financing of the short-term rental business, and the related risk management. In the large sales markets with a high volume of financing and leasing activities, legally independent KION FS companies handle this business. About half of all new trucks are financed via the KION Group itself or via external banks and financing partners. Offering financial services is therefore part of the truck sales process. Leases are generally linked to a service contract covering the term of the finance agreement.

Supply Chain Solutions segment

The Supply Chain Solutions segment, with its Dematic brand, is the world’s leading provider in the market for warehouse automation, based on 2019 revenue figures (Interact Analysis, 2020).

Manual and automated solutions are provided for all functions along customers’ supply chains, from goods inward and Multishuttle warehouse systems to picking, automated palletizing, and automated guided vehicle systems. Picking equipment controlled by radio, voice, or light is available for nearly all goods and packaging types. Automated storage and retrieval systems (ASRSs), robotic picking systems, and compact, powerful split-case and pallet picking stations can be used to achieve very fast throughput times and picking rates. At the same time, cross-docking solutions increase the efficiency of the system as a whole by eliminating the unnecessary handling and storage of goods. The micro-fulfillment system was developed to speed up the processing of online orders in retail and in distribution centers near urban areas. Automated guided vehicles (AGVs) and autonomous mobile robots (AMRs) optimize the inhouse movement of goods on the factory floor, in warehouses, and in distribution centers.

Real-time management of the supply chain solutions is based on the proprietary software platform Dematic iQ, which can be integrated into the customer’s existing application landscape. With features such as real-time material flow data analysis, Dematic iQ can help with the optimization of all kinds of processes to ensure seamless order processing. The Dematic iQ portfolio comprises a warehouse execution system (WES) that ensures a high level of workflow efficiency, a cloud-based asset performance management (APM) platform that brings together all operational, maintenance, and equipment data, a plant emulation and simulation platform for digitally modeling operational or software changes, and a process execution platform for executing manual business processes using mobile devices.

The segment is primarily involved in customer-specific, longer-term project business. With nine production facilities in North America, Europe, China, and Australia and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity worldwide.

The (new) project business (business solutions) covers every phase of a new installation: analysis of the customer’s needs and the general parameters, provision of appropriate advice, computer simulation of bespoke intralogistics solutions in the customer’s individual environment, technical planning and design of the system, implementation of the control technology and its integration into the customer's existing IT infrastructure, site and project management, and plant monitoring and support for the customer during implementation of the system, including training for the workforce.

The system components, which are specified in detail for each customer project, such as automated guided vehicles, palletizers, storage and picking equipment including automated storage and retrieval systems, sorters, and conveyors, are manufactured inhouse or, in some cases, by third parties.

As at December 31, 2020, modernization work and services (customer services), which usually cover the entire lifetime of an installed system, were provided to customers locally by just under 2,000 employees in over 30 countries. The service business benefits from an installed base of more than 6,000 systems.

Production sites of the KION Group

Industrial Trucks & Services

Brazil	
Indaiatuba / São Paulo:	Counterbalance trucks with electric drive or IC engine, warehouse technology
People's Republic of China	
Jingjiang:	Counterbalance trucks with electric drive or IC engine, warehouse technology
Xiamen:	Counterbalance trucks with electric drive or IC engine, heavy trucks, warehouse technology
Germany	
Aschaffenburg:	Counterbalance trucks with electric drive or IC engine
Dinklage:	Component production
Geisa:	Component production
Hamburg:	Counterbalance trucks with electric drive or IC engine, warehouse technology, components
Kahl am Main:	Spare parts center, component production
Karlstein am Main:	Lithium-ion batteries
Reutlingen:	Very narrow aisle trucks
Weilbach:	Component production
France	
Châtellerault:	Warehouse technology
India	
Pune:	Counterbalance trucks with electric drive or IC engine, warehouse technology
Italy	
Luzzara:	Warehouse technology
Czech Republic	
Český Krumlov:	Component production
Stříbro:	Warehouse technology
United States	
Summerville:	Counterbalance trucks with electric drive or IC engine, warehouse technology

Supply Chain Solutions

Australia	
Sydney:	Conveyor and sortation systems, automated guided vehicle systems, system components and racking
Belgium	
Zwijndrecht:	Automated guided vehicle systems
People’s Republic of China	
Suzhou:	Conveyor, sortation, storage and retrieval systems
Germany	
Offenbach am Main:	Conveyor, sortation, storage and retrieval systems
Italy	
Milan:	Sortation systems
Czech Republic	
Stříbro:	Conveyor systems
Mexico	
Monterrey:	Conveyor, sortation, storage and retrieval systems, system components
United States	
Holland:	Automated guided vehicle systems
Salt Lake City:	Conveyor, sortation, storage and retrieval systems, automated guided vehicle systems, system components

Market and influencing factors

According to the KION Group’s estimates, the material handling market – comprising industrial trucks and supply chain solutions and related services – has expanded at a faster rate than real global economic growth over the past five years (2015–2020), despite the impact of the coronavirus pandemic. The value of the market has increased at an average annual rate of around 6 percent over that time.

Of the relevant market volume, the KION Group estimates that around 60 percent is attributable to revenue from industrial trucks and related services, which are essential to maintaining global and regional production and supply chains in all sectors. The remaining market volume is accounted for by revenue from supply chain solutions, the growth of which is fueled in no small part by the increasing automation of production and logistics processes in various industries.

In the past, the material handling market was heavily influenced by macroeconomic factors. Economic conditions in the different regions and the rates of growth in global trade have a major effect on customers’ willingness to invest. Despite the regionalization of some supply chains as a result of the coronavirus pandemic, the globalization of many sectors continues to be one of the main overarching growth drivers. Global megatrends – such as e-commerce, world population growth, urbanization, digitalization, and sustainability – are also driving the growth of the material handling market.

The KION Group believes that these developments and trends are boosting demand for decentralized warehouse and logistics capacity in response to value chains and supply chains that are becoming increasingly fragmented as well as demand for smaller warehouses and micro-fulfillment solutions. Digitalization is increasing the connectivity and big data functions of intralogistics solutions, thereby catering to the growing demand for everything from networked trucks and systems to predictive maintenance tools, self-monitoring trucks, virtual reality solutions, and automation. The KION Group believes that interest in automated and digital solutions has risen during the coronavirus pandemic because they contribute to the safety and resilience of intralogistics processes.

Historically, new business in the Industrial Trucks & Services segment has shown a very strong correlation with the performance of broad economic indicators, such as gross domestic product and industrial output. By contrast, the Supply Chain Solutions segment tends to be less cyclical owing to longer project cycles, often lasting for several years, and to the stable growth of e-commerce. In both segments, the service business is generally more stable than the product or project business as it is linked to the installed base of trucks and systems over their entire lifetime. The economic situation is also affected by competition levels, exchange rates, and changes in commodity prices. Economic trends within individual customer sectors are another important factor. The significant sectors are manufacturing, the food industry, general merchandise and grocery wholesale and retail, logistics services, and pure e-commerce.

Regulatory frameworks have a major impact on the business model, both in the Industrial Trucks & Services segment and in the Supply Chain Solutions segment. The products and services of subsidiaries in the KION Group have to comply with the specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific standards and other norms (e.g. EN, ISO, and DIN). The KION Group's management systems are oriented to these requirements. Certification is to be extended to all production facilities and sales and service outlets.

Legal requirements also apply to the construction and operation of production facilities, including in relation to air pollution avoidance, noise reduction, waste production & disposal, and health & safety. The KION Group fulfills all of these requirements as well as all the legal provisions pertaining to exports and financing business.

Influencing factors in the Industrial Trucks & Services segment

The value of the global market for industrial trucks has, according to the KION Group's estimates, increased by an average of around 4 percent annually over the past five years. This is due in large part to the growth in the volume of new truck business and the rise in the contribution from the service business compared to the past.

Measured in terms of units ordered, 36 percent of the global market was attributable to IC counterbalance trucks in 2020, while electric forklift trucks accounted for 15 percent and warehouse technology 49 percent.

Sustainability and electrification are among the main driving factors in the market for industrial trucks and services. Customers are increasingly demanding solutions for environmentally friendly supply chains, primarily electric trucks. Consequently, the strongest growth in the new truck business in recent years has been for forklift trucks and warehouse trucks powered by an electric motor. Much of the additional volume in the market for new industrial trucks is attributable to the electrification of manual hand pallet trucks, which are being replaced by entry-level electric trucks in the lower weight categories. It should be noted that the per-unit price for warehouse technology is considerably lower than for counterbalance trucks, which is why the breakdown by value shows that counterbalance trucks dominate. IC counterbalance trucks continue to make up a comparatively high proportion of the total unit volume in growth regions.

Stricter emissions standards and new energy solutions – particularly lithium-ion batteries, but also fuel cells – are also boosting demand for counterbalance trucks with an electric drive and for warehouse facilities.

Furthermore, the increasing automation of warehouses and the resulting rise in indoor material handling are pushing up demand for industrial trucks with an electric drive. Customers are becoming more and more interested in hybrid solutions in which automation technology is added to standard industrial trucks to create automated guided vehicles. These products are aimed at reducing injuries to operators and damage to goods and infrastructure. They also help to improve transportation quality, reliability, and productivity.

Digitalization has led to greater demand for networked trucks, such as fleet management systems and products that use big data to support the predictive maintenance tools.

The industrial truck market is benefiting from customers' growing requirements regarding the quality, efficiency, and eco-friendliness of industrial trucks and from higher expectations in terms of service, availability of spare parts, and flexible rental solutions. Customers are more focused on optimizing total cost of ownership and, increasingly, on the ability to integrate the trucks into fully automated intralogistics solutions. At the same time, there is mounting competitive pressure worldwide as some manufacturers in the economy segment based in China are pursuing an international expansion strategy. In mature markets and, increasingly, in growth regions, the large number of trucks in use also provides a strong base for replacement business and rising demand for services.

Influencing factors in the Supply Chain Solutions segment

According to the KION Group's estimates, the market for supply chain solutions has expanded much faster than the market for industrial trucks and services over the past five years (2015–2020), owing to growing demand in the main customer industries. Both the project business (business solutions) and downstream services (customer services) have contributed to this expansion.

The service business benefits from the growing number of installed systems and the trend toward the outsourcing of logistics processes.

The growth of e-commerce has a major influence on demand for supply chain solutions, including warehouse automation and solutions for sorting and for automated goods transportation. According to estimates by the research institute eMarketer, global online trade (B2C) expanded at an average rate of around 23 percent between 2015 and 2020. At the same time, omnichannel approaches are becoming more prevalent in all sectors. The KION Group believes that this has made companies more willing to invest in reorganizing their supply chains in order to automate and digitalize them. Growing complexity and changing customer expectations call for shorter lead times, a more efficient flow of goods, a broader product range, and improved process reliability.

The combination of smaller order volumes and more frequent orders requires efficient and automated solutions. This is driving demand for decentralized and smaller warehouse and logistics capacity and for micro-fulfillment solutions in urban areas that enable faster deliveries and, due to automated processes, lower personnel expenses and floor space costs. Consequently, the research institute Interact Analysis is predicting significant growth in the market for micro-fulfillment automation in the years ahead. At the same time, the focus of technological progress is increasingly shifting toward software and robotics solutions. Interact Analysis anticipates that this will lead to disproportionately strong growth in the market for AGVs and AMRs.

Market position

In 2020, the Industrial Trucks & Services segment had a 12.1 percent share of the global market based on order intake measured by the number of units (2019: 14.2 percent). This contraction is largely due to the growing competition from Chinese companies, particularly when it comes to entry-level trucks in the warehouse technology segment. Measured in terms of units sold in 2020, KION is the number one in the European market for industrial trucks. In China, it is still the leading non-domestic manufacturer in terms of revenue and number three overall.

The Supply Chain Solutions segment (Dematic) is the biggest provider in the global market for warehouse automation, based on 2019 revenue figures. This is supported by data from 2020 gathered by Interact Analysis. Studies by Interact Analysis in 2019 also rank Dematic as the leading vendor in the fast-growing AGV and AMR segment and, in 2020, in the automation of micro-fulfillment centers.

Strategy of the KION Group

Objectives of the KION 2027 strategy

The KION Group continued to forge ahead with the implementation of its KION 2027 strategy during the reporting year, despite focusing heavily on short-term measures to deal with the coronavirus pandemic at the same time. The KION 2027 strategy provides the framework for profitable growth in the Group and specifies groupwide targets. The strategy is aligned with the KION Group's vision: "We are the best company in the world at understanding our customers' material handling needs and providing the right solutions."

The KION 2027 strategy is designed to unlock the potential of both operating segments and place an even greater focus on a shared, customer-centric innovation, sales, and brand strategy. The emphasis is on developing and marketing integrated, automated, and sustainable supply chain solutions and mobile automation solutions for customers around the world. In the Industrial Trucks & Services segment, products and services are being transitioned to sustainable energy concepts and being complemented with consultancy and project work. And in the Supply Chain Solutions segment, the range of options for customers is being expanded to include system solutions for special requirements in individual customer segments. The KION 2027 strategy provides the framework in the Group and sets groupwide targets:

- Growth: The KION Group aims to grow at a faster rate than the global material handling market by evolving into a solutions provider in both segments.
- Profitability: The KION Group wants to retain its position as one of the most profitable suppliers in the industry and improve its adjusted EBIT margin so that it is permanently in double digits.

- Efficient use of capital: The KION Group continually strives to optimize the return on capital employed (ROCE). Besides increasing earnings, the focus here is on asset management and efficient use of capital.
- Resilience: Profitability throughout the various market cycles is to be guaranteed by a robust business model. This will involve greater diversification in terms of regions and customer sectors alongside efforts to expand the service business and further optimize the production network.

During the reporting year, capital investment and expenditure in connection with the implementation of KION 2027 was focused on the most important projects in order to preserve liquidity and contain costs. These projects included construction of the new plant in Jinan, eastern China, which began in the third quarter of 2020. Counterbalance trucks in the fast-growing value segment are to be manufactured here. Furthermore, a new warehouse technology plant near Xiamen, China, came on stream and the production facility for material handling solutions in Stříbro, Czech Republic, was expanded. Another major step was the start of production of lithium-ion batteries at the joint venture KION Battery Systems GmbH in Karlstein am Main, Germany. By expanding its international production network, the KION Group is creating the capacity needed to cope with the market growth that is expected after the coronavirus pandemic has been brought under control. The KION Group also strengthened its technological and market position through strategic acquisitions that focused on the areas of automation and digitalization.

Strategic fields of action and measures in 2020

Five fields of action have been defined for the KION 2027 strategy – energy, digitalization, automation, innovation, and performance – for which a wide range of strategic measures were implemented in 2020:

Energy

The KION Group continually develops its products and solutions so that its customers are able to use energy as efficiently and sustainably as possible. Electric-powered forklift trucks and warehouse trucks already made up around 87 percent of order intake (in terms of units) of the KION Group's Industrial Trucks & Services segment in 2020. A focus of the strategy is to develop and commercialize new energy sources, such as lithium-ion batteries and fuel cells, for industrial trucks and related services, such as the provision of advice on energy matters.

Crucial to this strategic approach is ensuring the long-term availability of lithium-ion batteries while reducing dependence on suppliers. A major step in this regard was the start of production at the new site in Karlstein am Main, Germany of the joint venture KION Battery Systems GmbH. This is strengthening the KION Group's position in the energy-efficient drive technology market and creating capacity to equip everything from entire future truck fleets to heavy-duty trucks capable of handling large loads. Lithium-ion batteries for warehouse trucks are also to be produced at a later date. In parallel, the KION Group has expanded its portfolio of energy-efficient drive technologies (see 'Research and development').

Digitalization

The KION Group is gearing its business to customers' increasingly digitalized processes in order to improve their intralogistics efficiency. The digitalization of customer solutions – including through the use of the proprietary warehouse management system Dematic iQ – is being accompanied by the digitalization of internal processes and resulting improvements in performance. The KION Group is not only integrating software into its solutions but is also increasingly marketing software solutions as standalone products. Internal organizational structures are also being modernized in order to pave the way for agile development and embed it across the Group.

The KION Group significantly expanded its intralogistics software offering in the area of warehouse management systems (WMSs) by acquiring Digital Applications International Limited (DAI). This is expanding the portfolio of Dematic iQ automation solutions to cover a broader range of applications, from manual operations to fully automated supply chain ecosystems. Another key milestone in product development was the migration of the fleet management solutions of Linde and STILL and of Dematic's InSight asset performance management (APM) platform to the Company's own cloud.

Automation

In the field of automation, the KION Group offers customized and scalable solutions for a wide range of customer requirements, from single forklift trucks to end-to-end mobile automation solutions and fully automated large-scale warehouses. These are helping customers move closer to the goal of a 'lights-out' warehouse.

The strategic partnership with Quicktron (Shanghai), which was agreed upon in 2020 and underpinned by the acquisition of a minority stake, has significantly expanded the portfolio of AMRs. Dematic has also added to its range of automation solutions, for example for micro-fulfillment warehouses. The latter are a key component of customers' e-commerce strategies, under which they are increasingly establishing smaller warehouses close to their retailers and end customers in order to be able to deliver to them as quickly as possible. Special industry-specific solutions were also launched on the market.

Innovation

The KION Group develops technologies on a cross-segment basis and in doing so drives forward innovation in the material handling market. It is continuing to invest significantly in research and development, in 2020, at a rate of 2.8 percent of revenue.

In addition to efficient development processes, the KION Group also works with an effective innovation ecosystem. To this end, it partners with research institutes, universities, and companies so that it can go to market with new products and solutions within a short space of time. In 2020, for example, a project was completed that had been undertaken with Canada's University of Waterloo to conduct research into cable-based technologies for automated storage and retrieval systems. The KION Group is also involved in other government-supported research and development projects, such as the use of mobile robotics solutions in the retail sector.

Performance

The KION Group intends to continually improve internal efficiency, optimize the performance of its products from a customer perspective, and fully leverage synergies.

In the past two years, the groupwide optimization and efficiency program, Performance Excellence, has resulted in tangible success and savings.

In 2020, the KION Group launched another major project, its capacity and structural program. The purpose of the program is to cut costs through the use of suitable working time models on the one hand and, on the other, to reduce the high level of fixed costs resulting from overcapacity, adjust capacity in line with expected market requirements, and create leaner structures. The program is primarily aimed at the Industrial Trucks & Services segment in Europe, where the focus is on optimizing the production network, including adjusting capacity and carrying out accompanying personnel measures.

Management system

Core key performance indicators

The KION Group's strategy, which centers on value and growth, is reflected in how the Company is managed. The performance targets of the Group and the segments are based on selected financial indicators, as is the performance-based remuneration paid to managers. It uses five core key performance indicators (KPIs), which remained unchanged in the reporting year, to continuously monitor market success, growth, earnings power, profitability, financial strength, and liquidity. The KPIs used to manage the segments are order intake, revenue, and adjusted EBIT. Free cash flow and ROCE are only used as KPIs for the Group as a whole. The KPIs are mainly measured and made available to the Executive Board on a monthly basis as part of the internal reporting process.

Key performance indicators

in € million	2020	2019
Order intake	9,442.5	9,111.7
Revenue	8,341.6	8,806.5
Adjusted EBIT[1]	546.9	850.5
Free cash flow	120.9	568.4
ROCE	6.2%	9.7%

1 Adjusted for PPA items and non-recurring items

Alternative performance measures

The KION Group's financial reports are prepared in line with International Financial Reporting Standards (IFRS). As well as reporting on the financial key performance indicators defined under IFRS, the KION Group also uses alternative performance measures (APMs). APMs are Company-specific indicators that are not directly based on any laws or accounting standards. Some are Company-specific adjustments of certain financial KPIs, for example the adjustment of these KPIs for non-recurring items. APMs are used both internally for management purposes and externally for communicating and reporting to a range of stakeholders.

KPIs used by the KION Group

The following is an overview of the KPIs used by the KION Group to comply with the reporting obligations prescribed by law.

Order book

The order book provides a record of all legally binding customer orders as at the reporting date for which the revenue has not yet been recognized. In the Industrial Trucks & Services segment, this only includes orders for new trucks. For long-term construction contracts in the Supply Chain Solutions segment, services that have already been rendered are deducted from the total value of the contract with the customer.

Order intake

Order intake comprises all legally binding customer orders less any subsequent cancellations for the reporting period. Order intake is a leading indicator for future revenue. The length of time between receipt and invoicing of an order varies depending on the segment, region, and product category. Order intake is shown in the > table 'Key performance indicators' in this section.

EBIT (earnings before interest and tax)

EBIT is earnings before net financial income/expenses and tax for the reporting period.

Adjusted EBIT

Adjusted EBIT for the reporting period is EBIT adjusted for Company-specific purchase price allocation effects and non-recurring items. It is the key figure used for operational management and analysis of financial performance. A reconciliation of EBIT to adjusted EBIT is presented in the > table 'EBIT' (in the section 'Financial position and financial performance of the KION Group').

Adjusted EBIT margin

The adjusted EBIT margin is the ratio of adjusted EBIT to revenue for the reporting period.

EBITDA (earnings before interest, tax, depreciation, and amortization)

EBITDA is earnings before net financial income/expenses and tax plus amortization, depreciation, and impairment less reversals of impairment on leased and rental assets, other property, plant, and equipment, and intangible assets for the reporting period.

Adjusted EBITDA

Adjusted EBITDA for the reporting period is EBITDA adjusted for Company-specific purchase price allocation effects and non-recurring items. A reconciliation of EBITDA to adjusted EBITDA is presented in the > table 'EBITDA' (in the section 'Financial position and financial performance of the KION Group').

Adjusted EBITDA margin

The adjusted EBITDA margin for the reporting period is the ratio of adjusted EBITDA to revenue.

Adjusted EBITDA for the long-term leasing business

Adjusted EBITDA for the long-term leasing business for the reporting period comprises the adjusted EBITDA generated by the KION Group as lessor from long-term direct and indirect leases in the ITS segment.

Earnings before tax

Earnings before tax for the reporting period is EBIT plus net financial income/expenses.

Net financial debt

Net financial debt as at the reporting date is the sum of non-current and current financial liabilities less cash and cash equivalents. It is an indicator of the Company's liquidity situation and capital structure. Net financial debt is presented in the > table '(Industrial net) operating debt' (in the section 'Financial position and financial performance of the KION Group').

Leverage on net financial debt

Leverage on net financial debt is the ratio of net financial debt to adjusted EBITDA on an annualized basis.

Industrial net operating debt

Industrial net operating debt as at the reporting date is defined as net financial debt plus liabilities from the short-term rental business and liabilities from procurement leases. It is an indicator of the liquidity situation and capital structure for the operating business excluding the KION Group's activities as lessor. A reconciliation of net financial debt to industrial net operating debt is presented in the > table '(Industrial net) operating debt' (in the section 'Financial position and financial performance of the KION Group').

Capital employed

Capital employed as at the reporting date is defined as total assets less (i) lease receivables, income tax assets, deferred tax assets, cash and cash equivalents, certain other financial assets and other assets, and fair value adjustments due to purchase price allocations and (ii) other provisions, trade payables, contract liabilities, and certain other financial liabilities and other liabilities. Capital employed is the working capital that is required. The following > table 'Return on capital employed (ROCE)' shows how the figure for capital employed is calculated.

ROCE (return on capital employed)

Return on capital employed (ROCE) is the ratio of adjusted EBIT to capital employed as at the reporting date. ROCE is a measure of the profitability and efficiency of the capital employed and is shown in the following table.

Return on capital employed (ROCE)

in € million	2020	2019
Total assets	14,055.7	13,765.2
– less selected assets[1]	–2,370.1	–2,120.6
– less selected liabilities[2]	–2,873.3	–2,861.8
Capital employed	**8,812.3**	**8,782.7**
Adjusted EBIT	**546.9**	**850.5**
ROCE	**6.2%**	**9.7%**

1 Lease receivables, income tax receivables, deferred tax assets, cash and cash equivalents, certain other financial assets and other assets and fair value adjustments identified as part of purchase price allocations

2 Sundry other provisions, trade payables, contract liabilities, certain other financial liabilities and other liabilities

Free cash flow

Free cash flow for the reporting period is the sum of cash flow from operating activities and cash flow from investing activities. It indicates financial strength and is the main KPI for managing the KION Group's liquidity and financing. Free cash flow describes the cash flow that is available to pay dividends and interest and to repay liabilities. Free cash flow is shown in the > table 'Key performance indicators' in this section.

Capital expenditure

For the KION Group, this item includes capitalized development costs and spending on property, plant, and equipment and on intangible assets (excluding right-of-use assets) for the reporting period.

Net working capital

Net working capital as at the reporting date is defined as the sum of inventories, trade receivables, and contract assets less trade payables and contract liabilities.

R&D spending

Spending on research and development (R&D) is the sum of the research and development expenditure recognized in the consolidated income statement and the capitalized development costs for the reporting period. It is presented in the > table 'Research and development (R&D)' (in the section 'Non-financial performance indicators').

R&D spending as a percentage of revenue

The item R&D spending as a percentage of revenue is the ratio of expenditure on R&D to revenue for the reporting period and is shown in the > table 'Research and development (R&D)' (in the section 'Non-financial performance indicators').

Currency-adjusted changes

Currency-adjusted changes shows the percentage change in a KPI (e.g. order intake, revenue) for the reporting period excluding the effects of changes in exchange rates.

Projected KPIs

The projected KPIs reflect the Company's expectations regarding future developments and are therefore forward-looking. They are calculated in the same way as the APMs that are described in this section.

Report on the economic position

Macroeconomic and sector-specific conditions

Macroeconomic conditions

The coronavirus pandemic, which began in late 2019/early 2020, knocked the global economy off its expected growth course and plunged it into a deep recession in the year under review. The International Monetary Fund (IMF) estimates that global economic output contracted by 3.5 percent in 2020.

To limit the number of cases and avoid overloading healthcare systems, many governments worldwide imposed measures of varying intensity and duration, particularly in the first half of the year. These lockdowns led to extensive restrictions on economic activity. Consumer spending, investing activity, and companies' production activities were significantly affected. The negative impact was felt internationally, taking its toll on global trade, financial markets, commodity markets, and supply chains.

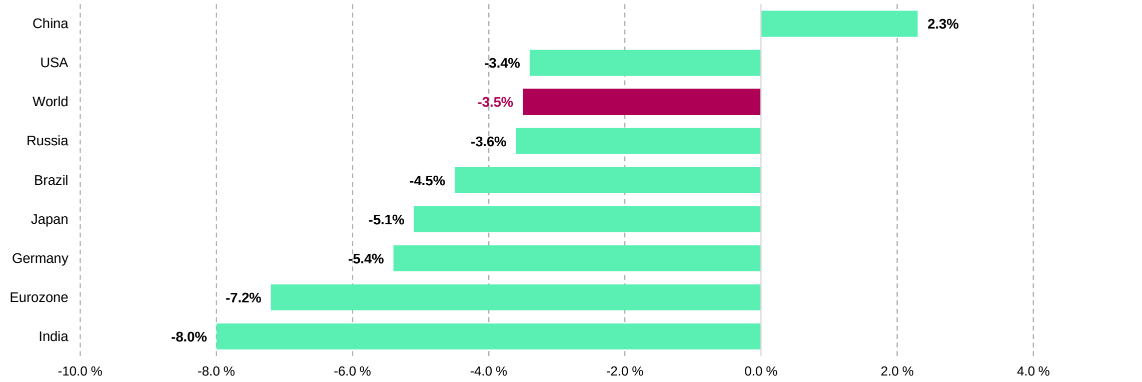
Following its dramatic slump in the first half of the year, the global economy began to show early signs of recovery in the third quarter thanks to the easing of local lockdowns and the gradual restart of activity by companies that had faced restrictions. The extensive fiscal and monetary policy measures helped to contain the sharp drop in economic activity and global trade.

Infection rates began to rise again in some parts of the world in the fourth quarter, resulting in the tightening of restrictions to varying degrees depending on the region. In some areas, this put the brake on the economic recovery that had begun in the third quarter.

According to the IMF, the developed economies recorded a year-on-year contraction of 4.9 percent in 2020, with the eurozone among the areas worst affected. The decrease in the United States was less pronounced. According to the IMF, the emerging markets and developing countries saw their economic output decline by 2.4 percent. Having suffered a significant downturn in its growth as a result of the strict lockdown in the first few months of the year, China recovered over the course of the year – and is continuing to do so – due in part to government stimulus. By contrast, countries such as India and Brazil suffered a severe recession.

According to the IMF, the global volume of trade contracted by 9.6 percent year on year because of border closures and disruption to global supply chains.

Gross domestic product in 2020 real year-on-year change



Source: International Monetary Fund (as at Jan. 26, 2021)

Sectoral conditions

The economic fallout from the coronavirus pandemic affected the KION Group's segments to varying degrees. The KION Group's main regional sales markets in the Industrial Trucks & Services segment felt the impact throughout the year. The global market for industrial trucks varied significantly from region to region and generated year-on-year growth overall, primarily thanks to very strong growth in China. The Supply Chain Solutions segment benefited from the establishment and expansion of automated supply chain solutions for e-commerce and this more than compensated for the negative effects of the pandemic on individual customer segments.

Industrial Trucks & Services

Despite the coronavirus pandemic, order numbers in the global market for industrial trucks rose by 8.6 percent year on year to around 1.6 million trucks in 2020. This increase was mainly due to exceptionally strong growth in China (up by 37.0 percent) over the course of the year, having begun after China brought the pandemic under control early on. As a result, the APAC region (Asia-Pacific) as a whole recorded a rise of 23.5 percent. Excluding the figures for China, the number of new trucks ordered in the global market decreased by 4.3 percent. The decline was particularly pronounced in the EMEA region (western Europe, eastern Europe, Middle East, and Africa), where the number of trucks ordered went down by 5.2 percent. The Americas region (North, Central, and South America) registered a small decrease in orders of 0.1 percent.

Global orders for new electric forklift trucks decreased by 0.9 percent compared with 2019, whereas trucks fitted with an internal combustion (IC) engine saw a 9.6 percent increase in orders owing to the sharp rise in unit sales in China. Order intake for warehouse trucks was also boosted by China's strong growth, rising by 11.2 percent year on year.

Global industrial truck market (order intake)

in thousand units	2020	2019	Change
EMEA	**503.0**	**530.5**	**–5.2%**
Western Europe	380.6	406.1	–6.3%
Eastern Europe	88.3	88.8	–0.6%
Middle East and Africa	34.1	35.6	–4.2%
Americas	**305.8**	**306.3**	**–0.1%**
North America	264.1	266.8	–1.0%
Central and South America	41.7	39.5	5.7%
APAC	**830.6**	**672.5**	**23.5%**
China	648.1	472.9	37.0%
APAC excluding China	182.5	199.6	–8.6%
World	**1,639.4**	**1,509.2**	**8.6%**

Source: WITS / FEM

Supply Chain Solutions

The worldwide market for supply chain solutions was held back by the marked slowdown of the global economy and the resulting reluctance to invest during the reporting period. Despite these negative effects, the research institute Interact Analysis estimates that the percentage growth in the global volume of warehouse automation orders in 2020 was in the high single digits. The Americas region recorded the fastest increase in demand, fueled by the predominance of e-commerce in the US market. The APAC and EMEA regions saw only slightly slower increases in demand.

The coronavirus pandemic caused consumers to shift toward online shopping, resulting in companies having to reorganize their supply chains with omnichannel approaches. This led to increased demand for warehouse automation and for sorting and picking solutions, particularly in grocery logistics and in general merchandise. By contrast, demand in sectors such as apparel and non-durable manufacturing declined on the whole.

Procurement markets

Year-on-year price trends for the commodities used by the KION Group were mixed in 2020. The price of steel fell sharply at the start of the coronavirus pandemic but recovered over the course of the year. However, the average price for the year was lower than in 2019. Having slumped at the start of the year, the price of copper rose steeply from the second quarter onward and its average price for 2020 was therefore higher than in the previous year. By contrast, Brent crude settled at a price well below its 2019 level. Rubber increased significantly in price in the second half of the year and its average for 2020 was above the corresponding figure for 2019.

Financial markets

In the reporting year, the KION Group billed 50.2 percent of its revenue in foreign currencies, the most important of which in addition to the US dollar were the Chinese renminbi and pound sterling. On average, the euro appreciated sharply against the US dollar in 2020 (up by 2.0 percent). The euro was also up against the Chinese renminbi, by 1.8 percent. Nonetheless, currency effects had only a negligible impact on the KION Group's operating performance in the year under review. In general, the stronger euro created more difficult conditions for the export business, but made commodities cheaper as they are mainly traded in US dollars.

Financial position and financial performance of the KION Group

Business performance in the Group

Resilient and flexible business model

The coronavirus pandemic, which first emerged in the first quarter of 2020, and the measures taken to contain it had a significant influence on the KION Group's business in the reporting year. In the first half of 2020, supply logistics and production in the Industrial Trucks & Services segment were adapted to the changes brought about by the coronavirus pandemic. This required the temporary suspension of manufacturing at a number of major production plants. In view of the disruption to global supply chains, the KION Group focused on taking action to improve the availability of materials during this phase. The buffer inventory of bought-in parts that was built up at the plants made it possible to ease the short-term difficulties on the supply side and to gradually resume production at the major production plants. The KION Group was able to continue scaling back the short-term measures from the third quarter onward and therefore reduce the buffer inventory. The second wave of coronavirus that emerged in EMEA and other regions in September did not have a significant impact because, unlike in the spring, there were no government-imposed, strict lockdowns necessitating the closure of factories and other workplaces.

In the Supply Chain Solutions segment, most plants remained busy and continued to operate almost without disruption. The project business experienced minor interruptions but only in the first half of the year. These were due to local restrictions on access for project engineers and the resulting delays to projects. It was possible to make up for almost all of these delays in the second half of 2020.

The measures to keep the business up and running were accompanied by comprehensive health protection measures that were imposed without delay to minimize the risk of infection for employees, customers, and suppliers. Chains of infection were prevented from arising at any of the sites in the year under review.

The KION Group also reacted decisively to the particular challenges of the coronavirus crisis with regard to its financing. In May 2020, it reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW) taking a leading role. The liquidity line was arranged as a precaution to protect the Group's financial strength and had a volume of €1.0 billion. However, the stabilization of business performance and the cost-cutting measures imposed meant that this additional line did not have to be drawn down. The KION Group also agreed with the banks providing its funding that the covenants in respect of the current credit facility and the additional liquidity line can be temporarily suspended. The Annual General Meeting on July 16, 2020 approved a substantial reduction in the dividend to €0.04 per dividend-bearing share. This played a big part in preserving liquidity, as did the postponement of selected capital expenditure projects.

In the second half of the year, the focus shifted to boosting financial strength over the long term and diversifying the portfolio, partly in view of the growth to be targeted after the coronavirus pandemic. To increase the flexibility of the Group's financing in the long term with help from the capital markets, KION GROUP AG established a euro medium term note (EMTN) program with a total volume of €3 billion that is listed on the regulated market of the Luxembourg Stock Exchange. The first bond under this program, which had a total volume of €500.0 million and a term of five years, was placed on the regulated market of the Luxembourg Stock Exchange in September 2020. In early December 2020, around 13 million new shares were placed as part of a rights issue against cash contributions. The gross issue proceeds amounted to €813.3 million. After receiving the proceeds from the rights issue, KION GROUP AG terminated the syndicated liquidity line that it had agreed at the start of the crisis but had not drawn down and used the available cash to further reduce its financial debt at the end of the year. This included the early repayment of a fixed-rate loan of €200.0 million taken out in 2019 and a further partial repayment, in a nominal amount of €72.5 million, of the promissory note maturing in 2026. This followed on from the early repayment on October 30, 2020 of variable-rate tranches of the promissory note maturing in May 2022, which has a nominal amount of €653.5 million. The proceeds from the first bond under the EMTN program were used to repay these tranches.

These liquidity measures were accompanied by a range of cost-cutting initiatives. A variety of personnel measures – including using up accumulated credit hours in working-time accounts, introducing short-time working, and forgoing salary increases – helped to flexibly manage the temporary capacity adjustments and production restrictions. A capacity and structural program was initiated over the course of 2020 in order to further stabilize the operating business and secure the Group's competitiveness. Some parts of the program have already been implemented. The program mainly affects the Industrial Trucks & Services segment and is aimed at streamlining and optimizing the organizational structures and capacity in production, sales, and service in the EMEA region in order to reflect the anticipated medium-term market environment after the coronavirus pandemic and achieve lasting cost savings.

Continued investment in global growth

Despite the temporary restrictions resulting from the coronavirus pandemic, the KION Group forged ahead with its capital expenditure on new production sites in 2020. Focusing mainly on eastern Europe and China, these projects should enable the volume of business to be increased in the fast-growing regions of the global material handling market. The postponement of selected capital expenditure projects in order to preserve liquidity during the coronavirus pandemic did not impact to any material extent on the development and expansion of new sites due to the strategic importance of these projects. The KION Group also strengthened its technological and market position through strategic acquisitions that focused on the areas of automation and digitalization.

The key project aimed at further expanding the KION Group's market position in the Chinese material handling market, which is expected to see strong long-term growth, is the construction of a new factory for manufacturing Linde and Baoli counterbalance trucks in the eastern Chinese city of Jinan. Building work got under way in August 2020. The construction project, for which capital expenditure of around €100 million has been budgeted, is due to be completed in 2022. More than 800 new jobs are to be created in Jinan by 2025. The new plant will enable the KION Group to capitalize on opportunities for growth in the value segment and on the increasing electrification of industrial trucks in China. The operator of the new plant will be KION (Jinan) Forklift Co., Ltd., which was established with Weichai Power Co., Ltd. at the start of 2020 and in which the KION Group holds a 95.0 percent stake.

The KION Group's third factory building at its Stříbro site in the Czech Republic went into operation in September 2020 and manufactures items for the Supply Chain Solutions segment such as conveyor belts, pouch sorting systems, and storage and retrieval equipment – known as Multishuttle systems – that ensure the smooth flow of goods in warehouses and distribution centers. The segment's increased production capacity enables it to take even greater advantage of the growing demand for omnichannel solutions and the rapid expansion of e-commerce. More than €60 million has been invested in the construction of an industrial truck plant in Kołbaskowo, near Szczecin in Poland, which is now almost complete and is due to go into operation in spring 2021. The two production facilities will help to unlock market potential in the EMEA region even more effectively.

Besides investing in new sites, the KION Group also strengthened its position with strategic acquisitions and partnerships in the year under review. In March 2020, the acquisition of UK specialist software company Digital Applications International Limited (DAI) significantly expanded the software offering of the Supply Chain Solutions segment. The total expenditure is around €120 million, of which €98.0 million (or €89.3 million after deduction of cash and cash equivalents acquired) was included in the calculation of free cash flow in the year 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.

The strategic partnership formed in the second half of 2020 with Shanghai Quicktron Intelligent Technology Co. Ltd. (Quicktron), a Chinese manufacturer of autonomous mobile robots (AMRs) based in Shanghai, is aimed at expanding the product portfolio of the KION Group and has been underpinned by the acquisition of a minority stake in the company. The partnership enables Quicktron's mobile automated warehouse solutions to be distributed directly via the global sales and service networks of the KION brands Linde, STILL, and Dematic.

KION Battery Systems GmbH (KBS), a joint venture between KION GROUP AG and BMZ Holding GmbH, went into production of lithium-ion batteries for industrial trucks at a new factory in Karlstein am Main in November 2020. This means that the KION Group's brand companies can optimally cater to the rapidly growing demand for heavy-duty and high-performance electric forklift trucks, particularly in the EMEA region.

Overall assessment of the economic situation

Despite the deterioration in economic conditions as a result of the coronavirus pandemic, the KION Group delivered a satisfactory performance overall in 2020 and demonstrated the resilience of its business model. The Group's order intake was higher than in the previous year, while consolidated revenue and adjusted EBIT stabilized in the second half of 2020 having been severely impacted by the lockdown measures.

Order intake in the Group went up by 3.6 percent to €9,442.5 million (2019: €9,111.7 million). As a result of the difficult market conditions created by the pandemic in the first half of the year, the Industrial Trucks & Services segment recorded a sharp fall of 8.8 percent, whereas the Supply Chain Solutions segment's order intake jumped by 31.9 percent. Despite a brief period of reluctance to invest on the part of customers in some sectors, the Supply Chain Solutions segment's project business and service business both achieved significant year-on-year increases. This confirmed the KION Group's market assessment that the business of automated solutions for global supply chains, which is underpinned by long-term societal and economic trends, helps to stabilize the KION Group's overall business performance. The big-ticket orders secured in the project business also reaffirm that the segment is highly competitive and very customer-oriented, laying excellent foundations for 2021.

New truck business in the Industrial Trucks & Services segment declined markedly owing to the high proportion of revenue generated in the EMEA sales region, which was hit hard by the pandemic. By contrast, the service business proved largely robust, recording only a small decline. The segment's revenue fell by 11.1 percent, and the substantial 10.4 percent increase in revenue in the Supply Chain Solutions segment was not quite enough to make up for this. Consequently, consolidated revenue went down by 5.3 percent to €8,341.6 million (2019: €8,806.5 million).

Adjusted EBIT decreased to €546.9 million (2019: €850.5 million), primarily due to the fall in revenue. The cost-cutting measures put in place and an only moderate increase in material prices at the aggregate level helped to contain the decline in earnings. At 6.6 percent, the adjusted EBIT margin was down by a substantial 3.1 percentage points in the reporting year (2019: 9.7 percent).

Net income declined to €210.9 million (2019: €444.8 million). This included expenses of €45.8 million (before income taxes) for personnel measures under the capacity and structural program. Basic earnings per share came to €1.81 (2019: €3.86), while the weighted average number of shares outstanding increased only slightly from 117.9 million to 118.9 million no-par-value shares outstanding on average during the reporting year. The increase was due to the rights issue carried out in December 2020. KION GROUP AG will propose a dividend of €0.41 per share to the 2021 Annual General Meeting (2019: €0.04).

As expected, free cash flow recovered strongly in the fourth quarter and was in positive territory at €120.9 million for the year as a whole (2019: €568.4 million). The year-on-year decrease in free cash flow was mainly attributable to the decline in operating profit, higher tax payments, and the cash outflows for the acquisition of DAI and the minority stake in Quicktron.

Thanks to the proceeds from the capital increase, net financial debt fell sharply to €880.0 million (December 31, 2019: €1,609.3 million). This equated to 0.6 times adjusted EBITDA in the year under review (2019: 1.0 times).

Comparison between actual and forecast growth

In light of the unpredictability of the coronavirus pandemic's likely impact, the Executive Board of KION GROUP AG retracted the outlook for the 2020 financial year in March 2020 that had been published in the 2019 annual report. The pandemic resulted in a marked reluctance to invest. Coupled with the restrictions in the service business in the Industrial Trucks & Services segment, this had a noticeable adverse impact on consolidated revenue for the year as a whole, which in turn negatively affected adjusted EBIT and free cash flow.

A new outlook for the reporting year was released in October 2020 when the results for the first nine months of 2020 were published. This new outlook was achieved in full in respect of all key performance indicators. At €9,442.5 million, the Group's order intake was at the upper end of the target range (€8,900 million to €9,600 million). The Group's revenue of €8,341.6 million was at the upper end of the new target range (€7,850 million to €8,450 million). Adjusted EBIT amounted to €546.9 million, which was slightly higher than the target range of €465 million to €545 million. Free cash flow was expected to be in a range between €50 million and €150 million and reached €120.9 million at the end of 2020, thus within the target range. At 6.2 percent, ROCE was at the upper end of expectations (5.2 percent to 6.2 percent).

The results of the two operating segments were also within the new target ranges. Order intake in the Industrial Trucks & Services segment was expected to be between €5,500 million and €5,800 million; it reached €5,776.3 million and was thus at the upper end of the target range. The segment's revenue amounted to €5,699.0 million, which was within the target range of €5,450 million to €5,750 million. Adjusted EBIT in the segment amounted to €305.5 million and was thus at the upper end of the target range of €265 million to €305 million.

At €3,654.5 million, the order intake of the Supply Chain Solutions segment was within the target range of €3,400 million to €3,800 million. The segment's revenue of €2,627.1 million was at the upper end of the target range of €2,400 million to €2,700 million. Adjusted EBIT at €277.5 million was slightly higher than expected (target range of €235 million to €275 million).

Comparison between actual and forecast business performance for 2020

	KION Group		
in € million	Outlook annual report 2019	Outlook interim report Q3 2020	Actual business performance 2020
Order intake	9,050 – 9,750	8,900 – 9,600	9,442.5
Revenue	8,650 – 9,250	7,850 – 8,450	8,341.6
Adjusted EBIT	770 – 850	465 – 545	546.9
Free cash flow	270 – 370	50 – 150	120.9
ROCE	8.5% – 9.5%	5.2% – 6.2%	6.2%

Comparison between actual and forecast business performance for 2020

	Industrial Trucks & Services			Supply Chain Solutions		
in € million	Outlook annual report 2019	Outlook interim report Q3 2020	Actual business performance 2020	Outlook annual report 2019	Outlook interim report Q3 2020	Actual business performance 2020
Order intake[1]	6,250 – 6,550	5,500 – 5,800	5,776.3	2,800 – 3,200	3,400 – 3,800	3,654.5
Revenue[1]	6,150 – 6,450	5,450 – 5,750	5,699.0	2,500 – 2,800	2,400 – 2,700	2,627.1
Adjusted EBIT[1]	610 – 650	265 – 305	305.5	240 – 280	235 – 275	277.5

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

Business situation and financial performance of the KION Group

Level of orders

Despite the difficult market conditions, the KION Group's order intake amounted to €9,442.5 million, which was 3.6 percent higher than the figure for the previous year (2019: €9,111.7 million). With the exception of China, the market as a whole contracted sharply and the order intake of the Industrial Trucks & Services segment fell by 8.8 percent to €5,776.3 million (2019: €6,330.5 million). This contrasted with a sharp rise of 31.9 percent to €3,654.5 million in the Supply Chain Solutions segment (2019: €2,771.0 million) that was due in large part to business with new customers. The coronavirus pandemic accelerated the increase in capital expenditure on automation solutions used for e-commerce.

Currency effects had an impact on the value of the KION Group's order intake, reducing it by €154.4 million.

The Group's order book amounted to €4,441.3 million as at December 31, 2020, a year-on-year rise of 22.3 percent (December 31, 2019: €3,631.7 million). This included an increase of €839.3 million in the Supply Chain Solutions segment, while the level in the Industrial Trucks & Services held more or less steady.

Revenue

Despite the very difficult market conditions and the temporary production restrictions, the KION Group was able to limit the decline in revenue to 5.3 percent. The consolidated revenue for 2019 of €8,806.5 million contrasted with a figure of €8,341.6 million in the reporting year. Currency effects had a negative impact on consolidated revenue, decreasing it by a total of €129.8 million.

In the Industrial Trucks & Services segment, revenue generated from external customers fell by 11.1 percent to €5,694.2 million (2019: €6,403.7 million). The main factor in this decrease was lower order intake for new trucks. The service business was again far more stable but still fell short of the prior-year figure.

Revenue from external customers in the Supply Chain Solutions segment increased by 10.2 percent to €2,619.4 million (2019: €2,376.1 million). Despite isolated delays to projects caused by local lockdowns, revenue from business solutions went up by a substantial 10.9 percent. The service business saw an encouraging rise of 8.2 percent that was primarily attributable to the increase in orders for the modernization and expansion of systems.

Overall, the proportion of consolidated revenue attributable to the service business grew from 41.5 percent in 2019 to 43.2 percent in 2020, partly due to the decline in new truck business.

Revenue with third parties by product category

in € million	2020	2019	Change
Industrial Trucks & Services	**5,694.2**	**6,403.7**	**–11.1%**
New business	2,734.5	3,345.6	–18.3%
Service business	2,959.7	3,058.2	–3.2%
– Aftersales	1,523.2	1,600.9	–4.9%
– Rental business	911.1	926.2	–1.6%
– Used trucks	364.0	361.1	0.8%
– Other	161.4	169.9	–5.0%
Supply Chain Solutions	**2,619.4**	**2,376.1**	**10.2%**
Business solutions	1,974.8	1,780.2	10.9%
Service business	644.6	595.9	8.2%
Corporate Services	**27.9**	**26.7**	**4.5%**
Total revenue	**8,341.6**	**8,806.5**	**–5.3%**

Revenue by sales region

Much of the fall in revenue was attributable to the EMEA region in the Industrial Trucks & Services segment. New truck business was heavily affected by the lockdown measures in the spring, especially in western and eastern Europe. There was also a sharp increase in competitive pressure in the EMEA region that was primarily due to the continuing expansion of Chinese competitors. By contrast, the Supply Chain Solutions segment increased its revenue in the European markets. Within the Americas region, the Supply Chain Solutions segment recorded steady revenue growth in its key sales market of North America, despite delays to projects. In the APAC region, all parts of the Group benefited from the significant growth spurt that began in the second quarter, and revenue in the region was therefore just above the figure for the prior year.

Revenue with third parties by customer location

in € million	2020	2019	Change
EMEA	**5,562.9**	**6,006.7**	**–7.4%**
Western Europe	4,907.7	5,234.3	–6.2%
Eastern Europe	576.5	678.6	–15.0%
Middle East and Africa	78.7	93.8	–16.1%
Americas	**1,846.0**	**1,893.0**	**–2.5%**
North America	1,687.6	1,680.5	0.4%
Central and South America	158.4	212.5	–25.5%
APAC	**932.7**	**906.9**	**2.8%**
China	526.1	517.2	1.7%
APAC excluding China	406.6	389.7	4.3%
Total revenue	**8,341.6**	**8,806.5**	**–5.3%**

Earnings and profitability

EBIT, EBITDA and ROCE

Earnings before interest and tax adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) fell by 35.7 percent to €546.9 million (2019: €850.5 million). This was mainly due to the decline in gross profit as a result of the fall in revenue and a proportionately smaller decrease in selling expenses and administrative expenses. Research and development costs were almost unchanged year on year. The decline in earnings was predominantly attributable to the first half of the year, which was hit hard by the lockdown measures. The adjusted EBIT margin was down significantly year on year at 6.6 percent (2019: 9.7 percent).

Including non-recurring items and purchase price allocation effects, EBIT came to €389.9 million (2019: €716.6 million). This year-on-year fall, which was far more pronounced than the decrease in adjusted EBIT, was primarily due to an expense of €45.8 million for non-recurring items relating to the capacity and structural program that has been initiated. In 2020, this program gave rise to personnel expenses in connection with adjustments to personnel capacity that are being made, particularly in the Industrial Trucks & Services segment. These adjustments include the restructuring of the UK sales organization, which is now largely complete. In total, non-recurring items amounted to an expense of €65.1 million (2019: €42.9 million). The figure for non-recurring items in 2019 had included expenses for restructuring and reorganization-related measures under the KION 2027 strategy.

In addition to expenses under the capacity and structural program, significant non-recurring items in 2020 also included impairment losses on property, plant, and equipment and on the long-term equity investment in Linde Hydraulics GmbH & Co. KG, which is accounted for using the equity method. Negative purchase price allocation effects increased slightly year on year to €91.9 million (2019: €91.0 million).

EBIT

in € million	2020	in % of revenue	2019	in % of revenue
EBIT	**389.9**	**4.7%**	**716.6**	**8.1%**
Adjustment by functional costs:				
+ Cost of sales	54.9	0.7%	54.3	0.6%
+ Selling expenses and administrative expenses	84.5	1.0%	73.6	0.8%
+ Research and development costs	2.9	0.0%	0.9	0.0%
+ Other costs	14.7	0.2%	5.1	0.1%
Adjusted EBIT	**546.9**	**6.6%**	**850.5**	**9.7%**
adjusted for non-recurring items	65.1	0.8%	42.9	0.5%
adjusted for PPA items	91.9	1.1%	91.0	1.0%

Earnings before interest, tax, depreciation, and amortization (EBITDA) decreased to €1,327.7 million (2019: €1,614.6 million). Adjusted EBITDA came to €1,383.5 million (2019: €1,657.5 million). The adjusted EBITDA margin fell from 18.8 percent in 2019 to 16.6 percent in 2020.

EBITDA

in € million	2020	in % of revenue	2019	in % of revenue
EBITDA	**1,327.7**	**15.9%**	**1,614.6**	**18.3%**
Adjustment by functional costs:				
+ Cost of sales	14.8	0.2%	14.8	0.2%
+ Selling expenses and administrative expenses	37.1	0.4%	26.5	0.3%
+ Research and development costs	2.7	0.0%	0.6	0.0%
+ Other costs	1.3	0.0%	0.9	0.0%
Adjusted EBITDA	**1,383.5**	**16.6%**	**1,657.5**	**18.8%**
adjusted for non-recurring items	55.8	0.7%	42.9	0.5%
adjusted for PPA items	0.0	0.0%	0.0	0.0%

Adjusted 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 €326.3 million (2019: €333.3 million).

Return on capital employed (ROCE), which is the ratio of adjusted EBIT to capital employed, was down sharply year on year at 6.2 percent (December 31, 2019: 9.7 percent). This can be explained by the proportionately smaller decrease in capital employed at the end of 2020 than the decrease in earnings.

Key influencing factors for earnings

The cost of sales decreased at a slower rate than revenue, falling by 2.7 percent to €6,296.8 million (2019: €6,474.6 million). The KION Group's gross margin therefore dropped to 24.5 percent (2019: 26.5 percent). This was primarily due to the fact that fixed costs fell at a disproportionately low rate compared to the reduction in the volume of business. Overall, the other functional costs included in EBIT were virtually unchanged year on year. There was a moderate 1.0 percent decrease in selling expenses and administrative expenses compared with 2019. The restrictions on sales activities led to a 2.6 percent reduction in selling expenses. However, administrative expenses rose by 1.7 percent year on year, primarily due to the non-recurring items in connection with the capacity and structural program and despite the savings measures initiated. The implementation of a number of projects in the context of the KION 2027 strategy resulted in a 0.9 percent rise in research and development costs.

The change in the cost of sales and in other functional costs is shown in the following table.

Condensed consolidated income statement

in € million	2020	2019	Change
Revenue	8,341.6	8,806.5	–5.3%
Cost of sales	–6,296.8	–6,474.6	2.7%
Gross profit	**2,044.8**	**2,331.9**	**–12.3%**
Selling expenses and administrative expenses	–1,471.8	–1,487.1	1.0%
Research and development costs	–156.8	–155.3	–0.9%
Other	–26.2	27.2	< –100%
Earnings before interest and tax (EBIT)	**389.9**	**716.6**	**–45.6%**
Net financial expenses	–88.3	–95.1	7.1%
Earnings before tax	**301.6**	**621.6**	**–51.5%**
Income taxes	–90.7	–176.8	48.7%
Net income	**210.9**	**444.8**	**–52.6%**

The 'other' item is a net figure and includes not only other operating income and expenses but also line items such as the share of profit (loss) of equity-accounted investments, which amounted to a loss of €2.2 million (2019: profit of €12.1 million). Currency translation losses and impairment losses on non-current assets also had a negative impact on the 'other' item, which meant that it deteriorated from €27.2 million in 2019 to minus €26.2 million in 2020.

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved to €88.3 million (2019: €95.1 million) despite commitment fees and expenses incurred in connection with the financing measures and the unused syndicated liquidity line. The positive factors influencing net financial expenses included low interest expense from loans and, in particular, lower interest expense from pensions as a result of the fall in interest rates.

Income taxes

Income tax expenses fell significantly year on year to €90.7 million (2019: €176.8 million), reflecting the decrease in earnings. The effective tax rate rose to 30.1 percent (2019: 28.4 percent). This was partly attributable to non-tax-deductible expenses, which did not decrease to the same extent as earnings before tax.

Net income and appropriation of profit

Net income declined to €210.9 million (2019: €444.8 million). This figure included a net loss attributable to non-controlling interests of €4.4 million (2019: €10.0 million). The net income attributable to the shareholders of KION GROUP AG was €215.3 million (2019: €454.8 million). Basic earnings per share fell to €1.81 (2019: €3.86) based on 118.9 million no-par-value shares (2019: 117.9 million no-par-value shares); this was the weighted average number of shares outstanding during the reporting year. Taking account of the full number of no-par-value shares of 131.2 million at the end of the year would give basic earnings per share (pro forma) of €1.64. Diluted earnings per share, which is calculated by adding the potential dilutive no-par-value shares under the Employee Equity Program, amounted to €1.81 (2019: €3.86) based on a weighted average number of shares of 118.9 million (2019: 117.9 million).

KION GROUP AG made a net loss of €6.5 million in 2020. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 11, 2021 that an amount of €53.7 million be appropriated for the payment of a dividend of €0.41 per dividend-bearing share. This equates to a proposed dividend payout rate of around 25 percent of the net income attributable to the shareholders of KION GROUP AG.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

Business performance and order intake

At 198.3 thousand, the number of new trucks ordered in the Industrial Trucks & Services segment was down by 7.2 percent compared with 2019.

This poorer performance compared with the global market was mainly due to the challenging conditions in the segment’s main sales market, the EMEA region, created by the coronavirus pandemic in the first half of 2020. There was also a sharp increase in competitive pressure in the EMEA region that was primarily due to the continuing expansion of Chinese competitors. However, pent-up demand meant that order numbers in December 2020 were higher than they had been a year earlier. In the APAC region, the segment recorded a year-on-year increase thanks to disproportionately strong growth in China.

The total value of order intake fell by 8.8 percent to €5,776.3 million (2019: €6,330.5 million). The larger decrease in new truck business was due in part to the disproportionately strong decline in order intake for counterbalance trucks, which have significantly higher unit prices. By contrast, the service business was more stable on the whole. Currency effects reduced order intake by a total of €87.3 million.

Key figures – Industrial Trucks & Services

in € million	2020	2019	Change
Order intake	5,776.3	6,330.5	–8.8%
Total revenue	5,699.0	6,410.2	–11.1%
Order book[1]	1,384.1	1,409.5	–1.8%
EBITDA	998.0	1,381.0	–27.7%
Adjusted EBITDA	1,042.8	1,409.5	–26.0%
EBIT	259.8	661.7	–60.7%
Adjusted EBIT	305.5	695.1	–56.1%
Adjusted EBITDA margin	18.3%	22.0%	–
Adjusted EBIT margin	5.4%	10.8%	–

1 Figures as at balance sheet date Dec. 31

Revenue

The Industrial Trucks & Services segment's total revenue decreased by 11.1 percent to €5,699.0 million (2019: €6,410.2 million), due in large part to the revenue shortfalls resulting from lockdown measures in the second quarter and the persistent and significant weakness of the market in the EMEA region. The new truck business saw a particularly sharp fall of 18.3 percent in 2020. By contrast, revenue generated by the segment's service business went down by just 3.2 percent and thus remained a stabilizing factor. The proportion of the segment's external revenue accounted for by the service business rose to 52.0 percent (2019: 47.8 percent). Currency effects reduced segment revenue by €84.6 million.

Earnings

The segment's adjusted EBIT fell by 56.1 percent to €305.5 million in the year under review (2019: €695.1 million). This reduction was due to the significant fall in revenue, higher impairment of working capital, and the underutilization of capacity. The latter was largely due to the general softening of the market caused by the coronavirus pandemic. Earnings were also squeezed by higher amortization charges in connection with the market launch of new products and higher costs for strategic projects. At 5.4 percent, the adjusted EBIT margin was down by a half compared with the previous year (2019: 10.8 percent). In the second half of 2020, there were signs that revenue was stabilizing slightly and that the margin was improving slightly. The latter was also the result of a reduction in variable remuneration on the basis of expected target achievement for 2020.

The expense of €44.8 million for non-recurring items in the reporting year included the €10.7 million impairment loss recognized in respect of Linde Hydraulics GmbH & Co. KG and the expenses of €37.2 million already recognized in connection with the capacity and structural program that has been initiated. Of this amount, €8.6 million was attributable to the restructuring of the UK sales organization, which is now largely complete. After taking into account non-recurring items and purchase price allocation effects, EBIT amounted to €259.8 million (2019: €661.7 million).

Adjusted EBITDA declined to €1,042.8 million (2019: €1,409.5 million), giving an adjusted EBITDA margin of 18.3 percent (2019: 22.0 percent).

Supply Chain Solutions segment

Business performance and order intake

Order intake in the Supply Chain Solutions segment jumped by a substantial 31.9 percent to €3,654.5 million (2019: €2,771.0 million). This sharp rise was due in no small part to new orders, modernization orders, and expansion orders from e-commerce customers in North America and Europe. Both the long-term project business (business solutions) and the service business (customer services) recorded year-on-year increases in order intake. Currency effects reduced order intake by a total of €66.3 million. Thanks to the encouraging level of order intake, particularly in the fourth quarter, and the full order book, project-related capacity utilization will remain at a good level for much of 2021.

Key figures – Supply Chain Solutions

in € million	2020	2019	Change
Order intake	3,654.5	2,771.0	31.9%
Total revenue	2,627.1	2,378.8	10.4%
Order book[1]	3,071.1	2,231.8	37.6%
EBITDA	339.9	276.3	23.0%
Adjusted EBITDA	341.1	288.9	18.0%
EBIT	176.0	129.6	35.8%
Adjusted EBIT	277.5	228.1	21.6%
Adjusted EBITDA margin	13.0%	12.1%	–
Adjusted EBIT margin	10.6%	9.6%	–

1 Figures as at balance sheet date Dec. 31

Revenue

The Supply Chain Solutions segment's total revenue amounted to €2,627.1 million, exceeding the prior-year figure of €2,378.8 million by 10.4 percent. This included negative currency effects of €44.4 million. Revenue from the segment's long-term project business (business solutions) increased by 10.9 percent despite temporary delays to projects that predominantly arose in the second quarter due to restrictions on access to customer sites. In addition, revenue from the service business increased by 8.2 percent, mainly thanks to additional modernization and expansion orders. The share of segment revenue generated by the service business stood at 24.6 percent (2019: 25.1 percent).

Earnings

The Supply Chain Solutions segment's adjusted EBIT amounted to €277.5 million, which was 21.6 percent above the figure for the previous year (2019: €228.1 million). More efficient project execution and sustained growth in the high-margin service business compensated for the increase in selling expenses and administrative expenses aimed at supporting future growth that were incurred in the reporting year. The adjusted EBIT margin rose from 9.6 percent in 2019 to 10.6 percent in the year under review. After taking into account non-recurring items and purchase price allocation effects, EBIT came to €176.0 million (2019: €129.6 million).

Adjusted EBITDA increased to €341.1 million (2019: €288.9 million). The adjusted EBITDA margin was 13.0 percent (2019: 12.1 percent).

Corporate Services segment

Business performance

The Corporate Services segment comprises holding companies and other service companies that provide services such as IT, logistics, and general administration across all segments.

Revenue and earnings

Total segment revenue, which came to €351.9 million (2019: €334.1 million), again mainly resulted from internal IT and logistics services. Adjusted EBIT for the segment fell sharply to €124.2 million (2019: €315.1 million). The decreases in earnings at the subsidiaries meant reduced income under profit-and-loss transfer agreements. As a result, intra-group dividend income amounted to just €160.2 million (2019: €388.0 million). Excluding intra-group dividend income, adjusted EBIT was minus €35.9 million (2019: minus €72.9 million); lower personnel expenses and other savings contributed to this improvement. Adjusted EBITDA stood at €160.0 million, or minus €0.2 million if intra-group dividend income is excluded (2019: €347.0 million, or minus €41.1 million). The non-recurring items in EBIT under the capacity and structural program amounted to an expense of €9.2 million.

Key figures – Corporate Services

in € million	2020	2019	Change
Order intake	351.9	334.1	5.3%
Total revenue	351.9	334.1	5.3%
EBITDA	150.2	345.1	–56.5%
Adjusted EBITDA	160.0	347.0	–53.9%
EBIT	114.5	313.2	–63.5%
Adjusted EBIT	124.2	315.1	–60.6%

Net assets

The condensed consolidated statement of financial position as at December 31, 2020 showing current and non-current assets and liabilities together with equity is presented below:

Condensed consolidated statement of financial position

in € million	Dec. 31, 2020	in %	Dec. 31, 2019	in %	Change
Non-current assets	10,666.2	75.9%	10,696.4	77.7%	–0.3%
Current assets	3,389.4	24.1%	3,068.8	22.3%	10.4%
Total assets	**14,055.7**	**100.0%**	**13,765.2**	**100.0%**	**2.1%**
Equity	4,270.8	30.4%	3,558.4	25.9%	20.0%
Non-current liabilities	5,966.6	42.4%	6,277.8	45.6%	–5.0%
Current liabilities	3,818.3	27.2%	3,929.0	28.5%	–2.8%
Total equity and liabilities	**14,055.7**	**100.0%**	**13,765.2**	**100.0%**	**2.1%**

Non-current assets

Non-current assets amounted to €10,666.2 million as at December 31, 2020 (December 31, 2019: €10,696.4 million). The total carrying amount of intangible assets fell moderately to €5,559.6 million (December 31, 2019: €5,732.5 million). Of this sum, €3,407.6 million was attributable to goodwill (December 31, 2019: €3,475.8 million); the acquisition of DAI increased goodwill by €71.8 million at the acquisition date. However, currency effects had a negative impact on goodwill. Other property, plant, and equipment rose to €1,316.6 million (December 31, 2019: €1,236.3 million). This was due not only to slightly higher capital expenditure on modernization and site expansion but also to additional right-of-use assets related to procurement leases, which stood at €492.5 million at the end of 2020 (December 31, 2019: €452.7 million). Right-of-use assets amounted to €375.0 million for land and buildings (December 31, 2019: €325.9 million) and €117.5 million for plant & machinery and office furniture & equipment (December 31, 2019: €126.8 million).

The short-term rental fleet contracted in the reporting year; rental assets stood at €529.6 million at the end of 2020 (December 31, 2019: €632.9 million). Leased assets for direct and indirect leases with end customers that are classified as operating leases decreased only slightly to €1,333.3 million (December 31, 2019: €1,361.2 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases swelled by €118.1 million to €1,199,1 million as at the reporting date (December 31, 2019: €1,080.9 million).

The amount of deferred tax assets recognized in the statement of financial position increased to €494.9 million as at December 31, 2020 (December 31, 2019: €449.7 million).

Current assets

Current assets increased to a total of €3,389.4 million (December 31, 2019: €3,068.8 million). The growth of inventories during the year was largely eliminated again by the reporting date due to the stabilization of supply chains and the overall decrease in the volume of orders in the Industrial Trucks & Services segment. Nonetheless, the KION Group continues to maintain the necessary buffer of bought-in parts. At the end of 2020, the Group's inventories amounted to €1,101.0 million, which was on a par with the figure a year earlier (December 31, 2019: €1,085.3 million).

Inventories

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Materials and supplies	280.5	276.6	1.4%
Work in progress	162.2	143.3	13.2%
Finished goods and merchandise	618.7	638.5	–3.1%
Advances paid	39.5	26.9	46.9%
Total inventories	**1,101.0**	**1,085.3**	**1.4%**

Trade receivables amounted to €1,172.7 million, which was higher than at the end of 2019 (December 31, 2019: €1,074.2 million). Contract assets, which mainly related to project business in the Supply Chain Solutions segment, increased to €172.1 million (December 31, 2019: €150.2 million).

The KION Group's net working capital rose to €984.5 million as at December 31, 2020 (December 31, 2019: €828.9 million). This was attributable to the increases in trade receivables, contract assets, and inventories as at the reporting date and, on the other side of the statement of financial position, a rise in contract liabilities. Using excess cash that became available at short notice, the early repayment of trade payables was stepped up at the end of the year in order to avoid negative interest rates on cash deposits.

Cash and cash equivalents rose from €211.2 million at the end of 2019 to €314.4 million at the end of the reporting year.

Current lease receivables from end customers increased to €396.2 million (December 31, 2019: €340.1 million).

Financial position

Principles and objectives of financial management

The KION Group pursues a sound financial policy of maintaining a strong credit profile with reliable access to capital markets. By pursuing an appropriate financial management strategy, the KION Group makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. As part of its financial management activities, the KION Group aims to continually reduce its financial liabilities and, to an increasing extent, optimize the financing of the long-term leasing business. In addition, the KION Group manages its financial relationships with customers and suppliers and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk, and country risk. In this way, the KION Group creates a stable funding position from which to maintain profitable growth.

The financial resources within the KION Group are provided on the basis of an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants. The Group occasionally arranges additional credit lines for KION Group companies with local banks or leasing companies in order to comply with legal, tax, and other regulations.

The KION Group is a publicly listed corporate group and therefore ensures that its financial management takes into account the interests of shareholders, the banks providing its funding, and other lenders. For the sake of all stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing. The KION Group's borrowing is based on a generally long-term approach, with an age structure extending until 2027.

Depending on requirements and the market situation, the KION Group also avails itself of the funding facilities offered by the capital markets. The KION Group therefore seeks to implement proactive risk management by rigorously pursuing its corporate strategy and to maintain an investment-grade credit rating in the capital and funding markets by ensuring a solid funding structure.

The KION Group continues to have an investment-grade credit rating that helps it to secure more advantageous funding conditions in the capital markets. In October 2020, Fitch Ratings reaffirmed the Group's long-term issuer default rating of BBB– with a stable outlook and its short-term issuer default rating of F3. The new bond placed by KION GROUP AG in September was given a rating of BBB–. Standard & Poor's confirmed KION's issuer rating of BB+ with a stable outlook in November 2020 and awarded a senior unsecured rating of BB+.

KION GROUP AG has issued guarantees to the banks and other lenders for all of its payment obligations to them and is the borrower in respect of all the payment obligations resulting from the promissory notes.

The KION Group maintains a liquidity reserve in the form of agreed and confirmed credit lines and cash in order to ensure long-term financial flexibility and solvency. In addition, it uses derivatives to hedge currency risk. Interest-rate swaps are entered into in order to hedge interest-rate risk.

Certain loans and promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a defined maximum level of leverage. Less favorable interest terms may be imposed if this level of leverage is increased. Exceeding the maximum level of leverage as at a particular reference date may give lenders a right of termination. In May 2020, the financial covenant in respect of the current credit facility and the additional, now terminated liquidity line was temporarily suspended as agreed with the banks providing the funding. This suspension was still in effect at the reporting date.

Main corporate actions in the reporting period

In 2020, the KION Group undertook a number of equity-related and borrowing measures in order to build up its financial strength in response to the coronavirus pandemic and to increase the flexibility of its funding over the long term.

Having repaid the remaining liability of €200.0 million under the acquisition facilities agreement (AFA) in January 2020, the KION Group focused on precautionary measures to protect its financial strength in the months that followed. In May 2020, KION GROUP AG reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW) taking a leading role. The liquidity line had a volume of €1.0 billion and a term of twelve months.

To increase the flexibility of its funding over the long term, KION GROUP AG launched a corporate bond program (EMTN program) with a total volume of €3 billion in September 2020. The program is listed on the regulated market of the Luxembourg Stock Exchange. The first bond placed on the capital markets under this program had a total volume of €500.0 million and a maturity date in 2025. In return, the variable-rate tranches of the promissory note that matures in May 2022 and has a nominal value of €653.5 million were repaid ahead of schedule on October 30, 2020.

In early December 2020, around 13.1 million new shares were placed as part of a capital increase against cash contributions. The gross issue proceeds amounted to €813.3 million and, in the first instance, were used to reduce the KION Group's level of debt at the end of the year. This included the early repayment of a fixed-rate loan of €200.0 million and a further partial repayment, in a nominal amount of €72.5 million, of the promissory note maturing in 2026. The funding of €460.0 million that was still drawn down under the commercial paper program at the end of November 2020 was repaid in full by the end of the year. In addition, KION GROUP AG terminated the additional syndicated liquidity line ahead of schedule that it had agreed in May but had not utilized.

Analysis of capital structure

Non-current and current liabilities fell by €421.9 million to €9,784.8 million as at the reporting date (December 31, 2019: €10,206.8 million). The increase in liabilities in connection with the financing of the long-term leasing business, the growth of pension provisions, and the recognition of provisions and liabilities for the ongoing capacity and structural program were more than offset by the repayment of financial debt following the capital increase. Non-current liabilities included deferred tax liabilities of €511.1 million (December 31, 2019: €570.9 million).

Financial debt

Non-current financial liabilities were reduced to €1,117.4 million as at December 31, 2020 (December 31, 2019: €1,716.8 million). Within this line item, the carrying amount of the promissory notes fell to €590.0 million (December 31, 2019: €1,317.3 million) because the variable-rate tranches of the promissory note maturing in 2022 (nominal amount: €653.5 million) and part of the promissory note maturing in 2026 (a nominal amount of €72.5 million) were repaid early. Non-current financial liabilities also included the corporate bond issued in September with a carrying amount of €494.5 million and liabilities to banks of €2.7 million (December 31, 2019: €399.5 million). The latter went down because of the early repayment of the remaining liability under the AFA and of the fixed-rate loan taken out in 2019, both of which amounted to €200.0 million.

Current financial liabilities fell to €77.1 million as at the reporting date (December 31, 2019: €103.7 million).

There was no drawdown from the revolving credit facility as at December 31, 2020, as had also been the case a year earlier; the unused portion of the revolving credit facility therefore stood at €1,150.0 million as at December 31, 2020 (December 31, 2019: €1,150.0 million).

Net financial debt (non-current and current financial liabilities less cash and cash equivalents) decreased to €880.0 million as at December 31, 2020 (December 31, 2019: €1,609.3 million). This equated to 0.6 times adjusted EBITDA (December 31, 2019: 1.0 times). Net financial debt, which is an indicator of the liquidity situation and capital structure, relates to the operating business excluding leasing activities in which KION Group entities act as lessor. To reconcile the net financial debt with the industrial net operating debt of €1,912.6 million as at December 31, 2020 (December 31, 2019: €2,711.2 million), the liabilities from the short-term rental business of €505.6 million (December 31, 2019: €615.8 million) and the liabilities from procurement leases of €527.0 million (December 31, 2019: €486.1 million) were added to net financial debt.

Industrial net operating debt

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Promissory notes	590.0	1,317.3	–55.2%
Bonds	494.5	–	–
Liabilities to banks	77.1	498.3	–84.5%
Other financial debt	32.9	4.9	> 100%
Financial debt	**1,194.5**	**1,820.5**	**–34.4%**
Less cash and cash equivalents	–314.4	–211.2	–48.9%
Net financial debt	**880.0**	**1,609.3**	**–45.3%**
Liabilities from short-term rental business[1]	505.6	615.8	–17.9%
Liabilities from procurement leases	527.0	486.1	8.4%
Industrial net operating debt	**1,912.6**	**2,711.2**	**–29.5%**

1 In order to improve the clarity of the refinancing of the lease and short-term rental business, the presentation in the consolidated balance sheet was adjusted through corresponding reclassifications (see note [7] in the notes to the consolidated financial statements)

Retirement benefit obligation

The KION Group maintains pension plans in many countries. These plans comply with legal requirements applicable to standard local practice and thus the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans, or multi-employer benefit plans. As at December 31, 2020, the retirement benefit obligation and similar obligations under defined benefit pension plans amounted to a total of €1,450.3 million, which was significantly higher than the figure of €1,263.4 million at the end of 2019 largely owing to lower discount rates. The net obligation under defined benefit pension plans increased year on year to reach €1,400.0 million

(December 31, 2019: €1,211.7 million). Changes in estimates relating to defined benefit pension entitlements resulted in a decrease in equity of €105.5 million (including deferred taxes).

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by factors such as the funded status, legal and tax considerations, and local practice. The payments made by the KION Group in 2020 in connection with the main pension plans totaled €27.8 million, primarily comprising €20.5 million for direct pension payments along with €7.0 million for employer contributions to plan assets.

Liabilities from the leasing business and short-term rental business

To present the leasing business and the short-term rental business more transparently in the consolidated statement of financial position, the liabilities from the financing of the leasing business and the liabilities from the financing of the short-term rental business will now be shown separately with retrospective effect from December 31, 2020. This reflects the approach taken with the associated assets. The previous line items ‘Liabilities from financial services’ and ‘Lease liabilities’, along with the liabilities from the financing of the short-term rental fleet (some of which were previously included in ‘Other financial liabilities’) have been reclassified to the new line items ‘Liabilities from leasing business’ and ‘Liabilities from short-term rental business’ respectively.

Liabilities from the leasing business comprise all liabilities from financing the leasing business on the basis of sale and leaseback sub-lease transactions, lease facilities, and the issuance of notes (securitization). Furthermore, they include repurchase obligations resulting from the indirect leasing business.

Non-current and current liabilities from the leasing business rose to €2,739.3 million as at December 31, 2020 (December 31, 2019: €2,495.0 million). Of this total, €2,483.6 million was attributable to financing of the direct leasing business (December 31, 2019: €2,197.8 million) and €255.7 million to the repurchase obligations resulting from the indirect leasing business (December 31, 2019: €297.2 million). Liabilities from the financing of the direct leasing business included liabilities arising from sale and leaseback sub-lease transactions with leasing companies in an amount of €1,125.0 million (December 31, 2019: €1,161.7 million), liabilities from lease facilities in an amount of €411.3 million (December 31, 2019: €505.9 million), and liabilities from securitization in amount of €947.3 million (December 31, 2019: €530.2 million).

Non-current and current liabilities from the short-term rental business, which totaled €505.6 million (December 31, 2019: €615.8 million), declined in line with the contraction of the short-term rental fleet.

Other financial liabilities

Current and non-current other financial liabilities stood at €646.9 million as at the reporting date (December 31, 2019: €606.3 million). This item also included liabilities from procurement leases amounting to €527.0 million (December 31, 2019: €486.1 million), for which right-of-use assets were recorded.

Contract liabilities

Contract liabilities, of which a large proportion related to the long-term project business, increased to €550.8 million (December 31, 2019: €504.9 million). This was mainly due to prepayments for new orders from customers in the long-term project business.

Equity

As a result of the capital increase in December 2020, consolidated equity rose by €803.1 million (after deduction of transaction costs) and amounted to €4,270.8 million as at December 31, 2020 (December 31, 2019: €3,558.4 million). The net income of €210.9 million earned during the year also contributed to the rise in equity. Conversely, equity was reduced by currency translation losses recognized in other comprehensive income of €204.4 million and actuarial losses of €105.5 million (after deferred taxes) arising from the measurement of the defined benefit obligation. KION GROUP AG's dividend payout of €4.7 million (2019: €141.5 million) had only an insignificant effect. The equity ratio rose to 30.4 percent as at December 31, 2020 (December 31, 2019: 25.9 percent).

Analysis of capital expenditure

The KION Group's total capital expenditure on property, plant, and equipment and on intangible assets (excluding right-of-use assets from procurement leases) totaled €283.8 million in the reporting year (2019: €287.4 million).

Spending in the Industrial Trucks & Services segment continued to be focused on capital expenditure on product development and on the expansion and modernization of production and technology facilities. Capital expenditure in the Supply Chain Solutions segment primarily related to development costs.

Analysis of liquidity

Liquidity management is an important aspect of central financial management in the KION Group. The sources of liquidity are cash and cash equivalents, cash flow from operating activities, and amounts available under credit facilities. Using cash pools, liquidity is managed in such a way that the Group companies can always access the cash that they need.

Cash and cash equivalents increased by €103.3 million to €314.4 million as at December 31, 2020 (December 31, 2019: €211.2 million). Taking into account the revolving credit facility that was still freely available, the unrestricted cash and cash equivalents available to the KION Group as at the reporting date amounted to €1,457.3 million (December 31, 2019: €1,357.4 million).

Net cash provided by operating activities totaled €527.1 million, which was lower than the prior-year figure of €846.3 million, primarily because of the decline in EBIT. The payment of taxes totaling minus €216.8 million (2019: minus €191.6 million), resulting mainly from the Company's strong profitability in 2019, was also a factor. The outflow of minus €150.3 million represented by the change in net working capital was on a par with the prior-year figure (minus €146.8 million), while the effects from the capacity and structural program recognized in profit or loss were largely cash-neutral.

The net cash used for investing activities amounted to minus €406.3 million in the reporting period (2019: minus €277.9 million). Within this figure, cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment amounted to minus

€283.8 million, which was slightly down on the prior year (2019: minus €287.4 million). In addition, cash payments for the acquisition of subsidiaries and other entities totaled minus €133.5 million (after deduction of cash and cash equivalents acquired); these predominantly comprised a net cash payment of minus €89.3 million for the acquisition of DAI and payments totaling minus €22.2 million for the acquisition of a minority interest in Quicktron.

In line with the interim guidance, free cash flow – the sum of cash flow from operating activities and investing activities – was well below the prior-year figure at €120.9 million (2019: €568.4 million). However, it did recover significantly over the course of 2020.

Net cash used for financing activities fell sharply to minus €4.5 million (2019: minus €534.9 million), mainly due to the net cash of €813.3 million provided by the capital increase and the issuance of the new corporate bond with a nominal amount of €500.0 million. These inflows more than compensated for the net cash outflow related to the early repayment of the outstanding liability under the AFA, the early repayment of a fixed-interest loan taken out in 2019, the partial repayment of the promissory notes, and the payments to reduce the revolving credit facility. Overall, financial debt taken on during the reporting year amounted to €3,650.5 million (2019: €2,940.1 million); repayments were much higher at minus €4,260.0 million (2019: minus €3,166.2 million). Payments made for interest portions and principal portions under procurement leases totaled minus €133.3 million (2019: minus €126.5 million). Current interest payments declined to minus €33.8 million thanks to the further optimization of the interest on financial debt (2019: minus €36.7 million). The payment of a dividend to the shareholders of KION GROUP AG had resulted in an outflow of funds of minus €141.5 million in 2019. The corresponding payment in 2020 amounted to minus €4.7 million, which equates to a dividend of €0.04 per share.

Condensed consolidated statement of cash flows

in € million	2020	2019	Change
EBIT	389.9	716.6	–45.6%
+ Amortization / depreciation[1] on non-current assets (without lease and rental assets)	419.5	369.2	13.6%
+ Net changes from lease business (including depreciation[1] and release of deferred income)	–2.3	–11.2	79.8%
+ Net changes from short-term rental business (including depreciation[1])	–15.2	58.8	< –100%
+ Changes in net working capital	–150.3	–146.8	–2.4%
+ Taxes paid	–216.8	–191.6	–13.1%
+ Other	102.2	51.3	99.3%
= Cash flow from operating activities	**527.1**	**846.3**	**–37.7%**
+ Cash flow from investing activities	–406.3	–277.9	–46.2%
thereof changes from acquisitions	–133.5	–10.0	< –100%
thereof changes from other investing activities	–272.8	–267.9	–1.8%
= Free cash flow	**120.9**	**568.4**	**–78.7%**
+ Cash flow from financing activities	–4.5	–534.9	99.2%
+ Effect of exchange rate changes on cash	–13.1	2.4	< –100%
= Change in cash and cash equivalents	**103.3**	**35.9**	**> 100%**

1 Including impairment and reversals of impairment

KION GROUP AG

Business activities

KION GROUP AG is the strategic management holding company in the KION Group. KION GROUP AG holds all the shares in Dematic Holdings GmbH, Frankfurt am Main, and thus all the shares in the subsidiaries in the Supply Chain Solutions segment. Furthermore, KION GROUP AG is the sole shareholder of Linde Material Handling GmbH, Aschaffenburg, which holds almost all the shares of the companies in the Industrial Trucks & Services segment. KION GROUP AG collects liquidity surpluses of the Group companies in a cash pool and, where possible, covers subsidiaries' funding requirements with intercompany loans. As a rule, the external financing of the Group's activities is handled by KION GROUP AG. Managerial holding company functions and the performance, in return for a consideration, of other services are also part of KION GROUP AG's remit.

The annual financial statements of KION GROUP AG are prepared in accordance with the provisions in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report is combined with the group management report. Pursuant to section 315e (1) HGB, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). Differences between the accounting policies in accordance with HGB and those in accordance with IFRSs arise primarily in connection with the accounting treatment of financial instruments, provisions, deferred taxes, and procurement leases.

Management system, future development, and risk position

As a holding company without any operating activities of its own, KION GROUP AG is indirectly dependent on the earnings and economic performance of its subsidiaries. The management system, expected development, and the opportunities and risks of the KION Group are described in detail in the 'Management system' and 'Outlook, risk report and opportunity report' sections of this combined management report.

Business performance in 2020

The business performance and position of KION GROUP AG are largely determined by the business performance and success of the Group. Detailed reports in this regard are set out in the 'Business performance in the Group' and 'Financial position and financial performance of the KION Group' sections.

Financial performance

KION GROUP AG does not have any operating activities itself. The revenue of €70.5 million reported for 2020 (2019: €47.2 million) largely arose from the performance of services for affiliated companies.

Other operating income rose by €17.5 million to €45.9 million and included, in particular, gains on the measurement of bank accounts and cash pools in foreign currencies.

The cost of materials related to the revenue from the provision of services and mostly consisted of expenses for consultancy services.

Personnel expenses amounted to €49.2 million, a year-on-year reduction of €4.7 million. As a result of the decrease in short-term bonus commitments, the addition to provisions for share-based remuneration and short-term incentives fell by approximately €6.4 million. There was a countervailing effect from the increase in the number of employees.

Other operating expenses rose by €29.2 million to €137.0 million, mainly because of higher costs for external services and consultancy. This increase was primarily attributable to expenses resulting from implementation of the capital increase in the reporting year (€14.7 million). Other operating expenses also included foreign currency exchange rate losses resulting from the measurement of bank accounts and cash pools in foreign currencies amounting to €44.1 million (2019: €33.7 million).

The changes in net financial income/expenses were primarily attributable to the following factors:

- Of the total income from profit-transfer agreements, €105.7 million related to Dematic Holdings GmbH (2019: €0.0 million), while an expense of €23.5 million was recorded for the transfer of losses from Linde Material Handling GmbH (2019: income from the transfer of profits of €332.1 million).
- Interest expense and similar charges, which totaled €54.5 million (2019: €52.9 million), included an amount of €41.7 million arising from external financing (2019: €35.7 million). On a smaller scale, they included expenses of €7.6 million from interest charged on intercompany liabilities (2019: €11.8 million) and expenses of €5.1 million from the unwinding of the discount on pension provisions (2019: €5.4 million).
- Other interest and similar income amounting to €55.3 million (2019: €62.4 million) for the most part consisted of interest income on intercompany receivables.

KION GROUP AG incurred tax expenses of €19.4 million as a result of its role as the parent company of the tax group in 2020 (2019: €94.6 million). The decrease was due to the poorer earnings situation of the tax group in 2020.

A total net loss of €6.5 million was incurred in the year under review (2019: net income of €156.9 million).

Financial performance

in € million	2020	2019	Change
Revenue	70.5	47.2	49.3%
Other operating income	45.9	28.4	61.6%
Material expenses	–0.3	–0.6	48.0%
Personnel expenses	–49.2	–53.9	8.8%
Other operating expenses	–137.0	–107.8	–27.1%
Depreciation expense	–0.5	–0.5	–4.2%
Operating loss	**–70.6**	**–87.2**	**19.0%**
Net financial income	83.5	338.7	–75.3%
Income taxes	–19.4	–94.6	79.5%
Net (loss) income	**–6.5**	**156.9**	**< –100%**

Net assets

As at December 31, 2020, the total assets of KION GROUP AG had increased by approximately 1.7 percent year on year to €7,812.3 million.

The financial assets largely comprised the carrying amounts of the equity investments in Dematic Holdings GmbH (€2,862.2 million) and Linde Material Handling GmbH (€1,368.4 million).

The receivables mainly consisted of loans and cash pool receivables due from other Group companies and the Company's entitlement to the transfer of profits from Dematic Holdings GmbH of €105.7 million (2019: €0.0 million). There were long-term loans to Group companies of €571.3 million.

Equity increased in the reporting year, primarily due to the capital increase of €813.3 million carried out in December. After taking into account the dividend payment of €4.7 million and the net loss for the year of €6.5 million, equity rose to €4,631.9 million (December 31, 2019: €3,828.6 million).

Further disclosures on treasury shares can be found in the notes to the financial statements of KION GROUP AG. The equity ratio was 59.3 percent as at the reporting date (December 31, 2019: 49.8 percent).

The fall in provisions by €36.9 million to €88.2 million was mainly the result of utilization of the tax provision recognized in the previous year. There was a countervailing effect from the €6.9 million addition to the retirement benefit obligation, which increased to €54.3 million.

Liabilities mainly consisted of loan liabilities and cash pool liabilities to other Group companies amounting to €1,973.4 million (December 31, 2019: €1,981.0 million) and liabilities to banks of €612.7 million (December 31, 2019: €1,739.5 million).

Net assets

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Assets			
Property, plant and equipment	2.4	2.8	–16.1%
Financial assets	4,235.7	4,231.2	0.1%
Receivables and other assets	3,468.2	3,405.7	1.8%
Cash and cash equivalents	103.2	40.7	> 100%
Deferred income	2.8	0.0	> 100%
Total assets	**7,812.3**	**7,680.5**	**1.7%**
Equity and liabilities			
Equity	4,631.9	3,828.6	21.0%
Retirement benefit obligation	54.3	47.4	14.6%
Tax provisions	0.0	44.3	–99.9%
Other provisions	33.8	33.4	1.2%
Liabilities	3,092.2	3,726.8	–17.0%
Total equity and liabilities	**7,812.3**	**7,680.5**	**1.7%**

Financial position

By pursuing an appropriate financial management strategy, the KION Group – through KION GROUP AG – makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. KION GROUP AG is a publicly listed company and therefore ensures that its financial management takes into account the interests of shareholders and financing partners. For the sake of these stakeholders, KION GROUP AG strives for an appropriate ratio of internal funding to borrowing.

On September 24, 2020, KION GROUP AG placed a corporate bond on the Luxembourg Stock Exchange with a total volume of €500.0 million, a coupon of 1.625 percent, and a term ending in September 2025. The unsecured corporate bond was issued at a price of 99.407 percent. The difference between the issue amount and the settlement amount (discount) will be amortized over the term of the bond.

In May 2020, the KION Group reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW, Germany's state-owned development bank) taking a leading role. The liquidity line had a volume of €1.0 billion and a term of twelve months but was not utilized and was terminated ahead of schedule in the fourth quarter.

KION GROUP AG has a multi-currency revolving credit facility of €1,150.0 million. It has a variable interest rate and can be drawn down until February 2023. No amount was drawn down as at December 31, 2020, as had also been the case a year earlier.

As at December 31, 2019, there had been loan liabilities to banks in the amount of €400.0 million. These included the liabilities under the AFA of €200.0 million and a fixed-rate loan with a nominal amount of €200.0 million that, in 2020, were repaid early.

Furthermore, the variable-rate tranches of the promissory note of €653.5 million that was due to mature in 2022 were repaid ahead of schedule in October 2020. The variable-rate tranche of the promissory note of €72.5 million that was due to mature in 2026 was also repaid ahead of schedule in December 2020.

The liabilities to banks and the promissory notes are not collateralized. KION GROUP AG has issued guarantees to the banks for all of the payment obligations under its liabilities to them and it is the borrower in respect of all the payment obligations resulting from the promissory notes.

As at December 31, 2020, there were liabilities to banks amounting to €612.7 million (December 31, 2019: €1,739.5 million) and liabilities arising from the corporate bond of €500.0 million (December 31, 2019: €0.0 million). After deduction of cash and cash equivalents, the resulting net debt amounted to €1,009.5 million (December 31, 2019: €1,698.8 million).

Employees

The average number of employees at KION GROUP AG was 271 in 2020 (2019: 249). KION GROUP AG employed 276 people as at December 31, 2020 (December 31, 2019: 262).

Concluding declaration on the report on relationships with affiliated entities (dependency report), section 312 (3) sentence 3 AktG

With respect to the legal transactions and other measures mentioned in the report on relationships with affiliated entities, we hereby declare that in each case the Company received appropriate consideration in accordance with the circumstances of which we were aware at the time when the legal transactions were concluded or the measures were taken or omitted and that it did not suffer any disadvantages as a result of such measures having been taken or omitted.

Frankfurt am Main, February 19, 2021

The Executive Board

Gordon Riske	Anke Groth	Dr. Eike Böhm
Hasan Dandashly	Andreas Krinninger	Ching Pong Quek

Non-financial performance indicators

The KION Group's enterprise value is determined not only by financial KPIs but also by non-financial factors. They are based on the Company's relations with its customers and employees, on its technological position and on environmental considerations. The KION Group can only achieve the targets that it has formulated for itself in the KION 2027 strategy if it is an attractive and responsible employer that is able to retain competent and committed employees at all sites. It also needs to develop products and solutions that are closely tailored to customers' needs and environmental requirements now and in the future, and to continually increase the customer benefits provided by its products and services. Furthermore, production processes must be designed in such a way that resources are conserved and emissions are avoided as far as possible.

The KION Group firmly believes that these aspects are important to its positioning as a pioneering company in a highly competitive environment.

Employees

HR strategy

The ultimate objective of the KION Group's HR strategy is to provide the best possible support for the targeted implementation of the KION 2027 strategy. The KION Group's success in the implementation of KION 2027 is founded on the capabilities and commitment of its employees.

To this end, the KION Group draws on a wide range of measures to ensure that there is always a sufficient number of highly qualified, hard-working employees at all levels of its operations. Attractive working conditions and the opportunities for career progression afforded by working for an international group of companies play an important role in this and provide a solid basis for meeting the manifold challenges presented by our workforce, the various labor markets, demographic change, and digitalization.

The KION Group's employer brands are very important in this regard. Familiarity with the three main employer brands, Linde, STILL, and Dematic, remains very high and was further strengthened during the reporting period. In 2020, STILL was recognized as a top employer for the ninth year in succession by the Top Employers Institute, a certification organization.

Our shared KION Group values

The shared values and leadership principles of the KION Group, which were developed and introduced in 2017 as part of an international bottom-up and top-down process, were in the spotlight once again in 2020 with the objective of further embedding them in the Company. The Operating Units formulated and implemented a host of measures at local level to facilitate and strengthen employees' identification with the shared values.

Regular communications via the KION intranet played an important role alongside the local measures in 2020. For example, a series of features was published on employees who embody the values particularly well.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 35,563 in 2020 (2019: 34,002 FTEs).

As at December 31, 2020, the KION Group companies employed 36,207 FTEs, 1,603 more than a year earlier.

Employees (full-time equivalents)[1]

Dec. 31, 2020	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**20,297**	**3,448**	**1,483**	**25,228**
Western Europe	17,518	3,045	913	**21,476**
Eastern Europe	2,704	397	570	**3,671**
Middle East and Africa	75	6	–	**81**
Americas	**736**	**4,534**	**–**	**5,270**
North America	241	3,696	–	**3,937**
Central and South America	495	838	–	**1,333**
APAC	**4,534**	**1,175**	**–**	**5,709**
China	3,858	475	–	**4,333**
APAC excluding China	676	700	–	**1,376**
Total	**25,567**	**9,157**	**1,483**	**36,207**
Dec. 31, 2019				
EMEA	**20,986**	**2,586**	**1,112**	**24,684**
Western Europe	18,077	2,376	849	21,302
Eastern Europe	2,821	197	263	3,281
Middle East and Africa	88	13	–	101
Americas	**747**	**3,705**	**–**	**4,452**
North America	243	2,990	–	3,233
Central and South America	504	715	–	1,219
APAC	**4,398**	**1,070**	**–**	**5,468**
China	3,683	421	–	4,104
APAC excluding China	715	649	–	1,364
Total	**26,131**	**7,361**	**1,112**	**34,604**

1 Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship

Personnel expenses rose by just 0.3 percent year on year to €2,300.8 million despite the increase in the average number of employees for the year and the personnel measures introduced in connection with the capacity and structural program. This was due to various countervailing effects resulting from the coronavirus pandemic, such as short-time working and similar measures as well as employees' using up of accumulated hours in their working-time accounts.

Personnel expenses

in € million	2020	2019	Change
Wages and salaries	1,817.6	1,820.6	–0.2%
Social security contributions	396.7	398.7	–0.5%
Post-employment benefit costs and other benefits	86.6	73.5	17.8%
Total	**2,300.8**	**2,292.8**	**0.3%**

Diversity

The KION Group sees itself as a global company with strong intercultural awareness: As at December 31, 2020, people from more than 100 different countries were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat program, which gives employees the opportunity to transfer to different countries where the KION Group is represented. The coronavirus pandemic meant that far fewer people were able to transfer to other countries under the expat program in 2020.

The KION Group is taking various steps to tackle the challenges of demographic change, for example by providing working conditions that are suited to employees' age-related requirements and organizing healthy-living programs so that it can continue to benefit from older employees' experience. As at December 31, 2020, 24.9 percent of employees were over the age of 50 (December 31, 2019: 26.7 percent).

The proportion of the KION Group's total workforce made up of women rose to 17.2 percent in 2020 compared with 16.7 percent in 2019. To help increase the proportion of management positions occupied by women, the Executive Board has set targets that are published in the declaration on corporate governance. Going forward, the KION Group intends to fill more management positions internationally in order to better fulfill the continually growing requirements placed on the Company. The KION Group offers flexible working-time models that promote a good work-life balance. In addition, various initiatives were continued in 2020 that are aimed at increasing diversity in the Company. The Group launched the Female Mentoring Program for its female managers in 2018. Shortly after the second group had successfully completed the program, a third group of female managers joined it in 2020.

Development of specialist workers and executives

In 2020, further good progress was made in the implementation of the new global process introduced in 2017/2018 for performance management and succession planning. Measures to actively manage the performance of executives were strengthened, for example. Succession planning was also stepped up, resulting in an increase in the number of candidates earmarked for key positions. There was an additional focus on identifying young high-potential candidates who will be put on targeted development programs. Following on from the first group in 2019, a further group of global high-potential candidates successfully completed a training course in 2020 to set them on the path to fulfilling an executive function. Some members of this group have already been promoted to a senior management position. The participation of a further group that was due to start the training in 2020 had to be postponed to 2021 due to the coronavirus pandemic.

The KION Group is committed to introducing new programs targeted at specific groups and to offering its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programs. This helps to systematically identify and support staff across the Group who have potential, who are high performers, or who are experts in key functions.

The Operating Units LMH EMEA, STILL EMEA, and Dematic also have academies that run subject-specific and interdisciplinary training courses to develop employees' skills, particularly in sales and service.

Training and professional development

The companies in the KION Group currently offer training for 21 professions in Germany. Besides providing dual vocational training schemes, KION Group companies offer work placements for students combining vocational training with a degree course in cooperation with various universities. The total number of trainees and apprentices was 687 as at December 31, 2020 (December 31, 2019: 672).

Sharing in the Company's success

The KION Group launched the KION Employee Equity Program (KEEP) in 2014. Initially limited to Germany, the program was then rolled out to more countries. The program was suspended in 2020 due to the coronavirus pandemic.

The eligible participants received the matching shares that they were due in 2020.

Since 2014, the remuneration of the approximately 500 top executives has included a remuneration component running over several years that is based on the long-term success of the Company and is granted annually.

Employee commitment

The KION Group's products and services destined for its customers are produced by committed employees. That is why all KION companies aim to ensure a high level of employee commitment. Based on the manager survey conducted in 2015 and the action plan derived from it, a package of measures was defined and implemented in 2016 as part of the 'Lift up' transformation initiative. The key aims of the initiative were to ensure that the organizational structure was firmly embedded and to communicate the KION Group's strategy more widely. A new manager survey was carried out in 2017 that revealed that the action plan derived from the earlier survey had been successfully implemented and the KION Group had therefore succeeded in improving its results relative to 2015.

The third manager survey, conducted in autumn 2019, showed that the Group had made further significant improvements. The large number of completed action plans, many of which were the product of team workshops, had a very positive impact again, and this was reaffirmed in benchmarking with other companies. There were a number of further workshops in 2020 at which work on these results and further measures continued.

Health and safety in the workplace

Reflecting its responsibility as an employer, the KION Group attaches great importance to the health and safety of its employees. The focus is always on avoiding all accidents and work-related illness wherever possible, as well as on maintaining each employee’s work capacity in the long term. The KION Group’s current corporate policy sets out its obligations in respect of health, safety, and the environment (HSE). These include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

In 2020, the coronavirus pandemic meant that activities were focused on infection control. During the first wave of the virus in the spring, the KION Group implemented measures at all sites in order to prevent the spread of infection. These were enhanced over the course of the year and adapted to local conditions. The measures included the provision of protective equipment, disinfectant, and information materials. As far as possible, the recommendations on hygiene and social distancing were implemented at the sites. Only absolutely essential business trips were permitted. At some sites, antigen tests were also offered as a targeted means of preventing chains of infection.

These and other measures enabled the KION Group to make sure that no clusters of cases were formed and chains of infection were controlled.

An influenza vaccination campaign was also launched at Group level.

Because of the pandemic and the related restrictions on contact, face-to-face training and other advisory services in the area of occupational health and safety could only take place to a limited extent in 2020. The audit program is based on the ISO 14001, ISO 45001, and other standards and covers the KION Group’s production facilities as well as sales and service. It continued in 2020, albeit at a reduced level compared with the previous year.

In the reporting year, eight central HSE audits were carried out within the KION Group. Due to the travel restrictions imposed as a result of the coronavirus pandemic, they mainly took place at units that could be reached locally. Further progress was also made in the implementation of comprehensive minimum HSE standards, which are mandatory for all sites. Employees can access these via the intranet.

The KION Safety Championship was also continued. It provides additional motivation for employees to continually engage with HSE matters. Based on regular reporting from the individual units and defined evaluation criteria, a panel of judges awards a prize to those units that have shown special dedication or have suggested the most improvements in an area of HSE. HSE managers at the KION Group’s production facilities and in its sales and service units have the opportunity to meet and talk with one another at annual conferences.

Further information, including on HSE key performance indicators such as the lost time injury frequency rate (LTIFR) and the illness rate (average illness-related or accident-related absences from the workplace) and on the measures initiated and implemented in 2020, are included in the KION Group’s separate sustainability report, which will be published in April 2021 on the KION GROUP AG website.

Research and development

Strategic focus of research and development

Under the KION 2027 strategy, research and development is set up so as to support the KION Group's position as a leading global supplier of integrated, automated supply chain solutions and mobile automation solutions over the long term. R&D activities remain focused on energy, digitalization, and automation.

R&D activities essentially take place on a cross-brand and cross-region basis, which makes it easier for research findings and technological know-how to be shared across the Group. Building on this, local product development teams working for the individual brand companies and regions develop customer-specific solutions. In addition to continuous innovation geared to the needs of customers, another objective of the R&D activities is to reduce the complexity and diversity of the product range and to shorten development times for new products.

Key R&D figures

Spending on R&D amounted to €235.3 million in 2020, compared with €237.3 million in 2019. This equates to 2.8 percent of revenue (2019: 2.7 percent). R&D costs totaling €156.8 million were expensed (2019: €155.3 million). There were also amortization charges on capitalized development costs of €97.1 million (2019: €82.1 million), which are reported under cost of sales (see note [17] in the notes to the consolidated financial statements).

Research and development (R&D)

in € million	2020	2019	Change
Research and development costs (P&L)	156.8	155.3	0.9%
Capitalized development costs	78.5	81.9	–4.2%
Total R&D spending	**235.3**	**237.3**	**–0.8%**
R&D spending as percentage of revenue	2.8%	2.7%	–

The number of full-time equivalents in R&D teams had risen by 7.5 percent to 1,701 employees as at the end of 2020 (December 31, 2019: 1,583). The KION Group pursues a dedicated patent strategy to protect against imitations of its technology. As at the end of 2020, the companies of the KION Group together held a total of 2,836 patent applications and issued patents (December 31, 2019: 2,912). They applied for 111 new patents in 2020, compared with 81 in 2019.

Focus of R&D in 2020

Energy

The development and refinement of energy-efficient drive solutions was again an area of focus in 2020.

STILL's electric-powered RX 60-25/35 truck matches the performance of a truck fitted with an IC engine. The newly launched model won an IFOY award (International Intralogistics and Forklift Truck of the Year) in the 'counter balanced truck up to 3.5 t' category. It was praised not only for its high level of productivity, quietness, and flexibility but also for the low operating costs and low maintenance costs of the electric drive.

The new models of STILL's compact OXV vertical order picker are available both with traditional lead-acid batteries and with lithium-ion batteries, while eco driving mode can be switched on at the touch of a button for greater energy efficiency.

In addition, Linde unveiled the Linde E10, a versatile stand-on truck for transport tasks that can optionally be fitted with a lithium-ion battery. Customers can also choose between the two battery types for Linde's three new tow tractor models, P40 C, P40 C B, and P60 C.

The EXH-S 20/25 and EXD-S 20 pallet trucks brought to market by STILL in September, which feature a fixed stand-on platform, can be optionally fitted with a maintenance-free lithium-ion battery that can be topped up at smaller, conveniently located charging stations when the driver takes a short break. The trucks can also be fitted with an optional built-in charger, enabling them to be plugged into a normal electric power socket.

Digitalization

The digitalization of customer solutions – including through the use of the Dematic iQ proprietary warehouse management system – is being accompanied by the digitalization of internal processes and resulting improvements in performance. In this context, the KION Group is integrating software into its solutions and increasingly marketing software solutions as standalone products.

The KION Group significantly expanded Dematic's intralogistics software offering by acquiring Digital Applications International Limited (DAI), a UK software company specializing in logistics automation solutions. DAI's core product is a warehouse management system (WMS) that expands the capacity of Dematic iQ automation solutions. The two companies began working together on further developing these solutions in the year under review.

Making greater use of artificial intelligence for products and software solutions is a long-term focus of the KION Group's research and development in the area of digitalization.

In addition, significant progress was made in integrating fleet management into a single software platform, in digital connectivity, and in the development and implementation of 'digital twins' for components in the Linde series 1202 H20–H35. The latter enable more efficient and easier maintenance.

Automation

R&D activities in the area of automation are focused on solutions that help customers to achieve their goal of almost fully automated warehousing.

An important step was the strategic partnership with Quicktron, a Shanghai-based manufacturer of autonomous mobile robots (AMRs). The partnership was agreed upon in 2020 and underpinned by the acquisition of a minority stake. The technology behind these solutions uses artificial intelligence.

Joint development projects between KION Group companies and Quicktron are planned under this partnership.

In the reporting year, Dematic optimized its automation solution for pallet storage. Dematic Standardized Automated Pallet Storage is a modular system of proven components that can be configured to meet specific customer requirements. Since the individual components are standardized, the system can be installed and put into operation in a very short time.

The new version of Dematic's order fulfillment solution is geared specifically to the requirements of the protein industry supply chain. It can be used to automate picking, distribution, and shipping. It is based on an automated Dematic Multishuttle system that stores, buffers, and sorts the products and sequences them for order picking and packing.

In November, Linde launched the second generation of the Linde R-MATIC reach truck. It also brought out updated and new automated industrial trucks in the shape of the Linde L-MATIC HD pallet stacker. The Linde R-MATIC is the only automated reach truck in EMEA that is available in a hybrid version and can maneuver in aisles of up to 2.90 meters in width. Controlled by software, the truck stores pallets with great accuracy, even at lifting heights of over eleven meters.

Projects as part of R&D partnerships

Three collaborative projects were completed in 2020. In the QBIIK project, sponsored by the German Federal Ministry for Economic Affairs and Energy (BMWi), a mobile robot autonomously stocks the manufacturing supermarket of a company in the automotive industry. The mobile robot was proven to work in a live warehousing environment at application partner AUDI.

IC4F (Industrial Communication for Factories) is also sponsored by the BMWi. This beacon project investigated secure and real-time communication in industrial applications, using the key technologies of 5G and cloud computing. The KION Group played a major role in the project. Together with 15 partners from industry and research, it presented the results in live demonstrations during the closing event at STILL in Hamburg.

The CableBot project also reached a successful conclusion in 2020. In cooperation with Canada's University of Waterloo, the KION Group conducted research into new cable-based technologies for automated storage and retrieval systems and demonstrated them using a prototype. The KION Group is currently examining options for making further use of the findings.

Further projects are continuing at various KION Group sites. One of these is the Deep-PTL project, supported by the German Federal Ministry of Education and Research (BMBF). It is enabling the KION Group to put the latest findings from AI research into practice. During a successful interim presentation, the technology's huge potential was demonstrated in an intelligent assistance system that helps self-driving vehicles to recognize their environment.

Customers

The KION Group's business model is designed so that customers of all sizes and from all sectors can obtain the full spectrum of material handling products and services from a single source. Customer centricity and a firm focus on customer requirements are also enshrined in the KION Group's vision of being the best company in the world at understanding its customers' material handling needs and providing the right solutions.

The KION Group is a global player operating in many customer sectors and enjoys established relationships with its customers. It has been able to extend these relationships through joint development projects and other initiatives. Another important lever is the highly efficient sales organization that ensures the KION Group has the necessary proximity to its customers in all the key markets worldwide. It achieves this both through its own resources and through partnerships. In addition, cross-brand and cross-segment development and sales activities unlock the potential for cross-selling between individual product categories.

The Industrial Trucks & Services segment has a very broadly diversified customer base, ranging from large key accounts with global operations to small and medium-sized enterprises that typically order just a few trucks each year. Thanks to the diversified customer base, the increasing relevance of high-volume business is not resulting in greater dependency on individual customers.

The Supply Chain Solutions segment benefits from long-standing customer relationships with major players in e-commerce, grocery logistics, general retail/wholesale, and other sectors. They influence the success of the segment's project and service businesses. Specific solutions, such as micro-fulfillment, help Dematic to further consolidate its position in major customer sectors, including general merchandise, grocery wholesale and retail, fashion, food and beverage manufacturing, and parcel and courier services.

The KION Group's diversified and well-balanced customer structure and long-standing customer relationships, combined with the way it is benefiting from global growth trends, are key factors that explain why it is relatively resilient to economic turbulence and external market disruptions.

Customers' satisfaction with the products and services of the KION Group is highlighted by the long-term nature of customer relationships and the high proportion of repeat business. Digital solutions for functional tests, planning of maintenance and servicing, and remote maintenance are helping to increase customers' productivity and leading to greater customer satisfaction in the aftersales business.

In the reporting year, the coronavirus pandemic and its fallout had a significant impact on day-to-day operations in companies and, at the same time, made it more urgent to automate processes and structures. Since the start of the pandemic, the KION Group has therefore optimized its customer touchpoints by introducing new digital offerings and new digital tools. For example, it used enhanced contact and communication channels to maintain its customer relationships despite the cancellation of major trade fairs and other industry events due to the pandemic.

During a digital material handling trade fair and conference held in the summer of last year, customers were able to browse Linde Material Handling's virtual stand in order to find out about the latest products and solutions and ask questions in a live chat. This web chat function is also available on Linde's websites and enables customers to contact the sales team directly.

Digital expert systems, such as an energy quick check and a product quick check, help customers to choose energy solutions and order-picker trucks: Customers are asked a series of questions in order to ascertain their specific requirements and suitable products are then suggested. The online visualization of industrial trucks using rotating 3D models helps to present the trucks' details to customers at a time when live demonstrations in dealers' showrooms are not possible.

STILL has expanded its intralogistics consultancy offering, which goes beyond mere product or systems advice and is crucial when putting together end-to-end process-based solutions. Working closely with the customer, STILL's specialists combine all of the elements of the flow of goods and information to create an intelligent logistics concept that meets the customer's needs and requirements.

In the first quarter, Dematic responded to the cancellation of LogiMAT, a flagship trade fair, by launching Dematic Virtual Showcase. In this series of webinars, experts provided insights into individual products and industry solutions. Participants also received live support from Dematic experts during the webinars. The event was held for a second time in November, when it was named Innovation Day. New Dematic solutions were presented and the spotlight was trained on examples of cross-sectoral best practice and groundbreaking intralogistics solutions.

At a Project Excellence Day for intralogistics consultants, Dematic presented innovative approaches in the field of compact, automated solutions for storage, retrieval, and order picking. Based on examples of best practice, industry experts also discussed the latest developments and requirements, including in connection with the coronavirus pandemic.

In October, Dematic again hosted the Material Handling & Logistics Conference (MHLC), which was held entirely online for the first time. Customers and industry experts were able to learn about and discuss new trends and applications during various workshops and presentations.

The companies in the KION Group also launched various initiatives to help their customers to adjust to the consequences of the coronavirus pandemic as best they can and to protect their employees against infection.

In the early part of the pandemic during the spring, customers of Linde Material Handling, for example, could use the Truck Call app free of charge for a trial period of six months. The app enables transport orders to be assigned to industrial trucks digitally from a cellphone, helping to reduce face-to-face contact between logistics workers.

Companies in the KION Group also lent their support to projects being run by other companies that were helping society to overcome the pandemic. STILL, for example, supplied an electric forklift truck free of charge that was used in a facility producing disinfectant.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group's focus on sustainability is reflected in its safe and clean products, in its environmentally friendly manufacturing processes, and in the safe and non-discriminatory working environment it provides. The KION Group and its Operating Units strive for a balance between environmental, economic, and social considerations in their activities. This is the basis upon which sustainability is enshrined in the KION 2027 strategy. The KION Group's values also have a clear link to sustainability.

As part of the continual evaluation of its sustainability performance by external independent auditors and rating agencies, the KION Group notched up some significant improvements in 2020. For example, its rating from ISS rose from C+ to B–, which equates to prime status. CDP again recognized the KION Group's commitment to combating climate change. The Group received an A– rating, considerably improving on its B rating of the past two years. The rating reflects the KION Group's progress from a coordinated approach to climate change mitigation (management level) to the implementation of the latest best practice (leadership level). In the FTSE Russell ESG rating, the KION Group scored 4.0 out of a maximum of 5.0 points, another significant improvement compared with the previous score of 3.4. The rating from SAM CSA also went up sharply, by twelve points, to reach 53 points.

The groupwide sustainability report for 2020, which will be published in April 2021, contains information on strategy, the management approach, and structures for sustainability as well as data on relevant key performance indicators. It also contains the KION Group's non-financial declaration as required under German law. For this reason, the KION Group has not provided detailed information in the 2020 combined management report.

Outlook, risk report and opportunity report

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability as well as the earnings of KION GROUP AG. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation. Any unexpected developments in the global economy would result in the KION Group's and KION GROUP AG's performance and profits differing significantly from those forecast below.

The outlook for 2021 is particularly uncertain in view of the continued rapid spread of coronavirus at the end of 2020. If the pandemic continues to worsen, the authorities may impose renewed restrictions that would adversely affect procurement, production, and sales activities and make customers less willing to invest.

The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances. Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard. Actual business performance may deviate from the KION Group's forecasts due, among other factors, to the opportunities and risks described here.

Assumptions

The forecasts in this section are derived from the KION Group's multiple-year market, business, and financial planning, which is based on various assumptions. Market planning takes into account macroeconomic and industry-specific performance, which is described below. Business planning and financial planning are based on expected market performance, but also draw on other assumptions, such as those relating to changes in the cost of materials, labor costs, sale prices, and movements in exchange rates.

With regard to the further course of the coronavirus pandemic, the market assumptions of the International Monetary Fund (IMF), on which this outlook is predicated, are based on the expectation of a continued need for contact restrictions until vaccination rates rise and treatments improve over the course of the year. According to the assumptions, this will enable the potential transmission of infection to gradually be brought down to a low level.

Expected macroeconomic conditions

Following the global economic slump triggered by the coronavirus pandemic in 2020, the IMF's outlook for 2021 – published at the end of January 2021 – anticipates that global economic output will recover with a rise of 5.5 percent, taking it above the pre-crisis level in 2019. The strength of the recovery will vary significantly from country to country, for example because of differences in access to medical resources to contain the coronavirus pandemic and the extent and effectiveness of government support packages.

The IMF predicts growth of 4.3 percent for the developed economies in 2021. This will be underpinned by the continuation of the central banks' expansionary monetary policy, fiscal stimulus packages, and an economic recovery resulting from the increased containment of the coronavirus pandemic as various vaccines become more widely available. However, this would not fully compensate for the decline in economic output in 2020. US growth is expected to be above the 4.3 percent mark at 5.1 percent, while the eurozone's growth of 4.2 percent will be slightly below this level.

The IMF predicts that the economic output of the emerging markets and developing countries will increase by 6.3 percent in 2021. This will be driven by the strong recovery in China, where economic growth of 8.1 percent is expected.

Reflecting the economic recovery, the volume of global trade will increase by 8.1 percent in 2021 according to the IMF. In absolute terms, global trade will thus remain significantly below the level recorded in the years before the coronavirus pandemic. In this context, the IMF also predicts that commodity prices will rise sharply, which would likely affect the purchase prices of the materials used by the KION Group.

According to the IMF, the main risks to the macroeconomic outlook are the continued spread and further mutations of coronavirus, delays in procuring and distributing the vaccines, rising government debt and an increasing number of company insolvencies. On the other hand, opportunities could arise, in particular, if the pandemic is brought under control sooner because of more efficient vaccination programs and improved treatment.

Expected sectoral conditions

In the KION Group's view, the global material handling market should see strong growth in 2021 if economic conditions improve as expected. This is being driven by the increasing market momentum of the supply chain solutions market and a further gradual recovery of the global market for industrial trucks. Overall, the global material handling market is expected to grow at a higher rate than global GDP. This is primarily because of the fundamental growth drivers, particularly the fragmentation of value chains and consumers' increasing preference for e-commerce, which the KION Group believes has become even more important as a result of the coronavirus pandemic. Growth at regional level, especially in the more cyclical market for industrial trucks, will again depend heavily on economic conditions in the main sales markets.

Following the impact from the pandemic in 2020, the KION Group is expecting a gradual market recovery for new business with industrial trucks in 2021, with a percentage rise in unit sales that is in the mid-single-digit range and above the medium-term growth trend of around 4 percent. This rise is expected to be driven primarily by the recovery of the EMEA region, which was heavily affected by the pandemic in 2020, and by sustained growth in China. However, the latter is likely to be significantly lower than the exceptionally strong growth seen in 2020. The KION Group is in an excellent position from which to take advantage of the continuing electrification and automation of warehouses. The high number of trucks in operation worldwide provides a sustainable customer base for the service business.

The market for supply chain solutions is likely to continue expanding in 2021, particularly as a result of the sustained uptrend in e-commerce, which was further reinforced by the changes in consumer buying behavior during the pandemic. The trend for micro-fulfillment warehouses is also expected to continue. From a technology perspective, automation and robotics solutions will remain the main drivers. In the medium-term double digit market growth is expected.

Expected business situation and financial performance of the KION Group

In the fiscal year 2021, the KION Group plans to fully participate in the market recovery and has laid the foundations for this in the year under review, both in terms of technology and production as well as in terms of financing. In the global market for industrial trucks, the KION Group is aiming to outperform market growth thanks to the high proportion of revenue that it generates in markets that are likely to bounce back strongly. The KION Group's portfolio in the market for warehouse automation and supply chain solutions covers all of the main growth drivers. In 2021, the Group therefore anticipates that its revenue will increase at a rate above the expected medium-term growth rate of the global market, in part due to the strong order book at the start of the year.

The order intake of the KION Group is expected to be between €9,700 million and €10,400 million. The target figure for consolidated revenue is in the range of €9,150 million to €9,750 million. The target range for adjusted EBIT is €720 million to €800 million. Free cash flow, including the effects of the capacity and structural program started in 2020, is expected to be in a range between €450 million and €550 million. The target figure for ROCE is in the range of 8.2 percent to 9.2 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €5,900 million and €6,200 million. The target figure for revenue is in the range of €5,900 million to €6,200 million. The target range for adjusted EBIT is €445 million to €485 million.

Order intake in the Supply Chain Solutions segment is expected to be between €3,800 million and €4,200 million. The target figure for revenue is in the range of €3,250 million to €3,550 million. The target range for adjusted EBIT is €360 million to €400 million.

Outlook 2021

	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
in € million	2020	Outlook 2021	2020	Outlook 2021	2020	Outlook 2021
Order intake[1]	9,442.5	9,700 – 10,400	5,776.3	5,900 – 6,200	3,654.5	3,800 – 4,200
Revenue[1]	8,341.6	9,150 – 9,750	5,699.0	5,900 – 6,200	2,627.1	3,250 – 3,550
Adjusted EBIT[1]	546.9	720 – 800	305.5	445 – 485	277.5	360 – 400
Free cash flow	120.9	450 – 550	–	–	–	–
ROCE	6.2%	8.2% – 9.2%	–	–	–	–

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

Overall statement on expected performance

Overall, the KION Group anticipates that it will return to growth in 2021. The KION Group expects that its adjusted EBIT, and thus its profitability, will remain below the pre-crisis 2019 level due to the continuation of extensive expenditure aimed at strengthening future growth and the anticipated rise in commodity prices. However, there should be a sharp improvement compared with the 2020 level, which was adversely affected by the pandemic.

Risk report

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while ensuring that risk always remains under control. Using a groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions.

This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardize the Company's continuation as a going concern. Risk management is embedded in the Corporate Controlling function and plays an active and wide-ranging role due to the strategic focus of Corporate Controlling. The Operating Units' business models, strategies, and specific plans of action are examined systematically. This ensures that risk management is integrated into the KION Group's overall planning and reporting process.

Principles of risk management

The procedures governing the KION Group's risk management activities are laid down in internal risk guidelines. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks. Risk management is organized in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers and their subordinate risk managers have been appointed for each company and each Operating Unit. A central Group risk manager is responsible for the implementation of risk management processes in line with procedures throughout the Group. His or her remit includes the definition and implementation of standards to ensure that risks are captured and evaluated.

The risk management process is organized on a decentralized basis. Firstly, a groupwide risk catalog is used to capture the risks attaching to each company. Each risk must be captured individually. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, KION GROUP AG's Executive Board and KION Group's Corporate Controlling function are notified immediately. Each risk is documented in a reporting system designed specifically for the requirements of risk management. Risks affecting more than one Group company, such as market risks and competition risks, are not recorded individually but are instead evaluated qualitatively at Group level. Consequently, such risks are not quantified.

The scope of consolidation for risk management purposes is the same as the scope of consolidation for the consolidated financial statements. The risks reported by the individual companies are combined to form Operating Unit risk reports as part of a rigorous reporting process. To this end, minuted risk management meetings are held once a quarter. Moreover, material risks are discussed with the Operating Units at the business review meetings. The Operating Unit risk reports are then used to compile an aggregate risk portfolio for the KION Group as a whole. To support this, the relevant departments of KION GROUP AG are consulted each quarter in order to identify and assess risk – particularly Company-wide risk – affecting areas such as corporate finance, procurement, tax, human resources, and the leasing business. The Executive Board of KION GROUP AG and the Supervisory Board's Audit Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

Material features of the internal control and risk management system pertaining to the (Group) accounting process

Principles

The main objectives of the accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement, and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated and separate financial statements and the combined management report comply with the relevant accounting standards.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organization.

Changes to the law, accounting standards, and other pronouncements are continually analyzed with regard to their relevance and effect on the consolidated financial statements and group management report; the relevant changes are then incorporated into the Group's internal policies and systems.

All consolidated entities must follow the KION Group IFRS Accounting Manual when preparing their IFRS reporting packages. This manual contains the recognition, measurement, and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS. The accounting guidelines primarily explain the financial reporting principles specific to the KION Group's business. In addition, all companies must adhere to the schedule defined by head office for the Group accounting process.

The accounting-based internal control and risk management system includes defined control mechanisms, automated and manual reconciliation processes, separation of functions, the double-checking principle, and adherence to policies and instructions.

The employees involved in the (Group) accounting process receive regular training in this field. Throughout the accounting process, the local companies are supported by central points of contact. The consolidated accounts are drawn up centrally using data from the consolidated subsidiaries. Specially trained KION Group employees carry out the consolidation activities, reconciliations, and monitoring of the stipulated deadlines and processes. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardized manner. All postings are managed centrally and documented. A team is responsible for monitoring the system-based controls, which it supplements with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the necessary expertise provide support on specialist questions and complex issues.

Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardize the compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be taken. Such risks form part of the KION Group's aggregate risk profile and are classified as operational risk.

The Internal Audit department evaluates governance, risk management, and the control processes by following a systematic and structured process, thus helping to bring about improvements. It focuses primarily on the following aspects:

- appropriateness and effectiveness of the internal control systems for avoiding financial losses
- compliance with legal requirements, directives from the Executive Board, other policies, and internal instructions
- correct performance of tasks and compliance with business principles

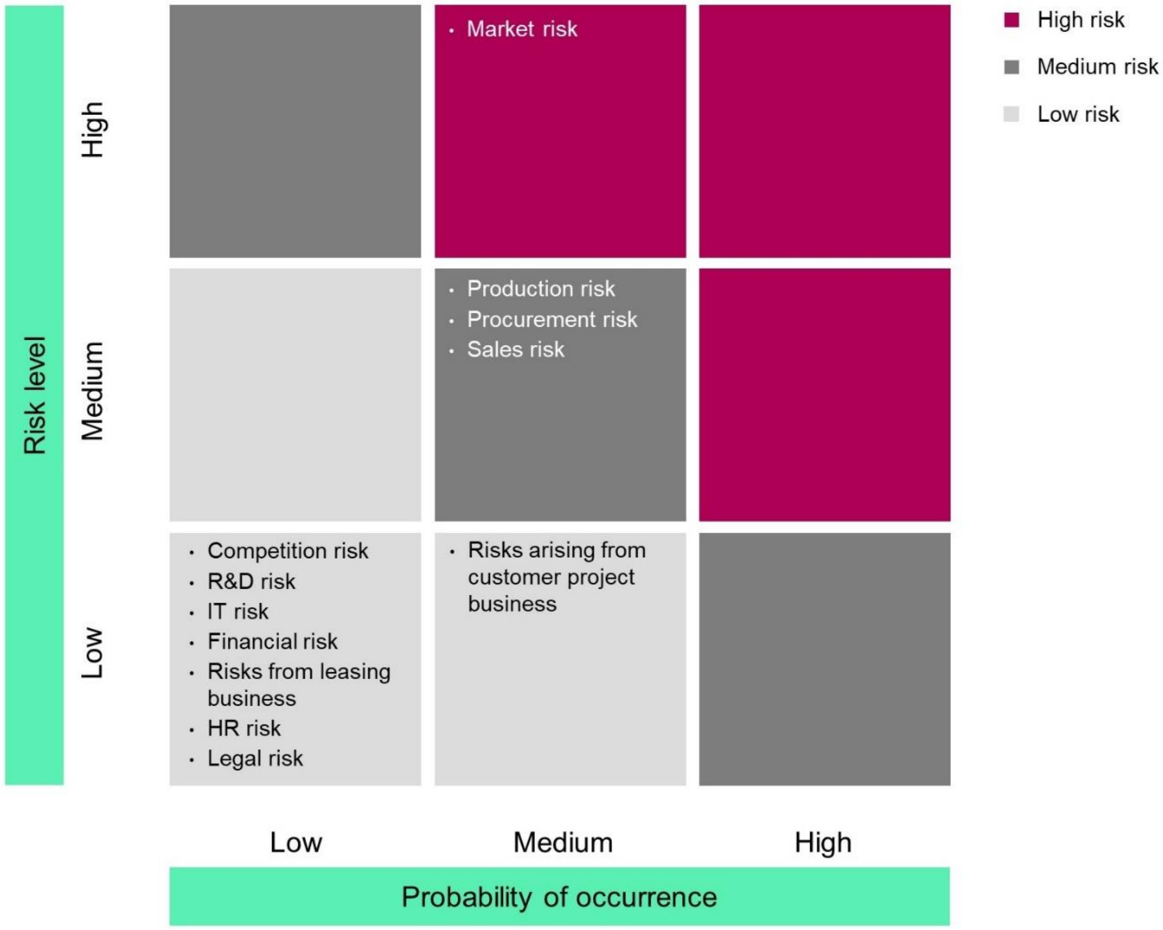
Risk

Aggregate risk

The coronavirus pandemic had a marked impact on the KION Group's aggregate risk situation in 2020. During the year, the risk level and the probability of occurrence had to be reassessed for various risks, particularly market risk, procurement risk, production risk, and sales risk. Both operating segments were affected. The main steps taken to reduce risk were health and safety measures and efforts to safeguard production and stabilize the supply chains. On the whole, the KION Group proved robust in the face of market disruptions and cyclical fluctuation thanks to the further rise in the proportion of total revenue attributable to the Supply Chain Solutions segment and the largely stable service business. For 2021, the risk situation will, until further notice, remain at the heightened level to which it was raised in 2020. As things stand at present, there are no indications of any risks that could jeopardize the Company's continuation as a going concern.

At the time that this combined management report was prepared, it was impossible to predict how the coronavirus pandemic will continue to unfold. While the risk report examines possible negative influences and variances from the scenario on which the outlook is based, potential positive influences are described in the opportunity report. The latter include the coronavirus pandemic being brought under control soon thanks to the rapid availability and successful rollout of vaccines across the population.

Risk matrix



The market risks and competition risks described, the risks along the value chain, the human resources risks, and the legal risks largely relate to the Industrial Trucks & Services and Supply Chain Solutions segments. Risks arising from financial services mainly affect the Industrial Trucks & Services segment, while financial risks resulting from the Company's general funding situation would predominantly impact on the Corporate Services segment.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or a particular sector does not perform as well as had been anticipated in the outlook. The outlook is based on the expectation that the markets relevant to the Industrial Trucks & Services segment will recover – particularly in the EMEA sales region – and the market for supply chain solutions will maintain its high rate of growth. Because macroeconomic conditions deteriorated considerably in 2020 as a result of the coronavirus pandemic, the market outlook continues to be very uncertain. The KION Group therefore assumes a higher level of market risk than it did in the 2019 risk report.

Cyclical fluctuations in macroeconomic activity affect both the market for industrial trucks and the market for supply chain solutions, although the latter has greater immunity to economic cycles. Customers' decisions on whether to invest depend to a large degree on the macroeconomic situation and conditions in their particular sector. In the event of heightened economic uncertainty or an economic downturn, including as a result of external shocks such as a global pandemic, customers tend to postpone their capital expenditure plans. Although demand for services is less cyclical than new business with industrial trucks, it correlates with the degree of utilization of the trucks and systems, which usually declines during difficult economic periods.

As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings. Despite the strength of the North American business in the Supply Chain Solutions segment and the growth of business in China, the bulk of revenue continues to be generated in Europe. As a result, the market conditions that prevail in Europe impact significantly on the KION Group's financial performance.

The global economic downturn triggered by the coronavirus pandemic led to a deep recession in 2020, albeit with significant regional differences. For 2021, the developed economies and the emerging markets are both expected to stage a marked economic recovery. This base forecast is subject to risks arising from a worsening of the coronavirus pandemic, with further waves of infection that would result in restrictions on production and deliveries. Unforeseen negative consequences of developments in the pandemic so far – and of the countermeasures implemented – could also emerge. These include growing financing problems despite expansionary monetary and fiscal policy, the failure of government support measures to make a positive impact, and an increasing number of company insolvencies whether among customers or suppliers. Besides the pandemic-related factors, there continue to be risks as a result of trade disputes and geopolitical tensions that could slow the recovery of the global economy. In the medium term, new barriers to trade could significantly hamper production and lead to renewed disruption to global supply chains, even after the coronavirus pandemic has been brought under control. Financial market risks, for example in the form of higher risk premiums for emerging markets, could make it more difficult to finance capital expenditure.

All these factors could have a negative impact on customers' willingness to invest and thus on demand for the KION Group's products. However, it is not currently foreseeable whether these market risks will become relevant and then have a material effect on the business situation and financial performance.

Developments in the coronavirus pandemic and the geopolitical situation are monitored closely. In 2020, the KION Group took various steps to adapt its cost structures as far as possible to changed market demands. In 2021 and beyond, the capacity and structural program initiated in 2020 aims to help achieve lasting cost savings and thus contain the earnings risk arising from reductions in revenue as a result of economic conditions. Diversification of the customer base in terms of industry and region, the growth of business in the Supply Chain Solutions business, which is highly resilient in the face of economic volatility, and the expansion of cross-segment service activities also play a role in mitigating risk.

Moreover, the KION Group closely monitors the market and its competitors so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth and other data, the KION Group also analyzes exchange rates, price stability, the consumer and investment climate, foreign trade activity, and political stability in its key sales markets, constantly monitoring the possible impact on its financial performance and financial position. Other risks arise as a result of constant changes in the Company's political, legal, and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, changes to customs rules, capital controls, expropriations, and social unrest.

The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions, and drafting contracts appropriately.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. The markets in which the KION Group operates are characterized by strong competition, often price-driven. Price competition is compounded by some manufacturers having cost advantages, sometimes due to the currency situation and sometimes because local labor costs are lower. This mainly affects the Industrial Trucks & Services segment, where competition is fierce, particularly in the economy and volume price segments. Additional price risks arise – as was the case in the reporting year – from the decline in demand as a result of the coronavirus pandemic, which is prompting some manufacturers to adopt more aggressive price strategies.

Building on their local competitive strength, manufacturers in emerging markets are also markedly stepping up their efforts to find opportunities for expansion in regions outside their local markets. Competition has increased significantly, especially from manufacturers in China. This can be seen from the changes in the competitive situation last year. Customers in developed markets have sophisticated service needs and high expectations in terms of quality. This still presents a barrier to growth for some of these manufacturers, but the bar is getting lower. Competitive pressures are likely to continue to intensify in the future.

It is also conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group's sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices. Although the excellent customer benefits provided by its products have enabled the KION Group to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions, and other measures are increasingly playing a role in improving the KION Group's competitiveness in terms of resources, market access, product range, and digitalization expertise. One of the risks of such partnerships and acquisitions is that the expected benefits will materialize only partly or not at all. For example, the organizational integration of new units can harm financial performance for a variety of reasons. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place. The steps that the KION Group is taking to mitigate its competition risk also include making its plants more efficient and securing low-cost sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its market position, in particular through the strategic construction and expansion of production facilities, and proactive cross-selling by the two operating segments.

Risks along the value chain

Research and development risks

The KION Group's market position and business performance depend to a large extent on its ability to build on its position as a technology driver in respect of individual products and system solutions in order to become technology leader for automated supply chain solutions and mobile automation solutions. This requires the Group to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions and has to quickly bring new products to market. If the Company does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful. The KION Group mitigates research and development risk by focusing firmly on customer benefit in its development of products and solutions. Customer needs are incorporated into the development process on an ongoing basis by ensuring close collaboration between sales and development units and taking account of all region-specific requirements.

Procurement risks

Procurement activities constitute a potential risk for the KION Group in terms of the general availability of parts and components and the rising cost of raw materials, energy, inputs, and intermediate products. Procurement risk increased in 2020 as a result of the coronavirus pandemic. Governments responded to the pandemic with extensive containment measures that disrupted and blocked global supply chains, especially in the second and third quarters of 2020. The situation eased over the course of the year, thanks in no small part to the steps taken by the KION Group to stabilize the supply chains. Nevertheless, the KION Group believes it will again face a greater risk of restrictions on suppliers’ capacity – leading to delivery backlogs or non-fulfillment of deliveries in respect of individual commodities or components – over the course of 2021, depending on how the pandemic progresses.

Irrespective of the coronavirus pandemic, bottlenecks in suppliers’ capacity could lead to backlogs in the supply of individual raw materials and components to the KION Group. These backlogs can lead to temporary decreases in revenue and liquidity as well as to inefficiencies in production. The KION Group obtains some of its key components from a limited number of core suppliers. Key components in the Industrial Trucks & Services segment include internal combustion engines, tires, and high-performance forged and electronic parts.

Overall, procurement risks continue to be viewed as medium-high. The KION Group mitigates the risks by continually monitoring supply chains, the availability of materials, and suppliers’ ability to fulfill orders. For critical materials, it has also increased its buffer of inventories. The KION Group also minimizes the risks effectively by further diversifying its supplier structure in the context of a global procurement organization.

Price changes present another procurement-related risk. In 2020, around 20.2 percent of the cost of materials for new trucks in the Industrial Trucks & Services segment was directly influenced by changes in commodity prices (2019: around 19.8 percent). Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months. The KION Group endeavors to pass on price increases to customers but cannot always do so entirely due to market pressures.

Production risks

Production risks are largely caused by quality problems, possible disruptions to operational procedures, or production downtime at individual sites. They can also materialize as secondary risks resulting from the aforementioned procurement risks. The KION Group continues to anticipate a heightened risk of disruption to operating processes and production outages at individual sites because of the coronavirus pandemic. These could be caused by comprehensive government-imposed restrictions and directives or by chains of infection occurring within the workforce, or may arise as secondary risks resulting from the aforementioned procurement risks. To reduce these risks, the Group has implemented effective organizational measures in order to comply with hygiene rules and protect the workforce. Where cases of coronavirus occurred, rigorous contact tracing and coordinated action ensured that chains of infection were broken before they could spread within the Company. No production departments or entire sites needed to be closed for this reason in 2020.

The KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. There is also a risk that structural measures and reorganization projects will not be implemented owing to ramp-up difficulties, disruption of production, or strikes. However, this risk is largely minimized by means of comprehensive project management and contractual provisions. Delays in delivery or a rise in the number of complaints could harm the KION Group's standing with its customers and, as a result, could harm its financial situation.

To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff, and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance to limit the risk of potential losses. Quality assurance is a high priority throughout the value chain and reduces possible quality-related risks arising from the products and services provided. The KION Group mitigates its quality-related risks significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain, and maintaining close contact with customers and suppliers.

Risks arising from customer project business

In the customer project business, risks can arise from deviations from the schedule originally agreed with the customer, potentially leading to revenue and profit being recognized in subsequent years or, in isolated cases, contractual penalties having to be paid. Another possible risk is that the technology deviates from the promised specifications, which may result in additional completion costs and contractual penalties. The scope and complexity of individual projects can lead to unexpected cost increases over the term of the project that were not anticipated in the project costing and cannot be passed onto the customer. Project-specific risk management is carried out in the Supply Chain Solutions segment in order to mitigate these risks. This involves detailed evaluation of the risks when defining the technical aspects of quotations plus financial risk provisioning based on the individual project specifications when preparing quotations. A multistage approval process based on an extensive list of criteria ensures that financial, country-specific, currency-specific, and contractual risks are largely avoided.

The potential risks that may arise in the project realization phase are analyzed in every individual project using detailed continuous reviews based on the individual items of work that make up the project. This keeps potential risks to a minimum. The coronavirus pandemic had only an immaterial impact on the project business during the reporting year. Regional restrictions on access for project engineers – and subsequent delays to projects – were only a problem during the lockdown in the spring. For 2021, the risk assessment for the project business has therefore not changed significantly as a result of the coronavirus pandemic.

Sales risks

The main sales risks – besides a drop in demand caused by market conditions – result from dependence on individual customers and sectors. Given the challenging macroeconomic environment, there is a heightened risk that customers will cancel or postpone orders. However, there have not been any significant cancellations or major problems resulting from other changes to orders in previous years, and this remained the case during the coronavirus pandemic in 2020. In the current situation, government measures or customer-imposed restrictions might prevent or limit the access to customers' premises that is needed to perform contractually agreed work. This gives rise to heightened revenue risk for both operating segments. The KION Group is therefore continuing to engage in dialog with its customers and is monitoring the situation closely.

Because of its customer project business, the Supply Chain Solutions segment generally has a greater dependence on individual sectors and individual customers than the Industrial Trucks & Services segment, which is not dependent on individual customers. The KION Group's presence in various customer industries and segments helped to minimize the overall risk.

The concentration risk for the KION Group as a whole is therefore still considered to be low. The business is highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes.

IT risks

A high degree of interconnectedness between sites and with customers and other companies means that the KION Group also relies on its IT systems working flawlessly. The KION Group undertakes ongoing further development of a reliable, extendable, and flexible IT system environment with the aim of countering migration risk when updating software and any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in the cross-segment KION Group IT function, which has well-established processes for portfolio management and project planning and control. Independent external reviews are conducted to provide additional quality assurance. Various technical and organizational measures protect the data of the KION Group and the Group companies against unauthorized access, misuse, and loss. These measures include procedures to validate and log access to the Group's infrastructure.

Further IT risks exist in connection with potential breaches of data privacy laws, including in relation to the processing of personal data and the documentation of such processing. For example, serious breaches of the European General Data Protection Regulation (GDPR) can lead to fines of up to 4 percent of the previous year's revenue. Given that the KION Group maintains consistently high compliance standards, the probability of data protection laws being breached is regarded as very low. The developments in 2020 confirmed this assessment.

Financial risks

Corporate Finance is responsible for ensuring that sufficient financial resources are always available for the KION Group. The main types of financial risk managed by Corporate Finance, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk, and counterparty risk. Counterparty risk consists solely of credit risks attaching to financial institutions.

A risk management policy issued by Corporate Finance stipulates how to deal with the aforementioned risks. Risk arising out of the bond, lending, and promissory note conditions that have been agreed was not regarded as material as at December 31, 2020. It relates in particular to the restrictions in respect of compliance with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. As negotiated with the banks providing the KION Group's funding, the lending covenants had been temporarily suspended as at December 31, 2020 and will remain so until March 31, 2021. The obligations arising from the bond and promissory note conditions were met in full.

Some of the Group's financing takes the form of variable-rate or fixed-rate financial liabilities. Interest-rate swaps are used to hedge the resultant interest-rate risk.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. The KION Group only uses derivatives to hedge underlying operational and financial transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro. In the Industrial Trucks & Services segment, at least 75 percent of the currency risk related to the planned operating cash flows based on liquidity planning is normally hedged by currency forwards in accordance with the risk management policy. The Supply Chain Solutions segment hedges itself against currency risk on a project-by-project basis. Corporate Finance rigorously complies with and monitors the strict separation of functions between the front, middle, and back offices.

Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. Corporate Controlling checks the liquidity planning and uses it to determine the funding requirements of each company. The funding terms and conditions faced by the lenders themselves (manifested, for example, in the payment of liquidity premiums on interbank lending) may result in a future shortage of lines of credit and / or increased financing costs for companies. However, the Group currently does not expect any changes in its lines of credit or any excessive increases in margins.

The individual Group companies directly manage counterparty risks involving customers. In the KION Group's risk model, these counterparty risks increased slightly in 2020 due to the effects of the coronavirus pandemic. It is conceivable that customers would face a liquidity shortfall – that could be made worse by the coronavirus pandemic – and therefore be unable to fulfill their payment obligations immediately or even at all. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Goodwill and brand names with an indefinite useful life represented 30.9 percent of total assets as at December 31, 2020 (December 31, 2019: 32.1 percent). Pursuant to IFRS, these assets are not amortized and their measurement depends, above all, on expectations about the future financial performance of the KION Group. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognized on these assets.

Risks arising from leasing business

The leasing activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from the leasing business.

The risks identified are immediately taken into account by the Company in the costing of new leases by recognizing write-downs or provisions and adjusting the residual values. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to the leasing business by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily arranged on a fixed-interest basis. If they are financed using variable-rate instruments, interest-rate derivatives are entered into in order to hedge the interest-rate risk.

The credit facilities provided by various banks and an effective dunning process ensure that the KION Group has sufficient liquidity. As a rule, the KION Group finances its leasing business in the same currency as the lease with the end customer in order to exclude currency risks.

The counterparty risk inherent in the leasing business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed industrial trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis.

Human resources risks and legal risks

The KION Group relies on having highly qualified managers and experts in key roles. If they left, it could have a long-term adverse impact on the Group's prospects. That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external market as an employer of choice. Firstly, this should enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise. Secondly, access to highly skilled workers helps to lay the foundations for future profitable growth. Recruitment is becoming increasingly challenging, especially given the high growth rates in the Supply Chain Solutions segment.

Any efficiency enhancement measures, capacity adjustments, or restructuring necessary to secure the Company's long-term competitiveness may result in a risk of strikes and reactions of other kinds by the workforce. The KION Group is committed to doing all it can to limit the negative impact on the workforce of such measures and, if job losses are necessary, taking steps to ensure they are achieved with the minimum possible social impact. At sites where codetermination arrangements provide for the workforce to be involved in decision-making, the KION Group engages in constructive talks on these matters with the employee representatives.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Further legal risk may arise as a result of the environmental restoration of decommissioned sites, for example because of work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk.

The Company has taken measures to prevent it from incurring financial losses as a result of these risks. Although legal disputes with third parties have been insignificant both currently and in the past, the Company has a centralized reporting system to record and assist pending lawsuits. In addition to the high quality and safety standards applicable to all users of the Company's products, with which it complies when it develops and manufactures the products, it has also taken out the usual types of insurance to cover any third-party claims. In addition, interdisciplinary teams work on the avoidance of risks arising from inadequate contractual arrangements. A further objective of this cooperation across functions is to ensure compliance with mandatory laws, regulations, and contractual arrangements at all times.

Owing to the KION Group's export focus, legal risk and reputational risk arise due to the numerous international and local export controls that apply. The Company mitigates these risks with a variety of measures. Consequently, export controls are an important part of the compliance activities carried out by the Group companies.

Opportunity report

Principles of opportunity management

Opportunity management, like risk management, forms a central part of the Company's day-to-day management. The aggregate opportunity position improved slightly compared with the previous year. In particular, recovery from the Corona pandemic offers market opportunities for the Group. The resulting volume increases will improve capacity utilization in the plants and, in conjunction with the implementation of the capacity and structural program, could lead to a significant increase in profitability. Individual areas of opportunity are identified within the framework of the strategy process. Opportunities are determined and managed on a decentralized basis in line with the Group strategy.

There are monthly reports on the opportunity situation as part of the regular Group reporting process. As a result, the KION Group is in a position to ascertain at an early stage whether market trends, competitive trends, or events within the Group require individual areas of opportunity to be re-evaluated. This may lead to reallocation of the budgets earmarked for the realization of opportunities. Such decisions are made on the basis of the potential of the opportunity, drawing on previous experience. There is no management system for the evaluation of opportunities comparable to the system for risk management.

Categorization of opportunities

'Opportunities' are understood as positive deviations from the expectations set out in the outlook relating to the economic situation and the KION Group's business situation. Opportunities are divided into three categories:

- Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.
- Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.
- Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may exceed the positive expectations for 2021. Following the regulatory approval of vaccines and the vaccination programs that began in late 2020 and early 2021, it now seems more likely that the coronavirus pandemic will be brought under control soon. Although further developments remain very uncertain, this could trigger positive effects along the KION Group's entire value chain. The biggest benefits would be in terms of the security of supply chains and production processes and the willingness of customers to invest in both operating segments. In a positive macroeconomic scenario, order intake and revenue could exceed the target ranges, which would also have a positive effect on earnings.

In addition, circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that increase demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for products offered by the KION Group brands. Average prices for procuring commodities over the year may be cheaper than anticipated. Moreover, a weakening of the euro could bring positive currency effects that have not been factored into the planning.

Medium- to long-term market opportunities are presented, in particular, by:

- growing demand for intralogistics products, solutions, and services as a consequence of globalization, industrialization, and fragmentation of supply chains as well as efficiency increases that are needed due to limited warehouse space and changing consumer requirements
- high demand for replacement investments, especially in developed markets
- the trend toward outsourcing of service functions for industrial trucks, outsourcing of entire logistics processes in the supply chain solutions business, and growth in demand for finance solutions
- increased use of industrial and warehouse trucks powered by electric motors – one of the KION Group's particular strengths, including in regard to lithium-ion technology
- the trend for online shopping, which has been strengthened by the coronavirus pandemic and is leading to even higher rates of growth in e-commerce
- growing demand for automation solutions and fleet management solutions, including networked automated guided vehicle systems and industry-specific system solutions, in connection with the rapidly expanding e-commerce sector and the implementation of networked intralogistics solutions
- the advancing digitalization and automation of production and supply chains through the use of robotics solutions and their integration into the respective software application environment

Strategic opportunities

The positive impact of the strategic activities under the KION 2027 strategy is already appropriately reflected in the expectations regarding the KION Group's financial performance in 2020. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that were not part of the planning may arise over the course of the year, for example in the form of acquisitions and strategic partnerships.

The KION Group's medium- to long-term strategic opportunities in the Industrial Trucks & Services segment arise, in particular, from:

- achievement of a leading global market and technology position with regard to truck automation and innovative drive technologies as an integral element of automated warehouse solutions
- a greater presence in the economy and volume price segments, particularly as a result of the systematic implementation of the segment-wide platform strategy
- stronger involvement in the electrification of warehousing and logistics processes, including by ensuring availability of lithium-ion technology across the entire product range and expanding market share in the lightweight warehouse truck sector

- further strengthening of its market-leading position in the EMEA region and achievement of a stronger position in the APAC and Americas regions, in particular by opening new production facilities and technology centers, strengthen its technological expertise through focused research and development activities, making greater use of shared modules, and harnessing potential for cross-selling
- expansion of the service portfolio, including financial services, at every stage of the product lifecycle, taking advantage of the high number of trucks in use and the installed base of supply chain solutions

The KION Group’s medium- to long-term strategic opportunities in the Supply Chain Solutions segment arise, in particular, from:

- further expansion of its position in the market for intralogistics solutions based on the growing acceptance of automation concepts
- the development and establishment in the market of industry-specific solutions for systems and subsystems that enable specific customer requirements to be met, for example automated and rapid fulfillment in close proximity to end customers
- further strengthening of its market position in automated guided vehicle systems (AGVs)
- expansion of the market position in the EMEA region, particularly in central and eastern Europe, and in the APAC region by sharing sales and production structures with the Industrial Trucks & Services segment

Business-performance opportunities

Business-performance opportunities arise firstly from ongoing activities to modernize and streamline the KION Group’s production facilities and from the worldwide integration of the production network. By investing in new locations and expanding existing ones, products can be assembled nearer to the markets in which they are to be sold, economies of scale can be achieved across the Group, and synergies can be leveraged. Secondly, activities are carried out under the KION 2027 strategy aimed at improving operational excellence in logistics, technology & product development, and production and at lowering material and quality costs, for example by reducing the complexity of the product range.

The following may lead to an increase in profitability:

- Activities to improve operational excellence and lower costs may help the KION Group to achieve future growth with a disproportionately small rise in costs. For example, implementation of the capacity and structural program may have a significant positive influence on the cost structure, resulting in long-term improvements in competitiveness.
- Ongoing efficiency increases in the production network, including through the integration of additional sites, may boost sales and improve the gross margin.
- Effective use and centralized coordination of global development capacities may create synergies and economies of scale.

Disclosures relevant to acquisitions, section 315a and 289a HGB

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to €131.2 million as at December 31, 2020. It is divided into 131.2 million no-par-value bearer shares. The share capital is fully paid up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions. As at December 31, 2020, the Company held 112,177 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Program (KEEP).

2. Restrictions on voting rights or the transfer of shares

The Company is not aware of any agreements entered into by shareholders of KION GROUP AG that restrict voting rights or the transfer of shares.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG).

3. Direct or indirect shareholdings in the Company that represent more than 10 percent of the voting rights

As far as the Company is aware, only Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg (‘Weichai Power’) directly or indirectly held more than 10 percent of the voting rights in KION GROUP AG as at December 31, 2020 and its shareholding was 45.2 percent.

According to the disclosures pursuant to the German Securities Trading Act (WpHG), the voting rights held by Weichai Power are deemed to belong to the following other companies:

Companies and countries to which the voting rights of Weichai Power are deemed to belong

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Holding Group Co., Ltd.	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Hong Kong, People's Republic of China
Weichai Power (Hong Kong) International Development Co., Ltd.	Hong Kong, People's Republic of China

Other	Registered office
People's Republic of China	Beijing, People's Republic of China

Since the reporting date, there may have been changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if these changes are notifiable pursuant to the WpHG or other regulations.

4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

There are no cases where employees hold some of the Company's capital and do not exercise their control rights directly themselves.

6. Appointment and removal of members of the Executive Board; amendments to the articles of association

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of association of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of association, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of association be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of association in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of association are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of association.

The Supervisory Board is authorized in article 10 (3) of the articles of association to amend the articles of association provided that such amendments relate solely to the wording.

7. Authority of the Executive Board to issue or buy back shares

The Annual General Meeting on May 12, 2016 authorized the Company, in the period up to May 11, 2021, to acquire for treasury up to 10 percent of all the shares in issue at the time of the resolution or in issue on the date the authorization is exercised, whichever is the lower. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorization must not exceed 10 percent of the Company's share capital at any time. The Company may sell the purchased treasury shares through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business, or equity investments. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership program. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. The authorization may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by a Group company, or by third parties for the account of the Company or the account of a Group company. At the discretion of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders, or by way of a public invitation to shareholders to tender their shares.

The Company did not make use of this authorization in 2020. From the shares already held in treasury, a total of 37 bonus shares were used during the reporting year as part of KEEP 2016 and 11,129 bonus shares were used as part of KEEP 2017 for the employees of the Company and certain Group companies.

- On the basis of a resolution of the Company's Annual General Meeting on May 11, 2017, the Executive Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €10.879 million by issuing up to 10.879 million new no-par-value bearer shares against cash and / or non-cash contributions up to and including May 10, 2022 ('2017 Authorized Capital'). The 2017 Authorized Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Wiesbaden local court (HRB 27060) on May 12, 2017.
- On the basis of a resolution of the Company's Annual General Meeting on July 16, 2020, the Executive Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €11.809 million by issuing up to 11.809 million new no-par-value bearer shares against cash contributions on one or more occasions up to and including July 15, 2025 ('2020 Authorized Capital'). The 2020 Authorized Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Frankfurt am Main local court (HRB 112163) on August 5, 2020.

With the consent of the Supervisory Board's ad hoc transaction committee set up for this purpose, the Executive Board resolved on May 22, 2017 to use part of the 2017 Authorized Capital and, disapplying shareholders' pre-emption rights, to increase the Company's share capital by a nominal €9.3 million to €118.090 million by issuing 9.3 million new no-par-value bearer shares in the Company. This equates to an 8.55 percent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorized Capital. The capital increase took effect when its implementation was entered in the commercial register at the Wiesbaden local court under HRB 27060 on May 23, 2017.

With the consent of the Supervisory Board, the Executive Board furthermore resolved on November 18, 2020 to use up the 2017 Authorized Capital and use part of the 2020 Authorized Capital and to increase the Company's share capital by a nominal €13.11 million to €131.199 million by issuing 13.11 million new no-par-value bearer shares in the Company. This equates to an 11.1 percent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorized Capital and 2020 Authorized Capital. The capital increase took effect when its implementation was entered in the commercial register at the Frankfurt am Main local court under HRB 112163 on December 7, 2020.

The Executive Board's authorization from the Annual General Meeting to increase the Company's share capital using the 2017 Authorized Capital has been exhausted. Consequently, the Executive Board is currently authorized by the Annual General Meeting to use the 2020 Authorized Capital to increase the Company's share capital by up to €279,353 by issuing up to 279,353 new no-par-value bearer shares against cash contributions.

- On the basis of a resolution of the Annual General Meeting on May 11, 2017, the Executive Board was also authorized, in the period up to and including May 10, 2022, to issue convertible bonds, warrant-linked bonds, profit-sharing rights, and / or income bonds with or without conversion rights, warrants, mandatory conversion requirements, or option obligations, or any combinations of these instruments (referred to jointly as 'debt instruments') for a total par value of up to €1 billion, and to grant conversion rights and / or warrants to – and / or to impose mandatory conversion requirements or option obligations on – the holders / beneficial owners of debt instruments to acquire up to 10.879 million new shares of KION GROUP AG with a pro-rata amount of the share capital of up to €10.879 million ('2017 Authorization'). The 2017 Conditional Capital of €10.879 million was created to service the debt instruments. The 2017 Authorization has not been used so far.
- On the basis of a resolution of the Annual General Meeting on July 16, 2020, the Executive Board was authorized, in the period up to and including July 15, 2025, to issue, on one or more occasions, bearer or registered convertible and / or warrant-linked bonds and / or profit-sharing rights and / or income bonds with conversion rights or warrants and / or mandatory conversion requirements or option obligations (or a combination of these instruments) for a total par value of up to €1 billion with or without a limited term (referred to jointly as 'debt instruments'), and to grant conversion rights / warrants to – and / or to impose mandatory conversion requirements / option obligations on – the beneficial owners of debt instruments to acquire up to 11.81 million new no-par-value bearer shares of KION GROUP AG with a pro-rata amount of the share capital of up to €11.81 million ('2020 Authorization'). The 2020 Conditional Capital of €11.81 million was created to service the debt instruments. The 2020 Authorization has not been used so far.

The 2020 Authorized Capital will be reduced by the proportion of the share capital that is attributable to shares that may or must be issued in order to service bonds with conversion rights or warrants or with mandatory conversion requirements or option obligations, if the bonds are issued during the term of the 2020 Authorized Capital.

8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following significant contracts (still in force on December 31, 2020) concluded between Group companies of KION GROUP AG and third parties:

- Senior facilities agreement dated October 28, 2015, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

In the event that a person, companies affiliated with this person, or persons acting in concert within the meaning of section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) acquire(s) control over more than 50 percent of the Company’s voting shares, the lenders may demand that the loans drawn down be repaid and may cancel the loan facilities under the senior facilities agreement.

- Promissory note agreements (seven tranches with different coupons and different maturities) dated February 13, 2017, concluded between KION GROUP AG and Landesbank Baden-Württemberg; the latter subsequently passed them on to its investors
- Promissory note agreements (two tranches with different coupons) dated June 26, 2018, concluded between KION GROUP AG and Landesbank Hessen-Thüringen; the latter subsequently passed them on to its investors
- Promissory note agreement dated April 10, 2019, concluded between KION GROUP AG and Landesbank Hessen-Thüringen; the latter subsequently passed part of it on to its investors

The provisions in these promissory note agreements that apply in the event of a change of control are largely identical to those in the senior facilities agreement dated October 28, 2015.

- Euro medium term notes, issued under a medium term note program dated September 10, 2020, arranged by KION GROUP AG with the dealers BNP Paribas, Goldman Sachs Bank Europe SE, Commerzbank Aktiengesellschaft, and UniCredit Bank AG

In the event that one person or multiple persons (the ‘relevant person[s]’), who are acting in concert within the meaning of section 34 (2) WpHG, or one or multiple third parties acting by order of the relevant person(s), at any time indirectly or directly hold(s) or has / have acquired (i) more than 50 percent of the outstanding share capital of the issuer or (ii) more than 50 percent of the shares of the issuer, to which more than 50 percent of the voting rights are assigned that can be exercised at an Annual General Meeting of the issuer under normal circumstances, and the credit rating is lowered due to a change of control within the change of control period, each beneficial owner has the right to demand repayment of their promissory note.

9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Remuneration report

In accordance with statutory requirements and the recommendations of the German Corporate Governance Code (the Code), this remuneration report explains the main features and structure of the remuneration system used for the Executive Board and Supervisory Board of KION GROUP AG and also discloses the remuneration of the individual members of the Executive Board and Supervisory Board for the work that they carried out on behalf of the Company and its subsidiaries in 2020. The recommendations and suggestions in the 2017 Code continue to be followed to ensure that the information in the report is transparent, comparable, and consistent. The report also reflects the requirements of German accounting standard (GAS) 17 and the HGB.

KION GROUP AG considers that transparency and clarity surrounding both the remuneration system itself and the remuneration of the individual members of the Executive Board and Supervisory Board are fundamental to good corporate governance.

Because the Act Implementing the Second Shareholder Rights' Directive (ARUG II) essentially came into force on January 1, 2020, and because of the recommendations of the 2020 Code, the Supervisory Board decided on a new remuneration system for the members of the Executive Board of KION GROUP AG in 2020. It incorporates feedback from investors on the current remuneration system. The Supervisory Board had formed a working group to deal with this matter in 2019. In line with the first-time adoption rules of ARUG II, the new remuneration system was developed by the working group over the course of 2020. Following a discussion by the Executive Committee, the Supervisory Board then held its final discussion and adopted a resolution in December. When the declaration of conformity with the Code was submitted in December 2020, it was based on the new remuneration system and, for the future-oriented section of the declaration, was assessed against the recommendations in the 2020 Code. The new remuneration system will be presented to the 2021 Annual General Meeting for approval. It will be applied to new contracts in force from January 1, 2021.

Executive Board remuneration

I. Remuneration system

The Supervisory Board of KION GROUP AG is responsible for setting and regularly reviewing the total pay of the individual members of the Executive Board. According to the rules of procedure for the Supervisory Board, the Executive Committee prepares all Supervisory Board resolutions pertaining to remuneration.

As recommended by the Executive Committee, the Supervisory Board approved the remuneration system by adopting resolutions at its meetings on June 29, 2016 and September 28, 2016, taking account of the requirements of stock company law and the Code.

The remuneration system described below for the members of the Executive Board of KION GROUP AG has applied since January 1, 2017 and was approved by the Annual General Meeting of KION GROUP AG on May 11, 2017 with a majority of 71.68 percent.

The new remuneration system approved in December 2020 is not described below because it did not apply during the reporting year. It will be presented in the remuneration report for 2021.

1) Essential features of the Executive Board remuneration system

The Supervisory Board based the level of remuneration for the members of our Executive Board on benchmark analyses of executive board pay in MDAX companies. These analyses were conducted on behalf of the Supervisory Board by a consultancy that is independent of KION.

The Supervisory Board's decision on changing the remuneration system was guided by KION GROUP AG's positioning in the top quartile of the MDAX on the basis of its size, market position, and total assets.

The remuneration of the Executive Board of KION GROUP AG is determined in accordance with the requirements of the German Stock Corporation Act and the Code and is focused on the Company's long-term growth. It is determined so as to reflect the size and complexity of the KION Group, its business and financial situation, its performance and future prospects, the normal amount and structure of executive board remuneration in comparable companies, and the internal salary structure. The Supervisory Board also takes into account the relationship between the Executive Board remuneration and the remuneration paid to senior managers and the German workforce of the Company as a whole, including changes over the course of time. To this end, the Supervisory Board has decided how the relevant benchmarks are to be defined. Other criteria used to determine remuneration are the individual responsibilities and personal performance of each member of the Executive Board. The financial and individual targets used in the Executive Board remuneration system are in line with the business strategy. The Supervisory Board regularly reviews the structure and appropriateness of Executive Board remuneration.

In doing so, the Supervisory Board focuses on the sustainability of the Company's long-term performance and has therefore given a high weighting to the multiple-year variable remuneration components. The granting of a long-term incentive in the form of performance shares with a three-year term means that this component is linked to the share price and incentivizes Executive Board members to ensure the Company performs well over the long term.

The total remuneration of the Executive Board comprises a non-performance-related salary, non-performance-related non-cash benefits, pension entitlements, and performance-related (variable) remuneration. The system specifically allows for both positive and negative developments.

2) Upper limits on total remuneration

In accordance with the Code, remuneration is subject to upper limits on the amounts payable, both overall and in terms of the variable components. The upper limit on the total cash remuneration to be paid, consisting of the fixed annual salary plus the one-year and multiple-year variable remuneration, equals roughly 1.7 times the target remuneration (2019: 1.7 times) – excluding the non-performance-related non-cash remuneration and other benefits paid in that financial year. Both the one-year and the multiple-year variable remuneration are capped at 200 percent of the target value. The specific figures are shown in the > table 'Benefits granted in 2020'.

3) Overview of the structure and parameters of Executive Board remuneration

Structure and parameters of Executive Board remuneration

Component	Proportion of target value	Measurement basis	Range	Basis and criteria	Payment
Basic remuneration	32% – 37%	Function, remit, responsibility	Fixed	Specified in service contract	Monthly installments
One-year variable remuneration (STI)	19% – 22%	KION Group's overall success/results, Group targets, individual targets, overall performance	0% – 200% (full achievement = 100%)	Achievement of financial targets for year (adjusted EBIT and free cash flow) and assessment of individual performance	After adoption of annual financial statements
Multiple-year variable remuneration (LTI)	42% – 49%	KION Group's overall success/results, Group targets, individual targets, overall performance	0% – 200% (full achievement = 100%) + share price performance	Achievement of ROCE target and relative total shareholder return compared with the MDAX and assessment of individual performance	After expiry of three-year period and adoption of annual financial statements
Pension plan		Defined contribution pension entitlements and defined benefit entitlement	Annual pension contribution / annual service cost	Pension entitlement for retirement, insured event, early termination	Capital/ annuity
Non-cash remuneration and additional benefits				Specified in service contract	

The regular cash remuneration for a particular year, consisting of a non-performance-related fixed annual salary and performance-related (variable) remuneration, has a heavy emphasis on performance. If the targets set by the Supervisory Board are completely missed, only the fixed salary is paid. The cash remuneration is structured as follows in the event that the target value / maximum value is reached:

Target value:
32 to 37 percent fixed annual salary

19 to 22 percent one-year variable remuneration

42 to 49 percent multiple-year variable remuneration

Maximum value:
19 to 23 percent fixed annual salary

23 to 26 percent one-year variable remuneration

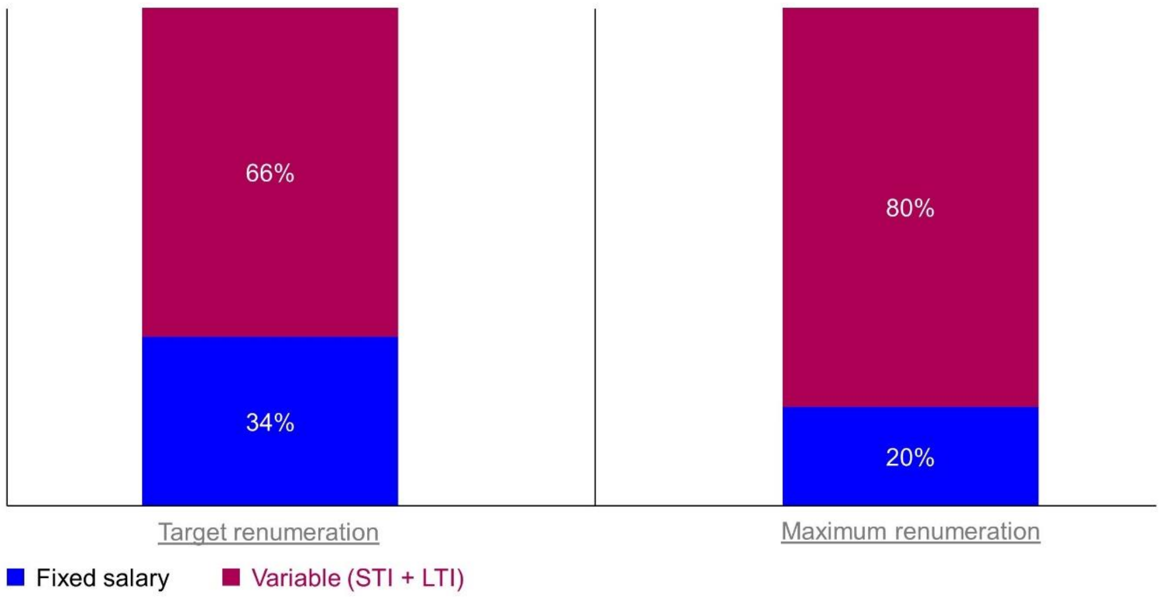
52 to 58 percent multiple-year variable remuneration

The variable components of the cash remuneration make up 63 to 68 percent of the target value and 77 to 81 percent of the maximum remuneration. In each case, multiple-year components account for about two-thirds of the total.

Both the one-year and the multiple-year components are linked to key performance indicators used by the KION Group to measure its success. The KPIs relevant to one-year variable remuneration are adjusted earnings before interest and tax (adjusted EBIT) and free cash flow. The relevant KPIs for multiple-year variable remuneration are return on capital employed (ROCE) and relative total shareholder return (TSR).

The remuneration system is thus closely tied to the success of the Company and, with a high proportion of multiple-year variable remuneration, has a long-term focus aimed at promoting the KION Group's growth.

Ratio of fixed to variable pay on average



II. The components of Executive Board remuneration in detail

A. Non-performance-related remuneration

1) Fixed salary and additional benefits

The Executive Board members of KION GROUP AG receive non-performance-related remuneration in the form of a fixed annual salary (basic remuneration) and additional benefits. The fixed annual salary is paid at the end of each month in twelve equal installments, the last payment being made for the full month in which the Executive Board service contract ends. The Supervisory Board reviews the basic remuneration at regular intervals and makes adjustments if appropriate.

The additional benefits essentially comprise use of a company car and the payment of premiums for accident insurance with benefits at a typical market level.

2) Additional special benefits

Additional special benefits have been agreed for Mr. Quek because he has been sent from Singapore to China on foreign assignment.

Under this arrangement, Mr. Quek's remuneration is structured as if he were liable for taxes and social security contributions in Singapore. KION GROUP AG pays the taxes and social security contributions that Mr. Quek incurs in China and Germany over and above the taxes that would theoretically apply in Singapore. In 2020, this additional amount totaled €219 thousand (2019: €566 thousand). The additional benefits also agreed with Mr. Quek include the cost of trips home to Singapore for him and his family, a company car, rental payments in Xiamen, China, and private health insurance. In 2020, the additional benefits for Mr. Quek amounted to a total of €136 thousand (2019: €135 thousand). These additional benefits will be granted for as long as Mr. Quek's designated place of work is Xiamen or until his service contract with KION GROUP AG ends.

3) Pension entitlements

KION GROUP AG grants its Executive Board members direct entitlement to a company pension plan consisting of retirement, invalidity, and surviving dependants' benefits.

The Chief Executive Officer has a defined benefit entitlement that was granted in his original service contract and was transferred to his Executive Board service contract when the Company changed its legal form. The amount of the entitlement is dependent on the number of years of service and amounts to a maximum of 50 percent of the most recent fixed annual salary awarded in the original service contract after the end of the tenth year of service.

The present value of the previous defined benefit plan for the ordinary members of the Executive Board was transferred as a starting contribution for a new defined contribution pension plan when the Company changed its legal form. The new plan is structured as a cash balance plan and is also applied to new Executive Board members.

Fixed annual contributions of €250 thousand for Ms. Groth, €150 thousand for Ms. Schneeberger and Dr. Böhm each, and €124.5 thousand for Mr. Quek are paid into their pension accounts for the duration of the member's period of service on the Executive Board. Interest is paid on the pension account at the prevailing statutory guaranteed return rate for the life insurance industry (applicable maximum interest rate for the calculation of the actuarial reserves of life insurers pursuant to section 2 (1) of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV)) until an insured event occurs. If higher interest is generated by investing the pension account, it will be credited to the pension account when an insured event occurs (surplus). The standard retirement age for the statutory pension applies. Executive Board members are entitled to early payment of the pension no earlier than their 62nd birthday. In the event of invalidity or death while the Executive Board member has an active service contract, the contributions that would have been made until the age of 60 are added to the pension account, although only a maximum of ten annual contributions will be added. When an insured event occurs, the pension is paid as a lump sum or, following a written request, in ten annual installments.

B. Performance-related remuneration

1) One-year variable remuneration (short-term incentive)
The one-year variable remuneration is a remuneration component linked to the profitability and productivity of the KION Group in the relevant financial year. This is the same as the arrangement in our remuneration system for senior managers. Its amount is determined by the achievement of the following targets:

- Adjusted earnings before interest and tax (adjusted EBIT), weighting of 50 percent
- Free cash flow, weighting of 50 percent

The target values for the financial components are derived from the annual budget and specified in target agreements between the Supervisory Board and Executive Board.

No bonus is paid if target achievement is 70 percent or less (lower target limit). In cases where the targets are significantly exceeded (upper target limit of 130 percent), the bonus can be doubled at most (payment cap of 200 percent).

If the targets derived from the annual budget are achieved in full, target achievement is 100 percent. The target achievement levels for the weighted targets (adjusted EBIT and free cash flow) are added together to give the total target achievement.

The individual performance of the Executive Board members is assessed by the Supervisory Board, which applies a discretionary performance multiple with a factor of between 0.7 and 1.3. For this performance-based adjustment, personal individual targets were agreed with each Executive Board member that are derived from the individual member's responsibilities. Measurable parameters are defined for each target. The discretionary performance multiple enables the Supervisory Board to increase or reduce the bonus, calculated on the basis of the total target achievement for the financial targets derived from the budget, by a maximum of 30 percent depending on the assessment of individual performance. The one-year variable remuneration is capped at 200 percent of the contractual target bonus and is paid after the annual financial statements for the year in question have been adopted.

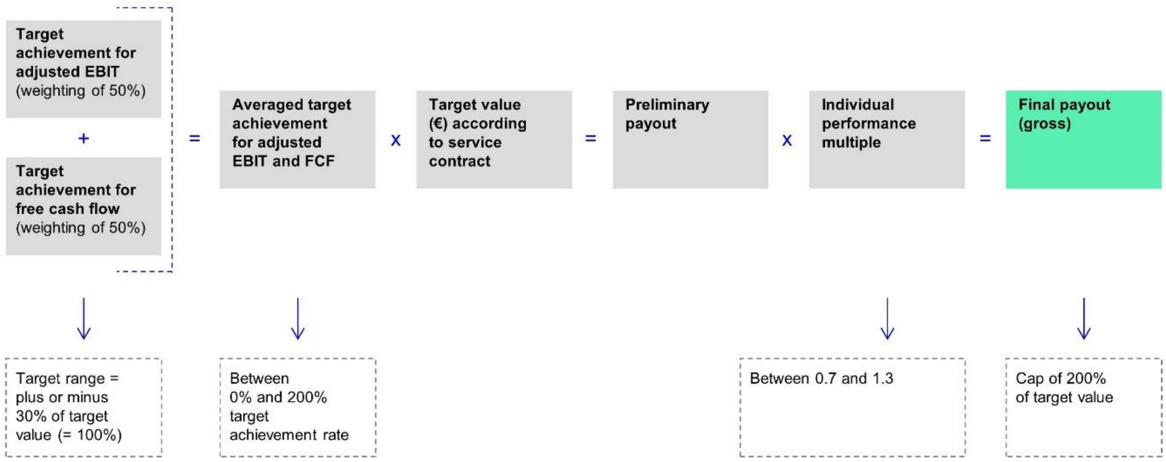
In the event that an Executive Board member is not entitled to remuneration for the entire year on which the calculation is based, the remuneration is reduced pro rata.

1 a) Bonus curve for the short-term incentive

STI bonus entitlement

1 b) Diagram showing the calculation of one-year variable remuneration (short-term incentive)

STI



2) Multiple-year variable remuneration (long-term incentive)

For the members of the Executive Board, multiple-year variable remuneration has been agreed in the form of a performance share plan. A very similar plan is in place for the Group's senior managers. The basis of measurement has been defined as the total shareholder return (TSR) for KION shares compared with the MDAX and return on capital employed (ROCE). Each has a weighting of 50 percent. The annual tranches promised under the plan have a term (performance period) of three years and are paid at the end of the term, provided the defined targets have been achieved.

At the start of a performance period, a conditional entitlement to a certain target number of performance shares is granted. This preliminary number is calculated by dividing the allocation value set out (in euros) in the service contract for the particular Executive Board member by the share price on the relevant date at the start of the performance period. This share price, which is calculated to two decimal places, is determined from the average Xetra closing price of KION shares (closing auction prices) on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the performance period.

At the end of the performance period, the preliminary number of performance shares is adjusted depending on achievement of the two targets (relative TSR and ROCE) to give the final number of performance shares.

In respect of the ROCE target, there is no entitlement if target achievement is 70 percent or less. If the target is significantly exceeded (target achievement of 130 percent or more), the entitlement is capped at 200 percent. Regarding the relative TSR target, there is no entitlement if KION shares underperform the MDAX. If the KION shares outperform this index by 20 percent or more, the entitlement is capped at 200 percent. If KION shares outperform the MDAX by 6.67 percent and the ROCE targets defined each year on the basis of the budget are achieved, total target achievement will be 100 percent.

The amount paid for each tranche is determined by the final number of performance shares multiplied by the price of KION shares (average price over the preceding 60 trading days) at the end of the performance period.

Executive Board members' individual performance is also taken into account in the multiple-year variable remuneration. At the start of the performance period, the Supervisory Board defines targets for the three-year period. For the performance share plan, the criteria used to assess individual performance are growth of market share, successful innovations, and the Organizational Health Index (OHI), which measures the improvement in the Company's management culture. For the LTI too, there are also agreements relating to special operational and, in particular, strategic projects that are very important to the Company's long-term development. Depending on achievement of these targets, the Supervisory Board can apply a discretionary factor to make a final adjustment to the calculation of the amount to be paid out at the end of the performance period by plus or minus 30 percent, although the maximum payment may not exceed 200 percent of the allocation value.

2 a) Diagram showing the calculation of multiple-year variable remuneration (long-term incentive)

LTI

		Averaged target achievement of:										
Number of performance shares at allocation date	x	**ROCE** **Relative TSR** (weighting of 50% each)	=	**Final number of performance shares**	x	**Average share price at end of performance period**	=	**Preliminary payout**	x	**Individual performance multiple**	=	**Final payout (gross)**
Contractual allocation value divided by average share price for the 60 trading days before start of performance period		Between 0% and 200% target achievement rate				Average share price for the 60 trading days before end of performance period				Between 0.7 and 1.3 Criteria: market share, successful innovations, OHI and special projects		Cap of 200% of target value

2 b) Target ranges for relative TSR and ROCE

LTI

Target achievement	External measurement basis: relative TSR (weighting of 50%)	Internal measurement basis: ROCE (weighting of 50%)
0%	Underperformance < 0%	70% of budgeted figure
50%	Outperformance of 0%	85% of budgeted figure
100%	Outperformance of 6.67%	Budgeted figure
200%	Outperformance of 20%	130% of budgeted figure

The plan is a cash-settled long-term incentive plan that does not include the right to receive any actual shares. Under the requirements of GAS 17, IFRS 2, and the HGB, the total expense arising from share-based payments and the fair value of the performance share plan on the date of granting must be disclosed.

The total expense in 2020 amounted to €1,806 thousand (2019: €4,084 thousand).

2018 performance share plan

	Contractual allocation value of the performance share plan on the date of grant	Number of performance shares granted [1]	Fair value per performance share on date of grant	Expense for share-based remuneration in 2019 [2]	Expense for share-based remuneration in 2020 [3]
Gordon Riske	€1,600 thousand	22,906	€69.85	€441 thousand	–€626 thousand
Dr. Eike Böhm	€1,000 thousand	14,316	€69.85	€275 thousand	–€391 thousand
Anke Groth [4]	€861 thousand	12,328	€69.85	€242 thousand	–€310 thousand
Ching Pong Quek	€830 thousand	11,883	€69.85	€272 thousand	–€419 thousand
Susanna Schnee-berger [5]	€750 thousand	10,737	€69.85	€216 thousand	–€105 thousand
Total	**€5,041 thousand**	**72,170**		**€1,446 thousand**	**–€1,851 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 29 percent in 2019 as part of a tax equalization agreement.

3 The Executive Board waived its variable remuneration for 2020 (2018 tranche) as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here.

4 The contractual allocation value of the performance share plan on the date of grant was recognized pro rata from the date of appointment to the Executive Board (June 1, 2018).

5 The contractual allocation value of the performance share plan on the date of grant was recognized pro rata from the date of appointment to the Executive Board (October 1, 2018); Resigned from office on January 12, 2020; Executive Board service contract ended on March 31, 2020.

2019 performance share plan

	Contractual allocation value of the performance share plan on the date of grant	Number of performance shares granted [1]	Fair value per performance share on date of grant	Expense for share-based remuneration in 2019 [2]	Expense for share-based remuneration in 2020 [2]
Gordon Riske	€1,600 thousand	32,868	€48.68	€551 thousand	€726 thousand
Dr. Eike Böhm	€1,000 thousand	20,542	€48.68	€344 thousand	€454 thousand
Anke Groth	€1,000 thousand	20,542	€48.68	€344 thousand	€454 thousand
Ching Pong Quek	€830 thousand	17,050	€48.68	€369 thousand	€512 thousand
Susanna Schnee-berger [3]	€1,000 thousand	20,542	€48.68	€344 thousand	€68 thousand
Total	**€5,430 thousand**	**111,544**		**€1,952 thousand**	**€2,214 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent in 2020 (2019: 29 percent) as part of a tax equalization agreement.

3 Resigned from office on January 12, 2020; Executive Board service contract ended on March 31, 2020.

2020 performance share plan

	Contractual allocation value of the performance share plan on the date of grant	Number of performance shares granted [1]	Fair value per performance share on date of grant	Expense for share-based remuneration in 2020 [2]
Gordon Riske	€1,600 thousand	27,686	€57.79	€488 thousand
Dr. Eike Böhm	€1,000 thousand	17,304	€57.79	€305 thousand
Anke Groth	€1,000 thousand	17,304	€57.79	€305 thousand
Ching Pong Quek	€830 thousand	14,362	€57.79	€337 thousand
Susanna Schneeberger [3]	€1,000 thousand	17,304	€57.79	€10 thousand
Total	**€5,430 thousand**	**93,960**		**€1,445 thousand**

1 The target number of performance shares is calculated by dividing the allocation value by the fair value of one performance share. In this calculation, the number of performance shares is rounded to the nearest whole number where necessary.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent as part of a tax equalization agreement.

3 Resigned from office on January 12, 2020; Executive Board service contract ended on March 31, 2020.

3) Termination benefits

In line with the Code, all Executive Board service contracts provide for a severance payment equivalent to two years' annual remuneration payable in the event of the contract being terminated prematurely without good cause. The amount of annual remuneration is defined as fixed salary plus the variable remuneration elements, assuming 100 percent target achievement and excluding non-cash benefits and other additional benefits, for the last full financial year before the end of the Executive Board service contract. If the Executive Board service contract was due to end within two years, the severance payment is calculated pro rata. If a service contract is terminated for good cause for which the Executive Board member concerned is responsible, no payments are made to the Executive Board member in question. The Company does not have any commitments for the payment of benefits in the event of a premature termination of Executive Board contracts following a change of control.

Executive Board members are subject to a post-contractual non-compete agreement of one year. In return, the Company pays the Executive Board member compensation for the duration of the non-compete agreement amounting to 100 percent of his or her final fixed salary. Other income of the Executive Board member is offset against the compensation.

In the event that Mr. Riske's appointment is not extended for a reason for which he is not responsible and he has not reached the standard retirement age for the statutory pension or in the event that Mr. Riske resigns for good cause before the end of his appointment or suffers permanent incapacity after his period of service as a result of sickness, he will receive transitional benefits of €300 thousand per annum on the basis of previous contracts. Severance payments in the event of early termination of his appointment without good cause, compensation for the post-contractual non-compete agreement, pension benefits that Mr. Riske receives due to his previous work for other employers, and income from other use of his working capacity (with the exception of remuneration for work as a member of a supervisory or advisory board or a board of directors) will be offset against these transitional benefits.

If an Executive Board member suffers temporary incapacity, he or she will receive his or her full fixed salary for a maximum period of six months plus the one-year variable remuneration. In the event of temporary incapacity for a further six months, the Executive Board member will receive 80 percent of his or her fixed salary, but only up to a point at which the service contract is terminated.

If an Executive Board member ceases to be employed by the Company as a result of death, the Executive Board member's family will be entitled to the fixed monthly remuneration for the month in which the service contract ends and for the three subsequent months, but only up to the point at which the service contract would otherwise have come to an end.

4) Share ownership guidelines

In connection with the updated remuneration system for Executive Board members that has been in force since January 1, 2017, the Supervisory Board decided to introduce share ownership guidelines, under which all Executive Board members are required to hold shares worth 100 percent of their basic remuneration. They have to build up their shareholding to this percentage and hold the shares for as long as they remain on the Executive Board. The obligation to hold the full number of shares begins no later than four years after the start of the obligation to hold shares. In the first four years, they are permitted to increase their shareholding incrementally: They must hold 25 percent of the full number of shares no later than twelve months after the start of the obligation, 50 percent by the end of the second year, and 75 percent by the end of the third year. In 2020, the Supervisory Board decided that Ms. Groth's and Dr. Böhm's obligation to hold the full number of shares would only begin five years after the start of the obligation to hold shares. This was to reflect the fact that, in the interests of the Company, the Executive Board waived their variable remuneration for 2020 that would have been paid in 2021. The Executive Board members to whom the guidelines apply held the required number of shares as at December 31, 2020 and thus fulfilled the obligation.

The relevant number of shares is determined on the basis of the arithmetic mean (rounded to two decimal places) of the Xetra closing prices (closing auction prices) of the Company's shares on the Frankfurt Stock Exchange (or a successor system that replaces it) over the last 60 trading days prior to the start of the obligation to hold the shares and then rounded to the nearest whole number.

It is not necessary to acquire further shares once the full number of shares has been reached, nor will there be an obligation to purchase additional shares if the share price falls. There is only an obligation to purchase additional shares if there is a change to the fixed annual remuneration in the member's Executive Board service contract or if a capital reduction, capital increase, or stock split takes place.

III. Remuneration for members of the Executive Board in 2020

In accordance with the recommendations of the 2017 Code, the remuneration of Executive Board members is presented in two separate tables. Firstly, the benefits granted for the year under review, including the additional benefits and – in the case of variable remuneration components – the maximum and minimum remuneration achievable are shown in the > table 'Benefits granted in 2020'.

Secondly, the > table 'Allocation in 2020' shows the total remuneration allocated / earned, comprising fixed remuneration, short-term variable remuneration, and long-term variable remuneration, broken down by reference year.

1) Benefits granted pursuant to the Code

The total remuneration granted to Executive Board members for 2020 was €11,560 thousand (minimum: €4,691 thousand, maximum: €18,429 thousand) (2019: €14,025 thousand). Of this amount, €3,642 thousand (2019: €4,276 thousand) was attributable to fixed non-performance-related remuneration components, €6,869 thousand (minimum: €0 thousand, maximum: €13,738 thousand) (2019: €8,199 thousand) to variable one-year and multiple-year performance-related remuneration components, €206 thousand (2019: €272 thousand) to non-performance-related non-cash remuneration and other benefits, and €843 thousand (2019: €1,277 thousand) to the pension expense in accordance with IFRS. The figure shown for one-year variable remuneration is based on a target achievement rate of 100 percent (minimum: 0 percent for target achievement of 70 percent or less, maximum: 200 percent for target achievement of 130 percent or more). The figure shown for multiple-year variable remuneration is the fair value of the performance share plan at the date of grant, representing full target achievement (minimum: zero payment, maximum: 200 percent of the contractual allocation value).

The additional benefits were measured at the value calculated for tax purposes.

Benefits granted in 2020

€ thousand			Gordon Riske CEO of KION GROUP AG 2019	2020	2020 (Min.)	2020 (Max.)	Dr. Eike Böhm CTO of KION GROUP AG 2019	2020	2020 (Min.)	2020 (Max.)
Non-performance-related components		Fixed remuneration	1,400	1,400	1,400	1,400	650	650	650	650
		Non-cash remuneration and other benefits [1]	34	35	35	35	17	20	20	20
		Total	**1,434**	**1,435**	**1,435**	**1,435**	**667**	**670**	**670**	**670**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**800**	**800**	**0**	**1,600**	**400**	**400**	**0**	**800**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5]**	**1,600**	**1,600**	**0**	**3,200**	**1,000**	**1,000**	**0**	**2,000**
		Performance Share Plan (Jan. 1, 2019–Dec. 31, 2021)	1,600				1,000			
		Performance Share Plan (Jan. 1, 2020–Dec 31, 2022)		1,600	0	3,200		1,000	0	2,000
		Total	**3,834**	**3,835**	**1,435**	**6,235**	**2,067**	**2,070**	**670**	**3,470**
		Pension expense [6]	620	296	296	296	144	152	152	152
		Total remuneration	**4,454**	**4,131**	**1,731**	**6,531**	**2,211**	**2,222**	**822**	**3,622**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17										
		Minus the one-year variable remuneration granted	–800	–800			–400	–400		
		Plus the expected one-year variable remuneration (allocation)	1,156				578			
		Minus the pension expense	–620	–296			–144	–152		
		Plus the adjustment of the one-year variable remuneration for the previous year		145			–33	13		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**4,190**	**3,180**			**2,212**	**1,683**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 percent (minimum: 0 percent for target achievement of 70 percent or less, maximum: 200 percent for target achievement of 130 percent or more).

4 Fair value on the date of grant.

5 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

6 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

Benefits granted in 2020

			Anke Groth				Ching Pong Quek			
			CFO of KION GROUP AG				Chief Asia Pacific & Americas Officer of KION GROUP AG			
€ thousand			2019	2020	2020 (Min.)	2020 (Max.)	2019	2020	2020 (Min.)	2020 (Max.)
Non-performance-related components		Fixed remuneration	800	800	800	800	776	771	771	771
		Non-cash remuneration and other benefits [1]	13	14	14	14	135	136	136	136
		Total	**813**	**814**	**814**	**814**	**911**	**907**	**907**	**907**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**500**	**500**	**0**	**1,000**	**428**	**442**	**0**	**883**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5]**	**1,000**	**1,000**	**0**	**2,000**	**1,071**	**1,104**	**0**	**2,208**
		Performance Share Plan (Jan. 1, 2019–Dec. 31, 2021)	1,000				1,071			
		Performance Share Plan (Jan. 1, 2020–Dec 31, 2022)		1,000	0	2,000		1,104	0	2,208
		Total	**2,313**	**2,314**	**814**	**3,814**	**2,410**	**2,453**	**907**	**3,998**
		Pension expense [6]	247	264	264	264	118	126	126	126
		Total remuneration	**2,560**	**2,578**	**1,078**	**4,078**	**2,528**	**2,579**	**1,033**	**4,124**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17										
		Minus the one-year variable remuneration granted	–500	–500			–428	–442		
		Plus the expected one-year variable remuneration (allocation)	723				619			
		Minus the pension expense	–247	–264			–118	–126		
		Plus the adjustment of the one-year variable remuneration for the previous year		17			–81	102		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**2,536**	**1,831**			**2,520**	**2,113**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 percent (minimum: 0 percent for target achievement of 70 percent or less, maximum: 200 percent for target achievement of 130 percent or more).

4 Fair value on the date of grant.

5 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

6 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

Benefits granted in 2020

			Susanna Schneeberger			
			CDO of KION GROUP AG until January 12, 2020			
€ thousand			2019	2020	2020 (Min.)	2020 (Max.)
Non-performance-related components		Fixed remuneration	650	21	21	21
		Non-cash remuneration and other benefits [1]	73	1	1	1
		Total	**723**	**22**	**22**	**22**
Performance-related components	Short-term incentive	**One-year variable remuneration [2,3]**	**400**	**13**	**0**	**26**
	Share-based long-term incentive	**Multiple-year variable remuneration [4,5]**	**1,000**	**11**	**0**	**22**
		Performance Share Plan (Jan. 1, 2019–Dec. 31, 2021)	1,000			
		Performance Share Plan (Jan. 1, 2020–Dec 31, 2022)		11	0	22
		Total	**2,123**	**46**	**22**	**70**
		Pension expense [6]	148	5	5	5
		Total remuneration	**2,271**	**51**	**27**	**75**
Reconciliation to total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17						
		Minus the one-year variable remuneration granted	–400	–13		
		Plus the expected one-year variable remuneration (allocation)	578			
		Minus the pension expense	–148	–5		
		Plus the adjustment of the one-year variable remuneration for the previous year		13		
		Total remuneration as defined by section 285 no. 9a, section 314 (1) no. 6a HGB in conjunction with GAS 17	**2,301**	**46**		

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

3 The figure shown for one-year variable remuneration is based on a target achievement rate of 100 percent (minimum: 0 percent for target achievement of 70 percent or less, maximum: 200 percent for target achievement of 130 percent or more).

4 Fair value on the date of grant.

5 The amount shown for Mr. Quek includes a flat-rate allowance of 33 percent (2019: 29 percent) as part of a tax equalization agreement.

6 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

2) Allocation pursuant to the Code

The total remuneration allocated to / earned by Executive Board members for 2020 was €4,830 thousand (2019: €11,870 thousand). Of this amount, €3,642 thousand (2019: €4,276 thousand) was attributable to fixed non-performance-related remuneration components, €140 thousand (2019: €6,045 thousand) to variable one-year and multiple-year performance-related remuneration components, €206 thousand (2019: €272 thousand) to non-performance-related non-cash remuneration and other benefits, and €843 thousand (2019: €1,277 thousand) to the pension expense in accordance with IFRS. In connection with the agreement of the KfW liquidity line, the Executive Board waived its one-year and multiple-year variable remuneration (2018 tranche of the performance share plan) for 2020. For Ms. Schneeberger, the arrangements in her termination agreement continue to apply. For the one-year variable remuneration, the target achievement rate was calculated using preliminary earnings figures at the beginning of 2021 and equates to a payout of 0 percent of the target value. Ms. Schneeberger’s performance multiple was set at 1.0 for 2020, i.e. there was no individual adjustment. For Ms. Schneeberger’s multiple-year variable remuneration, a payment from the 2018 tranche of the performance share plan will be made in spring 2021 on the basis of the achievement of the long-term targets that were defined in 2018 at the start of the performance period. The value shown for 2020 is also calculated on the basis of a preliminary total target achievement rate of about 32 percent. Ms. Schneeberger’s performance multiple was set at 1.0 for the 2018 tranche, i.e. there was no individual adjustment.

The additional benefits were measured at the value calculated for tax purposes.

Allocation in 2020

			Gordon Riske		Dr. Eike Böhm	
			CEO of KION GROUP AG		CTO of KION GROUP AG	
€ thousand			2019	2020	2019	2020
Non-performance-related components		Fixed remuneration	1,400	1,400	650	650
		Non-cash remuneration and other benefits [1]	34	35	17	20
		Total	**1,434**	**1,435**	**667**	**670**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**1,301**		**591**	
	Share-based long-term incentive	**Multiple-year variable remuneration**	**954**		**547**	
		Performance Share Plan [3] (Jan. 1, 2017 – Dec. 31, 2019)	954		547	
		Performance Share Plan [4] (Jan. 1, 2018 – Dec. 31, 2020)				
		Total	**3,689**	**1,435**	**1,805**	**670**
		Pension expense [5]	620	296	144	152
		Total remuneration	**4,309**	**1,731**	**1,949**	**822**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The Executive Board waived its variable remuneration for 2020 as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020. The figure shown for one-year variable remuneration for 2019 is the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

3 The figure shown for multiple-year variable remuneration is for the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

4 The Executive Board waived its variable remuneration for 2020 (2018 tranche) as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020.

5 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

Allocation in 2020

			Anke Groth		Ching Pong Quek	
			CFO of KION GROUP AG		Chief Asia Pacific & Americas Officer of KION GROUP AG	
€ thousand			2019	2020	2019	2020
Non-performance-related components		Fixed remuneration	800	800	776	771
		Non-cash remuneration and other benefits [1]	13	14	135	136
		Total	**813**	**814**	**911**	**907**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**739**		**721**	
		Multiple-year variable remuneration	**0**	**0**	**601**	**0**
	Share-based long-term incentive	Performance Share Plan [3] (Jan. 1, 2017 – Dec. 31, 2019)			601	
		Performance Share Plan [4] (Jan. 1, 2018 – Dec. 31, 2020)				
		Total	**1,552**	**814**	**2,233**	**907**
		Pension expense [5]	247	264	118	126
		Total remuneration	**1,799**	**1,078**	**2,351**	**1,033**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The Executive Board waived its variable remuneration for 2020 as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020. The figure shown for one-year variable remuneration for 2019 is the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

3 The figure shown for multiple-year variable remuneration is for the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

4 The Executive Board waived its variable remuneration for 2020 (2018 tranche) as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020.

5 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

Allocation in 2020

			Susanna Schneeberger	
			CDO of KION GROUP AG until January 12, 2020	
€ thousand			2019	2020
Non-performance-related components		Fixed remuneration	650	21
		Non-cash remuneration and other benefits [1]	73	1
		Total	**723**	**22**
Performance-related components	Short-term incentive	**One-year variable remuneration [2]**	**591**	
		Multiple-year variable remuneration	**0**	**140**
	Share-based long-term incentive	Performance Share Plan [3] (Jan. 1, 2017 – Dec. 31, 2019)		
		Performance Share Plan [4] (Jan. 1, 2018 – Dec. 31, 2020)		140
		Total	**1,314**	**162**
		Pension expense [5]	148	5
		Total remuneration	**1,462**	**167**

1 Non-performance related, non-cash remuneration and other benefits include expenses and / or benefits in kind, such as the use of a company car and housing costs.

2 The Executive Board waived its variable remuneration for 2020 as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020. The figure shown for one-year variable remuneration for 2019 is the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

3 The figure shown for multiple-year variable remuneration is for the actual amount paid out, which may differ from the estimated value listed in the 2019 consolidated financial statements.

4 The Executive Board waived its variable remuneration for 2020 (2018 tranche) as part of the agreement of the KfW liquidity line. This does not apply to Ms. Schneeberger. The provisions in the termination agreement apply here. The discretionary performance multiple for Ms. Schneeberger has already been set to 1.0 for 2020.

5 Service cost in accordance with IFRS (the service cost in accordance with the HGB is shown in the table Pension entitlements under HGB).

The total payments made to former members of the Executive Board in 2020 in connection with the termination of their Executive Board service contracts amounted to €4,521 thousand. An appropriate provision had been recognized for these payments in 2019. These payments comprised a non-performance-related salary, non-performance-related non-cash benefits, performance-related remuneration, and pension entitlements.

The total amount for Ms. Schneeberger of €4,521 thousand includes a non-performance-related component of €4,462 thousand, a performance-related component of €24 thousand with a long-term incentive for the 2018 tranche based on a preliminary total target achievement rate, and pension expenses of €35 thousand.

At its meeting on December 17, 2020, the Supervisory Board put in place the succession arrangements for the role of CTO on the Executive Board. Agreement was reached with Dr. Böhm that his appointment as a member of the Executive Board of KION GROUP AG would end early. The chairman of the Supervisory Board was authorized to conclude the necessary termination agreement in accordance with the law and the contractual arrangements. Dr. Böhm is due to step down from his role on June 30, 2021. His Executive Board service contract is also due to end on that date. At the time that this remuneration report was prepared, these talks were still ongoing.

The following amounts are therefore preliminary. The total amount of €2,406 thousand for Dr. Böhm's termination agreement arising from his Executive Board service contract includes a non-performance-related component of €725 thousand, a performance-related component of €433 thousand with no long-term incentive, a performance-related component of €1,085 thousand with a long-term incentive (the fair value of the 2019 and 2020 tranches in accordance with the rules of the performance share plan as at December 31, 2020 plus the pro rata allocation value for 2021 and 2022), and pension expenses of €163 thousand. Appropriate provisions were recognized to cover these payments as at the reporting date.

The table below shows the pension contributions (additions to the plan) attributable to each individual Executive Board member and their separate present values in accordance with IFRS and HGB.

Pension entitlements under IFRS

€ thousand	Service cost 2020	Service cost 2019	Present value (DBO) Dec. 31, 2020	Present value (DBO) Dec. 31, 2019
Gordon Riske	296	620	8,805	8,621
Dr. Eike Böhm	152	144	913	733
Anke Groth	264	247	695	430
Ching Pong Quek	126	118	1,127	951
Susanna Schneeberger[1]	5	148		209
Total	**843**	**1,277**	**11,540**	**10,944**

1 Resigned from office on January 12, 2020; the present value (DBO) as at December 31, 2020 was recognized under provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants in accordance with IAS 19.

Pension entitlements under HGB

€ thousand	Service cost 2020	Service cost 2019	Present value (DBO) Dec. 31, 2020	Present value (DBO) Dec. 31, 2019
Gordon Riske	234	520	7,127	6,702
Dr. Eike Böhm	154	136	913	733
Anke Groth	257	216	689	419
Ching Pong Quek	128	128	1,127	951
Susanna Schneeberger[1]	5	125		193
Total	**778**	**1,125**	**9,856**	**8,998**

1 Resigned from office on January 12, 2020; the present value (DBO) as at December 31, 2020 was recognized under provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants in accordance with IAS 19.

In addition to the remuneration for 2020 described above for Ms. Schneeberger, the total remuneration paid to former members of the Executive Board amounted to €266 thousand in 2020 (2019: €262 thousand). Provisions for defined benefit obligations to former members of the Executive Board or their surviving dependants amounting to €11,997 thousand (2019: €11,672 thousand) were recognized in accordance with IAS 19.

In the year under review, no advances were made to members of the Executive Board, and there were no loans.

Supervisory Board remuneration

Remuneration system

The Supervisory Board's remuneration is defined in article 18 of KION GROUP AG's articles of association. Members of the Supervisory Board receive fixed remuneration plus reimbursement of out-of-pocket expenses. The fixed annual remuneration of an ordinary member amounts to €55,000. The chairman of the Supervisory Board receives three times the amount of an ordinary member, i.e. €165,000, and his deputy receives two times the amount of an ordinary member, i.e. €110,000.

Additional remuneration is paid for being a member or chairman of a committee, although this does not apply in the case of the Nomination Committee or the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG). The annual remuneration for members of the Executive Committee is usually €8,000, while the chairman of the Executive Committee receives double this amount, i.e. €16,000. Ordinary members of the Audit Committee receive €15,000, the chairman of the Audit Committee €45,000, and his deputy €30,000 in view of their greater responsibilities and thus the greater amount of their time taken up.

If a member of the Supervisory Board or one of its committees does not hold their position for a full financial year, remuneration is paid pro rata in the amount of one twelfth of the annual amount for each full or partial month that they were a member. The same formula is applied if the chairman of the Supervisory Board or one of its committees does not hold their position for a full financial year.

The members of the Supervisory Board receive an attendance fee of €1,500 per day for meetings of the Supervisory Board and its committees, although they only receive this amount once if they attend more than one meeting on the same day.

The Company reimburses each member for any VAT incurred in connection with his or her remuneration.

In the interests of the Company, a D&O insurance policy without a deductible has been taken out for the members of the Supervisory Board. The Company pays the premiums for this.

Remuneration paid to members of the Supervisory Board in 2020

The total remuneration paid to the Supervisory Board in 2020 was €1,461 thousand (2019: €1,469 thousand). Of this amount, €1,045 thousand (2019: €1,063 thousand) was attributable to fixed remuneration for activities carried out by the Supervisory Board. The remuneration paid for committee work (including attendance fees) totaled €416 thousand (2019: €406 thousand). The following table shows the breakdown of remuneration paid to each Supervisory Board member for 2020.

Remuneration of the Supervisory Board of KION GROUP AG in 2020 (net)

€ thousand	Fixed remuneration	Committee remuneration (fixed)	Attendance fee	Total
Behrendt, Birgit	55		9	64
Dr. Dibelius, Alexander	55	8	15	78
Jiang, Kui*	55	8	15	78
Dr. Macht, Michael	165	31	23	219
Dr. Reuter, Christina	55		9	64
Ring, Hans Peter	55	53	23	131
Tan, Xuguang*	55		2	57
Xu, Ping*	55		9	64
Casper, Stefan	55		12	67
Fahrendorf, Martin	55		12	67
Kunz, Olaf	55	8	18	81
Milla, Jörg	55	23	26	104
Pancarci, Özcan	110	8	18	136
Schädler, Alexandra	55	30	20	105
Dr. Schepp, Frank	55		12	67
Wenzel, Claudia	55	8	18	81
Total	**1,045**	**177**	**239**	**1,461**
* Withholding tax (pursuant to section 50a of the German Income Tax Act (EStG)) incl. the reunification surcharge was also paid over in the following amounts:	76	4	12	92

In 2020, no company in the KION Group paid or granted any remuneration or other benefits to members of the Supervisory Board for services provided as individuals, such as consulting or brokerage activities. Nor were any advances or loans granted to members of the Supervisory Board.

Consolidated financial statements

Condensed consolidated income statement

in € million	Note	2020	2019
Revenue	[8]	8,341.6	8,806.5
Cost of sales	[9]	–6,296.8	–6,474.6
Gross profit		**2,044.8**	**2,331.9**
Selling expenses	[9]	–915.8	–940.2
Research and development costs	[9]	–156.8	–155.3
Administrative expenses	[9]	–556.0	–546.9
Other income	[10]	93.7	69.5
Other expenses	[11]	–117.7	–54.5
(Loss) profit from equity-accounted investments	[12]	–2.2	12.1
Earnings before interest and tax		**389.9**	**716.6**
Financial income	[13]	113.6	105.5
Financial expenses	[14]	–201.9	–200.6
Net financial expenses		**–88.3**	**–95.1**
Earnings before tax		**301.6**	**621.6**
Income taxes	**[15]**	**–90.7**	**–176.8**
Current taxes		–145.2	–212.8
Deferred taxes		54.5	36.0
Net income		**210.9**	**444.8**
Attributable to shareholders of KION GROUP AG		215.3	454.8
Attributable to non-controlling interests		–4.4	–10.0
Earnings per share	**[16]**		
Average number of shares (in million)		118.9	117.9
Basic earnings per share (in €)		1.81	3.86
Diluted earnings per share (in €)		1.81	3.86

Condensed consolidated statement of comprehensive income

in € million	Note	2020	2019
Net income		**210.9**	**444.8**
Items that will not be reclassified subsequently to profit or loss		**–106.6**	**–117.8**
Gains / losses on defined benefit obligation	[29]	–105.5	–115.9
thereof changes in unrealized gains and losses		–151.3	–168.1
thereof tax effect		45.8	52.3
Changes in unrealized gains / losses on financial investments	[23]	1.6	–1.9
Changes in unrealized gains and losses from equity-accounted investments		–2.6	–0.0
Items that may be reclassified subsequently to profit or loss		**–188.2**	**69.4**
Impact of exchange differences		–204.4	76.1
thereof changes in unrealized gains and losses		–204.3	76.1
thereof realized gains (–) and losses (+)		–0.1	0.0
Gains / losses on hedge reserves	[42]	15.6	–6.3
thereof changes in unrealized gains and losses		19.4	–15.1
thereof realized gains (–) and losses (+)		1.8	7.2
thereof tax effect		–5.5	1.5
Changes in unrealized gains / losses from equity-accounted investments		0.6	–0.3
Other comprehensive loss		**–294.8**	**–48.4**
Total comprehensive (loss) income		**–83.9**	**396.4**
Attributable to shareholders of KION GROUP AG		–81.9	405.9
Attributable to non-controlling interests		–1.9	–9.4

Condensed consolidated statement of financial position – Assets

in € million	Note	Dec. 31, 2020	Dec. 31, 2019[1]	Jan. 1, 2019[1]
Goodwill	[17]	3,407.6	3,475.8	3,424.8
Other intangible assets	[17]	2,152.0	2,256.6	2,296.8
Leased assets	[18]	1,333.3	1,361.2	1,261.8
Rental assets	[19]	529.6	632.9	670.5
Other property, plant and equipment	[20]	1,316.6	1,236.3	1,077.8
Equity-accounted investments	[21]	78.8	84.5	82.3
Lease receivables	[22]	1,199.1	1,080.9	826.2
Other financial assets	[23]	75.6	44.6	29.8
Other assets	[24]	78.8	73.8	58.9
Deferred taxes	[15]	494.9	449.7	421.7
Non-current assets		**10,666.2**	**10,696.4**	**10,150.6**
Inventories	[25]	1,101.0	1,085.3	994.8
Lease receivables	[22]	396.2	340.1	271.2
Contract assets	[34]	172.1	150.2	119.3
Trade receivables	[26]	1,172.7	1,074.2	1,036.4
Income tax receivables	[15]	54.8	24.9	31.5
Other financial assets	[23]	77.3	74.1	83.4
Other assets	[24]	100.9	108.8	106.2
Cash and cash equivalents	[27]	314.4	211.2	175.3
Current assets		**3,389.4**	**3,068.8**	**2,818.2**
Total assets		**14,055.7**	**13,765.2**	**12,968.8**

1 In order to improve the clarity of the refinancing of the lease and short-term rental business, the presentation in the consolidated balance sheet was adjusted through corresponding reclassifications (see note [7] in the notes to the consolidated financial statements)

Condensed consolidated statement of financial position – Equity and liabilities

in € million	Note	Dec. 31, 2020	Dec. 31, 2019[1]	Jan. 1, 2019[1]
Subscribed capital		131.1	118.0	117.9
Capital reserve		3,825.8	3,034.7	3,033.1
Retained earnings		1,184.6	975.2	662.1
Accumulated other comprehensive loss		–857.6	–560.3	–511.4
Non-controlling interests		–13.1	–9.2	3.3
Equity	**[28]**	**4,270.8**	**3,558.4**	**3,305.1**
Retirement benefit obligation and similar obligations	[29]	1,450.3	1,263.4	1,043.0
Financial liabilities	[30]	1,117.4	1,716.8	1,818.7
Liabilities from lease business	[31]	1,715.1	1,470.9	1,169.2
Liabilities from short-term rental business	[32]	353.0	441.5	429.6
Other provisions	[33]	144.7	113.8	98.9
Other financial liabilities	[36]	432.1	399.2	339.6
Other liabilities	[37]	242.9	301.2	473.5
Deferred taxes	[15]	511.1	570.9	626.7
Non-current liabilities		**5,966.6**	**6,277.8**	**5,999.1**
Financial liabilities	[30]	77.1	103.7	226.5
Liabilities from lease business	[31]	1,024.2	1,024.1	736.8
Liabilities from short-term rental business	[32]	152.6	174.3	167.4
Contract liabilities	[34]	550.8	504.9	570.1
Trade payables	[35]	910.5	975.9	904.2
Income tax liabilities	[15]	44.9	88.7	74.4
Other provisions	[33]	165.5	140.6	127.2
Other financial liabilities	[36]	214.8	207.2	183.7
Other liabilities	[37]	677.9	709.6	674.2
Current liabilities		**3,818.3**	**3,929.0**	**3,664.6**
Total equity and liabilities		**14,055.7**	**13,765.2**	**12,968.8**

1 In order to improve the clarity of the refinancing of the lease and short-term rental business, the presentation in the consolidated balance sheet was adjusted through corresponding reclassifications (see note [7] in the notes to the consolidated financial statements)

Condensed consolidated statement of cash flows

in € million	Note	2020	2019
Earnings before interest and tax		**389.9**	**716.6**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets without lease and rental assets	[9]	419.5	369.2
Depreciation and impairment minus reversals of impairment on lease and rental assets	[9]	518.3	528.8
Non-cash reversals of deferred revenue from lease business		–184.5	–212.5
Other non-cash income (–) / expenses (+)		55.2	27.0
Gains (–) / losses (+) on disposal of non-current assets	[10], [11]	–4.9	–3.6
Change in leased assets (excluding depreciation) and receivables / liabilities from lease business	[18], [22], [31]	–147.7	–122.1
Change in rental assets (excluding depreciation) and liabilities from rental business	[19], [32]	–203.6	–146.6
Change in net working capital		–150.3	–146.8
thereof inventories	[25]	–35.1	–79.0
thereof trade receivables and trade payables	[26], [35]	–133.1	50.9
thereof contract assets and contract liabilities	[34]	18.0	–118.6
Cash payments for defined benefit obligations	[29]	–27.8	–22.0
Change in other provisions	[33]	59.8	22.5
Change in other operating assets / liabilities		19.9	27.3
Taxes paid		–216.8	–191.6
Cash flow from operating activities	**[39]**	**527.1**	**846.3**
Cash payments for purchase of non-current assets	[39]	–283.8	–287.4
Cash receipts from disposal of non-current assets		5.7	3.6
Dividends received		5.6	12.2
Acquisition of subsidiaries / other businesses (net of cash acquired)		–133.5	–10.0
Cash receipts / payments for sundry assets		–0.3	3.8
Cash flow from investing activities	**[39]**	**–406.3**	**–277.9**

Condensed consolidated statement of cash flows (continued)

in € million	Note	2020	2019
Capital increase from issuing of employee shares	[28]	0.3	3.7
Acquisition of treasury shares	[39]	0,0	–2.9
Capital contribution from shareholders for the carried out capital increase	[28]	813.3	0,0
Dividend of KION GROUP AG	[28]	–4.7	–141.5
Dividends paid to non-controlling interests		–3.4	–3.1
Cash receipts / payments for changes in ownership interests in subsidiaries without change of control		–7.5	0,0
Financing costs paid		–18.0	–3.8
Transactions costs for carrying out the approved capital increase	[28]	–12.6	0,0
Proceeds from borrowings	[39]	3,650.5	2,940.1
Repayment of borrowings	[39]	–4,260.0	–3,166.2
Interest received		1.5	3.1
Interest paid	[39]	–33.8	–36.7
Interest and principal portion from procurement leases	[39]	–133.3	–126.5
Cash receipts / payments from other financing activities		3.3	–1.1
Cash flow from financing activities	**[39]**	**–4.5**	**–534.9**
Effect of exchange rate changes on cash and cash equivalents		–13.1	2.4
Change in cash and cash equivalents		**103.3**	**35.9**
Cash and cash equivalents at the beginning of the year	[39]	211.2	175.3
Cash and cash equivalents at the end of the year	[39]	314.4	211.2

Condensed consolidated statement of changes in equity

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
Balance as at Jan. 1, 2019		**117.9**	**3,033.1**	**662.1**
Net income				454.8
Other comprehensive loss	[28]			
Comprehensive income		**0.0**	**0.0**	**454.8**
Dividend of KION GROUP AG	[28]			–141.5
Dividends paid to non-controlling interests	[28]			
Acquisition of treasury shares	[28]	–0.1	–2.9	
Changes from employee share option program	[28]	0.1	4.5	
Other changes				–0.2
Balance as at Dec. 31, 2019		**118.0**	**3,034.7**	**975.2**
Balance as at Jan. 1, 2020		**118.0**	**3,034.7**	**975.2**
Net income				215.3
Other comprehensive loss	[28]			
Comprehensive loss		**0.0**	**0.0**	**215.3**
Dividend of KION GROUP AG	[28]			–4.7
Capital increase	[28]	13.1	800.2	
Transaction costs	[28]		–10.2	
Dividends paid to non-controlling interests	[28]			
Changes from employee share option program	[28]	0.0	1.2	
Changes from addition / disposal of non-controlling interests	[28]			
Other changes				–1.2
Balance as at Dec. 31, 2020		**131.1**	**3,825.8**	**1,184.6**

	Accumulated other comprehensive loss							
	Cumulative translation adjustment	**Gains / losses on defined benefit obligation**	**Gains / losses on hedge reserves**	**Gains / losses on financial investments**	**Gains / losses from equity-accounted investments**	**Equity attributable to shareholders of KION GROUP AG**	**Non-controlling interests**	**Total**
	–218.9	**–283.5**	**–10.4**	**1.9**	**–0.4**	**3,301.7**	**3.3**	**3,305.1**
						454.8	–10.0	444.8
	75.5	–115.8	–6.3	–1.9	–0.3	–48.9	0.6	–48.4
	75.5	**–115.8**	**–6.3**	**–1.9**	**–0.3**	**405.9**	**–9.4**	**396.4**
						–141.5	0.0	–141.5
						0.0	–3.1	–3.1
						–2.9	0.0	–2.9
						4.6	0.0	4.6
						–0.2	0.0	–0.2
	–143.5	**–399.3**	**–16.8**	**0.0**	**–0.8**	**3,567.5**	**–9.2**	**3,558.4**
	–143.5	**–399.3**	**–16.8**	**0.0**	**–0.8**	**3,567.5**	**–9.2**	**3,558.4**
						215.3	–4.4	210.9
	–206.8	–105.6	15.6	1.6	–2.0	–297.3	2.5	–294.8
	–206.8	**–105.6**	**15.6**	**1.6**	**–2.0**	**–81.9**	**–1.9**	**–83.9**
						–4.7	0.0	–4.7
						813.3	0.0	813.3
						–10.2	0.0	–10.2
						0.0	–3.4	–3.4
						1.2	0.0	1.2
						0.0	1.4	1.4
						–1.2	0.0	–1.2
	–350.3	**–504.9**	**–1.2**	**1.6**	**–2.8**	**4,284.0**	**–13.1**	**4,270.8**

Notes to the consolidated financial statements

Basis of presentation

[1] General information on the Company

KION GROUP AG, whose registered office is at Thea-Rasche-Strasse 8, 60549 Frankfurt am Main, Germany, is entered in the commercial register at the Frankfurt am Main local court under reference HRB 112163.

The KION Group is among the world's leading suppliers of industrial trucks and supply chain solutions. Its portfolio encompasses industrial trucks such as forklift trucks and warehouse trucks, as well as integrated automation technology and software solutions for the optimization of supply chains – including all related services. In 2020, the Group and its approximately 36,000 employees generated revenue of €8,341.6 million (2019: €8,806.5 million).

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power').

Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, is the company that prepares the global consolidated financial statements for the largest number of affiliated companies. These consolidated financial statements are not publicly available.

Weichai Power Co., Ltd., Weifang, People's Republic of China, is the company that prepares the global consolidated financial statements for the smallest number of affiliated companies. These are available in English on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the company (www.weichaipower.com).

The consolidated financial statements and the combined group management report and management report of KION GROUP AG were prepared by the Executive Board on March 1, 2021.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended December 31, 2020 have been prepared in accordance with section 315e of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards. All of the IFRSs and their interpretations that had been enacted by the reporting date and that were required to be applied in the 2020 financial year have been applied in preparing the consolidated financial statements.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group's presentation currency. All amounts 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. All of the separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG. The comparative figures for the prior year were determined on the same basis.

Financial reporting standards to be adopted for the first time in the current financial year

The following financial reporting standards were adopted for the first time in 2020:

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': amendments relating to the definition of materiality
- Amendments to IFRS 3 'Business Combinations': amendments relating to the definition of a business,
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', and IFRS 7 'Financial Instruments: Disclosures': amendments relating to the interest rate benchmark reform (IBOR reform)
- Amendments to IFRS 16 'Leases': amendments in connection with the pandemic-related rent concessions
- Amendments to how the Conceptual Framework is referenced in IFRSs

The initial application of these standards and interpretations has had no significant effect on the presentation of the financial position and financial performance of the KION Group.

Financial reporting standards released but not yet adopted

The standards and interpretations that had been issued by the IASB as at December 31, 2020 but were not yet required to be adopted in 2020 will probably be applied by the subsidiaries in the basis of consolidation, and by KION GROUP AG, only from the time when they are required to be applied. The initial application of these financial reporting standards and interpretations is expected to have no significant effect on the presentation of the financial position and financial performance of the KION Group.

[3] Principles of consolidation

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognized separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognized as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree, and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the negative goodwill is recognized in profit or loss. KION GROUP AG recognizes non-controlling interests at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognized at their fair value at the acquisition date. The difference between the carrying amount of the interests and the fair value is recognized in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities, depending on the structure.

On first-time consolidation of an acquisition, all identifiable assets and liabilities are recognized at their fair value at the acquisition date. The fair values of identifiable assets are determined using appropriate valuation techniques. These measurements are based, for example, on estimates of future cash flows, expected growth rates, exchange rates, discount rates, and useful lives. In the event of material changes to assumptions or circumstances, estimates must be reassessed and this can lead to the recognition of an impairment loss for the asset concerned.

The consolidated financial statements include all of the parent company's material subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognized on temporary differences arising from consolidation transactions.

Transactions with non-controlling interests are treated as transactions with the Group's equity providers. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognized in equity. Gains and losses arising from the disposal of interests are also recognized in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] Basis of consolidation

KION GROUP AG's equity investments consist of subsidiaries, joint ventures, associates, and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making authority over the main activities of the entity and can use this authority to affect the amount of the variable returns to which it is exposed as a result of the equity investment. Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

Associates are equity investments whose financial and operating policies may be significantly influenced, either directly or indirectly, by companies in the KION Group. Significant influence is assumed when companies in the KION Group hold between 20 percent and 50 percent of the voting rights.

Joint ventures are equity investments that are jointly managed by companies in the KION Group together with one or more partners, and these parties have rights to the net assets of the joint venture.

Equity investments over which KION Group companies are unable to exercise control or a significant influence, or that are not jointly controlled by them, are classified as financial investments.

The following table shows the number of equity investments broken down by category:

Shareholdings by categories

	Jan. 1, 2020	Additions	Disposals	Dec. 31, 2020
Consolidated subsidiaries	**133**	**7**	**4**	**136**
Domestic	26	1	1	26
Foreign	107	6	3	110
Equity-accounted associates and joint ventures	**9**	**1**	**–**	**10**
Domestic	5	–	–	5
Foreign	4	1	–	5
Non-consolidated subsidiaries and other investments	**53**	**5**	**7**	**51**
Domestic	14	–	–	14
Foreign	39	5	7	37

A total of 26 (2019: 26) German and 110 (2019: 107) foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at December 31, 2020.

In addition, eight associates (December 31, 2019: seven) and two joint ventures (December 31, 2019: two) were consolidated and accounted for using the equity method as at December 31, 2020. In each case, the last available annual financial statements were used as the basis for measurement.

As at December 31, 2020, 51 (December 31, 2019: 53) companies were recognized at amortized cost or at fair value through other comprehensive income. The non-consolidated subsidiaries recognized at amortized cost and the joint ventures and associates that are not accounted for using the equity method were of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

Where other requirements were met, the following fully consolidated companies were exempt from the obligation to disclose annual financial statements and to prepare notes to the (consolidated) financial statements and (group) management reports in accordance with sections 264 (3), 264b and 291 (2) of the German Commercial Code (HGB) on account of their inclusion in the consolidated financial statements. In the case of STILL Financial Services GmbH, it has been decided solely not to disclose the annual financial statements.

German subsidiaries exempt from disclosure requirements

Subsidiary	Registered office
BlackForxx GmbH	Stuhr
Dematic Holdings GmbH	Frankfurt am Main
Eisengießerei Dinklage GmbH	Dinklage
Eisenwerk Weilbach GmbH	Frankfurt am Main
Fahrzeugbau GmbH Geisa	Geisa
KION Financial Services GmbH	Frankfurt am Main
KION Information Management Services GmbH	Frankfurt am Main
KION Warehouse Systems GmbH	Reutlingen
Linde Material Handling GmbH	Aschaffenburg
Linde Material Handling Rental Services GmbH	Aschaffenburg
Linde Material Handling Rhein-Ruhr GmbH & Co. KG	Essen
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg
LR Intralogistik GmbH	Wörth an der Isar
STILL Financial Services GmbH	Hamburg
STILL Gesellschaft mit beschränkter Haftung	Hamburg
Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim

For 2020, the following UK subsidiaries exercised the exemption in section 479A of the UK Companies Act 2006, which releases them from the obligation to have their separate financial statements audited. These subsidiaries were all held indirectly by KION GROUP AG.

UK subsidiaries exempt from local audit

Subsidiary	Registered office
Linde Holdings Ltd.	Basingstoke
Linde Material Handling East Ltd.	Basingstoke
Linde Material Handling Scotland Ltd.	Basingstoke
Linde Material Handling South East Ltd.	Basingstoke
Linde Severnside Ltd.	Basingstoke
STILL Materials Handling Ltd.	Exeter
Superlift UK Ltd.	Basingstoke

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG is shown in the list of shareholdings (see note [49]).

[5] Acquisitions

Digital Applications International Limited

On March 2, 2020, 100.0 percent of the shares were acquired in UK software company Digital Applications International Limited (DAI), whose registered office is in London, United Kingdom. The purchase consideration for the net assets acquired was €110.3 million. The acquisition of DAI significantly expands the KION Group's software offering in the Supply Chain Solutions segment.

The incidental acquisition costs incurred in connection with the business combination amounted to €2.7 million. Of this sum, €1.6 million was recognized in consolidated profit or loss under administrative expenses in the reporting year. The remaining €1.2 million related to the previous year. The table below shows the overall impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the final figures available at the acquisition date.

Impact of the acquisition of Digital Applications International Ltd. on the financial position

in € million	Fair value at the acquisition date
Goodwill	71.8
Customer relationships	21.2
Other intangible assets	12.0
Other property, plant and equipment	11.3
Trade receivables	5.7
Cash and cash equivalents	8.8
Other assets	29.5
Total assets	**160.3**
Other non-current financial liabilities	9.7
Other non-current liabilities	12.1
Other current liabilities	17.5
Other liabilities	10.6
Total liabilities	**49.9**
Total net assets	**110.3**
Cash payment	87.4
Assumed liabilities	23.0
Consideration transferred	**110.3**

As part of this transaction, receivables in a gross amount of €5.7 million and contract assets of €3.0 million were acquired. At the acquisition date, it was assumed that the amount of irrecoverable trade receivables was insignificant.

In 2020, consolidated revenue rose by €16.4 million and net income for the period by €0.9 million as a result of the acquisition.

If the business combination had been completed by January 1, 2020, this would have had no further material impact on either the revenue or the net income (loss) reported by the KION Group in 2020.

Goodwill constitutes the strategic synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible. The derived goodwill is assigned to the Dematic cash-generating unit (CGU).

The line item 'Acquisition of subsidiaries/other businesses (net of cash acquired)' in the consolidated statement of cash flows contains a net cash outflow of €89.3 million for the acquisition of DAI.

Other acquisitions

With effect from January 1, 2020, 50.0 percent of the shares were acquired in KION Battery Systems GmbH (KBS), Karlstein, Germany. KBS is fully consolidated in the KION Group's financial statements on the basis of the control criteria set out in IFRS 10, in particular due to its economic dependence. Upon completion of the transaction, KBS acquired the research and development business – which had previously been at the disposal of the KION Group – of BMZ Batterien-Montage-Zentrum GmbH, Karlstein, for €6.6 million with effect from January 1, 2020 as part of an asset deal.

With effect from July 1, 2020, KBS acquired the operating business – which had also previously been at the disposal of the KION Group and predominantly consisted of production activities – of BMZ Batterien-Montage-Zentrum GmbH, Karlstein, for €11.5 million as part of another asset deal.

With effect from May 29, 2020, 100.0 percent of the shares were acquired in innogy Business Services Polska sp. z. o. o., Krakow, Poland. The purchase consideration for these shares was approximately €3.3 million. When it acquired this entity, which specializes in accounting services, the KION Group took on around 240 employees.

Both individually and taken together, these acquisitions had only a negligible impact on the KION Group's financial position and financial performance based on the figures available at their acquisition dates.

[6] Currency translation

Financial statements in foreign currencies are translated in accordance with the functional currency concept. The functional currency is the currency of the primary economic environment in which a KION Group subsidiary operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognized as other comprehensive income, equity is recognized at historical rates. The resulting translation differences are not taken to income and are recognized in accumulated other comprehensive income until subsidiaries are disposed of.

The financial statements of foreign equity-accounted investments are also translated using the method described above.

Transactions of the consolidated entities in foreign currencies are translated into the relevant company's functional currency at the rate prevailing on the transaction date. On the reporting date, monetary items are translated at the closing rate and non-monetary items at the rate prevailing on the transaction date. Currency translation differences are taken to income and recognized in other income/expenses or in financial income/expenses.

The following translation rates were used for currencies that are material to the financial statements:

Major foreign currency rates in €

	Average rate		Closing rate	
	2020	**2019**	**2020**	**2019**
Australia (AUD)	1.6551	1.6103	1.5876	1.5971
Brazil (BRL)	5.8954	4.4154	6.3446	4.5124
China (CNY)	7.8729	7.7338	8.0029	7.8149
United Kingdom (GBP)	0.8894	0.8772	0.8937	0.8459
USA (USD)	1.1419	1.1194	1.2217	1.1213

Source: Bloomberg

[7] Accounting policies

Separate recognition of liabilities from the leasing business and liabilities from the short-term rental business in the consolidated statement of financial position

To ensure that the leasing business and the short-term rental business are more clearly separated, the way that they are presented in the consolidated statement of financial position has been amended by means of appropriate reclassifications. Liabilities from the financing of the leasing and the short-term rental business will now be reported separately in the consolidated statement of financial position, as is already the case for assets from the leasing business (leased assets and lease receivables) and from the short-term rental business (rental assets).

The line item 'Liabilities from financial services' has thus been eliminated, with the liabilities from the financing of the leasing business and the financing of the short-term rental business that it included now reclassified as 'Liabilities from leasing business' and 'Liabilities from short-term rental business' respectively. As a result, the line item 'Lease liabilities' and the liabilities from the financing of the short-term rental fleet (previously reported under 'Other financial liabilities'), both of which included liabilities from the sale and leaseback sub-lease transactions completed up to December 31, 2017 for the financing of the leasing and short-term rental business, have also been reclassified as 'Liabilities from leasing business' and 'Liabilities from short-term rental business' respectively. The reclassifications also take account of the fact that the volume of liabilities resulting from these transactions has been falling steadily over time.

The effects of the reclassifications on the consolidated statement of financial position (adjusted) as at January 1, 2019 and December 31, 2019 are shown in the following two tables.

Effects on the consolidated statement of financial position (excerpt) as at Jan. 1, 2019

in € million	Annual report 2018	Adjustments	Jan. 1, 2019 restated
Equity	**3,305.1**	**–**	**3,305.1**
Liabilities from lease business	–	1,169.2	1,169.2
Liabilities from short-term rental business	–	429.6	429.6
Liabilities from financial services	924.4	–924.4	–
Lease liabilities	489.3	–489.3	–
Other financial liabilities	524.6	–185.0	339.6
Other non-current liabilities	4,060.8	–	4,060.8
Non-current liabilities	**5,999.1**	**–**	**5,999.1**
Liabilities from lease business	–	736.8	736.8
Liabilities from short-term rental business	–	167.4	167.4
Liabilities from financial services	548.0	–548.0	–
Lease liabilities	251.3	–251.3	–
Other financial liabilities	288.6	–104.9	183.7
Other current liabilities	2,576.7	–	2,576.7
Current liabilities	**3,664.6**	**–**	**3,664.6**
Total equity and liabilities	**12,968.8**	**–**	**12,968.8**

Effects on the consolidated statement of financial position (excerpt) as at Dec. 31, 2019

in € million	Annual report 2019	Adjustments	Dec. 31, 2019 restated
Equity	**3,558.4**	**–**	**3,558.4**
Liabilities from lease business	–	1,470.9	1,470.9
Liabilities from short-term rental business	–	441.5	441.5
Liabilities from financial services	1,566.9	–1,566.9	–
Lease liabilities	243.8	–243.8	–
Other financial liabilities	500.9	–101.7	399.2
Other non-current liabilities	3,966.1	–	3,966.1
Non-current liabilities	**6,277.8**	**–**	**6,277.8**
Liabilities from lease business	–	1,024.1	1,024.1
Liabilities from short-term rental business	–	174.3	174.3
Liabilities from financial services	933.2	–933.2	–
Lease liabilities	188.3	–188.3	–
Other financial liabilities	284.0	–76.9	207.2
Other current liabilities	2,523.4	–	2,523.4
Current liabilities	**3,929.0**	**–**	**3,929.0**
Total equity and liabilities	**13,765.2**	**–**	**13,765.2**

Assumptions and estimates

The preparation of the IFRS consolidated financial statements requires the use of assumptions and estimates for certain line items that affect recognition and measurement in the consolidated statement of financial position and consolidated income statement. The actual amounts realized may differ from estimates. Assumptions and estimates are applied in particular:

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant, and equipment, receivables, and inventories
- in determining the useful life of non-current assets
- in classifying and measuring leases and in determining the lease terms
- in recognizing and measuring defined benefit pension obligations and other provisions
- in recognizing and measuring current and deferred income taxes
- in recognizing and measuring assets acquired and liabilities assumed in connection with business combinations, and
- in evaluating the stage of completion of contracts where the revenue is recognized over a period of time.

The impact of a change to an estimate is recognized prospectively when it becomes known and assumptions are adjusted accordingly.

Revenue recognition

Revenue is the consideration that is expected to be received from the customer for the transfer of goods and services (transaction price) as well as rental and lease income (excluding VAT) after deduction of trade discounts and rebates. In addition to the contractually agreed consideration, the transaction price may also include variable elements such as rebates, volume discounts, trade discounts, bonuses, and penalties. Variable elements are included in the transaction price only if it is highly unlikely that the revenue that has already been recognized will subsequently be cancelled.

Revenue is recognized when control over the goods or services passes to the customer. The point in time when the risks and rewards incidental to ownership of the goods sold are substantially transferred to the customer is determined by the underlying contract and the delivery terms specified therein or by international trade rules. Payment terms vary in accordance with the customary conditions in the respective countries. Other criteria may arise, depending on each individual transaction, as described below:

Sale of goods

Revenue from the sale of goods is recognized at the point in time when the KION Group delivers goods to a customer, the risks and rewards incidental to the ownership of the goods sold are substantially transferred to the customer, and the flow of benefits to the Group is considered to be sufficiently probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is recognized only when the goods are accepted. Shipping services are not usually treated as separate performance obligations. In addition to the contractually agreed consideration, the transaction price for key-account customers in particular may also include variable elements such as rebates, volume discounts, trade discounts, bonuses, and penalties. The revenue from these sales is recognized in the amount of the price specified in the contract less the estimated price reductions.

Rendering of services

Revenue from the rendering of services is recognized on a straight-line basis over the period of performance or in accordance with the proportion of the overall service rendered by the reporting date. By contrast, revenue from long-term service agreements is recognized on the basis of the average term of the service agreements and in line with progressive costs (constant margin).

Leasing business/short-term rental business

Revenue from direct leasing business is recognized in the amount of the sale value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. If industrial trucks are first sold to and then immediately leased back from a financing partner in order to finance leases, no selling margin in connection with the financing is recognized as the financing partner usually does not obtain control over the industrial truck.

In the indirect leasing business, industrial trucks are sold to vendor partners that enter into long-term leases with end customers. As the vendor partner usually does not obtain control over the industrial truck, subsidiaries in the KION Group initially treat as deferred income the portion of the consideration received that exceeds the amount they expect to have to pay when the industrial truck is returned and subsequently recognize the revenue in installments over the term of the lease. If risks and rewards relating to the industrial truck are substantially transferred to the vendor partner, subsidiaries in the KION Group immediately recognize as revenue the portion of the consideration received that exceeds the amount they expect to have to pay when the industrial truck is returned.

As short-term rental business is classified as an operating lease, the revenue it generates is recognized in the amount of the lease payments. If industrial trucks are first sold to and then immediately leased back from a financing partner in order to finance the short-term rental, no selling margin in connection with the financing is recognized as the financing partner usually does not obtain control over the industrial truck.

Project business contracts

Revenue from the project business is recognized over the duration of the project according to the stage of completion (percentage-of-completion method). The percentage of completion is the proportion of contract costs incurred up to the reporting date compared to the total estimated contract costs as at the reporting date (cost-to-cost method) and reflects the continual transfer of control over the project to the customer. If it is probable that the total contract costs will exceed the contract revenue, the expected loss is immediately recognized as an expense in the financial year in which the loss becomes apparent. If the contract costs incurred plus the profit and loss recognized exceed the progress billings, the excess is recognized as a contract asset. If the progress billings exceed the capitalized costs plus the recognized profit and loss, the excess is recognized as a liability under contract liabilities.

If the outcome of a project business contract cannot be reliably estimated, the likely achievable revenue is recognized only up to the amount of the costs incurred. Contract costs are recognized as an expense in the period in which they are incurred.

Variations in the contract work, claims against customers, and incentive payments are factored into the project costing if they are likely to result in revenue and the amount of revenue can be reliably estimated. If the calculated percentage of completion as at the reporting date changes as a result, the difference between the revenue already recognized up to that point and the revenue calculated on the basis of the new estimate of the percentage of completion is recognized in profit or loss.

Project business contracts are accounted for using the percentage-of-completion method based on the contract costs already incurred as at the reporting date and the costs that are expected to be incurred up to the point of completion. If estimates change, or if there are differences between planned and actual costs, this is directly reflected in the profit or loss from project business contracts. The cost estimates are continually reviewed and, if necessary, adjusted.

Cost of sales

The cost of sales comprises the cost of goods sold and services rendered, costs arising from project business contracts, and revenue-related costs from the leasing and short-term rental business. As well as direct costs, these also include relevant overheads.

The main components of the cost of sales are cost of materials, personnel expenses, depreciation expenses on property, plant, and equipment and amortization expenses on intangible assets in connection with purchase price allocations, and amortization expenses on capitalized development costs. This item also includes warranty costs.

Financial income and expenses

Financial income and expenses mainly consist of interest expense on financial liabilities, interest income from financial receivables, interest income from the leasing business (where classified as a ‘finance lease’), interest expense resulting from the leasing and short-term rental business, interest expense on procurement leases, exchange rate gains and losses on financing activities, the marking-to-market of interest-rate derivatives that are not part of a formally documented hedge, and the net interest cost of the defined benefit obligation. Interest income and expenses are recognized in profit and loss in accordance with the effective interest method.

Goodwill

Goodwill has an indefinite useful life and is therefore not amortized. Instead, it is tested for impairment in accordance with IAS 36 at least once a year, and more frequently if there are indications that the asset might be impaired.

Goodwill is tested for impairment annually at the level of the cash-generating units (CGUs) to which goodwill is allocated.

The cash-generating units identified for the purposes of testing goodwill and brand names for impairment equate to the LMH EMEA, STILL EMEA, KION APAC, and KION Americas Operating Units in the Industrial Trucks & Services segment and to the Dematic Operating Unit in the Supply Chain Solutions segment.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test. The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices, and exchange rates. Cash flows beyond the five-year planning horizon were extrapolated for the LMH EMEA, STILL EMEA, KION APAC, and KION Americas CGUs using a long-term growth rate of 1.0 percent (2019: 1.0 percent). The long-term growth rate used for Dematic was 1.3 percent (2019: 1.3 percent).

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual CGUs.

The following table shows the significant parameters for impairment testing broken down by Operating Unit. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found in note [17].

Significant parameters for impairment testing

in %	Long-term growth rate 2020	2019	WACC after tax 2020	2019	WACC before tax 2020	2019
Industrial Trucks & Services						
LMH EMEA	1.0%	1.0%	6.3%	7.5%	9.1%	10.6%
STILL EMEA	1.0%	1.0%	6.4%	7.6%	9.3%	10.6%
KION Americas	1.0%	1.0%	8.0%	8.3%	10.6%	11.0%
KION APAC	1.0%	1.0%	8.0%	7.9%	10.6%	10.2%
Supply Chain Solutions						
Dematic	1.3%	1.3%	8.0%	8.3%	10.1%	10.6%

Although the coronavirus pandemic had a sometimes negative impact on the short- and medium-term cash flows forecast in the Industrial Trucks & Services segment, the anticipated long-term growth rate did not need to be changed. The KION Group expects cash flows in the Industrial Trucks & Services segment to return to the levels reached before the coronavirus pandemic within the five-year planning horizon. The short- and medium-term cash flows forecast for the Dematic CGU were not adversely affected by the coronavirus pandemic.

The impairment test carried out in the fourth quarter of 2020 did not reveal any need to recognize impairment losses for the goodwill allocated to the LMH EMEA, STILL EMEA, KION APAC, KION Americas, and Dematic CGUs. Using sensitivity analysis, it was also verified that no impairment losses needed to be recognized for goodwill, even if key assumptions vary within realistic limits, in particular variations in WACC and the forecast cash flows.

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at historical cost less all accumulated amortization and accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount. If the reasons for recognizing impairment losses in prior periods no longer apply, the relevant impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortized cost.

Development costs are capitalized if the capitalization criteria in IAS 38 are met. Capitalized development costs include all costs and overheads directly attributable to the development process. Once they have been initially capitalized, these costs and other internally generated intangible assets – particularly internally generated software – are carried at cost less accumulated amortization and accumulated impairment losses. All non-qualifying development costs are expensed as incurred and immediately reported in the consolidated income statement under research and development costs together with research costs.

Amortization of intangible assets with a finite useful life is recognized on a straight-line basis and predominantly reported under cost of sales. The impairment losses on intangible assets are reported under other expenses.

The following useful lives are applied in determining the carrying amounts of other intangible assets:

Useful life of other intangible assets

	Years
Customer relationships	4 – 15
Technologies	10 – 15
Development costs	5 – 7
Patents and licences	3 – 15
Software	2 – 10

Other intangible assets with an indefinite useful life are carried at cost and currently comprise only brand names. Brand names are not amortized because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or on an ad hoc basis if there are indications that the asset might be impaired.

The impairment test applies an income-oriented method in which fundamentally the same assumptions are used as in the impairment test for goodwill, and it did not reveal any need to recognize impairment losses. Assessments of indefinite useful life are carried out at every reporting date.

Leasing business/short-term rental business

The Industrial Trucks & Services segment conducts leasing and short-term rental business in which it leases or rents industrial trucks and related items of equipment to its customers in order to promote sales.

Subsidiaries of the KION Group enter into leases as lessors and as lessees. Where they act as lessors, the leases are classified as finance leases, in accordance with IFRS 16, if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other leases and short-term rentals are classified as operating leases, again in accordance with IFRS 16, and recognized as leased assets or rental assets.

If a KION Group subsidiary enters into a finance lease as the lessor, the future lease payments to be made by the customer are recognized as lease receivables at an amount equal to the net investment in the lease. These are measured using the simplified impairment approach in accordance with IFRS 9. Interest income is spread over the term of the lease in order to ensure a constant return on the outstanding net investment in the lease.

The classification of leases requires estimates to be made regarding the transferred and retained risks and rewards in connection with ownership of the industrial truck. When defining the lease term, all facts and circumstances that offer an economic incentive to exercise extension options, or to not exercise cancellation options, are also taken into consideration. Further information on the leasing and short-term rental business can be found in notes [18] Leased assets, [19] Rental assets, and [22] Lease receivables.

Leasing business

If the beneficial ownership of leased assets remains with a KION Group subsidiary as the lessor under an operating lease, the assets are reported as leased assets in the statement of financial position. The leased assets are carried at cost and depreciated on a straight-line basis over the term of the underlying leases until the residual value is reached. To finance leases, industrial trucks are sold to leasing companies (financing partners), for example, and immediately leased back (head lease) before being sub-leased to external end customers (described below as 'sale and leaseback sub-leases'). The KION Group also finances its leasing business by means of lease facilities and securitizations.

The following applies to leases entered into from January 1, 2018 onward: The financing partner usually does not obtain control over the industrial truck and it is recognized as a leased asset in the statement of financial position or, if the risks and rewards have been transferred to the end customer, as a lease receivable. The industrial truck recognized as a leased asset is carried at cost, while the lease receivable is recognized at an amount equal to the net investment in the lease. In both cases, the liabilities for financing are recognized under liabilities from the leasing business.

In accordance with the transitional provisions of IFRS 16, the sale and leaseback sub-lease portfolio in existence as at December 31, 2017 was not reassessed with regard to the transfer of control to the financing partner in the head lease. In sale and leaseback sub-leases, risks and rewards incidental to the head lease are, in general, substantially borne by the KION Group subsidiaries. The corresponding assets are therefore reported as leased assets within non-current assets and measured at amortized cost. However, if risks and rewards incidental to the head lease are substantially transferred to the end customer in the sub-lease, a corresponding lease receivable is recognized. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are also recognized as liabilities from the leasing business.

In the indirect leasing business, industrial trucks are sold to leasing companies (vendor partners) that enter into long-term leases with end customers. As the vendor partner usually does not obtain control over the industrial truck, it is recognized as a leased asset in the consolidated statement of financial position of the KION Group entities and carried at cost. The KION Group recognizes an obligation equivalent to the amount that it expects to have to pay when the industrial truck is returned (repurchase obligation) under liabilities from the leasing business. In addition, the consideration received that exceeds the amount that is expected to be paid when the industrial truck is returned is initially treated as deferred income and the revenue is subsequently recognized in installments over the term of the lease.

Short-term rental business

Subsidiaries in the KION Group rent industrial trucks directly to end customers under short-term rental agreements. Short-term rental agreements usually have a term ranging from a few hours to a year.

The following applies to short-term rental agreements entered into from January 1, 2018 onward: The financing partner usually does not obtain control over the industrial truck and it is recognized as a rental asset in the consolidated statement of financial position. It is carried at cost and usually depreciated on a straight-line basis over the normal useful life of between five and eight years, depending on the product group. The liabilities for financing this part of the short-term rental fleet are reported under liabilities from short-term rental business.

In accordance with the transitional provisions of IFRS 16, the sale and leaseback sub-lease portfolio in existence as at December 31, 2017 was not reassessed with regard to the transfer of control to the financing partner in the head lease. In the case of sale and leaseback sub-lease transactions, risks and rewards incidental to the head lease are usually substantially borne by subsidiaries in the KION Group, so the industrial trucks are reported as rental assets and measured at amortized cost. The liabilities for financing this part of the short-term rental fleet are also reported under liabilities from short-term rental business.

Other property, plant, and equipment

Property, plant, and equipment is carried at cost less depreciation and impairment losses. The cost of internally generated machinery and equipment includes all costs directly attributable to the production process and an appropriate portion of production overheads.

Depreciation of property, plant, and equipment is recognized on a straight-line basis and reported under functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The following ranges of useful lives are applied in determining the carrying amounts of items of property, plant, and equipment:

Useful life of other property, plant and equipment

	Years
Buildings	10 – 50
Plant and machinery	3 – 15
Office furniture and equipment	2 – 15

KION Group companies also lease property, plant, and equipment for their own use through procurement leases, which are recognized as right-of-use assets under other property, plant, and equipment. As a rule, the leases are entered into for defined periods, although they may contain extension and/or termination options. For this reason, when defining the lease term, senior management takes into consideration all facts and circumstances that offer an economic incentive to exercise extension options or to not exercise cancellation options.

The right-of-use assets are depreciated over the shorter of their useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the right-of-use asset is depreciated over the useful life of the leased asset.

When liabilities from procurement leases are initially measured, the lease payments not yet made are discounted at an interest rate implicit in the lease. If this cannot be readily defined, a term-specific and currency-specific incremental borrowing rate of interest is essentially determined and used for the calculation.

Lease installments for procurement leases with a term of no more than twelve months and for procurement leases relating to low-value assets are immediately recognized as an expense under functional costs.

At the end of the lease term, the leased assets are returned or purchased, or the contract is extended; the latter is accounted for as a modification or remeasurement.

If there are certain indications of impairment of the property, plant, and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognized for an asset. The impairment losses on property, plant, and equipment are reported under other expenses.

If an impairment test for an item of property, plant, and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognized in prior years no longer applies, the relevant pro-rata impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortized cost. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognized in income. Other changes in the equity of associates and joint ventures are recognized in other comprehensive income in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognized. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the equity investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognized for the equity investment.

Financial instruments

Financial assets

In accordance with IFRS 9, the KION Group categorizes financial assets as debt instruments measured at amortized cost (AC category), debt instruments recognized at fair value through profit or loss (FVPL category), or equity instruments recognized at fair value through other comprehensive income (FVOCI category). The assignment to the various categories can be found in note [40].

Debt instruments are measured at amortized cost if they are held as part of a business model whose objective is to collect the contractual cash flows, and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Upon initial recognition, financial assets in the AC category are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortized cost using the effective interest method. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

In line with the impairment approach for debt instruments in the AC category, both upon initial recognition and subsequently the KION Group recognizes expected credit loss in profit or loss by recognizing valuation allowances. These valuation allowances amount to the twelve-month expected losses, provided no significant increase in credit risk (for example as a result of material changes to external or internal credit ratings) is observable at the reporting date. Otherwise, lifetime expected loss is recognized. The expected loss is calculated using the probability of default, the amount at risk, and, taking into account any collateral, the estimated loss given default. The calculation draws on observable historical loss data, information on current conditions and the economic outlook. A default is defined as the occurrence of a loss event, such as a borrower being in considerable financial difficulties or a contract being breached. A financial asset is impaired if there are no reasonable prospects of recovering the underlying cash flows in full or partly. The recoverability is assessed on the basis of different indicators (for example, failure to adhere to payment terms or the opening of insolvency proceedings over the borrower’s assets) that take the relevant country-specific factors into account. The reversal of an impairment loss must not result in a carrying amount greater than the amortized cost that would have arisen if the impairment loss had not been recognized.

Upon measurement of trade receivables, lease receivables, and contract assets subsequent to initial recognition, the KION Group applies the simplified impairment approach of IFRS 9. To determine the lifetime losses, for purposes of the valuation allowance average loss rates are calculated on a collective basis in accordance with the past due status of the receivables. The loss rates are calculated on the basis of observable historical loss data, taking into account current conditions and economic assessments (for example on the basis of expected probability of default for significant countries). The amount of the valuation allowances already recognized is adjusted through profit or loss if there is a change in the estimate for the underlying inputs. As a result of the coronavirus pandemic, for example, the assessment of future economic conditions has been updated to reflect current circumstances.

Financial assets assigned to the FVPL category are initially recognized at fair value; directly attributable transaction costs have to be taken directly to profit or loss. In subsequent periods, financial assets in the FVPL category are recognized at fair value through profit or loss.

Equity instruments in the FVOCI category are recognized at fair value through other comprehensive income. Upon initial recognition at fair value, directly attributable transaction costs are included. Gains and losses recognized in accumulated other comprehensive income are not reclassified to profit or loss upon derecognition of these financial assets but instead remain in equity.

Financial liabilities

In accordance with IFRS 9, the KION Group differentiates between financial liabilities that are not held for trading and are thus recognized at amortized cost using the effective interest method (AC category) and financial liabilities that are held for trading and recognized at fair value through profit or loss (FVPL category). The assignment to the various categories can be found in note [40].

Upon initial recognition, financial liabilities in the AC category are carried at fair value, including (where applicable) directly attributable transaction costs. Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value. Subsequently, financial liabilities are recognized at amortized cost using the effective interest method.

Financial liabilities assigned to the FVPL category are initially recognized at fair value; directly attributable transaction costs have to be taken directly to profit or loss. In subsequent periods, financial liabilities in the FVPL category are recognized at fair value through profit or loss.

Hedge accounting

Derivative financial instruments that are part of a formally documented hedge with a hedged item are not assigned to any of the IFRS 9 measurement categories and are therefore recognized in accordance with the hedge accounting rules described below.

In the case of cash flow hedges for hedging currency risk and interest-rate risk, derivatives are used to hedge future cash flow risks from highly probable future transactions and firm obligations not reported in the statement of financial position. The effective portion of changes in the fair value of derivatives is initially recognized in equity in the hedge reserve (accumulated other comprehensive income). The amounts previously recognized in the hedge reserve are subsequently reclassified to the income statement when the gain or loss on the corresponding hedged item is recognized. The ineffective portion of the changes in fair value is recognized immediately in the income statement.

In addition, the KION Group uses an interest-rate swap to hedge the fair value of a fixed-rate financial liability. The effective portion of changes in the fair value of the interest-rate swap is recognized in financial income/expenses. These are offset by gains and losses on the change in the fair value of the hedged financial liability, which result in an adjustment in profit or loss of the carrying amount of the hedged item. The ineffective portion of the hedge is also recognized immediately in financial income/expenses.

The critical-terms-match method is used to measure the prospective effectiveness of the hedges. Ineffective portions can arise if the critical terms of the hedged item and hedge no longer match; this is determined using the dollar-offset method.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognized on the basis of the tax laws of the jurisdictions involved. Deferred taxes are recognized in other comprehensive income if they relate to transactions also recognized in other comprehensive income.

Deferred tax assets and liabilities are recognized in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise in subsequent years from the expected utilization of existing tax loss carryforwards and interest carryforwards and from tax credits and whose utilization is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets have been recognized on some loss carryforwards and interest carryforwards and on tax credits.

Deferred taxes are determined on the basis of the tax rates that will apply at the recovery date, or have been announced, in accordance with the current legal situation in each country concerned. Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [15]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognized on the basis of an estimate of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carryforwards can be utilized. The actual amount of taxable income in future periods – and hence the actual utilization of tax loss carryforwards and interest carryforwards – may be different to the estimates made when the corresponding deferred tax assets were recognized.

Inventories

Inventories are carried at the lower of cost and net realizable value. The acquisition costs of raw materials and merchandise are calculated on the basis of an average. The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. The amount recognized is an average value or a value determined in accordance with the FIFO method (FIFO = first in first out).

Net realizable value is the selling price that can be realized less the estimated costs of completion and the estimated necessary selling costs.

Write-downs are recognized for inventory risks resulting from duration of storage, impaired recoverability, or other reasons. If the reasons for the recognition of the write-downs no longer apply, they are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its cost.

Contract balances

Contract assets mainly relate to work performed in the project business that has not yet been billed. Contract assets are measured using the simplified impairment approach in accordance with IFRS 9. The average loss rates calculated for trade receivables are used as an approximation of the expected losses from contract assets.

A contract liability is a company’s obligation to transfer goods or services to a customer for which the company has received consideration. Project business contracts with a net debit balance due to customers are reported under contract liabilities, as are advances received from customers. Further information on contract balances can be found in note [34].

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method, taking account of future increases in remuneration and pensions. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations.

Remeasurements, including deferred taxes, are recognized in other comprehensive income. The service cost and the net interest cost of defined benefit plans are recognized in profit or loss.

Defined benefit pension entitlements are calculated on the basis of actuarial parameters, although the fair value for certain plan assets is derived from inputs that are not observable in the market. As differences due to remeasurements are taken to other comprehensive income, any change in these assumptions would not affect the net profit for the current period. Further information on sensitivity analysis in relation to the impact of the discount rate and details of measurement can be found in the information on the retirement benefit obligation in note [29].

Liabilities from leasing business

Liabilities from leasing business comprise all liabilities from financing the leasing business on the basis of sale and leaseback sub-lease transactions, as well as all liabilities that arise from financing the direct leasing business by means of lease facilities and the use of securitizations. Furthermore, liabilities from the leasing business include repurchase obligations resulting from the indirect leasing business.

Liabilities from short-term rental business

Liabilities from short-term rental business comprise all liabilities from financing the short-term rental fleet on the basis of sale and leaseback sub-lease transactions.

Other provisions

Other provisions are recognized when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, the provision is recognized in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and uncertain liabilities are recognized in the amount that represents the best estimate of the cost required to settle the obligations. Recourse claims are not taken into account. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax interest rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. The interest cost from unwinding the discount is recognized in interest expenses.

Warranty provisions are recognized on the basis of past or estimated future claim statistics. The corresponding expense is recognized in cost of sales at the date on which the revenue is recognized. Individual provisions are recognized for claims that are known to the Group.

Provisions for onerous contracts and other business obligations are measured on the basis of the contractual obligations that are currently still to be fulfilled.

A restructuring provision is recognized when a KION Group subsidiary has prepared a detailed, formal restructuring plan and this plan has raised the valid expectation in those affected that the subsidiary will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

The recognition and measurement of other provisions are based on an estimate of the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different to the amount recognized in other provisions. Further details can be found in note [33].

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognized at their fair value at the date of grant. The fair value of the obligation is recognized as an expense under functional costs over the vesting period and offset against capital reserves.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognized as an expense under functional costs and is also reported as a liability. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognized (pro rata) under expenses.

Notes to the consolidated income statement

[8] Revenue

The following table contains the product categories identified as material to the KION Group's financial performance and the timing of revenue recognition for each of these categories.

Timing of revenue recognition with third parties

Product category	Business model	Timing of revenue recognition
Industrial Trucks & Services		
New business	Sale of industrial trucks	At a point in time
	Direct and indirect lease business (in both cases where classified as finance lease)	At a point in time
Service business		
– Aftersales	Supply of spare parts	At a point in time
	Individual orders for repairs and maintenance work	At a point in time
	(Full) service contracts	Over a period of time
– Rental business	Direct and indirect lease business (in both cases where classified as operating lease)	Over a period of time
	Short-term rental business	Over a period of time
	Fleet management	Over a period of time
– Used trucks	Sale of used industrial trucks	At a point in time
– Other	Various business models, currently categorized as not material to the financial performance of the KION Group in the ITS segment	Mainly at a point in time
Supply Chain Solutions		
Business solutions	Project business	Over a period of time
Service business	Modernisations and upgrades	Over a period of time
	Supply of spare parts	At a point in time
	Service contracts	Over a period of time
	Various business models, currently categorized as not material to the financial performance of the KION Group in the SCS segment	Mainly over a period of time
Corporate Services		
	Services	Mainly at a point in time

The following tables show revenue from contracts with customers, broken down by sales region, product category, timing of revenue recognition, and segment.

Disaggregation of revenue with third parties

in € million	Industrial Trucks & Services 2020	Supply Chain Solutions 2020	Corporate Services 2020	Total 2020
EMEA	**4,757.9**	**777.0**	**27.9**	**5,562.9**
Western Europe	4,146.2	737.4	24.0	4,907.7
Eastern Europe	543.5	29.1	3.8	576.5
Middle East and Africa	68.2	10.4	0.1	78.7
Americas	**279.8**	**1,566.2**	**0.0**	**1,846.0**
North America	130.0	1,557.6	0.0	1,687.6
Central and South America	149.8	8.6	0.0	158.4
APAC	**656.4**	**276.2**	**0.0**	**932.7**
China	455.7	70.5	0.0	526.1
APAC excluding China	200.8	205.8	0.0	406.6
Total revenue	**5,694.2**	**2,619.4**	**27.9**	**8,341.6**
New business	2,734.5			2,734.5
Service business	2,959.7			2,959.7
– Aftersales	1,523.2			1,523.2
– Rental business	911.1			911.1
– Used trucks	364.0			364.0
– Other	161.4			161.4
Business solutions		1,974.8		1,974.8
Service business		644.6		644.6
Corporate Services			27.9	27.9
Total revenue	**5,694.2**	**2,619.4**	**27.9**	**8,341.6**
Timing of revenue recognition				
Products and services transferred at a point in time	4,259.4	293.5	18.4	4,571.3
Products and services transferred over a period of time	1,434.8	2,325.9	9.6	3,770.3

Disaggregation of revenue with third parties

	2019			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**5,370.7**	**609.3**	**26.7**	**6,006.7**
Western Europe	4,652.9	559.4	22.0	5,234.3
Eastern Europe	641.2	32.7	4.6	678.6
Middle East and Africa	76.5	17.2	0.1	93.8
Americas	**360.7**	**1,532.3**	**0.0**	**1,893.0**
North America	157.2	1,523.3	0.0	1,680.5
Central and South America	203.5	9.0	0.0	212.5
APAC	**672.4**	**234.4**	**0.0**	**906.9**
China	450.9	66.3	0.0	517.2
APAC excluding China	221.5	168.1	0.0	389.7
Total revenue	**6,403.7**	**2,376.1**	**26.7**	**8,806.5**
New business	3,345.6			3,345.6
Service business	3,058.2			3,058.2
– Aftersales	1,600.9			1,600.9
– Rental business	926.2			926.2
– Used trucks	361.1			361.1
– Other	169.9			169.9
Business solutions		1,780.2		1,780.2
Service business		595.9		595.9
Corporate Services			26.7	26.7
Total revenue	**6,403.7**	**2,376.1**	**26.7**	**8,806.5**
Timing of revenue recognition				
Products and services transferred at a point in time	4,951.6	262.2	20.8	5,234.6
Products and services transferred over a period of time	1,452.1	2,113.9	5.9	3,571.9

The table below shows the revenue that is expected as a result of performance obligations in existence at the reporting date. This consists only of revenue from contracts with customers as defined by IFRS 15. In the Supply Chain Solutions segment, this revenue is generated by the project and service business. In the Industrial Trucks & Services segment, it is generated through aftersales (full-)service contracts with an expected original term of more than one year.

Expected future revenue from existing performance obligations

in € million	2020	2019
Total of expected future revenue from existing performance obligations	**4,260.2**	**3,238.1**
due within one year	2,689.9	2,003.4
due in one to two years	864.6	631.8
due in two to three years	250.6	235.1
due in more than three years	455.1	367.7

[9] Cost of sales and other functional costs

The total cost of materials recognized under cost of sales in the consolidated income statement went down by €43.9 million to €4,007.7 million in 2020 (2019: €4,051.6 million).

The total personnel expenses recognized under cost of sales rose by €8.0 million to €2,300.8 million (2019: €2,292.8 million). They increased only marginally despite the increase in the average number of employees for the year and the personnel measures introduced in connection with the capacity and structural program. This was due to various countervailing effects resulting from the coronavirus pandemic, such as short-time working and similar measures as well as employees using up accumulated hours in their working-time accounts. These personnel expenses included wages and salaries of €1,817.6 million (2019: €1,820.6 million), social security contributions of €396.7 million (2019: €398.7 million), and expenses for pensions of €86.6 million (2019: €73.5 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognized under personnel expenses and is instead reported under financial expenses as a component of interest cost of the defined benefit obligation. Pension expenses essentially comprised the pension entitlements of €52.9 million vested in 2020 (2019: €41.5 million).

The cost of sales is reduced by the recognition of government grants amounting to €7.9 million (2019: €1.5 million). As a result of the coronavirus pandemic, this sum mostly related to the lump-sum reimbursement of employer’s social security contributions in connection with short-time working allowances linked to the economic situation.

Impairment losses and depreciation expenses on property, plant, and equipment together with impairment losses and amortization expenses on intangible assets recognized under cost of sales came to a total of €937.8 million in the reporting year (2019: €898.0 million).

[10] Other income

Other income breaks down as follows:

Other income

in € million	2020	2019
Foreign currency exchange rate gains	58.6	32.1
Income from reversal of provisions	3.4	1.9
Gains on disposal of non-current assets	6.9	6.0
Sundry income	24.8	29.4
Total other income	**93.7**	**69.5**

In 2020, other income went up by €24.2 million year on year.

The rise was predominantly attributable to the increase in foreign currency exchange rate gains. These are attributable to exchange rate gains arising in the course of the Group companies' operating activities and to gains on hedges that were entered into in order to hedge currency risk arising from the operating business and are not part of a formally documented hedge (details of the countervailing losses can be found in note [11]).

[11] Other expenses

Other expenses break down as follows:

Other expenses

in € million	2020	2019
Foreign currency exchange rate losses	80.9	37.9
Losses on disposal of non-current assets	1.9	2.4
Impairment of non-current assets	21.6	6.9
Sundry expenses	13.3	7.4
Total other expenses	**117.7**	**54.5**

The rise in other expenses by €63.2 million resulted mainly from an increase in exchange rate losses. These are attributable to exchange rate losses arising in the course of the Group companies' operating activities and to losses on hedges that were entered into in order to hedge currency risk arising from the operating business and are not part of a formally documented hedge (details of the countervailing gains can be found in note [10]).

Within the impairment of non-current assets, a figure of €13.6 million related to property, plant, and equipment used by specific customers in the Supply Chain Solutions segment. This was attributable to a deterioration in profit forecasts for the underlying customer business.

[12] Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments amounted to a loss of €2.2 million in the reporting period (2019: profit of €12.1 million).

The stake in Linde Hydraulics GmbH & Co. KG, Aschaffenburg, was written down in 2020 due to the sharp downturn in the company's business. The impairment loss totaled €10.7 million and affected the Industrial Trucks & Services segment.

Further details on equity-accounted investments can be found in note [21].

[13] Financial income

Financial income breaks down as follows:

Financial income

in € million	2020	2019
Interest income from lease business	58.8	51.9
Foreign currency exchange rate gains (financing)	46.8	47.9
Other interest and similar income	8.0	5.7
Total financial income	**113.6**	**105.5**

The €8.1 million rise in financial income was primarily attributable to higher interest income from the leasing business (details of the countervailing interest expense can be found in note [14]). The interest income from the leasing business relates to the interest portion of lease payments in which KION Group subsidiaries operate as lessors and the arrangements are classified as a finance lease relationship.

Foreign currency exchange rate gains predominantly arise in connection with foreign currency positions in internal financing and the related hedging transactions that are not part of a formally documented hedge.

[14] Financial expenses

Financial expenses break down as follows:

Financial expenses

in € million	2020	2019
Interest expense from loans[1]	7.7	18.0
Interest expense from promissory notes[1]	22.0	18.3
Interest expense from bonds[1]	2.5	–
Interest expense from lease and short-term rental business[1]	53.3	57.6
Interest expense from procurement leases	14.1	15.3
Net interest expense from defined benefit plans and similar obligations	13.4	19.9
Foreign currency exchange rate losses (financing)	60.2	56.1
Changes in fair value of interest rate derivatives (without hedge relationship)	8.8	2.3
Other interest expenses and similar charges	20.0	13.1
Total financial expenses	**201.9**	**200.6**

1 Interest expense including amortization of finance costs

Financial expenses in 2020 were virtually unchanged compared with the prior year.

Interest expense from loans fell due to the adjustments to the funding structure in 2020 and 2019.

Interest expense from the leasing and short-term rental businesses, which totaled €53.3 million (2019: €57.6 million), was attributable both to liabilities from financing the direct and indirect leasing business and to liabilities from financing the short-term rental fleet. Leases entered into with customers in connection with these financing transactions and that constitute an operating lease relationship, together with the financing of the short-term rental fleet, resulted in interest expense of €22.5 million (2019: €23.3 million). The income from corresponding customer leases and short-term rental agreements is a component of the lease and rental payments received and is therefore reported within revenue rather than as interest income.

The decline in net interest expense from defined benefit plans and similar obligations is attributable to the fall in interest rates.

Foreign currency exchange rate expenses predominantly arise in connection with foreign currency positions in internal financing and the related hedging transactions that are not part of a formally documented hedge.

Other interest expenses and similar charges included commitment fees and transaction costs of €7.7 million in connection with the syndicated liquidity line that was agreed in 2020 in order to temporarily secure liquidity but not utilized.

[15] Income taxes

The income tax expense of €90.7 million (2019: €176.8 million) consisted of €145.2 million in current tax expense (2019: €212.8 million) and €54.5 million in deferred tax income (2019: €36.0 million).

The current corporate income tax rate in Germany is 15.0 percent plus a solidarity surcharge (5.5 percent of corporate income tax). Taking into account the average trade tax rate of 14.9 percent (2019: 14.9 percent), the combined nominal tax rate for entities in Germany was 30.7 percent (2019: 30.7 percent). The income tax rates for foreign companies used in the calculation of deferred taxes were between 9.0 percent and 34.0 percent, as was also the case in 2019.

Deferred tax assets were allocated to the following items in the statement of financial position:

Deferred tax assets

in € million	Dec. 31, 2020	Dec. 31, 2019
Intangible assets and property, plant and equipment	244.4	200.6
Other assets	146.3	179.3
Provisions	352.5	309.4
Liabilities	640.8	653.0
Deferred income	107.2	138.1
Tax loss carry forwards, interest carry forwards and tax credits	20.9	10.9
Offsetting	–1,017.2	–1,041.7
Total deferred tax assets	**494.9**	**449.7**

Deferred taxes are recognized on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilized.

In 2020, the parent company and the consolidated subsidiaries that reported losses for 2020 or 2019 recognized net deferred tax assets on temporary differences, loss carryforwards, and tax credits totaling €27.6 million (2019: €12.8 million). These assets were considered to be unimpaired because these companies are expected to generate taxable income in future.

No deferred tax assets have been recognized on tax loss carryforwards of €743.9 million (2019: €714.9 million) – of which €146.2 million (2019: €128.9 million) can only be carried forward on a restricted basis – or on interest carryforwards of €283.9 million (2019: €283.9 million).

Consequently, the total amount of unrecognized deferred tax assets relating to loss carryforwards is €160.1 million (2019: €173.0 million), of which €124.7 million (2019: €140.9 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at December 31, 2020 amounted to €134.9 million (December 31, 2019: €137.4 million), while trade-tax loss carryforwards stood at €115.6 million (December 31, 2019: €117.1 million). There were also foreign tax loss carryforwards totaling €542.8 million (December 31, 2019: €498.6 million).

The interest that can be carried forward indefinitely in Germany as at December 31, 2020 amounted to €283.9 million (December 31, 2019: €283.9 million).

Deferred tax liabilities were allocated to the following items in the statement of financial position:

Deferred tax liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019
Intangible assets and property, plant and equipment	984.1	1,027.8
Other assets	392.9	368.8
Provisions	14.3	13.8
Liabilities	127.5	186.5
Deferred income	9.5	15.7
Offsetting	–1,017.2	–1,041.7
Total deferred tax liabilities	**511.1**	**570.9**

The deferred tax liabilities essentially related to purchase price allocations in the acquisition of the KION Group and Dematic, particularly for intangible assets and property, plant, and equipment.

The deferred taxes recognized in the statement of financial position also rose as a consequence of the purchase price allocation in connection with Digital Applications International Limited (deferred tax assets of €2.2 million; deferred tax liabilities of €4.2 million). The currency translation as at the reporting date gave rise to total net deferred tax assets and deferred tax liabilities of €12.0 million that was recognized in other comprehensive income (loss) under cumulative translation adjustment, resulting in an increase in equity (2019: decrease in equity of €6.1 million).

No deferred taxes have been recognized on temporary differences of €200.6 million (2019: €195.1 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of temporary differences and there are no plans to dispose of equity investments in the foreseeable future.

The table below shows the reconciliation of expected income tax expenses to effective income tax expenses. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognized in income.

Income taxes

in € million	2020	2019
Earnings before tax	**301.6**	**621.6**
Anticipated income taxes	–92.6	–191.0
Deviations due to the trade tax base	–3.6	–2.7
Deviations from the anticipated tax rate	13.2	7.0
Losses for which deferred taxes have not been recognized	–4.4	–13.7
Change in tax rates and tax legislation	–0.4	–0.3
Non-deductible expenses	–14.3	–7.6
Non-taxable income / tax-exempt income / tax incentives	17.9	18.2
Taxes relating to other periods	–2.5	10.3
Deferred taxes relating to prior periods	0.5	5.7
Non-creditable withholding tax on dividends	–4.1	–2.2
Other	–0.5	–0.6
Effective income taxes (current and deferred taxes)	**–90.7**	**–176.8**

[16] Earnings per share

Basic earnings per share (€1.81; 2019: €3.86) is calculated by dividing the net income accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting period (2020: 118.9 million no-par-value shares; 2019: 117.9 million no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €215.3 million in 2020 (2019: €454.8 million).

Diluted earnings per share (€1.81; 2019: €3.86) is calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the Employee Equity Program (KEEP) to the weighted average number of shares outstanding during the reporting period. The calculation of diluted earnings per share was based on a weighted average of 118.9 million no-par-value shares issued (2019: 117.9 million no-par-value shares).

Notes to the consolidated statement of financial position

[17] Goodwill and other intangible assets

Goodwill is broken down by Operating Unit as follows:

Goodwill broken down by Operating Unit

in € million	Dec. 31, 2020	Dec. 31, 2019
Industrial Trucks & Services	**1,495.5**	**1,502.9**
LMH EMEA	817.4	818.5
STILL EMEA	548.4	549.0
KION Americas	19.9	21.8
KION APAC	109.9	113.6
Supply Chain Solutions	**1,912.2**	**1,972.9**
Dematic	1,912.2	1,972.9
Total goodwill	**3,407.6**	**3,475.8**

The change in goodwill in 2020 was mainly due to the acquisition of the software company DAI, which resulted in goodwill of €71.8 million being recognized based on the provisional purchase price allocation. Exchange-rate effects, conversely, caused a €140.0 million decrease in goodwill in the reporting period.

As at December 31, 2020, the main KION Group brand names were assigned to the Operating Unit LMH EMEA in an amount of €466.2 million (2019: €466.3 million), to the Operating Unit STILL EMEA in an amount of €110.2 million (2019: €110.4 million), to the Operating Unit KION APAC in an amount of €7.6 million (2019: €7.8 million), and to the Operating Unit Dematic in an amount of €350.0 million (2019: €350.2 million).

Neither the qualitative and quantitative analyses carried out during the year in the wake of the coronavirus pandemic nor the annual impairment test of goodwill and brand names with an indefinite useful life carried out in the fourth quarter of 2020 revealed any need to recognize impairment losses as at the reporting date (see also the information provided in note [7]).

Intangible assets

in € million	Goodwill	Brand names	Technologies and developments	Sundry intangible assets	Total
Balance as at Jan. 1, 2019	**3,424.8**	**944.3**	**689.7**	**662.9**	**5,721.6**
Group changes	–	–	–	0.0	0.0
Currency translation adjustments	51.0	–0.0	9.9	14.5	75.4
Additions	–	–	81.9	26.7	108.6
Disposals	–	–	–0.0	–9.6	–9.6
Amortization	–	–0.2	–82.1	–75.5	–157.9
Impairment	–	–4.2	–1.5	–	–5.7
Balance as at Dec. 31, 2019	**3,475.8**	**939.8**	**697.9**	**619.0**	**5,732.5**
Gross carrying amount as at Dec. 31, 2019	3,475.8	946.4	1,042.6	999.9	6,464.8
Accumulated amortization	–	–6.6	–344.7	–381.0	–732.3
Balance as at Jan. 1, 2020	**3,475.8**	**939.8**	**697.9**	**619.0**	**5,732.5**
Group changes	71.8	–	11.7	28.1	111.6
Currency translation adjustments	–140.0	–0.4	–28.2	–43.1	–211.7
Additions	–	–	78.5	27.5	106.0
Disposals	–	–	–0.8	–0.0	–0.8
Amortization	–	–0.2	–97.1	–75.1	–172.5
Impairment	–	–	–5.4	–	–5.4
Balance as at Dec. 31, 2020	**3,407.6**	**939.1**	**656.5**	**556.3**	**5,559.6**
Gross carrying amount as at Dec. 31, 2020	3,407.6	945.7	1,063.9	983.8	6,401.0
Accumulated amortization	–	–6.6	–407.3	–427.5	–841.4

The total carrying amount for technology and development assets as at December 31, 2020 was €656.5 million (December 31, 2019: €697.9 million). Development costs of €78.5 million were capitalized in the reporting year (2019: €81.9 million).

Sundry intangible assets relate in particular to customer relationships amounting to €476.9 million (December 31, 2019: €541.3 million).

[18] Leased assets

The changes in leased assets in 2020 and 2019 were as follows:

Leased assets

in € million	2020	2019
Balance as at Jan. 1	**1,361.2**	**1,261.8**
Group changes	–	7.3
Currency translation adjustments	–27.3	12.8
Additions	478.8	587.1
Disposals	–149.5	–184.4
Depreciation	–327.9	–323.3
Impairment	–2.0	–
Balance as at Dec. 31	**1,333.3**	**1,361.2**
Gross carrying amount as at Dec. 31	2,001.5	2,040.7
Accumulated depreciation	–668.3	–679.5

Leased assets are attributable exclusively to the Industrial Trucks & Services segment and relate to industrial trucks that are provided for use to external customers under operating leases in the direct leasing business or as part of the indirect leasing business.

In the direct leasing business, industrial trucks with a carrying amount of €880.7 million (December 31, 2019: €808.1 million) were provided to customers for their use. The indirect leasing business gave rise to assets amounting to €452.6 million (December 31, 2019: €553.1 million).

As at December 31, 2020, leased assets of €341.5 million (December 31, 2019: €225.0 million) were available as collateral for liabilities from the leasing business.

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €883.7 million (December 31, 2019: €810.1 million). The maturity structure of these expected future payments in the leasing business is shown in the following table:

Expected future payments from lease business

in € million	2020	2019
Payments from lease business	**883.7**	**810.1**
due within one year	297.4	260.2
due in one to two years	241.1	214.9
due in two to three years	178.9	163.1
due in three to four years	108.4	108.6
due in four to five years	46.5	51.8
due in more than five years	11.4	11.5

[19] Rental assets

The changes in rental assets in 2020 and 2019 were as follows:

Rental assets

in € million	2020	2019
Balance as at Jan. 1	**632.9**	**670.5**
Group changes	–	3.8
Currency translation adjustments	–15.2	5.5
Additions	265.8	381.1
Disposals	–165.5	–222.5
Depreciation	–187.7	–205.4
Impairment	–0.6	–
Balance as at Dec. 31	**529.6**	**632.9**
Gross carrying amount as at Dec. 31	990.4	1,104.7
Accumulated depreciation	–460.8	–471.8

Rental assets are allocated solely to the Industrial Trucks & Services segment and comprise assets in the short-term rental fleet.

Rental assets include industrial trucks with a carrying amount of €452.7 million (December 31, 2019: €554.5 million) that are financed by means of sale and leaseback sub-lease transactions with leasing companies.

[20] Other property, plant, and equipment

The changes in the carrying amounts of other property, plant, and equipment are shown in the following table:

Other property, plant and equipment

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Advances paid and assets under construction	Total
Balance as at Jan. 1, 2019	**625.5**	**382.0**	**70.3**	**1,077.8**
Group changes	4.8	1.0	–	5.8
Currency translation adjustments	6.4	2.6	0.2	9.2
Additions	135.2	157.3	76.6	369.0
Disposals	–12.3	–7.5	–0.1	–19.9
Depreciation	–73.6	–130.9	–	–204.5
Impairment	–0.1	–1.1	–	–1.2
Reclassification	15.6	37.9	–53.6	–
Balance as at Dec. 31, 2019	**701.6**	**441.3**	**93.5**	**1,236.3**
Gross carrying amount as at Dec. 31, 2019	1,354.3	1,329.8	93.5	2,777.6
Accumulated depreciation	–652.7	–888.5	–	–1,541.3
Balance as at Jan. 1, 2020	**701.6**	**441.3**	**93.5**	**1,236.3**
Group changes	15.2	2.4	–	17.6
Currency translation adjustments	–18.8	–7.1	–2.7	–28.6
Additions	131.1	140.1	85.6	356.7
Disposals	–17.0	–5.6	–1.2	–23.8
Depreciation	–83.1	–145.0	–	–228.1
Impairment	–10.5	–3.1	–	–13.6
Reclassification	6.0	69.4	–75.4	–
Balance as at Dec. 31, 2020	**724.5**	**492.4**	**99.8**	**1,316.6**
Gross carrying amount as at Dec. 31, 2020	1,439.9	1,439.4	99.8	2,979.0
Accumulated depreciation	–715.4	–947.0	–	–1,662.4

Land and buildings in the amount of €18.3 million (December 31, 2019: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

Other property, plant, and equipment included a figure of €492.5 million for right-of-use assets related to procurement leases (December 31, 2019: €452.7 million). Of this figure, €375.0 million was attributable to land and buildings (December 31, 2019: €325.9 million) and €117.5 million to plant & machinery and office furniture & equipment (December 31, 2019: €126.8 million). The increase in right-of-use assets attributable to land and buildings was primarily due to property leases in connection with the expansion of the production site in Stříbro in the Czech Republic and the construction of an additional plant for counterbalance trucks in Jinan in eastern China, and to the acquisition of the UK software company DAI.

Within the impairment losses recognized in the reporting year, a figure of €13.6 million related to property, plant, and equipment used by specific customers in the Supply Chain Solutions segment. This was attributable to a deterioration in profit forecasts for the underlying customer business.

Other property, plant and equipment: thereof right-of-use assets

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Total
Balance as at Jan. 1, 2019	**276.4**	**114.3**	**390.7**
Group changes	4.6	0.2	4.8
Currency translation adjustments	3.5	0.8	4.3
Additions	107.2	73.6	180.8
Disposals	–11.8	–3.8	–15.5
Depreciation	–53.9	–58.4	–112.3
Impairment	–0.1	–	–0.1
Balance as at Dec. 31, 2019	**325.9**	**126.8**	**452.7**
Gross carrying amount as at Dec. 31, 2019	568.0	243.3	811.4
Accumulated depreciation	–242.2	–116.5	–358.7
Balance as at Jan. 1, 2020	**325.9**	**126.8**	**452.7**
Group changes	15.2	–	15.2
Currency translation adjustments	–9.3	–1.5	–10.8
Additions	121.5	56.0	177.5
Disposals	–15.8	–5.0	–20.9
Depreciation	–62.4	–58.7	–121.1
Balance as at Dec. 31, 2020	**375.0**	**117.5**	**492.5**
Gross carrying amount as at Dec. 31, 2020	658.0	243.4	901.4
Accumulated depreciation	–283.0	–125.9	–408.9

The expense recognized in 2020 for procurement leases with a term of up to twelve months came to €18.5 million (2019: €20.4 million); the expense for procurement leases that relate to low-value assets was €9.1 million (2019: €10.0 million).

There were also obligations arising from short-term procurement leases that already existed as at December 31, 2020 but will be recognized as expenses in 2021 in an amount of €1.4 million (December 31, 2019: €1.9 million) and nominal obligations of €18.4 million (December 31, 2019: €44.4 million) resulting from procurement leases that already exist but have not yet started.

[21] Equity-accounted investments

The KION Group reported equity-accounted investments with a total carrying amount of €78.8 million as at December 31, 2020 (December 31, 2019: €84.5 million).

Following the impairment loss of €10.7 million recognized on the long-term equity investment in Linde Hydraulics GmbH & Co. KG in 2020, the carrying amount of the equity-accounted investments as at the reporting date mainly resulted from the shares (45.0 percent) in Linde Leasing GmbH, the shares (45.0 percent) in Linde High Lift Chile S.A., the shares (50.0 percent) in JULI Motorenwerk s.r.o., and the shares (34.0 percent) in Normandie Manutention SAS. The associates and joint ventures can be seen in the list of shareholdings (see note [49]). Their financial information is summarized below:

Summarized financial information on associates

in € million	2020	2019
Total carrying amount	40.3	49.6
Profit (+) / loss (–) from continuing operations	–8.3	6.8
Other comprehensive (loss) income	–4.4	0.2
Total comprehensive (loss) income	**–12.7**	**7.0**

Summarized financial information on joint ventures

in € million	2020	2019
Total carrying amount	38.5	34.9
Profit (+) / loss (–) from continuing operations	6.1	5.4
Other comprehensive (loss) income	0.2	–0.1
Total comprehensive income	**6.4**	**5.2**

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

[22] Lease receivables

Lease receivables break down as follows:

Maturity analysis of lease receivables

in € million	Dec. 31, 2020	Dec. 31, 2019
Nominal value of outstanding lease payments	**1,527.1**	**1,380.9**
due within one year	431.8	375.3
due in one to two years	376.0	328.3
due in two to three years	307.3	270.8
due in three to four years	223.1	207.7
due in four to five years	128.5	128.5
due in more than five years	60.5	70.2
Plus unguaranteed residual values	215.2	176.9
Less unearned financial income	–140.1	–136.9
Present value of outstanding lease payments	**1,602.2**	**1,421.0**
Less valuation allowances for lease receivables	–6.9	–
Total lease receivables	**1,595.3**	**1,421.0**

As at December 31, 2020, outstanding lease payments with a present value of €500.4 million (December 31, 2019: €330.5 million) were available as collateral for liabilities from the leasing business.

[23] Other financial assets

Other financial assets break down as follows:

Other financial assets

in € million	Dec. 31, 2020	Dec. 31, 2019
Financial investments	37.5	14.4
Financial receivables	8.4	0.9
Other financial investments	23.7	24.2
Derivative financial instruments	2.5	2.6
Sundry financial assets	3.4	2.6
Other non-current financial assets	**75.6**	**44.6**
Derivative financial instruments	15.0	9.4
Financial receivables	9.7	23.1
Sundry financial assets	52.5	41.6
Other current financial assets	**77.3**	**74.1**
Total other financial assets	**152.9**	**118.7**

Financial investments essentially comprise the equity investment, acquired in 2020, in Shanghai Quicktron Intelligent Technology Co., Ltd and the equity investments in Zhejiang EP Equipment Co., Ltd. and Balyo SA. These equity investments, which have been assigned to the FVOCI category under IFRS 9 owing to the strategic partnerships with the companies, are recognized at fair value through other comprehensive income without recycling to profit or loss upon disposal.

Finance receivables largely relate to loans to non-consolidated subsidiaries.

Other financial investments comprise long-term investments that are held in order to cover the defined benefit obligation and do not qualify as plan assets.

Derivative financial instruments comprise currency forwards and interest-rate swaps with a positive fair value that are used to reduce currency risk and interest-rate risk. Some of these derivative financial instruments are part of a formally documented hedge with a hedged item and are recognized in accordance with the hedge accounting rules (see note [42]).

[24] Other assets

Other assets break down as follows:

Other assets

in € million	Dec. 31, 2020	Dec. 31, 2019
Investments in non-consolidated subsidiaries and other investments	18.8	22.2
Pension assets	50.4	51.7
Sundry tax receivables	9.6	–
Other non-current assets	**78.8**	**73.8**
Deferred charges and prepaid expenses	44.5	55.0
Sundry tax receivables	56.2	53.8
Sundry other assets	0.3	–
Other current assets	**100.9**	**108.8**
Total other assets	**179.7**	**182.7**

Pension assets related to asset surpluses from two defined benefit plans (2019: two) in the United Kingdom, in which plan assets exceed the present value of the defined benefit obligation (see note [29]).

[25] Inventories

The reported inventories break down as follows:

Inventories

in € million	Dec. 31, 2020	Dec. 31, 2019
Materials and supplies	280.5	276.6
Work in progress	162.2	143.3
Finished goods and merchandise	618.7	638.5
Advances paid	39.5	26.9
Total inventories	**1,101.0**	**1,085.3**

In 2020, write-downs of €38.7 million were recognized on inventories (2019: €26.6 million). Reversals of write-downs were recognized in an amount of €10.1 million (2019: €8.8 million) because the reasons for the write-downs no longer existed.

[26] Trade receivables

The trade receivables break down as follows:

Trade receivables

in € million	Dec. 31, 2020	Dec. 31, 2019
Receivables from third parties	1,165.5	1,070.8
thereof receivables not due and overdue ≤ 90 days	1,039.2	980.3
thereof receivables overdue > 90 days ≤ 180 days	29.2	26.5
thereof receivables overdue > 180 days	37.8	22.8
thereof receivables adjusted for individual valuation allowances	59.2	41.1
Receivables from third parties measured at fair value through profit or loss (FVPL)	21.6	4.8
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	43.4	40.8
Valuation allowances for trade receivables	–57.9	–42.2
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–2.6	–1.6
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–0.8	–1.3
thereof valuation allowances for receivables overdue > 180 days	–1.6	–2.4
thereof individual valuation allowances	–52.9	–36.9
Total trade receivables	**1,172.7**	**1,074.2**

The change in valuation allowances for trade receivables was as follows:

Change in valuation allowances for trade receivables

in € million	2020	2019
Valuation allowances as at Jan. 1	**42.2**	**37.8**
Additions	22.2	11.6
Reversals	–1.6	–2.0
Utilizations	–3.8	–5.1
Currency translation adjustments	–1.3	–0.0
Valuation allowances as at Dec. 31	**57.9**	**42.2**

The average loss rates used for the recognition of valuation allowances for expected losses vary depending on the Operating Unit and the period by which the receivable is past due. They currently range from 0.0 percent to 6.3 percent (2019: 0.0 percent to 3.6 percent).

[27] Cash and cash equivalents

Cash and cash equivalents break down as follows:

Cash and cash equivalents

in € million	Dec. 31, 2020	Dec. 31, 2019
Balances with banks, cash and cheques	307.3	207.4
Pledged cash	7.2	3.8
Total cash and cash equivalents	**314.4**	**211.2**

The change in cash and cash equivalents is shown in the > table 'Consolidated statement of cash flows'. Further information can be found in note [39].

[28] Equity

Subscribed capital and capital reserves

As at December 31, 2020, the Company's share capital amounted to €131.2 million (December 31, 2019: €118.1 million) and was fully paid up. It was divided into 131,198,647 no-par-value shares (December 31, 2019: 118,090,000 no-par-value shares).

The Annual General Meeting on May 11, 2017 voted to create authorized capital that will enable the KION Group to meet its funding needs quickly and flexibly. Subject to the consent of the Supervisory Board, the Executive Board is authorized until May 10, 2022 to increase the Company's share capital by up to €10.879 million by way of an issue of up to 10,879,000 new no-par-value bearer shares (2017 Authorized Capital). Most of the 2017 Authorized Capital was utilized in 2017.

On the basis of a resolution of the Annual General Meeting on May 11, 2017, the Executive Board is also authorized in the period up to and including May 10, 2022 to issue warrant-linked bonds, convertible bonds, or profit-sharing rights with a total par value of up to €1,000.0 million. To this end, a conditional increase was decided upon in order to increase the Company's share capital by up to €10.879 million by way of an issue of up to 10,879,000 new no-par-value bearer shares (2020 Conditional Capital). The 2017 Conditional Capital was reduced by, among other things, the portion of the share capital attributable to the 9.3 million new shares that were issued as part of the capital increase in May 2017 on the basis of the 2017 Authorized Capital.

On July 16, 2020, the Annual General Meeting approved the creation of new authorized capital in order to secure the Company's financing options. Subject to the consent of the Supervisory Board, the Executive Board is authorized until July 15, 2025 to increase the Company's share capital by up to €11.809 million by way of an issue of up to 11,809,000 new no-par-value bearer shares (2020 Authorized Capital).

The Executive Board is also authorized until July 15, 2025 to issue warrant-linked bonds, convertible bonds, or profit-sharing rights with a total par value of up to €1,000.0 million that contain pre-emption rights/obligations for up to 11,809,000 no-par-value shares. To this end, a conditional increase was decided upon in order to increase the Company's share capital by up to €11.809 million by way of an issue of up to 11,809,000 new no-par-value bearer shares (2020 Conditional Capital).

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG decided on November 18, 2020 to utilize the remaining authorized capital created by the 2017 Annual General Meeting and most of the authorized capital created by the 2020 Annual General Meeting. The share capital was increased against cash contributions by issuing 13,108,647 new no-par-value bearer shares. The gross proceeds from the capital increase came to €813.3 million. An amount of €800.2 million was paid into the capital reserves. The capital increase was entered in the commercial register on December 7, 2020.

The transaction costs of €10.2 million (after tax) that were directly attributable to the capital increase were recognized under capital reserves.

The total number of shares outstanding as at December 31, 2020 was 131,086,470 no-par-value shares (December 31, 2019: 117,959,356 no-par-value shares). In February 2020, 7,338 no-par-value shares (February 2019: 13,674 no-par-value shares) were issued in order to provide the shares for employees' own investments under KEEP 2019 (2019: KEEP 2018). Due to the issue of 11,129 bonus shares under KEEP 2017 (KEEP 2016: 14,136 bonus shares), KION GROUP AG held 112,177 treasury shares at the reporting date (December 31, 2019: 130,644). These treasury shares are not dividend-bearing and do not confer any voting rights. In September 2019, a further 60,000 treasury shares were repurchased via the stock exchange at an average price of €48.80 in order to provide the shares for employees' own investments and the free shares under the KEEP 2019 Employee Equity Program. The total cost was €2.9 million. In 2019, an additional 67,104 no-par-value shares were issued under the KEEP 2019 Employee Equity Program. Further details on the KEEP Employee Equity Program can be found in note [46].

Retained earnings

The changes in retained earnings are shown in the > table 'Consolidated statement of changes in equity'. The retained earnings comprise the net income (loss) for the financial year and past contributions to earnings by the consolidated entities, provided they have not been distributed.

The distribution of a dividend of €0.04 per share (2019: €1.20 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €4.7 million in July 2020 (2019: €141.5 million).

Appropriation of profit

KION GROUP AG made a net loss of €6.5 million in 2020. A sum of €72.2 million was taken from other revenue reserves. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 11, 2021 that, of the distributable profit of KION GROUP AG for the 2020 financial year amounting to €65.7 million, a dividend totaling €53.7 million be distributed. This equates to €0.41 per dividend-bearing share, representing a dividend payout rate of around 25 percent of net income. It is also proposed that €12.0 million be carried forward to the next accounting period.

Accumulated other comprehensive income (loss) and non-controlling interests

The overall composition of, and changes in, equity are shown in the > table 'Consolidated statement of changes in equity'.

The currency translation adjustment contains the exchange differences arising from the financial statements prepared in a foreign currency of foreign subsidiaries, associates, and joint ventures.

The gains/losses on the defined benefit obligation are the result of remeasuring defined benefit pension obligations (see also note [29]).

The gains/losses on hedge reserves are the effective portion of the changes in the fair value of hedging instruments in formally documented hedges. The gains/losses on financial investments relate to the remeasurement of the equity investments Shanghai Quicktron Intelligent Technology Co., Ltd, Zhejiang EP Equipment Co., Ltd., and Balyo SA at fair value (FVOCI category under IFRS 9).

The gains/losses from equity-accounted investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

[29] Retirement benefit obligation

Defined contribution plans

In the case of defined contribution pension plans, the Group paid contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The total expense arising from defined contribution plans amounted to €135.3 million in 2020 (2019: €134.5 million). Of this total, contributions paid by employers into government-run schemes came to €106.9 million (2019: €105.9 million).

Defined benefit plans

The KION Group grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at December 31, 2020, the KION Group had set up defined benefit plans in 14 countries (December 31, 2019: 15). For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – together accounting for 92.9 percent of the global defined benefit obligation (December 31, 2019: 92.9 percent) – are in Germany, the United Kingdom, and the US.

Germany

In Germany, the pension benefits granted comprise Company-funded pension entitlements and employees' payment of part of their salary into the pension scheme. The contributions to the new pension plans are invested in investment funds under contractual trust arrangements (CTAs); resulting returns on plan assets are passed on to the pension beneficiaries when an insured event occurs. Members of the Executive Board (see also note [47]) and other executives are predominantly covered by individual pension plans. The amount of the benefits paid to executives depends on the type of entitlement. A very small proportion of pension benefits are granted in the form of final-salary-linked benefit obligations. The overwhelming majority of the existing pension entitlements are a combination of a defined benefit obligation and a defined contribution component. Executives who joined the Company or were promoted after 2017 are covered by fund-based individual pension plans.

Beside the securities-linked pension entitlements, some of the KION Group's pension obligations in Germany under closed plans are financed by way of CTAs. The assets transferred to the trustee qualify as plan assets within the meaning of IAS 19. The trustees are required to follow a defined investment strategy and investment guidelines. There are no statutory minimum funding requirements. In the event of the Company's insolvency, the company pension scheme in Germany is to a large extent protected by law by the insolvency protection scheme (Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, PSVaG).

United Kingdom

In the United Kingdom, defined benefit pension obligations predominantly relate to two plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary.

The two plans are closed to new employees. Each plan is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the board of trustees comprise people appointed by the company involved and selected plan beneficiaries.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. In connection with the periodic valuation of the pension plans for the employees of the KION Group's UK companies, the companies and the respective trustees of the pension funds agreed on a valuation in March 2019 that will ensure payments are made to the beneficiaries of the plans in accordance with the relevant requirements. On the basis of this current valuation, the KION Group will not have to make any top-up payments to the plan assets. In addition, KION GROUP AG has given default guarantees to the trustees of four pension plans, under which, if any of the companies concerned default, KION GROUP AG will assume all obligations of these companies up to a maximum guaranteed amount. As at December 31, 2020, the guaranteed amount totaled €101.7 million (December 31, 2019: €107.5 million).

United States

The KION Group maintains three main defined benefit pension plans in the US. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits.

With legal effect from July 1, 2020, the pension plan for unionized employees in the United States was terminated. The two pension plans for salaried employees and managers will continue but have been frozen for some time now in relation to future periods of service.

Salaried employees receive benefits that generally depend on their period of service and on their average final salary fixed on the date the plan concerned was frozen. The plan for salaried employees is subject to statutory minimum funding provisions that specify a certain coverage ratio and provide for annual payments to maintain the required ratio. In 2020, a one-off sum of €4.8 million was paid (2019: €0.9 million).

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in Switzerland and the Netherlands. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

The defined benefit obligation is calculated on the basis of the following weighted-average assumptions as at the reporting date:

Assumptions underlying provisions for pensions and other post-employment benefits

	Germany		UK		USA		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate	0.65%	1.15%	1.25%	1.85%	2.55%	3.30%	0.39%	0.73%
Salary increase rate	2.75%	2.75%	4.25%	4.12%	–	–	1.64%	1.75%
Pension increase rate	1.75%	1.75%	2.98%	3.20%	–	–	0.24%	0.25%

The assumed discount rate was determined on the basis of the yield as at the reporting date on AA-rated, fixed-interest senior corporate bonds with maturities that match the expected maturities of the pension obligations.

Future increases in salaries are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 2018, the Heubeck ‘Richttafeln 2018 G’ mortality tables have been used as the biometric basis in Germany. The S2PA tables (standard mortality tables for self-administered pension schemes (SAPS) based on normal health) are applied to the two defined benefit plans in the United Kingdom. In the US, calculations use the modified RP-2014 mortality tables with the generational projection from the Mortality Improvement Scale MP-2016.

The actuarial assumptions not listed in the table above, such as employee turnover and invalidity, were determined in accordance with recognized forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The following significant weighted-average assumptions were applied to the calculation of the net interest cost and the cost of benefits earned in the current year (current service cost).

Assumptions underlying pensions expenses

	Germany		UK		USA		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate	1.15%	1.90%	1.85%	2.65%	3.30%	4.25%	0.73%	1.43%
Salary increase rate	2.75%	2.75%	4.12%	4.12%	–	–	1.75%	1.74%
Pension increase rate	1.75%	1.75%	3.20%	3.37%	–	–	0.25%	0.26%

Statement of financial position

The change in the present value of the defined benefit obligation is shown in the following table:

Changes in defined benefit obligation

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Present value of defined benefit obligation as at Jan. 1	**1,290.1**	**1,061.2**	**427.4**	**389.1**	**234.1**	**202.7**	**149.6**	**130.2**	**2,101.2**	**1,783.3**
Group changes	–	–	–	–	–	–	0.2	–	0.2	–
Exchange differences	–	–	–23.0	24.9	–18.0	4.6	0.2	2.2	–40.8	31.7
Current service cost	47.3	37.1	0.9	0.9	–	–0.7	4.7	4.2	52.9	41.5
Past service cost (+) and income (–)	–	–	0.3	–	–	–	–	–1.3	0.3	–1.3
Gain (–) on settlement	–	–	–	–	–0.1	–	–	–	–0.1	–
Interest expense	14.5	20.3	7.4	10.3	6.7	8.8	0.9	1.8	29.5	41.2
Employee contributions	4.2	3.8	–	–	–	–	1.2	1.1	5.4	4.9
Pension benefits directly paid by company	–18.7	–16.4	–	–	–	–	–1.8	–1.4	–20.5	–17.8
Pension benefits paid by funds	–2.3	–2.0	–18.5	–17.9	–46.1	–8.7	–5.3	–6.0	–72.3	–34.6
Liability transfer in (+)/out (–) to third parties	–0.4	–0.8	–	–	–	–	2.1	4.9	1.7	4.1
Actuarial gains (–) and losses (+) arising from										
changes in demographic assumptions	–	0.0	–0.4	–	–1.6	–0.3	0.1	–1.5	–2.0	–1.8
changes in financial assumptions	159.0	193.2	31.0	36.2	22.6	26.4	6.9	13.7	219.5	269.4
experience adjustments	–16.3	–6.3	–0.6	–16.2	0.2	1.4	1.2	1.6	–15.5	–19.4
Present value of defined benefit obligation as at Dec. 31	**1,477.5**	**1,290.1**	**424.3**	**427.4**	**197.8**	**234.1**	**159.8**	**149.6**	**2,259.4**	**2,101.2**
thereof unfunded	641.4	559.0	0.0	0.0	6.5	6.9	45.3	41.9	693.3	607.8
thereof funded	836.0	731.1	424.3	427.4	191.3	227.2	114.5	107.7	1,566.1	1,493.4

With legal effect from July 1, 2020, the pension plan for unionized employees in the United States was terminated when an application to the government was signed. The gain on the settlement amounted to €0.1 million and was recognized in the income statement under functional costs. The settlement payments totaled €37.3 million.

The defined benefit obligation in the other countries was predominantly attributable to subsidiaries in Switzerland (€68.7 million; December 31, 2019: €65.6 million) and the Netherlands (€44.9 million; December 31, 2019: €41.4 million).

The change in the fair value of the plan assets is shown in the following table:

Changes in plan assets

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fair value of plan assets as at Jan. 1	**116.9**	**100.7**	**475.7**	**419.1**	**201.3**	**171.7**	**95.7**	**82.0**	**889.5**	**773.5**
Exchange differences	–	–	–25.6	27.4	–15.0	3.9	0.2	1.9	–40.3	33.1
Interest income on plan assets	1.3	2.0	8.2	11.1	7.0	8.0	0.5	1.1	17.0	22.2
Employee contributions	4.2	3.8	–	–	–	–	1.2	1.1	5.4	4.9
Employer contributions	1.2	0.7	0.2	0.9	4.1	0.7	1.4	1.4	7.0	3.6
Pension benefits paid by funds	–2.3	–2.0	–18.5	–17.9	–46.1	–8.7	–5.3	–6.0	–72.3	–34.6
Liability transfer in (+)/out (–) to third parties	–0.1	–0.1	–	–	–	–	2.1	4.8	2.1	4.7
Remeasurements	0.3	11.8	31.5	35.1	10.6	25.6	8.7	9.6	51.1	82.1
Fair value of plan assets as at Dec. 31	**121.5**	**116.9**	**471.6**	**475.7**	**162.0**	**201.3**	**104.4**	**95.7**	**859.4**	**889.5**

Employees in Germany paid a total of €4.2 million from their salaries (2019: €3.8 million) into the KION pension plan in 2020.

The payments expected for 2021 amount to €30.2 million (in 2019: €26.9 million for 2020), which includes direct payments of pension benefits amounting to €23.3 million (in 2019: €21.1 million for 2020) that are not covered by corresponding reimbursements from plan assets.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at December 31, 2020 is shown in the following table:

Funded status and net defined benefit obligation

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Present value of the funded defined benefit obligation	–836.0	–731.1	–424.3	–427.4	–191.3	–227.2	–114.5	–107.7	–1,566.1	–1,493.4
Fair value of plan assets	121.5	116.9	471.6	475.7	162.0	201.3	104.4	95.7	859.4	889.5
Surplus (+) / deficit (–)	**–714.5**	**–614.3**	**47.2**	**48.3**	**–29.3**	**–25.9**	**–10.1**	**–12.1**	**–706.7**	**–603.9**
Present value of the unfunded defined benefit obligation	–641.4	–559.0	–0.0	–0.0	–6.5	–6.9	–45.3	–41.9	–693.3	–607.8
Net liability (–) / net asset (+) as at Dec. 31	**–1,356.0**	**–1,173.2**	**47.2**	**48.3**	**–35.8**	**–32.9**	**–55.4**	**–54.0**	**–1,400.0**	**–1,211.7**
Reported as ‘retirement benefit obligation’	–1,356.0	–1,173.2	–3.1	–3.3	–35.8	–32.9	–55.4	–54.0	–1,450.3	–1,263.4
Reported as ‘Other non-current assets’	–	–	50.4	51.7	–	–	–	–	50.4	51.7

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 38.0 percent (December 31, 2019: 42.3 percent).

The changes in the retirement benefit obligation and similar obligations reported in the statement of financial position are shown in the following table:

Changes in retirement benefit obligation and similar obligations

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at Jan. 1	**1,173.2**	**960.5**	**3.3**	**3.3**	**32.9**	**30.9**	**54.0**	**48.2**	**1,263.4**	**1,043.0**
Group changes	–	–	–	–	–	–	0.2	–	0.2	–
Exchange differences	–	–	–0.2	0.2	–3.1	0.7	0.0	0.4	–3.3	1.3
Total service cost	47.3	37.1	0.0	0.0	–0.1	–0.7	4.7	3.0	51.9	39.4
Net interest expense	13.2	18.3	0.1	0.1	–0.3	0.8	0.4	0.8	13.4	19.9
Pension benefits directly paid by company	–18.7	–16.4	–	–	–	–	–1.8	–1.4	–20.5	–17.8
Employer contributions to plan assets	–1.2	–0.7	–0.4	–0.7	–4.1	–0.7	–1.4	–1.4	–7.1	–3.4
Liability transfer out to third parties	–0.4	–0.7	–	–	–	–	–	0.2	–0.4	–0.6
Remeasurements	142.4	175.1	0.3	0.4	10.6	1.9	–0.6	4.2	152.7	181.6
Balance as at Dec. 31	**1,356.0**	**1,173.2**	**3.1**	**3.3**	**35.8**	**32.9**	**55.4**	**54.0**	**1,450.3**	**1,263.4**

Statement of cash flows

Payments totaling €27.8 million (2019: €22.0 million) were made in 2020 for the main pension entitlements in the KION Group. This mostly comprised pension benefits of €20.5 million (2019: €17.8 million) paid directly by the Company and employer contributions to plan assets amounting to €7.0 million (2019: €3.6 million). In addition, pension benefits of €72.3 million (2019: €34.6 million) were made from plan assets. These also contained settlement payments totaling €37.3 million for the pension plans of unionized employees in the US.

Income statement

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognized in the income statement for 2020 is as follows:

Cost of defined benefit obligation

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Current service cost	47.3	37.1	0.9	0.9	–	–0.7	4.7	4.2	52.9	41.5
Past service cost (+) and income (–)	–	–	0.3	–	–	–	–	–1.3	0.3	–1.3
Gain (-) on settlement	–	–	–	–	–0.1	–	–	–	–0.1	–
Total service cost	**47.3**	**37.1**	**1.2**	**0.9**	**–0.1**	**–0.7**	**4.7**	**3.0**	**53.1**	**40.3**
Interest expense	14.5	20.3	7.4	10.3	6.7	8.8	0.9	1.8	29.5	41.2
Interest income on plan assets	–1.3	–2.0	–8.2	–11.1	–7.0	–8.0	–0.5	–1.1	–17.0	–22.2
Net interest expense (+) / income (–)	**13.2**	**18.3**	**–0.8**	**–0.8**	**–0.3**	**0.8**	**0.4**	**0.8**	**12.5**	**19.0**
Total cost of defined benefit obligation	**60.5**	**55.4**	**0.4**	**0.1**	**–0.4**	**0.0**	**5.1**	**3.8**	**65.5**	**59.3**

The KION Group’s net financial expenses included a net interest cost of €12.5 million (2019: €19.0 million). All other components of pension expenses were recognized under functional costs.

The actual return on plan assets in 2020, including the remeasurement recognized in other comprehensive income, was €68.2 million (2019: €104.3 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognized in the consolidated statement of comprehensive income in 2020 is presented in the following table:

Accumulated other comprehensive income (loss)

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated other comprehensive income / loss as at Jan. 1	**–525.3**	**–350.2**	**–19.0**	**–32.6**	**6.4**	**8.1**	**–29.3**	**–24.8**	**–567.2**	**–399.4**
Exchange differences	–	–	1.0	–1.5	0.3	0.2	–0.1	–0.4	1.2	–1.7
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	–142.7	–186.9	–29.9	–20.0	–21.2	–27.5	–8.1	–13.8	–201.9	–248.1
Gains (+) and losses (–) arising from remeasurements of plan assets	0.3	11.8	31.5	35.1	10.6	25.6	8.7	9.6	51.1	82.1
Other changes	–	–	–	–	–1.8	–	–	–	–1.8	–
Accumulated other comprehensive income / loss as at Dec. 31	**–667.7**	**–525.3**	**–16.4**	**–19.0**	**–5.6**	**6.4**	**–28.8**	**–29.3**	**–718.6**	**–567.2**

The components of the remeasurements of the defined benefit obligation are listed in the > table ‘Changes in defined benefit obligation’.

The gains and losses on the remeasurement of plan assets were attributable entirely to experience adjustments. The changes in estimates relating to defined benefit pension entitlements resulted in a €105.5 million decrease in equity as at December 31, 2020 after deduction of deferred taxes (December 31, 2019: €115.9 million).

Composition of plan assets

The plan assets of the main pension plans consisted of the following components:

Fair value of plan assets

	Germany		UK		USA		Other		Total	
in € million	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Shares	47.5	41.5	40.0	47.8	90.7	89.8	16.6	12.2	194.8	191.3
Fixed-income securities	30.7	19.9	407.1	401.0	64.8	94.9	21.6	14.0	524.2	529.8
Real estate	6.0	6.0	–	–	–	–	12.9	8.9	18.9	14.9
Insurance policies	–	–	–	–	–	–	45.7	41.6	45.7	41.6
Other	37.3	49.5	24.4	26.9	6.5	16.5	7.6	19.0	75.8	111.8
Total plan assets	**121.5**	**116.9**	**471.6**	**475.7**	**162.0**	**201.3**	**104.4**	**95.7**	**859.4**	**889.5**
thereof total assets that do not have a quoted price in active markets	**16.7**	**19.2**	**12.5**	**12.7**	**–**	**–**	**50.9**	**56.9**	**80.0**	**88.7**
Insurance policies	–	–	–	–	–	–	45.7	41.6	45.7	41.6
Other	16.7	19.2	12.5	12.7	–	–	5.2	15.3	34.3	47.2

Sensitivity analysis

The sensitivities shown in the following table were based on detailed analysis carried out by specialist actuaries following the same approach that was taken to calculate the present value of the defined benefit obligation:

Sensitivity of the defined benefit obligation

in € million		2020	2019
Discount rate	Increase by 1.0 percentage point	–391.0	–356.9
	Reduction by 1.0 percentage point	536.1	486.8
Salary increase rate	Increase by 0.5 percentage point	21.5	21.9
	Reduction by 0.5 percentage point	–20.8	–21.8
Pension increase rate	Increase by 0.25 percentage point	50.5	49.4
	Reduction by 0.25 percentage point	–46.1	–44.6
Life expectancy	Increase by 1 year	93.0	88.6

The changes shown in the sensitivity analysis are not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated.

Future pension benefit payments

The pension benefit payments are forecast for the next ten years for the defined benefit pension entitlements in existence as at December 31, 2020.

Expected payments for pension benefits

in € million	Germany	UK	USA	Other	Total
2021	27.1	18.3	8.7	4.7	58.8
2022	25.7	18.3	9.1	4.0	57.0
2023	29.2	18.7	9.3	4.8	62.1
2024	29.7	18.7	9.4	5.1	63.0
2025	31.6	18.7	9.7	6.2	66.3
2026 to 2030	183.0	93.9	50.3	30.7	357.9

The expected pension benefits break down into future benefits to be paid directly by the employer (for 2021: €23.3 million) and future benefits to be paid from existing plan assets (for 2021: €35.5 million).

As at the reporting date, the average duration of the defined benefit obligation, weighted on the basis of the present value of the defined benefit obligation, was 23.4 years in Germany (December 31, 2019: 23.3 years), 15.3 years in the United Kingdom (December 31, 2019: 15.2 years), 13.6 years in the US (December 31, 2019: 13.9 years), and 16.1 years in the other countries (December 31, 2019: 16.2 years).

Risks

The funding ratio, the defined benefit obligation, and the associated costs depend on the performance of financial markets. The return on plan assets was assumed to equal the discount rate, which was determined on the basis of the yield earned on AA-rated, fixed-interest senior corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the low level of interest rates – especially in the eurozone – is resulting in a comparatively large net obligation.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and investment guidelines and continually monitoring the assets' performance. Moreover, a downward trend in financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the minimum rate of return that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[30] Financial liabilities

As at December 31, 2020, non-current and current financial liabilities essentially comprised promissory notes and the issued corporate bond. Financial liabilities as at the reporting date break down as follows:

Maturity structure of financial liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019
Promissory notes	**590.0**	**1,317.3**
due within one year	–	–
due in one to five years	514.6	981.0
due in more than five years	75.4	336.3
Bonds	**494.5**	**–**
due within one year	–	–
due in one to five years	494.5	–
due in more than five years	–	–
Liabilities to banks	**77.1**	**498.3**
due within one year	74.4	98.8
due in one to five years	2.7	399.5
due in more than five years	–	–
Other financial liabilities	**32.9**	**4.9**
due within one year	2.7	4.9
due in one to five years	30.2	–
due in more than five years	–	–
Total current financial liabilities	**77.1**	**103.7**
Total non-current financial liabilities	**1,117.4**	**1,716.8**

Promissory notes

As at December 31, 2020, the total nominal amount of the issued promissory notes was €584.0 million (December 31, 2019: €1,310.0 million). The promissory notes maturing in 2022, 2024, 2025, 2026, and 2027 have fixed and variable interest rates (Euribor + margin), The variable-rate tranches of the promissory note that matures in 2022 and has a nominal value of €653.5 million were repaid ahead of schedule on October 30, 2020. There was also an early partial repayment, in a nominal amount of €72.5 million, on December 22, 2020 on the promissory note that matures in 2026. The following table shows the nominal amounts of the promissory notes issued by KION GROUP AG:

Promissory note

in € million	Maturity date	Dec. 31, 2020	Dec. 31, 2019
Promissory note (10-year term)	April 2027	27.5	27.5
Promissory note (7-year term)	April 2026	48.0	120.5
Promissory note (7-year term)	June 2025	179.5	179.5
Promissory note (7-year term)	April 2024	236.5	236.5
Promissory note (5-year term)	May 2022	92.5	746.0

KION GROUP AG has entered into interest-rate derivatives in order to hedge the interest-rate risk resulting from the variable-rate and fixed-rate tranches. Some of these derivatives are recognized as cash flow hedges or fair value hedges in accordance with IFRS 9 (see note [42]).

The promissory notes are not collateralized. KION GROUP AG is the borrower in respect of all the payment obligations resulting from the promissory notes.

Corporate bond

In September 2020, KION GROUP AG launched a corporate bond program (EMTN program) with a total volume of up to €3 billion. The first bond placed on the capital markets under this program had a total volume of €500.0 million, a maturity date in 2025, and a coupon of 1.625 percent. The bond was unsecured and issued at a price of 99.407 percent. The transaction costs of €2.9 million attributable to the corporate bond have been deducted from the carrying amount and will be recognized over the term of the corporate bond.

Liabilities to banks

Liabilities to banks decreased by €421.3 million year on year. This was mainly due to the early repayment of the outstanding liability of €200.0 million under the acquisition facilities agreement (AFA) in January 2020 and the early repayment in December 2020 of the fixed-interest loan of €200.0 million that had been taken out in 2019.

KION GROUP AG has a revolving credit facility of €1,150.0 million. This has a variable interest rate (Euribor + margin) and can be drawn down until February 2023. The drawdowns under the credit facility are generally classified as short term. As at December 31, 2020, there were no drawdowns from the revolving credit facility, as had also been the case in the prior year.

In May 2020, KION GROUP AG reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW, Germany's state-owned development bank) taking a leading role. The liquidity line, which had a volume of €1.0 billion and a term of twelve months, was terminated with effect from December 15, 2020. The commitment fees and transaction costs of €7.7 million attributable to the liquidity line were recognized in financial income/expenses.

The liabilities to banks are not collateralized. KION GROUP AG has issued guarantees to the banks for all of the payment obligations.

Other financial liabilities

In November 2019, KION GROUP AG launched a commercial paper program with a maximum program volume of €500.0 million. No commercial paper had been issued as at December 31, 2020, as was also the case as at December 31, 2019.

Covenants

Certain loans and promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a defined maximum level of leverage. Less favorable interest terms may be imposed if this level of leverage is increased. Exceeding the maximum level of leverage as at a particular reference date may give lenders a right of termination. In May 2020, the financial covenant in respect of the current credit facility and the additional, now terminated liquidity line was temporarily suspended as agreed with the banks providing the funding. This suspension was still in effect at the reporting date.

[31] Liabilities from leasing business

Non-current and current liabilities from the leasing business total €2,739.3 million (2019: €2,495.0 million) and can be broken down into a sum of €2,483.6 million (2019: €2,197.8 million) that relates to the financing of the direct leasing business and a sum of €255.7 million (2019: €297.2 million) that relates to repurchase obligations resulting from the indirect leasing business.

Liabilities from lease business

in € million	Dec. 31, 2020	Dec. 31, 2019
Non-current liabilities from lease business	**1,715.1**	**1,470.9**
thereof from sale and leaseback sub-lease transactions	788.4	819.7
thereof from lease facilities	5.9	4.3
thereof from asset-backed securities	734.2	416.4
thereof from repurchase obligations (indirect lease business)	186.5	230.5
Current liabilities from lease business	**1,024.2**	**1,024.1**
thereof from sale and leaseback sub-lease transactions	336.6	342.1
thereof from lease facilities[1]	405.4	501.6
thereof from asset-backed securities	213.1	113.8
thereof from repurchase obligations (indirect lease business)	69.2	66.7

1 Includes liabilities previously reported under liabilities from financial services (other)

Liabilities from the financing of the direct leasing business encompass liabilities arising from sale and leaseback sub-lease transactions with leasing companies in an amount of €1,125.0 million (December 31, 2019: €1,161.7 million). This includes liabilities of €242.2 million (2019: €432.1 million) related to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

Furthermore, liabilities from the financing of the direct leasing business include liabilities from lease facilities in an amount of €411.3 million (2019: €505.9 million) and liabilities from the issuance of notes (securitization) in amount of €947.3 million (2019: €530.2 million), of which €519.8 million (2019: €285.9 million) was issued by K-Lift S.A.

The liabilities from the leasing business had the following maturities:

Maturity analysis of liabilities from lease business

in € million	Dec. 31, 2020	Dec. 31, 2019
Total future payments from lease business (gross)	**2,823.8**	**2,575.5**
due within one year	1,055.0	1,061.2
due in one to two years	572.2	493.2
due in two to three years	485.8	406.8
due in three to four years	383.0	309.2
due in four to five years	231.9	208.4
due in more than five years	95.8	96.6

The future payments from the leasing business include payments amounting to €254.2 million (2019: €455.5 million) that relate to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

[32] Liabilities from the short-term rental business

Non-current and current liabilities from the short-term rental business total €505.6 million (2019: €615.8 million) and relate to the financing of industrial trucks for the short-term rental fleet.

Included in this amount are liabilities of €94.2 million (2019: €178.6 million) related to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

The liabilities from the short-term rental business had the following maturities:

Maturity analysis of liabilities from short-term rental business

in € million	Dec. 31, 2020	Dec. 31, 2019
Total future payments from short-term rental business (gross)	**529.3**	**638.5**
due within one year	162.6	186.4
due in one to two years	142.1	151.9
due in two to three years	111.3	129.8
due in three to four years	67.4	95.4
due in four to five years	32.3	52.1
due in more than five years	13.6	22.9

The future payments from the short-term rental business include payments amounting to €97.3 million (2019: €185.7 million) that relate to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

[33] Other provisions

Other provisions related to the following items:

Other provisions

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at Jan. 1, 2020	**81.8**	**114.0**	**58.6**	**254.4**
thereof non-current	18.9	73.8	21.1	113.8
thereof current	62.9	40.2	37.5	140.6
Group changes	–	0.0	1.2	1.2
Additions	55.7	82.5	41.1	179.2
Utilizations	–27.6	–41.4	–15.1	–84.1
Reversals	–16.4	–6.9	–12.4	–35.6
Additions to accrued interest	0.0	0.5	0.0	0.6
Currency translation adjustments	–2.4	–1.5	–2.4	–6.3
Other adjustments	–	1.0	–0.1	0.8
Balance as at Dec. 31, 2020	**91.2**	**148.2**	**70.8**	**310.2**
thereof non-current	18.4	103.0	23.4	144.7
thereof current	72.8	45.2	47.5	165.5

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks, spare parts, and automation solutions. It is expected that the bulk of the cash payments will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for long-service awards, partial retirement obligations, share-based remuneration obligations, severance pay, and obligations under social plans. The provisions for partial retirement obligations were recognized on the basis of individual contractual arrangements and agreements under collective bargaining law. In 2020, an amount of €30.6 million was recognized as additional provisions for personnel measures, predominantly in connection with the capacity and structural program initiated in the EMEA region.

Other obligations included provisions for onerous contracts and litigation.

[34] Contract balances

Contract assets stood at €172.1 million (December 31, 2019: €150.2 million); most of this amount, €162.2 million (December 31, 2019: €143.6 million), was attributable to project business contracts.

Of the contract liabilities, €439.2 million was attributable to project business contracts with a net debit balance due to customers (December 31, 2019: €416.8 million) and €111.6 million to prepayments received from customers (December 31, 2019: €88.1 million). They relate to services that are still to be provided but for which prepayments from customers have been received. Contract liabilities are recognized as revenue as soon as the contractual goods and services have been provided. The revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €471.8 million (2019: €468.7 million). Prepayments received from customers came to €645.5 million (2019: €549.6 million).

[35] Trade payables

As at December 31, 2020, trade payables of €910.5 million (December 31, 2019: €975.9 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments, and other equity investments of €15.8 million (December 31, 2019: €33.5 million).

[36] Other financial liabilities

Non-current and current other financial liabilities comprised the following items:

Other financial liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019
Liabilities from procurement leases	418.4	380.6
Derivative financial instruments	9.7	11.4
Sundry financial liabilities	4.0	7.1
Other non-current financial liabilities	**432.1**	**399.2**
Liabilities from procurement leases	108.6	105.5
Derivative financial instruments	6.9	12.8
Liabilities from accrued interest	5.5	4.4
Sundry financial liabilities	93.7	84.4
Other current financial liabilities	**214.8**	**207.2**
Total other financial liabilities	**646.9**	**606.3**

Liabilities from procurement leases had the following underlying maturities:

Maturity analysis of procurement leases

in € million	Dec. 31, 2020	Dec. 31, 2019
Total future payments (gross)	**599.2**	**551.5**
due within one year	121.3	117.6
due in one to two years	98.8	92.9
due in two to three years	76.1	75.3
due in three to four years	56.9	54.8
due in four to five years	42.5	39.8
due in more than five years	203.6	171.1

Derivative financial instruments comprise currency forwards and interest-rate swaps with a negative fair value that are used to reduce currency risk and interest-rate risk. Some of these derivative financial instruments are part of a formally documented hedge with a hedged item and are recognized in accordance with the hedge accounting rules (see note [42]).

[37] Other liabilities

Other liabilities comprised the following items:

Other liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019
Deferred income	228.2	301.2
Personnel liabilities	14.7	–
Other non-current liabilities	**242.9**	**301.2**
Deferred income	230.2	252.7
Personnel liabilities	272.3	296.0
Social security liabilities	51.4	53.7
Tax liabilities	124.0	107.2
Other current liabilities	**677.9**	**709.6**
Total other liabilities	**920.8**	**1,010.9**

Deferred income included deferred revenue and deferred gains on disposals of €342.4 million (December 31, 2019: €448.8 million) resulting from the indirect and direct sales leasing business.

Personnel liabilities primarily consist of liabilities for one-year variable remuneration, outstanding annual leave, flexitime and overtime credit, and wages and salaries not yet paid. This item also includes liabilities for personnel measures in connection with the capacity and structural program initiated in the EMEA region.

[38] Contingent liabilities and other financial commitments

Contingent liabilities

Contingent liabilities break down as follows:

Contingent liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019
Guarantees and indemnities	**103.3**	**114.9**

The guarantees and indemnities predominantly relate to default guarantees for pension plans in the United Kingdom (further information can be found in note [29]). In the prior year, this item included a sum of €2.3 million for contingent liabilities assumed jointly with another shareholder of a joint venture.

Litigation

The legal risks arising from the KION Group’s business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilized that exceed the provisions recognized.

Other financial commitments

Other financial commitments break down as follows:

Other financial commitments

in € million	Dec. 31, 2020	Dec. 31, 2019
Commitments under long-term licence and support agreements	117.9	121.1
Capital expenditure commitments in fixed assets	57.6	66.8
Sundry other financial commitments	1.3	1.5
Total other financial commitments	**176.7**	**189.4**

Sundry other financial commitments included future payment obligations to related parties amounting to €1.3 million (December 31, 2019: €1.3 million).

Other disclosures

[39] Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing, and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method.

Net cash provided by operating activities totaled €527.1 million, which was lower than the prior-year figure of €846.3 million, primarily because of the decline in EBIT. The payment of taxes totaling minus €216.8 million (2019: minus €191.6 million), resulting mainly from the Company's strong profitability in 2019, was also a factor. The outflow of minus €150.3 million represented by the change in net working capital was on a par with the prior-year figure (minus €146.8 million), while the effects from the capacity and structural program recognized in profit or loss were largely cash-neutral.

The net cash used for investing activities amounted to minus €406.3 million in the reporting period (2019: minus €277.9 million). Within this figure, cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment amounted to minus €283.8 million, which was slightly down on the prior year (2019: minus €287.4 million). In addition, cash payments for the acquisition of subsidiaries and other entities totaled minus €133.5 million (after deduction of cash and cash equivalents acquired); these predominantly comprised a net cash payment of minus €89.3 million for the acquisition of DAI and payments totaling minus €22.2 million for the acquisition of a minority interest in Quicktron.

In line with the interim guidance, free cash flow – the sum of cash flow from operating activities and investing activities – was well below the prior-year figure at €120.9 million (2019: €568.4 million). However, it did recover significantly over the course of 2020.

Net cash used for financing activities fell sharply to minus €4.5 million (2019: minus €534.9 million), mainly due to the net cash of €813.3 million provided by the capital increase and the issuance of the new corporate bond with a nominal amount of €500.0 million. These inflows more than compensated for the net cash outflow related to the early repayment of the outstanding liability under the acquisition facilities agreement (AFA), the early repayment of a fixed-interest loan taken out in 2019, the partial repayment of the promissory notes, and the payments to reduce the revolving credit facility. Overall, financial debt taken on during the reporting year amounted to €3,650.5 million (2019: €2,940.1 million); repayments were much higher at minus €4,260.0 million (2019: minus €3,166.2 million). Payments made for interest portions and principal portions under procurement leases totaled minus €133.3 million (2019: minus €126.5 million). Current interest payments declined to minus €33.8 million thanks to the further optimization of the interest on financial debt (2019: minus €36.7 million). The payment of a dividend to the shareholders of KION GROUP AG had resulted in an outflow of funds of minus €141.5 million in 2019. The corresponding payment in 2020 amounted to minus €4.7 million, which equates to a dividend of €0.04 per share.

Additional information on the changes to liabilities arising from financing activities can be found in the following tables:

Reconciliation of liabilities arising from financing activities 2020

			Non-cash changes		
in € million	Jan. 1, 2020	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2020
Non-current financial liabilities	1,716.8	–605.7	–1.4	7.7	1,117.4
Current financial liabilities	103.7	–3.9	–8.3	–14.4	77.1
Liabilities from accrued interest	4.4	–27.0	–0.1	28.2	5.5
Derivative financial instruments for hedging purposes	9.7	–6.8	–	0.7	3.6
Liabilities from procurement leases	486.1	–133.3	–11.6	185.8	527.0
Total liabilities from financing activities	**2,320.7**	**–776.7**	**–21.3**	**208.0**	**1,730.6**

Reconciliation of liabilities arising from financing activities 2019

			Non-cash changes		
in € million	Jan. 1, 2019	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2019
Non-current financial liabilities	1,818.7	–100.0	0.0	–1.9	1,716.8
Current financial liabilities	226.5	–126.0	–4.5	7.7	103.7
Liabilities from accrued interest	15.2	–34.2	–0.0	23.3	4.4
Derivative financial instruments for hedging purposes	7.3	–2.5	–	4.9	9.7
Liabilities from procurement leases	421.2	–126.5	4.7	186.7	486.1
Total liabilities from financing activities	**2,489.0**	**–389.2**	**0.2**	**220.7**	**2,320.7**

Negative currency effects in relation to cash and cash equivalents amounted to minus €13.1 million (2019: positive currency effects of €2.4 million). Overall, cash and cash equivalents went up from €211.2 million as at December 31, 2019 to €314.4 million as at December 31, 2020.

[40] Information on financial instruments

The measurement categories used in accordance with IFRS 9 are presented in the tables below. In line with IFRS 7, the tables show the carrying amounts and fair values of the financial assets and liabilities. Derivative financial instruments that are part of a formally documented hedge are not assigned to any of the IFRS 9 measurement categories. The lease receivables, liabilities from procurement leases, and liabilities from the leasing and short-term rental fleet business that result from financing transactions completed up to December 31, 2017 fall within the scope of IFRS 16 and are therefore also not assigned to any of the IFRS 9 measurement categories.

Carrying amounts and fair values broken down by class 2020

Classes:	Carrying amount	FVPL	AC	FVOCI	Fair Value
		Categories			
in € million					
Financial assets					
Lease receivables[1]	1,595.3				1,599.0
Trade receivables	1,172.7	21.6	1,151.1		1,172.7
Other financial assets	152.9				152.9
thereof financial investments	37.5			37.5	37.5
thereof financial receivables	18.2		18.2		18.2
thereof other financial investments	23.7	23.7			23.7
thereof sundry financial assets	56.0		56.0		56.0
thereof derivative financial instruments	17.5	5.7			17.5
Cash and cash equivalents	314.4		314.4		314.4
Financial liabilities					
Financial liabilities	1,194.5				1,208.0
thereof promissory notes	590.0		590.0		597.6
thereof bonds	494.5		494.5		500.4
thereof liabilities to banks	77.1		77.1		77.1
thereof sundry financial liabilities	32.9		32.9		32.9
Liabilities from lease business	2,497.0		2,497.0		2,512.8
Liabilities from lease business[1]	242.2				244.2
Liabilities from short-term rental business	411.4		411.4		416.9
Liabilities from short-term rental business[1]	94.2				95.0
Trade payables	910.5		910.5		910.5
Other financial liabilities	646.9				656.1
thereof liabilities from procurement leases[1]	527.0				536.3
thereof sundry other financial liabilities and liabilities from accrued interest	103.2		103.2		103.2
thereof derivative financial instruments	16.6	8.5			16.6

1 as defined by IFRS 16

Carrying amounts and fair values broken down by class 2019

		Categories			
Classes:	**Carrying amount**	**FVPL**	**AC**	**FVOCI**	**Fair Value**
in € million					
Financial assets					
Lease receivables[1]	1,421.0				1,427.4
Trade receivables	1,074.2	4.8	1,069.4		1,074.2
Other financial assets	118.7				118.7
thereof financial investments	14.4			14.4	14.4
thereof financial receivables	23.9		23.9		23.9
thereof other financial investments	24.2	24.2			24.2
thereof sundry financial assets	44.3		44.3		44.3
thereof derivative financial instruments	12.0	7.2			12.0
Cash and cash equivalents	211.2		211.2		211.2
Financial liabilities					
Financial liabilities	1,820.5				1,827.7
thereof promissory notes	1,317.3		1,317.3		1,323.9
thereof liabilities to banks	498.3		498.3		498.9
thereof sundry financial liabilities	4.9		4.9		4.9
Liabilities from lease business	2,062.9		2,062.9		2,073.6
Liabilities from lease business[1]	432.1				435.3
Liabilities from short-term rental business	437.2		437.2		441.8
Liabilities from short-term rental business[1]	178.6				179.9
Trade payables	975.9		975.9		975.9
Other financial liabilities	606.3				614.8
thereof liabilities from procurement leases[1]	486.1				494.6
thereof sundry financial liabilities and liabilities from accrued interest	96.0		96.0		96.0
thereof derivative financial instruments	24.3	5.3			24.3

1 as defined by IFRS 16

The net gains and losses on financial instruments are broken down by IFRS 9 category as shown in the table below. Net gains and losses on financial instruments do not include gains/losses arising on hedging transactions that are part of a formally documented hedge (see note [42]).

Net gains and losses on financial instruments broken down by category

in € million	2020	2019
Financial assets measured at amortized cost (AC)	–42.6	–7.7
Equity instruments measured at fair value through other comprehensive income (FVOCI)	–0.7	–1.9
Financial instruments measured at fair value through profit or loss (FVPL)	7.0	–15.7
Financial liabilities measured at amortized cost (AC)	–112.6	–69.6

In 2020, the net gains and losses included interest income of €5.4 million (2019: €4.2 million) and interest expense of €72.1 million (2019: €70.5 million) that resulted from financial instruments measured at amortized cost (AC category) and are recognized within net financial income/expenses. The measurement at fair value of equity instruments (FVOCI category) led to a loss of €0.7 million that was recognized in other comprehensive income (2019: €1.9 million). Currency translation gains and losses, dividends, valuation allowances for expected and incurred losses, the marking-to-market of derivatives that are not part of a formally documented hedge, and other measurement effects were also included in the net gains and losses.

Fair value measurement

The majority of the cash and cash equivalents, financial receivables, trade receivables and trade payables recognized at amortized cost, sundry financial assets and liabilities, and liabilities from accrued interest have short remaining terms to maturity. The carrying amounts of these financial instruments are roughly equal to their fair values.

For promissory notes, liabilities to banks, and liabilities from the leasing and short-term rental business that result from financing transactions completed after January 1, 2018, the fair value in each case corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group’s own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as Level 2 of the fair value hierarchy.

For lease receivables, liabilities from procurement leases, and liabilities from leasing and short-term rental business that result from financing transactions completed up to December 31, 2017, the fair value in each case corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

The following tables show the assignment of fair values to the individual levels as defined by IFRS 13 for financial instruments measured at fair value.

Financial instruments measured at fair value 2020

in € million	Level 1	Level 2	Level 3	Dec. 31, 2020
	Fair Value Hierarchy			
Financial assets				**100.4**
thereof financial investments	2.5		35.0	37.5
thereof other financial investments		23.7		23.7
thereof trade receivables		21.6		21.6
thereof derivative financial instruments		17.5		17.5
Financial liabilities				**16.6**
thereof derivative financial instruments		16.6		16.6

Financial instruments measured at fair value 2019

in € million	Level 1	Level 2	Level 3	Dec. 31, 2019
	Fair Value Hierarchy			
Financial assets				**55.3**
thereof financial investments	3.2		11.2	14.4
thereof other financial investments		24.2		24.2
thereof trade receivables		4.8		4.8
thereof derivative financial instruments		12.0		12.0
Financial liabilities				**24.3**
thereof derivative financial instruments		24.3		24.3

Level 1 comprised the financial investment in Balyo SA, for which the fair value was calculated using prices quoted in an active market.

The fair value of other financial investments was determined using prices quoted in an active market and other observable inputs. They were assigned to Level 2.

Trade receivables, which are recognized at fair value through profit or loss, were assigned to Level 2. Their fair value was calculated using the transaction price achievable in an active market. The biggest influence on the transaction price is the default risk of the counterparty.

Derivatives (currency forwards and interest-rate swaps) were also classified as Level 2. Their fair value was determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty was taken into account on the basis of gross figures. The fair value of the currency forwards was calculated by the system using the discounting method based on forward rates on the reporting date. The fair value of interest-rate swaps was calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates were used to calculate the cash flows, which were then discounted on the basis of a yield curve that is observable in the market. In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

Level 3 essentially comprised the financial investment in Shanghai Quicktron Intelligent Technology Co., Ltd. and Zhejiang EP Equipment Co., Ltd. The fair value was determined using appropriate valuation methods that drew on observable inputs to the greatest possible extent.

If events or changes in circumstances make it necessary to reclassify financial instruments to a different level, this is done at the end of a reporting period.

[41] Financial risk reporting

Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimization of the capital structure, the reduction of liabilities, and ongoing Group cash flow planning and management. Close cooperation between the individual companies and Corporate Finance ensures that the local legal and regulatory requirements faced by foreign Group companies are taken into account in capital management.

Net financial debt – defined as the difference between financial liabilities and cash and cash equivalents – is a key performance measure used in liquidity planning at Group level and amounted to €880.0 million as at December 31, 2020 (2019: €1,609.3 million).

Default risk

In certain operating and finance activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount. Default risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. The potential default risk attaching to financial assets is also mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements.

Counterparty risks involving our customers are managed by the individual Group companies. To reflect the default risk, valuation allowances are recognized for defaults that have occurred and for expected defaults (see note [26]).

Financial transactions are only entered into with selected business partners that have an investment-grade credit rating. The KION Group's default risk remains insignificant.

Liquidity risk

Based on the definition in IFRS 7, a liquidity risk arises if an entity is unable to meet its financial liabilities. The KION Group maintains a liquidity reserve in the form of a revolving credit facility and cash in order to ensure financial flexibility and solvency. Taking into account the credit facility that was still freely available, the unrestricted cash and cash equivalents available to the KION Group as at the reporting date amounted to €1,457.3 million (December 31, 2019: €1,357.4 million). The age structure of financial liabilities is reviewed and optimized continually.

KION GROUP AG continues to have an investment-grade credit rating, helping it to secure more advantageous funding conditions in the capital markets. In October 2020, Fitch Ratings reaffirmed the Group's long-term issuer default rating of BBB– with a stable outlook and its short-term issuer default rating of F3. The new bond placed by KION GROUP AG in September was given a rating of BBB–. Standard & Poor's confirmed KION's issuer rating of BB+ with a stable outlook in November 2020 and awarded a senior unsecured rating of BB+.

In 2020, the KION Group sold financial assets with a total value of €55.1 million (2019: €116.5 million) in factoring transactions. In some cases, the KION Group retains insignificant rights and obligations in connection with fully derecognized financial assets, primarily the provision of limited reserves for defaults. The figure recognized for assets that serve as reserves for defaults and are reported under other current financial assets was unchanged at €0.7 million as at December 31, 2020 (December 31, 2019: €0.7 million). The short remaining term of these financial assets meant their carrying amount was almost the same as their fair value. The figure for maximum downside risk arising on the financial assets that were sold and are to be fully derecognized was unchanged at €4.7 million as at December 31, 2020 (December 31, 2019: €4.7 million).

The following tables show all of the contractually agreed undiscounted payments under recognized financial liabilities as at December 31, 2020 and 2019, including derivative financial instruments with negative fair values.

Liquidity analysis of financial liabilities and derivatives 2020

in € million	Carrying amount Dec. 31, 2020	Cash flow 2021	Cash flow 2022–2025	Cash flow from 2026
Primary financial liabilities				
Promissory notes	590.0	–7.6	–537.0	–76.6
Bonds	494.5	–8.1	–533.0	–
Liabilities to banks	77.1	–79.2	–8.2	–
Other financial liabilities	32.9	–3.3	–31.2	–
Liabilities from lease business	2,739.3	–1,055.0	–1,672.9	–95.8
Liabilities from short-term rental business	505.6	–162.6	–353.1	–13.6
Trade payables	910.5	–910.5	–	–
Other financial liabilities (excluding derivatives)	630.3	–215.0	–278.3	–203.6
Derivative financial liabilities				
Derivatives with negative fair value	16.6			
+ Cash in		459.2	37.7	0.0
– Cash out		–470.0	–45.0	–0.0

Liquidity analysis of financial liabilities and derivatives 2019

in € million	Carrying amount Dec. 31, 2019	Cash flow 2020	Cash flow 2021–2024	Cash flow from 2025
Primary financial liabilities				
Promissory notes	1,317.3	–15.4	–1,021.1	–341.3
Liabilities to banks	498.3	–103.0	–401.9	–
Other financial liabilities	4.9	–4.9	–	–
Liabilities from lease business	2,495.0	–1,061.2	–1,417.7	–96.6
Liabilities from short-term rental business	615.8	–186.4	–429.2	–22.9
Trade payables	975.9	–975.9	–	–
Other financial liabilities (excluding derivatives)	582.1	–202.0	–269.9	–171.1
Derivative financial liabilities				
Derivatives with negative fair value	24.3			
+ Cash in		409.5	89.2	–
– Cash out		–426.8	–97.7	–

Currency risk

The KION Group hedges currency risk both locally at the level of the individual companies and centrally via KION GROUP AG using prescribed hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

In the Industrial Trucks & Services segment, hedges are entered into at individual company level for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. Currency risk arising from customer-specific project business contracts in the Supply Chain Solutions segment is hedged on a project-specific basis at individual company level. Some of these hedges are classified as cash flow hedges for accounting purposes in accordance with IFRS 9 (see note [42]). In addition, foreign-currency forwards are employed to hedge the currency risks arising in the course of internal financing.

Significant currency risk arising from financial instruments is measured using a currency sensitivity method. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating currency sensitivity if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group presentation currency, i.e. currency translation risks, are not included.

Currency risk relevant to currency sensitivity in the KION Group arises mainly in connection with derivative financial instruments, trade receivables, and trade payables. It is assumed that the portfolio of financial instruments as at the reporting date is representative of the portfolio over the whole of the year. The sensitivity analysis for the relevant currencies (after tax) is shown in the following table:

Foreign-currency sensitivity

		Impact on net income		Impact on other comprehensive loss	
		Increase in the value of the euro of + 10%	Fall in the value of the euro of – 10%	Increase in the value of the euro of + 10%	Fall in the value of the euro of – 10%
in € million	**2020**				
GBP		–0.2	0.3	6.2	–7.5
USD		–0.4	0.3	2.9	–3.5
in € million	**2019**				
GBP		0.1	–0.1	9.8	–12.0
USD		1.1	–1.3	4.6	–5.6

Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk positions in key currencies.

The Group's financing takes the form of variable-rate and fixed-rate financial liabilities. It has entered into interest-rate swaps in order to hedge interest-rate risk arising on the variable-rate financial liabilities. It enters into interest-rate swaps for the variable-rate financial liabilities in order to hedge interest-rate risk arising on the financing of leases. These hedges are often accounted for as cash flow hedges in accordance with IFRS 9. An interest-rate swap has also been entered into to hedge the risk of a change in the fair value of a fixed-rate financial liability. This is accounted for as a fair value hedge (see note [42]).

The shift in the relevant yield curves was simulated to assess interest-rate risk. The cumulative effect after tax resulted from variable-rate exposures and is shown below:

Interest-rate sensitivity

	+ 50 bps	– 50 bps	+ 50 bps	– 50 bps
in € million	2020	2020	2019	2019
Net income	5.3	–5.7	4.0	–4.3
Other comprehensive loss	0.5	–0.1	4.4	–0.5

Risks arising from leasing business

The leasing activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are therefore constantly monitored and forecast. The KION Group regularly assesses its aggregate risk position arising from the leasing business.

The risks identified are immediately taken into account by the Company in the costing of new leases by recognizing write-downs or provisions and adjusting the residual values. Groupwide standards to ensure that residual values are calculated conservatively, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to the leasing business by ensuring that most of its transactions and funding loans have matching maturities and by constantly updating its liquidity planning. Long-term leases are primarily arranged on a fixed-interest basis. If they are financed using variable-rate instruments, interest-rate derivatives are entered into in order to hedge the interest-rate risk.

The credit facilities provided by various banks and an effective dunning process ensure that the KION Group has sufficient liquidity. As a rule, the KION Group finances its leasing business in the same currency as the lease with the end customer in order to exclude currency risks.

The counterparty risk inherent in the leasing business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed industrial trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis.

[42] Hedge accounting

Hedging currency risk

The KION Group applies cash flow hedge accounting in hedging the exchange rate risks arising (in various currencies) from highly probable future transactions and firm obligations not reported in the statement of financial position. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges. The critical terms of the hedging instruments and the hedged items are therefore matched. The hedge ratio for these hedges is 1:1. Because the hedges are highly effective, the change in the fair value of the cash flows from the hedged items corresponds to the change in the fair value of the hedging instruments.

The main currency hedges relate to pound sterling and the US dollar. The foreign-currency forwards in existence as at December 31, 2020 were entered into at average hedging rates of £0.6464 to €1 / (2019: £0.8950 to €1) and US$ 1.1389 to €1 (2019: US$ 1.1445 to €1).

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement of fair value changes previously recognized in equity in the hedge reserve and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognized when goods are dispatched or received. Until the corresponding payment is received, changes in the fair value of the derivative are recognized in the income statement such that they largely offset the effect of the measurement of the foreign-currency receivable or liability at the reporting date.

The foreign-currency forwards used as hedges will mature in 2022 at the latest. In total, foreign-currency cash flows of €385.9 million (2019: €366.4 million) were hedged and designated as hedged items, of which €350.2 million is expected by December 31, 2021 (2019: €343.2 million expected by December 31, 2020). The remaining cash flows designated as hedged items, which amount to €35.7 million (2019: €23.1 million), fall due in the period up to December 31, 2022 (2019: December 31, 2021).

The following table provides an overview of the foreign-currency forwards entered into by the KION Group.

Foreign-currency forwards

in € million		Fair value		Notional amount	
		Dec. 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Foreign-currency forwards (assets)	Cash flow hedge	9.3	2.5	216.5	116.0
	Held for trading	5.7	6.7	369.3	509.1
Foreign-currency forwards (liabilities)	Cash flow hedge	4.6	9.5	169.4	250.4
	Held for trading	1.8	3.4	320.3	144.9

Hedging of interest-rate risk

The KION Group has issued variable-rate and fixed-rate promissory notes as part of its financing (see note [30]). The KION Group uses cash flow hedge accounting in connection with the hedging of interest-rate risk. It also uses a fair value hedge to hedge the risk of a change in the fair value of fixed-rate promissory notes. The hedge ratio used in both cases is 1:1. The critical terms of the hedging instruments and the hedged items are matched. The interest-rate swaps used as hedges reflect the maturity profile of the hedged items and will mature in 2025. Because the hedges are highly effective, the change in the fair value of the cash flows from the hedged items (cash flow hedge) and the change in the fair value of the hedged items (fair value hedge), corresponds to the change in the fair value of the hedging instruments.

Interest-rate risks arising on the variable-rate tranches of the promissory note were hedged by entering into a number of interest-rate swaps, thereby transforming the variable interest-rate exposure into fixed-rate obligations. In 2020, the weighted, hedged risk-free fixed interest rate stood at 0.658 percent (2019: 0.5 percent). In total, variable cash flows of €0.0 million (2019: €0.1 million) were hedged and designated as hedged items, all of which are cash flows expected in 2021.

Moreover, the risk of a change in the fair value of a fixed-rate tranche of the promissory note that was issued in 2018 and will mature in 2025 is hedged using an interest-rate swap, thereby creating a Euribor-based variable-rate obligation. The carrying amount of the hedged promissory note tranche (€79.5 million), which is recognized under financial liabilities, included an adjustment of €6.8 million as at December 31, 2020 (December 31, 2019: €9.3 million) that was attributable to the change in fair value resulting from the hedged risk.

The following table provides an overview of the interest-rate derivatives used by the KION Group.

Interest-rate swaps

		Fair value		Notional amount	
in € million		Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Interest-rate swaps (assets)	Fair value hedge	2.6	2.4	79.5	79.5
	Held for trading	–	0.5	–	557.9
Interest-rate swaps (liabilities)	Cash flow hedge	3.6	9.7	160.0	760.0
	Held for trading	6.7	1.9	1,149.1	229.7

Change in the hedge reserve

The change in the hedge reserves within accumulated other comprehensive income (loss) is presented in the following table.

Reconciliation of hedge reserves resulting from hedges of currency and interest-rate risks

in € million	Currency risk	Interest-rate risk	Total
Balance as at Jan. 1, 2019	**–2.2**	**–8.3**	**–10.4**
Changes in unrealized gains and losses	–11.9	–3.2	–15.1
Changes in gains (–) and losses (+) to revenue	3.4	–	3.4
Changes in gains (–) and losses (+) to cost of sales	3.8	–	3.8
Tax effect of changes in reserves	0.6	1.0	1.5
Balance as at Dec. 31, 2019	**–6.3**	**–10.5**	**–16.8**

in € million	Currency risk	Interest-rate risk	Total
Balance as at Jan. 1, 2020	**–6.3**	**–10.5**	**–16.8**
Changes in unrealized gains and losses	10.2	9.2	19.4
Changes in gains (–) and losses (+) to revenue	–0.5	–	–0.5
Changes in gains (–) and losses (+) to cost of sales	2.3	–	2.3
Tax effect of changes in reserves	–2.7	–2.8	–5.5
Balance as at Dec. 31, 2020	**2.9**	**–4.1**	**–1.2**

[43] Segment report

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions, and Corporate Services. The segments have been defined in accordance with the KION Group's organizational and strategic focus.

Description of the segments

Industrial Trucks & Services

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management, and leasing to support the core industrial truck business. The segment operates a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the two local brands Fenwick and OM.

Supply Chain Solutions

The Supply Chain Solutions segment, with its Dematic Operating Unit, is a strategic partner to customers in a variety of industries, supplying them with integrated technology and software solutions with which to optimize their supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and multishuttle warehouse systems to picking and value-added packing. This segment is primarily involved in customer-specific, longer-term project business operated under the leadership of the Dematic brand. With global resources, nine production facilities worldwide, and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity anywhere in the world.

Corporate Services

The Corporate Services segment comprises holding companies and service companies that provide services such as IT, logistics, and general administration across all segments. The bulk of the total revenue in this segment is generated by internal IT and logistics services.

Segment management

The KPIs used to manage the segments are order intake, revenue, and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including effects from purchase price allocations and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT'). Intra-group transactions are generally conducted on an arm's-length basis. Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7].

The following tables show information on the KION Group's operating segments for 2020 and 2019:

Segment report 2020

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation / Reconci-liation	Total
Revenue from external customers	5,694.2	2,619.4	27.9	–	8,341.6
Intersegment revenue	4.8	7.7	323.9	–336.4	–
Total revenue	5,699.0	2,627.1	351.9	–336.4	8,341.6
Earnings before tax	**220.1**	**148.6**	**93.2**	**–160.3**	**301.6**
Net financial expenses	–39.6	–27.5	–21.2	–	–88.3
EBIT	**259.8**	**176.0**	**114.5**	**–160.3**	**389.9**
+ Non-recurring items	44.8	10.5	9.8	–	65.1
+ PPA items	0.9	91.0	0.0	–	91.9
= Adjusted EBIT	**305.5**	**277.5**	**124.2**	**–160.3**	**546.9**
Segment assets	10,622.5	5,351.5	2,161.5	–4,079.7	14,055.7
Segment liabilities	7,680.2	2,555.6	3,628.4	–4,079.4	9,784.8
Capital expenditure[1]	211.5	55.4	16.9	–	283.8
Amortization and depreciation[2]	133.5	35.8	18.2	–	187.5
Order intake	5,776.3	3,654.5	351.9	–340.1	9,442.5
Order book	1,384.1	3,071.1	0.0	–13.9	4,441.3
Number of employees[3]	25,567	9,157	1,483	–	36,207

1 Capital expenditure including capitalized development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at Dec. 31, 2020; allocation according to the contractual relationships

Segment report 2019

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation / Reconci-liation	Total
Revenue from external customers	6,403.7	2,376.1	26.7	–	8,806.5
Intersegment revenue	6.5	2.7	307.3	–316.5	–
Total revenue	6,410.2	2,378.8	334.1	–316.5	8,806.5
Earnings before tax	**605.0**	**112.9**	**291.5**	**–387.8**	**621.6**
Net financial expenses	–56.6	–16.7	–21.7	–	–95.1
EBIT	**661.7**	**129.6**	**313.2**	**–387.8**	**716.6**
+ Non-recurring items	28.4	12.6	1.9	–	42.9
+ PPA items	5.1	86.0	0.0	–	91.0
= Adjusted EBIT	**695.1**	**228.1**	**315.1**	**–387.8**	**850.5**
Segment assets	10,564.2	5,201.1	2,048.8	–4,048.9	13,765.2
Segment liabilities	7,718.8	2,237.6	4,300.6	–4,050.3	10,206.8
Capital expenditure[1]	220.1	50.2	17.1	–	287.4
Amortization and depreciation[2]	104.7	37.4	17.0	–	159.1
Order intake	6,330.5	2,771.0	334.1	–323.8	9,111.7
Order book	1,409.5	2,231.8	0.0	–9.6	3,631.7
Number of employees[3]	26,131	7,361	1,112	–	34,604

1 Capital expenditure including capitalized development costs, excluding right-of-use assets

2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)

3 Number of employees (full-time equivalents) as at Dec. 31, 2019; allocation according to the contractual relationships

External revenue by region is presented in the > tables ‘Disaggregation of revenue with third parties’.

In 2020, revenue came to €1,458.0 million in Germany (2019: €1,700.5 million), €1,636.0 million in the US (2019: €1,604.6 million), and €937.6 million in France (2019: €1,056.6 million).

In 2020, revenue of €892.7 million (2019: €621.2 million) was generated from one single external customer and predominantly in the Supply Chain Solutions segment. Moreover, the general decline in revenue in the Industrial Trucks & Services segment in 2020 meant that a higher proportion of the KION Group’s total revenue was attributable to this customer.

Net financial income and expenses, including all interest income and interest expense, are described in notes [13] and [14].

The non-recurring items in 2020 under the capacity and structural program amounted to an expense of €45.8 million. This program gave rise to personnel expenses in connection with adjustments to personnel capacity that are being made, particularly in the Industrial Trucks & Services segment. These adjustments include the restructuring of the UK sales organization, which resulted in expenditure of €8.6 million and is now largely complete.

In addition to expenditure under the capacity and structural program, significant non-recurring items in the Industrial Trucks & Services segment resulted from the impairment loss of €10.7 million recognized on the long-term equity investment in Linde Hydraulics GmbH & Co. KG, which is accounted for using the equity method.

The effects from purchase price allocations comprised net write-downs and other expenses in relation to the step-ups and charges identified as part of the acquisition processes.

Non-recurring items and the effects of purchase price allocations also included impairment losses totaling €13.6 million on property, plant, and equipment used by specific customers in the Supply Chain Solutions segment.

Capital expenditure includes additions to intangible assets and property, plant, and equipment (excluding right-of-use assets related to procurement leases) and is broken down in the table below. Leased assets are shown in note [18] and rental assets in note [19].

Capital expenditure broken down by company location[1]

in € million	2020	2019
EMEA	**212.5**	**213.7**
Western Europe	158.7	189.6
Eastern Europe	53.8	24.1
Middle East and Africa	0.0	–
Americas	**36.6**	**38.5**
North America	35.9	37.3
Central and South America	0.7	1.3
APAC	**34.7**	**35.2**
China	31.9	17.7
APAC excluding China	2.8	17.5
Total capital expenditure	**283.8**	**287.4**

1 Capital expenditure including capitalized development costs, excluding right-of-use assets

Capital expenditure in Germany came to €130.7 million in 2020 (2019: €156.6 million).

The regional breakdown of non-current assets excluding financial instruments, deferred tax assets and post-employment benefits is as follows:

Non-current assets broken down by company location

in € million	Dec. 31, 2020	Dec. 31, 2019
EMEA	**5,857.9**	**5,816.0**
Western Europe	5,380.3	5,374.9
Eastern Europe	475.8	438.7
Middle East and Africa	1.8	2.4
Americas	**2,250.6**	**2,545.3**
North America	2,170.7	2,441.8
Central and South America	79.9	103.5
APAC	**630.7**	**601.6**
China	327.1	280.6
APAC excluding China	303.6	321.0
Total non-current assets (IFRS 8)	**8,739.1**	**8,962.8**

As at December 31, 2020, non-current assets attributable to Germany amounted to €3,362.6 million (2019: €3,387.9 million) and to the US €2,092.4 million (2019: €2,356.8 million).

[44] Employees

The KION Group employed an average of 35,563 full-time equivalents (including trainees and apprentices) in the reporting year (2019: 34,002). The number of employees (part-time staff included on a pro-rata basis) by region is as follows:

Employees (average)

	2020	2019
EMEA	**25,139**	**24,253**
Western Europe	21,552	21,051
Eastern Europe	3,501	3,058
Middle East and Africa	86	144
Americas	**4,836**	**4,377**
North America	3,558	3,116
Central and South America	1,278	1,261
APAC	**5,588**	**5,372**
China	4,225	4,073
APAC excluding China	1,363	1,299
Total	**35,563**	**34,002**

The KION Group employed an average of 646 trainees and apprentices in 2020 (2019: 606).

[45] Related party disclosures

In addition to its relationship with subsidiaries included in the consolidated financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, associates and joint ventures, and other related parties in the course of its ordinary business activities.

The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at December 31, 2020 (see note [49]).

Another related party is Weichai Power Co. Ltd., Weifang, People's Republic of China, which indirectly held a 45.2 percent stake in KION GROUP AG via Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power') as at December 31, 2020 (December 31, 2019: 45.0 percent). The distribution of a dividend of €0.04 per share (2019: €1.20 per share) to Weichai Power resulted in an outflow of funds from KION GROUP AG of €2.1 million (2019: €63.8 million).

The revenue that the KION Group generated in 2020 and 2019 from selling goods and services to related parties is shown in the table below along with the receivables that were outstanding at the reporting date.

Related party disclosures: receivables and sales

	Receivables		Sales of goods and services	
in € million	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Non-consolidated subsidiaries	16.6	18.8	25.1	28.9
Associates (equity-accounted)	29.6	21.7	155.6	181.8
Joint ventures (equity-accounted)	1.4	2.0	35.4	57.0
Other related parties[1]	15.9	25.0	21.2	39.2
Total	**63.5**	**67.5**	**237.3**	**306.9**

1 The figures for 'other related parties' include transactions with Weichai Power and its affiliated companies

The receivables include a variable-rate loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. This involved a maximum commitment of €9.3 million (December 31, 2019: €9.3 million), from which the KION Group had a loan receivable with a nominal amount of €8.0 million as at December 31, 2020 (December 31, 2019: €8.0 million).

The goods and services obtained from related parties in 2020 and 2019 are shown in the table below along with the liabilities that were outstanding at the reporting date.

Related party disclosures: liabilities and purchases

	Liabilities		Purchases of goods and services	
in € million	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Non-consolidated subsidiaries	9.1	15.6	26.0	43.1
Associates (equity-accounted)	7.1	11.9	103.7	142.3
Joint ventures (equity-accounted)	89.1	99.9	73.4	81.9
Other related parties[1]	2.2	9.1	46.8	45.3
Total	**107.6**	**136.5**	**249.9**	**312.6**

1 The figures for 'other related parties' include transactions with Weichai Power and its affiliated companies

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties. Details of the remuneration of the Executive Board and Supervisory Board can be found in note [47].

In its consolidated financial statements, which are published on the website of the Hong Kong Stock Exchange, Weichai Power Co., Ltd. states that its highest-level parent company is Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, which itself is owned by the State-owned Assets Supervision and Administration Commission of Shandong People's Government of the People's Republic of China, Jinan, People's Republic of China. This Commission acts on behalf of the People's Republic of China. The exemption for government-related entities was applied. There were no transactions that were significant, either individually or taken together, between the KION Group and companies with which the KION Group is closely associated solely because of its relationship with Shandong Heavy Industry Group Co., Ltd.

[46] Variable remuneration

KEEP Employee Equity Program

KEEP is a share matching plan. Participating employees acquire KION shares for their own investment purposes. Each set of three KION shares represents a share package. Once the three-year holding period has expired, employees are entitled to another free matching share (bonus share) for each share package. However, KION GROUP AG has the right to satisfy each program participant's entitlement by paying a cash settlement instead of granting a bonus share.

Each year, the Executive Board of KION GROUP AG decides whether there will be an offer made under the Employee Equity Program that year and which companies will participate.

In 2019, KION GROUP AG plus 19 German and 60 foreign subsidiaries were eligible to take part in KEEP 2019.

For employees taking part for the first time, the KION Group offers a special incentive in the form of starter packages. Under KEEP 2019, the KION Group bore the cost of one KION share (free share) in each of the first seven share packages that an employee took up.

Due to the coronavirus pandemic, the Executive Board of KION GROUP AG decided not to run a KEEP 2020 Employee Equity Program.

The right to obtain a bonus share lapses if participants sell their own investment in KION shares or cease to work for the KION Group. The change in the number of bonus shares granted was as follows:

Development of the granted bonus shares

in units	2020	2019
Balance as at Jan. 1	**53,776**	**43,655**
Granted bonus shares	–	24,794
Exercised bonus shares	–11,129	–14,136
Forfeited bonus shares	–2,118	–537
Balance as at Dec. 31	**40,529**	**53,776**

In 2019, 3,785 free shares were issued to employees as part of their starter packages.

The free shares to be issued are measured at their fair value on the day on which employees obtain the right to acquire shares as their own investment. The fair value on the grant date was determined on the basis of Monte Carlo simulation. The following measurement parameters were used:

Significant measurement parameters for the KION GROUP AG Share Matching Programme

Measurement parameters	KEEP 2019	KEEP 2018
Expected dividend	1.30 €	0.99 €
Price of the KION share as at grant date	58.82 €	44.59 €

As at December 31, 2020, the fair value of a bonus share for KEEP 2019 was €55.16 (KEEP 2018: €42.03).

The fair value of the bonus shares to be granted is recognized as an expense and paid into capital reserves over the three-year holding period. The holding period for KEEP 2017 ended on November 2, 2020 and the bonus shares were issued to the eligible employees at no cost.

In 2020, an expense totaling €0.8 million was recognized under the relevant functional costs for free shares and bonus shares in connection with the Employee Equity Program (2019: €0.9 million). Of this amount, €0.4 million related to KEEP 2019 (2019: €0.3 million), €0.2 million to KEEP 2018 (2019: €0.2 million), and €0.2 million to KEEP 2017 (2019: €0.2 million). In 2019, there had also been an amount of €0.2 million relating to KEEP 2016.

KION performance share plan (PSP) for managers

The 2020 tranche of the long-term variable remuneration component for the managers in the KION Group (LTI 2020) was granted with effect from January 1, 2020 and has a term of three years. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2020 tranche ends on December 31, 2022 (2019 tranche: December 31, 2021). The 2018 tranche expired on December 31, 2020 and will be paid out in the first quarter of 2021.

At the beginning of the performance period on January 1, 2020 (2019 tranche: January 1, 2019; 2018 tranche: January 1, 2018), the managers were allocated a total of 264,191 phantom shares for this tranche (2019 tranche: 274,460 phantom shares; 2018 tranche: 188,531 phantom shares). The allocation was based on a particular percentage of each manager’s individual gross annual remuneration at the time of grant. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The KION Group has the right to adjust the amount payable at the end of the performance period in the event of exceptional occurrences or developments. The maximum amount payable is limited to 200.0 percent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters used to value the phantom shares on the reporting date were as follows:

Significant measurement parameters of the KION Performance Share Plans

	Valuation date Dec. 31, 2020	
Measurement parameters	**Tranche 2020**	**Tranche 2019**
Expected volatility of the KION share	40.0%	45.0%
Expected volatility of the MDAX	20.0%	30.0%
Risk-free interest rate	–0.77%	–0.75%
Expected dividend	0.94 €	0.67 €
Price of the KION share at valuation date	71.36 €	71.36 €
Price of the MDAX at valuation date	30,233.41 pts.	30,233.41 pts.
Initial value of the KION share (60-days average)	57.79 €	48.68 €
Initial value of the MDAX (60-days average)	26,893.05 pts.	23,511.95 pts.

Taking account of the remaining term of two years (2020 tranche) and one year (2019 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2020, the fair value of one phantom share was €58.26 for the 2019 tranche (December 31, 2019: €50.27) and €52.86 for the 2020 tranche. On that date, the total fair value was €14.1 million for the 2019 tranche based on 242,262 phantom shares (December 31, 2019: €13.1 million) and €13.2 million for the 2020 tranche based on 249,806 phantom shares. The amount of €3.5 million that is expected to be paid out for the 2018 tranche (2019: €3.7 million for the 2017 tranche) is calculated on the basis of a preliminary total target achievement rate.

In March 2020, a payment from the 2017 tranche was made on the basis of the achievement of the long-term targets that were defined in 2017 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €17.3 million as at December 31, 2020 (December 31, 2019: €12.5 million). Of this amount, €3.5 million related to the 2018 tranche (2019: €4.4 million), €9.4 million to the 2019 tranche (2019: €4.4 million), and €4.4 million to the 2020 tranche. In 2019, there had also been an amount of €3.7 million relating to the 2017 tranche. In 2020, income of €0.9 million in respect of the 2018 tranche (2019: expense of €3.0 million) and a pro-rata expense for twelve months of €5.0 million (2019: €4.4 million) for the 2019 tranche and of €4.4 million for the 2020 tranche were recognized under the relevant functional costs. Furthermore, an expense of €1.3 million for the 2017 tranche had been recognized under the relevant functional costs in 2019.

KION performance share plan (PSP) for the Executive Board

The members of the Executive Board have been promised a multiple-year variable remuneration component in the form of a performance share plan with a three-year term in each case. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index as a measure of market performance, and with return on capital employed (ROCE) as an internal measure. It also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2020 tranche ends on December 31, 2022 (2019 tranche: December 31, 2021).

At the beginning of the performance period on January 1, 2020 (2019 tranche: January 1, 2019; 2018 tranche: January 1, 2018), the Executive Board members were allocated a total of 76,656 phantom shares for this tranche (2019 tranche: 111,544 phantom shares; 2018 tranche: 72,170 phantom shares) on the basis of the starting price of KION shares (60-day average). The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary personal performance multiplier to adjust the final payment at the end of the performance period by +/– 30.0 percent. The maximum amount payable is limited to 200.0 percent of the value of the shares allotted to an individual at the grant date.

The pro-rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters used to value the phantom shares on the reporting date are shown in the > table 'Significant measurement parameters of the KION Performance Share Plans'.

Taking account of the remaining term of two years (2020 tranche) and one year (2019 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2020, the fair value of one phantom share was €58.26 for the 2019 tranche (December 31, 2019: €50.27) and €52.86 for the 2020 tranche. On that date, the total fair value was €5.3 million for the 2019 tranche based on 91,002 phantom shares (December 31, 2019: €5.6 million) and €4.1 million for the 2020 tranche based on 76,656 phantom shares.

In March 2020, a payment from the 2017 tranche was made on the basis of the achievement of the long-term targets that were defined in 2017 at the start of the performance period.

In connection with the arrangement of a liquidity line with a syndicate of banks led by Kreditanstalt für Wiederaufbau (KfW, Germany's state-owned development bank), the Executive Board has foregone its variable remuneration for 2020 (2018 tranche).

The total carrying amount for liabilities in connection with share-based remuneration was €5.2 million as at December 31, 2020 (December 31, 2019: €5.8 million). Of this amount, €0.0 million related to the 2018 tranche (2019: €2.0 million), €3.8 million to the 2019 tranche (2019: €2.0 million), and €1.4 million to the 2020 tranche. In 2019, there had also been an amount of €1.8 million relating to the 2017 tranche. In 2020, income of €2.0 million in respect of the 2018 tranche (2019: expense of €1.4 million) and a pro-rata expense for twelve months of €1.8 million (2019: €2.0 million) for the 2019 tranche and of €1.4 million for the 2019 tranche were recognized under the relevant functional costs. Furthermore, an expense of €0.7 million for the 2017 tranche had been recognized under the relevant functional costs in 2019.

The total carrying amount for liabilities in connection with share-based remuneration was €22.5 million as at December 31, 2020 (December 31, 2019: €18.3 million). In 2020, a total expense of €10.6 million for twelve months was recognized for share-based remuneration (2019: €13.7 million).

[47] Remuneration of the Executive Board and Supervisory Board

Executive Board

Responsibilities

The responsibilities of the members of the Executive Board are disclosed in the declaration on corporate governance (see pages 32 to 34).

Remuneration

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements, and performance-related components. The variable performance-related components comprise an annually recurring component linked to business performance and a multi-year performance-related component in the form of the KION performance share plan (see also note [46]). The pension entitlements consist of retirement, invalidity, and surviving dependants' benefits.

The total remuneration of the members of the Executive Board pursuant to IFRS is as follows:

Remuneration of the Executive Board (IFRS)

in € million	2020	2019
Non-performance-related components	3.8	4.5
Performance-related components	0.6	3.6
Termination benefits	2.4	4.8
Total short-term remuneration	**6.8**	**12.9**
Share-based payments	1.8	4.1
Post-employment benefits	0.8	1.3
Total long-term remuneration	**2.6**	**5.4**
Total remuneration (IFRS)	**9.5**	**18.3**

The performance-related components of the Executive Board's remuneration were lower in 2020 because of the decrease in bonus commitments.

Under section 314 of the German Commercial Code (HGB), disclosure of the expense for share-based payments is not required. Rather, the payments must be included in the Executive Board members' remuneration for the year in which they are paid on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates, including tax equalization, amounted to €4.8 million (2019: €5.7 million). Furthermore, disclosure of the current service cost (€0.8 million; 2019: €1.3 million) is not required, nor is disclosure of the termination benefits (€2.4 million; 2019: €4.8 million). On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 HGB came to €8.9 million (2019: €13.8 million).

As at December 31, 2020, no loans or advances had been extended to members of the Executive Board. This had also been the case on December 31, 2019. The present value of the defined benefit obligation in respect of Executive Board members as at December 31, 2020 was €11.5 million (December 31, 2019: €10.9 million).

The total remuneration paid to former members of the Executive Board and Management Board of KION GROUP AG's legal predecessors amounted to €0.3 million (2019: €0.3 million). Pension entitlements of former members of the Management Board or their surviving dependants amounting to €12.0 million (December 31, 2019: €11.7 million) were recognized in accordance with IFRS.

Further details of Executive Board remuneration, including the individual amounts for each member, can be found in the remuneration report, which is part of the combined management report of KION GROUP AG (see pages 125 to 146).

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2020 amounted to €1.5 million (2019: €1.5 million) excluding VAT. There were no loans or advances to members of the Supervisory Board in 2020. Members of the Supervisory Board also received short-term employee benefits of €0.8 million for employee services (2019: €0.8 million), including the employer's share of the social-security contribution.

Further details of Supervisory Board remuneration, including the individual amounts for each member, can be found in the remuneration report, which is part of the combined management report of KION GROUP AG (see pages 146 to 147).

The total remuneration of the members of the Executive Board and Supervisory Board came to €10.9 million (2019: €19.8 million).

[48] Members of the Executive Board and Supervisory Board

Executive Board members

Gordon Riske
Chief Executive Officer (CEO) (since March 14, 2008)

Chairman of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China
Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main, Germany
Member of the Board of Directors of Atlas Copco AB, Stockholm, Sweden (since April 23, 2020)

Anke Groth
Member of the Executive Board / CFO (since June 1, 2018)

Dr. Eike Böhm
Member of the Executive Board / CTO (since August 1, 2015)

Member of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China
Member of the Board of Directors of KION (Jinan) Forklift Truck Co., Ltd., Jinan, People's Republic of China (since January 3, 2020)
Member of the Supervisory Board of e.GO Mobile AG, Aachen, Germany (until August 31, 2020)

Hasan Dandashly
Member of the Executive Board / President of Supply Chain Solutions (since January 1, 2021)

Andreas Krinninger
Member of the Executive Board / President of KION ITS EMEA (since January 1, 2021)

Member of the Supervisory Board of Linde Hydraulics GmbH & Co. KG, Aschaffenburg, Germany
Member of the Advisory Board of ebm-papst Mulfingen GmbH & Co. KG, Mulfingen, Germany (since March 25, 2020)
Member of the Supervisory Board of Schöler Fördertechnik AG, Rheinfelden, Germany

Ching Pong Quek
Member of the Executive Board / Chief Asia Pacific & Americas Officer (from January 11, 2013 to December 31, 2020), President of KION ITS APAC & Americas (since January 1, 2021)

Chairman of the Board of Directors of KION South Asia Pte Ltd., Singapore, Singapore
Chairman of the Board of Directors of KION Asia Ltd., Hong Kong, People's Republic of China
Chairman of the Board of Directors of KION Baoli Forklift Co., Ltd., Jiangsu, People's Republic of China
Chairman of the Board of Directors of KION India Pvte. Ltd., Pune, India
Chairman of the Board of Directors of Linde Material Handling Asia Pacific Pte. Ltd., Singapore, Singapore

Chairman of the Board of Directors of Linde Material Handling Hong Kong Ltd., Hong Kong, People's Republic of China
Chairman of the Board of Directors of Linde Material Handling (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia
Chairman of the Board of Directors of Linde Material Handling (Thailand) Co., Ltd., Pathum Thani, Thailand
Member of the Board of Directors of Linde Material Handling Pty. Ltd., Huntingwood, Australia
Member of the Board of Directors of Lansing Bagnall (Aust.) Pty. Ltd., Huntingwood, Australia
Chairman of the Board of Directors of KION (Jinan) Forklift Co., Ltd., Jinan, People's Republic of China (since January 3, 2020)
Member of the Advisory Board of Fujian JULI Motor Co., Ltd., Putian, People's Republic of China
Chairman of the APAC Advisory Board of Euro Asia Consulting Co., Ltd., Shanghai, People's Republic of China
Member of the Board of Directors of Zhejiang EP Equipment Co., Ltd., Hangzhou, People's Republic of China
Member of the Board of Directors of Shanghai Quicktron Intelligent Technology Co., Ltd., Shanghai, People's Republic of China (since November 2, 2020)

Susanna Schneeberger
Member of the Executive Board / CDO (from October 1, 2018 to January 12, 2020)

Member of the Supervisory Board of Concentric AB, Linköping, Sweden
Member of the Supervisory Board of Hempel A/S, Kongens, Lyngby, Denmark
Member of the Supervisory Board of SKF Group AB, Gothenburg, Sweden (since March 26, 2020)

Supervisory Board members

Dr. Michael Macht (since October 9, 2018)
Chairman of the Supervisory Board (since May 9, 2019)

Shareholder and member of the Supervisory Board of Endurance Capital Aktiengesellschaft, Munich, Germany
Member of the Advisory Board of Linde & Wiemann SE & Co. KG, Dillenburg, Germany
Member of the Supervisory Board of Mahle GmbH, Stuttgart, Germany (since February 11, 2020)
Member of the Board of Directors of Weichai Power Co. Ltd., Weifang, People's Republic of China

Özcan Pancarci [1] (since June 12, 2013)
Deputy Chairman of the Supervisory Board (since January 1, 2016)

Chairman of the Group Works Council of the German KION Group, Frankfurt am Main, Germany
Full-time works council representative and Chairman of the Plants I & II Works Council, Linde Material Handling GmbH, Aschaffenburg, Germany
Deputy Chairman of the European Works Council of the KION Group, Frankfurt am Main, Germany
Member and Deputy Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg, Germany

1 Employee representative

Birgit A. Behrendt (since January 1, 2015)
Member of the Supervisory Board and freelance management consultant, Cologne, Germany

Member of the Supervisory Board of Ford Werke GmbH, Cologne, Germany
Member of the Advisory Board of Hydrogenious LOHC Technologies GmbH, Erlangen, Germany (since February 2020)
Member of the Administrative Board of Stulz Verwaltungsgesellschaft, Hamburg, Germany (since April 2020)
Member of the Supervisory Board of thyssenkrupp AG, Essen, Germany (since January 31, 2020)

Stefan Casper [1] (since May 11, 2017)
Chairman of the Works Council of KION Warehouse Systems GmbH, Reutlingen, Germany
Member of the Group Works Council of the German KION Group, Frankfurt am Main, Germany

Dr. Alexander Dibelius (since 12 March 2007)
Managing Partner at CVC Capital Partners (Deutschland) GmbH, Frankfurt am Main, Germany

Chairman of the Administrative Board of Breitling S.A., Grenchen, Switzerland
Member of the Board of Directors of CVC Capital Partners (Luxembourg) SARL, Luxembourg
Member of the Board of Directors of Diebold Nixdorf Inc., North Canton, USA
Member of the Supervisory Board of DKV MOBILITY SERVICES HOLDING GmbH & Co. KG, Ratingen, Germany
Member of the Supervisory Board of Douglas GmbH, Düsseldorf, Germany
Member of the Supervisory Board of Douglas Holding AG, Düsseldorf, Germany
Member of the Supervisory Board of ironSource Mobile Ltd., Tel Aviv, Israel
Member of the Supervisory Board of Kirk Beauty Investments S.A., Luxembourg
Member of the Advisory Board of Messer Industries Europe GmbH, Bad Soden, Germany
Member of the Advisory Board of Messer Industries US Inc., Bridgewater, USA
Member of the Supervisory Board of Syntegon Technology GmbH, Waiblingen, Germany (since January 2020)
Member of the Shareholders' Committee of Tipico Group Ltd., St. Giljan, Malta

Martin Fahrendorf [1] (since May 10, 2018)
Chairman of the Works Council of Dematic GmbH and Dematic Services GmbH, Heusenstamm, Germany

Jiang Kui (since December 27, 2012)
President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China

Member of the Board of Directors of Ballard Power Systems Inc., Burnaby, Canada
Chairman of the Board of Directors of Dezhou Degong Machinery Co. Ltd., Dezhou, People's Republic of China (until April 2020)
Chairman of the Board of Directors of Shandong Degong Machinery Co., Ltd., Dezhou, People's Republic of China (until April 2020)
Member of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy (until April 4, 2020)
Member of the Board of Directors of Ferretti S.p.A., Cattolica, Italy (until April 4, 2020)

1 Employee representative

Member of the Executive Board of Hydraulics Drive Technology Beteiligungs GmbH, Aschaffenburg, Germany
Member of the Supervisory Board of Linde Hydraulics Verwaltungs GmbH, Aschaffenburg, Germany (until April 6, 2020)
Member of the Board of Directors of Power Solutions International Inc., Wood Dale, USA (until December 15, 2020)
Member of the Board of Directors of Shantui Construction Machinery Co. Ltd. Jining, People's Republic of China
Member of the Board of Directors of Sinotruk (BVI) Limited, British Virgin Islands
Member of the Board of Directors of Sinotruk (Hong Kong) Limited, Hong Kong, People's Republic of China
Member of the Board of Directors of Sinotruk Jinan Power Co. Ltd, Jinan, People's Republic of China
Member and Chairman of the Board of Directors of Weichai Ballard Hy-Energy Technologies Co. Ltd., Weifang, People's Republic of China
Member of the Board of Directors of Weichai Power Co. Ltd., Weifang, People's Republic of China

Olaf Kunz [1] (since September 1, 2014)
Trade Union Secretary on the National Executive of IG Metall, Frankfurt am Main, Germany

Member of the Supervisory Board of STILL GmbH, Hamburg, Germany

Jörg Milla [1] (since November 16, 2015)
Chairman of the Works Council of STILL GmbH, Hamburg, Germany

Member and Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg, Germany

Dr. Christina Reuter (since May 12, 2016)
Head of Digital Design, Manufacturing and Services (DDMS) at Operations, Airbus Defence and Space GmbH, Taufkirchen, Germany

Hans Peter Ring (since June 9, 2013)
Freelance management consultant, Munich, Germany

Member of the Supervisory Board of Airbus Defense and Space GmbH, Ottobrunn, Germany
Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands

1 Employee representative

Alexandra Schädler [1] (since October 2, 2013)
Trade Union Secretary on the National Executive of IG Metall, Industrial Relations Policy department, Industrial Relations Code and Co-Determination Policy division, Frankfurt am Main, Germany

Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg, Germany
Member of the Supervisory Board of Opel Automobile GmbH, Rüsselsheim, Germany

Dr. Frank Schepp [2] (since May 11, 2017)
Senior Vice President Operations, Linde Material Handling GmbH, Aschaffenburg, Germany
Head of Production Unit Counterbalance Trucks KION

Tan Xuguang (since May 9, 2019)
Chairman of the Board of Directors and President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China

Chairman of the Board of Directors of Shaanxi Heavy-Duty Automobile Co., Ltd., Jinan, People's Republic of China
Chairman of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy (until April 2020)
Chairman of the Board of Directors of Ferretti S.p.A., Cattolica, Italy
Chairman of the Board of Directors of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors and Chief Executive Officer of Weichai Power Co., Ltd., Weifang, People's Republic of China
Chairman of the Board of Directors of Sinotruk Group Co., Ltd, Jinan, People's Republic of China

Claudia Wenzel [1] (since November 1, 2016)
Full-time works council member, HQ and plant 2 at Linde Material Handling GmbH, Aschaffenburg, Germany

Xu Ping (since January 1, 2015)
Senior Partner and Member of the Management Committee at law firm King & Wood Mallesons, Beijing, People's Republic of China
Member of the Board of Directors of Ferretti International Holding S.p.A., Milan, Italy (until April 2020)

1 Employee representative

2 Executive representative

[49] List of the shareholdings of KION GROUP AG, Frankfurt am Main

The shareholdings of the KION Group as at December 31, 2020 are listed below.

List of shareholdings as at December 31, 2020

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
1	KION GROUP AG	Frankfurt am Main	Germany				

Consolidated subsidiaries

Domestic

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
2	BlackForxx GmbH	Stuhr	Germany	23	100.0%	100.0%	
3	Dematic GmbH	Heusenstamm	Germany	53	100.0%	100.0%	
4	Dematic Holdings GmbH	Frankfurt am Main	Germany	1	100.0%	100.0%	
5	Dematic Logistics GmbH	Heusenstamm	Germany	53	100.0%	100.0%	
6	Dematic Services GmbH	Heusenstamm	Germany	3	100.0%	100.0%	
7	Eisengießerei Dinklage GmbH	Dinklage	Germany	23	100.0%	100.0%	
8	Eisenwerk Weilbach GmbH	Frankfurt am Main	Germany	14	100.0%	100.0%	
9	Fahrzeugbau GmbH Geisa	Geisa	Germany	23	100.0%	100.0%	
10	KION Battery Systems GmbH	Karlstein am Main	Germany	1	50.0%	–	[1]
11	KION Financial Services GmbH	Frankfurt am Main	Germany	14	100.0%	100.0%	
12	KION Information Management Services GmbH	Frankfurt am Main	Germany	1	100.0%	100.0%	
13	KION Warehouse Systems GmbH	Reutlingen	Germany	23	100.0%	100.0%	
14	Linde Material Handling GmbH	Aschaffenburg	Germany	1	100.0%	100.0%	
15	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	14	100.0%	100.0%	
16	Linde Material Handling Rhein-Ruhr GmbH & Co. KG (formerly: Schrader Industriefahrzeuge GmbH & Co. KG)	Essen	Germany	14	100.0%	100.0%	
17	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	14 & 18	99.6%	99.6%	
18	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	14	94.0%	94.0%	
19	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	14	100.0%	100.0%	
20	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	14	100.0%	100.0%	
21	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	23	100.0%	100.0%	
22	STILL Financial Services GmbH	Hamburg	Germany	11	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
23	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	14	100.0%	100.0%	
24	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	14	100.0%	100.0%	
25	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	27	74.0%	74.0%	
26	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	27	74.0%	74.0%	
27	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	14	74.0%	74.0%	

Foreign

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
28	Dematic Holdings Pty. Ltd.	Belrose	Australia	53	100.0%	100.0%	
29	Dematic Pty. Ltd.	Belrose	Australia	28	100.0%	100.0%	
30	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	14	100.0%	100.0%	
31	Dematic NV	Zwijndrecht	Belgium	53 & 3	100.0%	100.0%	
32	STILL NV	Wijnegem	Belgium	23 & 83	100.0%	100.0%	
33	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	Indaiatuba / São Paulo	Brazil	78 & 3	100.0%	100.0%	
34	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	23	100.0%	100.0%	
35	STILL DANMARK A/S	Kolding	Denmark	23	100.0%	100.0%	
36	BARTHELEMY MANUTENTION SAS	Vitrolles	France	42	100.0%	80.0%	
37	Bastide Manutention SAS	Bruguières	France	42	100.0%	100.0%	
38	Bretagne Manutention SAS	Pacé	France	42	100.0%	100.0%	
39	Dematic SAS	Bussy-Saint-Georges	France	53	100.0%	100.0%	
40	FENWICK FINANCIAL SERVICES SAS	Élancourt	France	43	100.0%	100.0%	
41	FENWICK-LINDE OPERATIONS SAS	Cenon-sur-Vienne	France	42	100.0%	100.0%	
42	FENWICK-LINDE SAS	Élancourt	France	43	100.0%	100.0%	
43	KION France SERVICES SAS	Élancourt	France	14	100.0%	100.0%	
44	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	42	100.0%	71.2%	
45	Manuchar SAS	Gond-Pontouvre	France	42	100.0%	100.0%	
46	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	49	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
47	SM Rental SAS	Roissy-Charles-de-Gaulle	France	42	100.0%	100.0%	
48	STILL Location Services SAS	Marne-la-Vallée	France	43	100.0%	100.0%	
49	STILL SAS	Marne-la-Vallée	France	43	100.0%	100.0%	
50	URBAN LOGISTIQUE SAS	Élancourt	France	24	100.0%	100.0%	
51	Dematic Ltd.	Banbury	United Kingdom	53	100.0%	100.0%	
52	Dematic Group Ltd.	Banbury	United Kingdom	78	100.0%	100.0%	
53	Dematic Holdings UK Ltd.	Banbury	United Kingdom	78	100.0%	100.0%	
54	Digital Applications International Ltd.	London	United Kingdom	53	100.0%	–	[1]
55	KION FINANCIAL SERVICES Ltd.	Basingstoke	United Kingdom	66	100.0%	100.0%	
56	Linde Creighton Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
57	Linde Holdings Ltd.	Basingstoke	United Kingdom	66	100.0%	100.0%	
58	Linde Material Handling (UK) Ltd.	Basingstoke	United Kingdom	57	100.0%	100.0%	
59	Linde Material Handling East Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
60	Linde Material Handling Scotland Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
61	Linde Material Handling South East Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
62	Linde MH UK Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
63	Linde Severnside Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
64	Linde Sterling Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
65	STILL Materials Handling Ltd.	Exeter	United Kingdom	66	100.0%	100.0%	
66	Superlift UK Ltd.	Basingstoke	United Kingdom	14	100.0%	100.0%	
67	KION India Pvt. Ltd.	Pune	India	106	100.0%	100.0%	
68	Linde Material Handling (Ireland) Ltd.	Ballymount (Dublin)	Ireland	57	100.0%	100.0%	
69	Baoli EMEA S.p.A.	Lainate	Italy	23	100.0%	100.0%	
70	Dematic S.r.l.	Cernusco sul Naviglio	Italy	53	100.0%	100.0%	
71	Emhilia Material Handling S.p.A.	Modena	Italy	73	100.0%	100.0%	
72	KION Rental Services S.p.A.	Milan	Italy	69 & 73 & 74	100.0%	100.0%	
73	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	14	100.0%	100.0%	
74	STILL S.p.A.	Lainate	Italy	14 & 69	100.0%	100.0%	
75	URBAN LOGISTICA S.R.L.	Lainate	Italy	24	100.0%	100.0%	
76	Dematic Ltd.	Mississauga	Canada	53	100.0%	100.0%	
77	K-LIFT S.A.	Luxembourg	Luxembourg	–	–	–	[2]
78	Dematic Group S.à r.l.	Luxembourg	Luxembourg	4	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
79	Dematic (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	104	100.0%	100.0%	
80	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	51 & 110	100.0%	100.0%	
81	DMTC Technology Services, S. de. R.L. de C.V.	Monterrey	Mexico	51 & 110	100.0%	100.0%	
82	Dematic Trading de Mexico S. de. R.L. de C.V.	Monterrey	Mexico	51 & 110	100.0%	100.0%	
83	STILL Intern Transport B.V.	Hendrik-Ido-Ambacht	Netherlands	23	100.0%	100.0%	
84	STILL Norge AS	Trondheim	Norway	23	100.0%	100.0%	
85	AUSTRO OM PIMESPO Förder-technik GmbH	Linz	Austria	74	100.0%	100.0%	
86	Linde Material Handling Austria GmbH	Linz	Austria	14 & 85	100.0%	100.0%	
87	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	23	100.0%	100.0%	
88	Dematic Poland Sp. z o.o.	Poznań	Poland	3	100.0%	100.0%	
89	KION Business Services Polska Sp. z o.o.	Kraków	Poland	1	100.0%	–	[1]
90	KION Polska Sp. z o.o.	Kolbaskowo	Poland	14	100.0%	100.0%	
91	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	14	100.0%	100.0%	
92	STILL POLSKA Sp. z o.o.	Gądki	Poland	23	100.0%	100.0%	
93	STILL MATERIAL HANDLING ROMANIA SRL	Ilfov	Romania	14 & 23	100.0%	100.0%	
94	OOO "Linde Material Handling Rus"	Moscow	Russian Federation	14 & 8	100.0%	100.0%	
95	OOO "STILL Forklifttrucks"	Moscow	Russian Federation	14 & 23	100.0%	100.0%	
96	Linde Material Handling AB	Örebro	Sweden	14	100.0%	100.0%	
97	Linde Material Handling Financial Services AB	Örebro	Sweden	96	100.0%	100.0%	
98	Nordtruck AB	Örnsköldsvik	Sweden	96	100.0%	100.0%	
99	STILL Sverige AB	Malmö	Sweden	23	100.0%	100.0%	
100	Dematic Suisse Sagl	Lugano	Switzerland	53	100.0%	100.0%	
101	Digital Applications GmbH	Basel	Switzerland	54	100.0%	–	[1]
102	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	14	100.0%	100.0%	
103	STILL AG	Otelfingen	Switzerland	23	100.0%	100.0%	
104	Dematic Pte. Ltd. (formerly: Dematic S.E.A. Pte. Ltd.)	Singapore	Singapore	53	100.0%	100.0%	
105	KION South Asia Pte. Ltd.	Singapore	Singapore	14	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
106	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	14	100.0%	100.0%	
107	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	14 & 118	100.0%	100.0%	
108	STILL SR, spol. s.r.o.	Nitra	Slovakia	23 & 121	100.0%	100.0%	
109	Linde Viličar d.o.o.	Celje	Slovenia	14	100.0%	100.0%	
110	Dematic Logistic Systems S.A.U.	Coslada	Spain	53	100.0%	100.0%	
111	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	14	100.0%	100.0%	
112	KION Rental Services S.A.U.	Barcelona	Spain	111	100.0%	100.0%	
113	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	111	100.0%	100.0%	
114	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	111	100.0%	100.0%	
115	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	14	100.0%	100.0%	
116	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	106	100.0%	100.0%	
117	KION Supply Chain Solutions Czech, s.r.o.	Český Krumlov	Czech Republic	52	100.0%	100.0%	
118	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	14 & 23	100.0%	100.0%	
119	Linde Material Handling Parts Distribution CZ s.r.o.	Český Krumlov	Czech Republic	14	100.0%	100.0%	
120	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	14	100.0%	100.0%	
121	STILL ČR spol. s.r.o.	Prague	Czech Republic	14 & 23	100.0%	100.0%	
122	STILL Regional Service Center, s.r.o.	Prague	Czech Republic	23	100.0%	100.0%	
123	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	24	100.0%	100.0%	
124	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	23	51.0%	51.0%	
125	Linde Magyarország Anyagmoz-gatási Kft.	Dunaharaszti	Hungary	14	100.0%	100.0%	
126	STILL Kft.	Tatabánya	Hungary	23	100.0%	100.0%	
127	Dematic Corp.	Grand Rapids	United States	78	100.0%	100.0%	
128	KION North America Corp.	Summerville	United States	14	100.0%	100.0%	
129	DAI Software Technology (Shang-hai) Co. Ltd.	Shanghai	People's Re-public of China	54	100.0%	–	[1]
130	Dematic International Trading Ltd.	Shanghai	People's Re-public of China	78	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
131	Dematic Logistics Systems Ltd.	Suzhou	People's Republic of China	78	100.0%	100.0%	
132	Egemin Asia Pacific Automation Ltd.	Causeway Bay – Hong Kong	People's Republic of China	31	100.0%	100.0%	
133	KION (Jinan) Forklift Co., Ltd.	Jinan	People's Republic of China	14	95.0%	–	[1]
134	KION ASIA (HONG KONG) Ltd.	Kwai Chung – Hong Kong	People's Republic of China	14	100.0%	100.0%	
135	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jingjiang	People's Republic of China	134	100.0%	100.0%	
136	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	14	100.0%	100.0%	
137	Linde Material Handling Hong Kong Ltd.	Kwai Chung – Hong Kong	People's Republic of China	14	100.0%	100.0%	

Non-consolidated subsidiaries

Domestic

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
138	Comnovo GmbH	Dortmund	Germany	14	100.0%	100.0%	
139	KION IoT Systems GmbH	Frankfurt am Main	Germany	1	100.0%	100.0%	
140	Linde Material Handling Rhein-Ruhr Verwaltungs GmbH (formerly: Klaus Pahlke Betriebsführungs-GmbH)	Essen	Germany	14	100.0%	100.0%	
141	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	74	100.0%	100.0%	[R]
142	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.0%	100.0%	
143	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	14	100.0%	100.0%	
144	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	27	74.0%	74.0%	
145	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	27	74.0%	74.0%	
146	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	27	74.0%	74.0%	

Foreign

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
147	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	58 & 14	100.0%	100.0%	[R]
148	NDC Automation Pty. Ltd.	Belrose	Australia	29	100.0%	100.0%	[R]
149	NDC Manage Pty. Ltd.	Belrose	Australia	29	100.0%	100.0%	[R]
150	SCI Champ Lagarde	Élancourt	France	42	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
151	Castle Lift Trucks Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
152	Creighton Materials Handling Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
153	D.B.S. Brand Factors Ltd.	Basingstoke	United Kingdom	64	100.0%	100.0%	[R]
154	Fork Truck Rentals Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
155	Fork Truck Training Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
156	Lancashire (Fork Truck) Services Ltd.	Basingstoke	United Kingdom	64	100.0%	100.0%	[R]
157	Lansing Linde Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
158	Lansing Linde Trifik Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
159	Linde Castle Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
160	Linde Heavy Truck Division Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	
161	Linde Jewsbury's Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
162	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	United Kingdom	56	100.0%	100.0%	
163	Mirror Bidco Ltd.	Banbury	United Kingdom	78	100.0%	100.0%	
164	Regentruck Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
165	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	United Kingdom	64	100.0%	100.0%	[R]
166	Sterling Mechanical Handling Ltd.	Basingstoke	United Kingdom	58	100.0%	100.0%	[R]
167	Urban Logistics (UK) Ltd.	Basingstoke	United Kingdom	24	100.0%	100.0%	
168	QUALIFT S.p.A.	Verona	Italy	73	100.0%	100.0%	
169	WHO Real Estate UAB	Vilnius	Lithuania	27	74.0%	74.0%	
170	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	106	100.0%	100.0%	
171	Digital Applications International B.V.	Bussum	Netherlands	54	100.0%	–	[1], [R]
172	OOO "Dematic"	Moscow	Russian Federation	3 & 6	100.0%	–	[1]
173	Linde Viljuškari d.o.o.	Vrčin	Serbia	86	100.0%	100.0%	
174	IBER-MICAR S.L.U.	Gavà	Spain	14	100.0%	100.0%	
175	Použitý Vozík CZ, s.r.o.	Prague	Czech Republic	118	100.0%	100.0%	
176	TOV "Linde Material Handling Ukraine"	Kiev	Ukraine	14 & 8	100.0%	100.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
Associates (equity-accounted investments)							
Domestic							
177	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	14	25.0%	25.0%	
178	Hans Joachim Jetschke Industrie-fahrzeuge (GmbH & Co.) KG	Hamburg	Germany	14	21.0%	21.0%	
179	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	14	10.0%	10.0%	
180	Pelzer Fördertechnik GmbH	Kerpen	Germany	14	25.0%	25.0%	
Foreign							
181	Linde High Lift Chile S.A.	Santiago de Chile	Chile	14	45.0%	45.0%	
182	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	113	38.5%	38.5%	
183	Labrosse Equipement SAS	Saint-Péray	France	42	34.0%	34.0%	
184	Normandie Manutention SAS	Saint-Étienne-du-Rouvray	France	42	34.0%	34.0%	
Joint Ventures (equity-accounted investments)							
Domestic							
185	Linde Leasing GmbH	Wiesbaden	Germany	14	45.0%	45.0%	
Foreign							
186	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	14 & 23	50.0%	50.0%	
Associates (at cost)							
Domestic							
187	JETSCHKE GmbH	Hamburg	Germany	14	21.0%	21.0%	
188	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	14	10.0%	10.0%	
189	MV Fördertechnik GmbH	Blankenhain	Germany	14	25.0%	25.0%	
190	Supralift Beteiligungs- und Kom-munikationsgesellschaft mbH	Frankfurt am Main	Germany	14	50.0%	50.0%	
191	Supralift GmbH & Co. KG	Frankfurt am Main	Germany	14	50.0%	50.0%	

List of shareholdings as at December 31, 2020 (continued)

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
Foreign							
192	Chadwick Materials Handling Ltd.	Corsham	United Kingdom	58	48.0%	48.0%	
193	Motorové závody JULI CZ s.r.o.	Moravany	Czech Republic	14	50.0%	50.0%	
194	DEMATIC ELECTROMECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	3	49.0%	49.0%	

Financial investments

No.	Name	Registered office	Country	Parent company	Share-holding 2020	Share-holding 2019	Note
Foreign							
195	Balyo SA	Ivry-sur-Seine	France	14	6.4%	6.4%	[3]
196	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	14	20.0%	20.0%	[3]
197	Shanghai Quicktron Intelligent Technology Co., Ltd.	Shanghai	People's Republic of China	136	7.8%	–	[1], [3]
198	Zhejiang EP Equipment Co., Ltd.	Anji (Huzhou)	People's Republic of China	136	5.0%	5.0%	[3]

[1] New in 2020

[2] Consolidated in accordance with IFRS 10 as structured entity

[3] No material influence

[R] Dormant company

[50] Auditors' fees

The fees recognized as an expense and paid to the auditors of the consolidated financial statements (Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch office) in 2020 amounted to €2.3 million (2019: €2.2 million) for the audit of the financial statements, €0.5 million (2019: €0.1 million) for other attestation services, €0.0 million (2019: €0.0 million) for tax consultancy services, and €0.0 million (2019: €0.0 million) for other services. The other attestation services mainly related to services in connection with the financing measures carried out in the reporting year.

[51] Events after the reporting date

On February 1, 2021, the remaining 79.0 percent of the shares in the German dealer Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and in the general partner JETSCHKE GmbH, both headquartered in Hamburg, were acquired. The other 21.0 percent of the share capital and voting rights in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH were already held by Linde Material Handling GmbH prior to the acquisition of the shares on February 1, 2021. The purchase consideration for the net assets acquired was €13.9 million. The acquisition of Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG will enable the KION Group to further strengthen the position of its Linde brand and Linde's sales and service network in Germany. The company is a wholesaler and service provider that specializes in intralogistics equipment, electric and diesel trucks, warehouse trucks, container handlers, heavy-goods handlers, sideloaders, and sweepers.

The incidental acquisition costs incurred in connection with this business combination amounted to €0.1 million and have been recognized as an expense for the current period and reported as administrative expenses in the consolidated income statement. The transaction is not recognized in the 2020 annual report. The operating profit and assets and liabilities of Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG will be recognized from February 1, 2021. The provisional figures as at the acquisition date are as follows:

Impact of the acquisition of Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG

in € million	Fair value at the acquisition date
Goodwill	8.3
Customer relationships	7.6
Other intangible assets	0.7
Rental/Leased assets	37.2
Lease receivables	22.0
Trade receivables	7.9
Other assets	14.4
Total assets	**98.1**
Financial liabilities	7.2
Liabilities from lease business	39.2
Liabilities from short-term rental business	15.3
Other liabilities	18.9
Total liabilities	**80.6**
Total net assets	**17.6**
Cash payment	13.9
Consideration transferred	**13.9**
Previously held share of equity (21.0 per cent in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG, Hamburg)	3.7
Total	**17.6**

As the transaction took place well after the reporting date, and because of the complexity of the business model and the scope of the detailed information required for the measurement, it was not possible to complete the analysis of the acquired assets and liabilities by the time the consolidated financial statements were published. The purchase price allocation for the acquisition described above is provisional as at March 1, 2021 with regard to the recognition and measurement of the net assets acquired at fair value.

If the business combination had been completed by January 1, 2020, this would have increased the revenue of around €53 million reported by the KION Group in 2020.

[52] Information on preparation and approval

The Executive Board of KION GROUP AG prepared the consolidated financial statements on March 1, 2021 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of examining and deciding whether to approve the consolidated financial statements.

Frankfurt am Main, March 1, 2021

The Executive Board

Gordon Riske	Anke Groth	Dr. Eike Böhm
Hasan Dandashly	Andreas Krinninger	Ching Pong Quek

Independent auditor's report

To KION GROUP AG, Frankfurt am Main/Germany

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of KION GROUP AG, Frankfurt am Main/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of KION GROUP AG, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement pursuant to Sections 289f, 315d German Commercial Code (HGB) included in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the consolidated corporate governance statement pursuant to Sections 289f, 315d HGB included in the combined management report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1) Recoverability of the goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position

2) Recognition of leases as regards sales

3) Realisation of revenue regarding the project business in the Supply Chain Solutions segment

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)

b) auditor’s response

1. Recoverability of the goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position

a) As at 31 December 2020, the carrying amount of the goodwill and brand names with indefinite useful life in the consolidated financial statements is mEUR 3,407.6 (24.2% of the Group’s total assets) and mEUR 938.9 (6.7% of the Group’s total assets), respectively. The goodwill and brand names with indefinite useful life are tested by the executive directors for impairment each year. This impairment test is conducted regardless of whether there are external or internal indicators for an impairment. The impairment test is conducted at the level of the operating entities, which represent the cash-generating units, by determining the corresponding realisable amount and comparing that realisable amount with the corresponding carrying value. The realisable amount is determined using the discounted cash flow method on the basis of KION GROUP AG’s budget consisting of the operative three-years plan (2021 budget and 2022 to 2023 medium-term budget) as well as of a projection concerning two further years, which is adjusted using assumptions about long-term growth rates. The result of this measurement highly depends on the executive directors’ estimation of the anticipated cash flows of the corresponding operating entity as well as the discount rate used (weighted average cost of capital – WACC) and, therefore, is subject to great uncertainty. Therefore and due to the underlying complexity of the valuation models applied, this matter was of particular significance in the scope of our audit.

For information provided by the Company on the goodwill and brand names with indefinite useful life, please refer to notes [7] and [17] to the consolidated financial statements.

b) During our audit, we, among other things, obtained an understanding of the method applied in the impairment test, the budget process of KION as well as the definition of the cash-generating units and assessed the determination of the WACC. In this context, we considered the Group's adherence to the budget process over the past years.

Regarding the impairment test, we examined the appropriateness of the expected future cash flows mainly by comparing the information with the operative budget (2021) approved by the supervisory board and with the medium-term budget (2022 to 2023) approved by the executive directors and by examining the key measurement assumptions and parameters for plausibility based on expectations about macroeconomic and industry-specific trends. As a significant portion of the value in use has been determined based on projected cash flows for the period following the five-year budget (period of perpetuity), we also examined in particular the sustained growth rate applied for the period of perpetuity based on industry-specific market expectations. With respect to the evaluation of the discount rate, we consulted internal valuation specialists, who convinced themselves of the appropriateness of the discount rate used based on market comparisons. Due to the great significance of the goodwill and the brand names with indefinite useful life in the consolidated financial statements, we finally conducted sensitivity analyses with regard to both the growth expectations of the future cash flows from the operating entities and the applied discount rate.

2. Recognition of leases as regards sales

a) To a great extent, KION uses leases as a sales instrument in the segment Industrial Trucks & Services. The corresponding agreements comprise contracts, under which the KION entities qualify as contract parties, and those, under which the lease object was sold to external finance partners. The following three contract types are primarily used:

- Single step lease: The lease object is directly leased to the consumer;
- Sale and leaseback sublease: The lease object is sold to a financial partner and subsequently leased back. At the same time, the lease object is also rented out under a sublease contract to the consumer;
- Indirect consumer financing: The (lease) object is sold to a finance partner, who rents it out to a consumer.

As at 31 December 2020, the carrying value of the receivables and assets under the lease agreements is mEUR 1,595.3 (11.3% of total assets) and mEUR 1,333.3 (9.5% of total assets), respectively.

Single-step leases are classified as finance leases or operating leases within the meaning of IFRS 16. For sale and lease back sublease contracts concluded until and including 31 December 2017, an asset and a lease liability is accounted for taking advantage of the right of continuance specified in IFRS 16. For sale and lease back sublease contracts concluded after 31 December 2017, the transaction is classified as a finance lease. Accordingly, a corresponding liability is recognised in addition to an asset. In compliance with IFRS 15, the types of indirect consumer financing agreements have been uniformly classified as leases within the meaning of IFRS 16.

In order to enhance clarity of the consolidated statement of financial position, the refinancing liabilities corresponding to lease assets and lease receivables have been pooled and recorded as liabilities related to lease agreements since 31 December 2020.

Group-wide, consistent lease applications shall ensure that the recognition, categorisation and classification of the various contract types according to the IFRS are complete and correct. The determination of the criteria and parameters in these applications are subject to the executive directors' judgement. The classification and entry routines of the lease applications are updated, programmed and managed centrally in Germany while the contract input is performed locally in the operating or the Group's own financial services entities.

Due to the high transaction volume in connection with the various contract types, any errors in this area may considerably affect the consolidated financial statements. For this reason, the assessment of the accounting for leases was of particular significance in the scope of our audit.

For information provided by the Company on the accounting for leases, please refer to the notes [7], [18], [22], [31] and [32] to the consolidated financial statements.

b) As part of our audit, we first updated our understanding of the process including our understanding of the existing contract types as well as the Company's internal controls regarding leases.

In the light of our understanding of the organisational composition and the overall process, the audit on the one hand focused on the lease applications used and on the other hand on the completeness and accuracy of the data input in the individual component areas.

With respect to the lease applications used, we examined the appropriateness, implementation and, where required, effectiveness of certain IT controls in line with our audit strategy. As part of this examination, we consulted internal IT specialists.

In a next step, we obtained an understanding of whether the automated entry and classification routines used in the lease applications comply with the relevant IFRS. To this end, we first examined the KION IFRS Accounting Manual, which represents the basis for routine programming, for conformity with the IFRS. In addition, we assessed whether the entry and classification routines have been appropriate. Therefore, we examined the agreements on the basis of judgemental selections or by applying sampling methods. However, we made sure that all contract types were subject to our examination. Based on the data inputs, we assessed for each selected contract whether the results of the lease applications comply with the relevant IFRS.

We examined the data inputs made in the financial year in the individual component areas for accuracy directly in the operating entities on a sample basis in the form of mathematical and statistical methods and extrapolated any identified deviations to the corresponding basic population. In this context, apart from the accuracy, we audited the appropriate cut-off and completeness of the data inputs on the basis of the original contracts. Where required, we received confirmations of third parties to assess the completeness of the entered contracts.

3. Realisation of revenue regarding the project business in the Supply Chain Solutions segment

a) The revenue in the Supply Chain Solutions segment amounts to mEUR 2,619.4 in the financial year 2020 (prior year: mEUR 2,376.1). This accounts for 31.4% (prior year: 27.0%) of the Group's total revenue.

A significant portion of the revenue generated in the Supply Chain Solutions segment (mEUR 1,974.8; prior year: mEUR 1,780.2) relates to the project business (75.4% of the segment's total revenue). Revenue for the project business-related customer contracts is recognised in line with the corresponding period unless there is an alternative possibility of use and right to payment of the services already rendered. The revenue to be realised is determined based on the percentage of completion method. The percentage of completion is determined based on the proportion of the contract costs that have already been incurred to the total contract costs estimated as at the reporting date.

The revenue highly depends on estimations subject to the executive directors' judgement, in particular with regard to the total contract costs and the resulting percentage of completion. Also taking into account the high amount of revenue related to the project business in the consolidated financial statements, we considered this matter to be of particular significance in the scope of our audit.

For information on revenue realisation related to the project business in the Supply Chain Solutions segment, please refer to the notes [7] and [8] to the consolidated financial statements.

b) In the scope of our audit, we deepened our knowledge of the processes concerning the project business including our understanding of the corresponding internal controls of the Group. We examined the appropriateness of the internal controls' design and implementation regarding the estimation of the percentage of completion and continued review of contract costs.

Considering this, we selected projects based on risk considerations. First, we assessed – based on the individual basis of the contracts – whether the projects meet the requirements for revenue recognition according to the percentage of completion method. Subsequently, we assessed the estimation made for the individual contracts. To this end, we examined the current cost reports and project calculations taking into account the customer contracts with respect to the percentage of completion of the selected projects. To this end, we additionally consulted the employees responsible for the relevant projects on matters such as the current project phase, any risks including fines and changes to original assumptions and requested explanations for unexpected project developments, which were compared with supplementary evidence. In addition, we have convinced ourselves, where required, of the project progress on site and have taken into account the adherence to the budget planning based on retrospective analyses of selected projects.

Other information

The executive directors and the supervisory board are responsible for the other information. The other information comprises the following documents obtained up to the date of this auditor's report:

- the report of the supervisory board,
- the corporate governance statement included in the combined management report,
- the executive directors' confirmation pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the combined management report, and

- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

In addition, the other information comprises the separate consolidated non-financial report, which is expected to be published subsequently on KION GROUP AG's website by 30 April 2021.

The supervisory board is responsible for the report of the supervisory board included in the annual report. The executive directors and supervisory board as well are responsible for the declaration related to the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act (AktG), which is part of the corporate governance statement included in the combined management report. Otherwise, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated

financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication contained in the accompanying file, which has the SHA-256 value 353E9E9A2FCEF7EDD108EE5AB77FE7ACE4F29E3503F193E 991902FA0CDFD0759, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above “Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report”, we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section “Group Auditor’s Responsibilities for the Audit of the ESEF Files”. Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the parent are responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive directors of the parent are also responsible for the submission of the ESEF files together with the auditor’s report and the accompanying audited consolidated financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Group Auditor’s Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit of the ESEF files in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.

- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the reporting date as to the technical specification of this file.
- evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 16 July 2020. We were engaged by the supervisory board on 4 June 2020 (subject to the election by the general meeting on 16 July 2020) and on 13/27 November 2020. We have been the group auditor of KION GROUP AG, Frankfurt am Main/Germany, which was named KION Holding 1 GmbH until 12 June 2013, without interruption since the financial year 2007. Since the financial year 2013, the Company has been a public interest entity within the meaning of Section 319a (1) sentence 1 HGB.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Information on the Supplementary Audit

We issue this auditor's report on the amended consolidated financial statements, the amended combined management report and the amended ESEF files on account of our audit conducted in accordance with professional auditing standards, which was completed on 19 February 2021, and our supplementary audit completed on 1 March 2021, which related to the amendments of the consolidated notes to the financial statements in note [28] "Equity", note [48] "Members of the Executive Board and the Supervisory Board" as well as of the date of preparation of the consolidated financial statements indicated in note [1] "General information on the Company", note [51] "Events after the reporting date", note [52] "Information on preparation and approval" and in the signatures section, to the amendments to the combined management report in section "Financial position and financial performance of the KION Group" regarding the explanations on the appropriation of profits as well as to the corresponding amendments to the ESEF files.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Kirsten Gräbner-Vogel.

Frankfurt am Main/Germany, 19 February 2021 / Restricted to the amendments stated under “Information on the Supplementary Audit“: 1 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Kirsten Gräbner-Vogel) Wirtschaftsprüferin	(Stefan Dorissen) Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the group management report, which is combined with the Company's management report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, March 1, 2021

The Executive Board

Gordon Riske	Anke Groth	Dr. Eike Böhm
Hasan Dandashly	Andreas Krinninger	Ching Pong Quek

Additional information

Quarterly information[1]

	Q4		Q3		Q2		Q1	
in € million	2020	2019	2020	2019	2020	2019	2020	2019
Order intake	**2,727.1**	**2,577.3**	**2,315.3**	**2,337.6**	**2,319.3**	**2,078.6**	**2,080.8**	**2,118.3**
Industrial Trucks & Services	1,699.6	1,753.0	1,421.8	1,493.8	1,261.0	1,573.2	1,393.9	1,510.5
Supply Chain Solutions	1,022.9	823.4	887.6	838.6	1,057.6	506.0	686.3	602.9
Total revenue	**2,341.4**	**2,282.3**	**2,072.9**	**2,160.0**	**1,899.6**	**2,280.7**	**2,027.7**	**2,083.4**
Industrial Trucks & Services	1,590.1	1,710.6	1,404.3	1,552.8	1,262.6	1,638.2	1,442.0	1,508.6
Supply Chain Solutions	747.3	567.3	664.0	600.6	634.6	642.0	581.2	568.8
Gross profit (adjusted)	**573.0**	**618.2**	**543.8**	**600.4**	**429.5**	**604.9**	**553.3**	**562.6**
Industrial Trucks & Services	388.2	487.5	384.8	446.1	289.9	460.3	400.8	437.3
Supply Chain Solutions	176.6	132.0	148.3	144.7	131.9	139.6	144.7	118.7
Selling expenses and administrative expenses (adjusted)	**–344.0**	**–353.5**	**–344.4**	**–351.9**	**–333.7**	**–361.3**	**–365.3**	**–346.7**
Industrial Trucks & Services	–251.0	–263.6	–256.9	–254.4	–247.6	–271.2	–274.0	–264.8
Supply Chain Solutions	–73.3	–66.3	–69.2	–70.3	–67.6	–66.3	–71.5	–59.6
Research and development costs (adjusted)	**–40.6**	**–44.2**	**–35.7**	**–36.4**	**–39.5**	**–37.5**	**–38.1**	**–36.4**
Industrial Trucks & Services	–29.7	–32.0	–27.6	–25.3	–30.3	–27.0	–28.2	–26.2
Supply Chain Solutions	–12.0	–11.6	–9.5	–11.3	–10.4	–10.9	–10.6	–10.8
Other costs (adjusted)	**–5.4**	**5.3**	**–4.6**	**5.0**	**4.5**	**19.1**	**–5.9**	**2.9**
Industrial Trucks & Services	–7.4	6.9	–7.4	3.4	3.8	15.7	–1.9	2.4
Supply Chain Solutions	2.2	–2.1	2.3	1.2	–0.5	1.2	–3.9	–0.0
Adjusted EBIT	**183.0**	**225.8**	**159.1**	**217.1**	**60.7**	**225.2**	**144.0**	**182.4**
Industrial Trucks & Services	100.2	198.8	92.9	169.8	15.7	177.7	96.7	148.8
Supply Chain Solutions	93.5	52.0	71.9	64.4	53.4	63.6	58.7	48.2
Adjusted EBIT margin	**7.8%**	**9.9%**	**7.7%**	**10.1%**	**3.2%**	**9.9%**	**7.1%**	**8.8%**
Industrial Trucks & Services	6.3%	11.6%	6.6%	10.9%	1.2%	10.8%	6.7%	9.9%
Supply Chain Solutions	12.5%	9.2%	10.8%	10.7%	8.4%	9.9%	10.1%	8.5%
Adjusted EBITDA	**396.8**	**433.4**	**367.3**	**420.1**	**268.4**	**425.0**	**351.0**	**378.9**
Industrial Trucks & Services	289.2	382.0	275.8	348.2	197.5	355.3	280.2	324.0
Supply Chain Solutions	109.4	68.2	87.5	80.5	70.2	78.2	74.0	62.1
Adjusted EBITDA margin	**16.9%**	**19.0%**	**17.7%**	**19.4%**	**14.1%**	**18.6%**	**17.3%**	**18.2%**
Industrial Trucks & Services	18.2%	22.3%	19.6%	22.4%	15.6%	21.7%	19.4%	21.5%
Supply Chain Solutions	14.6%	12.0%	13.2%	13.4%	11.1%	12.2%	12.7%	10.9%

1 Adjusted figures include adjustments for PPA items and non-recurring items

KION Group multi-year overview

in € million	2020	2019	2018	2017*	2016
Order intake	9,442.5	9,111.7	8,656.7	7,979.1	5,833.1
Revenue	8,341.6	8,806.5	7,995.7	7,598.1	5,587.2
Order book[1]	4,441.3	3,631.7	3,300.8	2,614.6	2,396.6
Financial performance					
EBITDA	1,327.7	1,614.6	1,540.6	1,457.6	889.5
Adjusted EBITDA[2]	1,383.5	1,657.5	1,555.1	1,495.8	931.6
Adjusted EBITDA margin[2]	16.6%	18.8%	19.4%	19.7%	16.7%
EBIT	389.9	716.6	642.8	561.0	434.8
Adjusted EBIT[2]	546.9	850.5	789.9	777.3	537.3
Adjusted EBIT margin[2]	6.6%	9.7%	9.9%	10.2%	9.6%
Net income	210.9	444.8	401.6	422.5	246.1
Financial position[1]					
Total assets	14,055.7	13,765.2	12,968.8	12,337.7	11,297.0
Equity	4,270.8	3,558.4	3,305.1	2,992.3	2,495.7
Net financial debt	880.0	1,609.3	1,869.9	2,095.5	2,903.4
ROCE[3]	6.2%	9.7%	9.3%	9.3%	6.9%
Cash flow					
Free cash flow[4]	120.9	568.4	519.9	474.3	–1,850.0
Capital expenditure[5]	283.8	287.4	258.5	218.3	166.7
Employees[6]	36,207	34,604	33,128	31,608	30,544

1 Figures as at balance sheet date Dec. 31
2 Adjusted for PPA items and non-recurring items
3 ROCE is defined as the proportion of adjusted EBIT to capital employed
4 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
5 Capital expenditure including capitalized development costs, excluding right-of-use assets
6 Number of employees (full-time equivalents) as at balance sheet date Dec. 31
* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

Disclaimer

Forward-looking statements

This annual report contains forward-looking statements that relate to the current plans, objectives, forecasts, and estimates of the management of KION GROUP AG. These statements only take into account information that was available up to and including the date that this annual report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation (including because of the coronavirus pandemic), changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2020 group management report, which has been combined with the Company's management report. However, other factors could also have an adverse effect on our business performance and results. KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this annual report.

Rounding

Certain numbers in this annual report 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 annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

Financial calendar

March 2, 2021
Publication of 2020 annual report, financial statements press conference, and conference call for analysts

April 28, 2021
Quarterly statement for the period ended March 31, 2021 (Q1 2021), conference call for analysts

May 11, 2021
Annual General Meeting

July 29, 2021
Interim report for the period ended June 30, 2021 (Q2 2021), conference call for analysts

October 26, 2021
Quarterly statement for the period ended September 30, 2021 (Q3 2021), conference call for analysts

Subject to change without notice

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The content of the German version is authoritative.

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the world moving.

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