



## Q4/FY 2025 Results Update Call

**26.02.2026, 15:00 CET**

Rob Smith: Good afternoon, ladies and gentlemen, and welcome to our Update Call and Webcast on the Fourth Quarter of 2025. You can please refer to our Update Call presentation on the IR Website if you're joining by telephone.

I'm going to start off with a quick summary on the fiscal year 2025 and cover several recent business highlights.

And then Christian's going to take you through the detailed Q4 financials and our outlook for 2026. And then we're opening the line for Q&A.

Starting together on page 3, overall, KION had a solid 2025, in line with our outlook and with strong free cash flow.

Order intake in full-year 2025 was €11.7 billion. This represents an increase of 13%, driven by both of our segments outperforming key respective markets.

Revenue was slightly below 2024. The increase in Supply Chain Solutions was more than offset by the decline in ITS, which had tough comps through 2025, as the prior year 2024 was supported by backlog normalization.

Adjusted EBIT was €789 million, corresponding to an adjusted EBIT margin of 7.0%. While the Supply Chain Solutions strongly increased profitability, performance in ITS was primarily affected by the expected lower volumes and thus by lower fixed cost absorption.

Free cash flow was strongly positive at €709 million. The slightly better outcome compared to our outlook was driven by operational improvements.

And earnings per share were down to €1.75, mainly due to the expenses for the efficiency program, which were recorded as nonrecurring items.

We are proposing a dividend of €0.62 to the AGM on the 28th of May. And while that's lower than last year to reflect the lower EPS, the proposed dividend corresponds to an increase in the payout ratio from around 30% to 35% so shareholders can benefit from the favorable strong free cash flow development in 2025.

On page 4, I'd like to share some business highlights, please. KION's roots go back more than 200 years. The heritage of our KION brands has been shaped by decades of engineering excellence, innovation, and customer trust.

Building on this long legacy, our company was founded as a carve-out from Linde AG in 2006 as a leader in the material handling industry, and this year, we celebrate KION's 20th anniversary, two decades that reflect our ability to adapt, to grow, and create value in an increasingly complex global environment. Today, we're driving our industry with automation and digitalization.

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KION offers everything modern supply chains depend on: industrial trucks, automation, robotics, software and AI, along with systems and solutions that learn in real-time, adapt in seconds, and plan ahead.

To fully capture the promise of these future-oriented technologies, we're renaming our Supply Chain Solutions segment to Intelligent Automation Solutions, IAS. We position our Dematic brand to an even larger extent in the supply chain orchestration space, integrating all key aspects that underpin and drive KION's strategic vision. This is a logical step towards KION becoming the supply chain solutions company.

Over the past year, our collaboration with NVIDIA and Accenture is accelerating the transformation of supply chains through physical AI, simulation, and automation.

We're now taking the next step by expanding our ecosystem partnership with a further strategic partner. Together with Siemens, KION is strengthening the connection between the digital and physical worlds at scale. By combining Siemens's industrial engineering expertise with Accenture's system integration capabilities and NVIDIA's Omniverse, KION is elevating digital twin-based solutions to a new level.

Integrated ecosystems are the future of modern supply chains, where data, software, automation, and AI are working together seamlessly. We're scaling up physical AI and automation solutions to orchestrate our customers' supply chains.

And at the end of October, KION reached a new milestone in leveraging our China footprint to enhance our global competitiveness.

With our new lithium-ion battery developed and produced in our own facilities in China and Europe, we offer a significantly improved price-performance ratio and thus the potential to change the market. While maintaining the same quality and performance, we can manufacture the batteries at a meaningfully lower cost, which represents a very attractive solution to our customers, considering the total cost of ownership.

The development shows how KION combines innovation with cost efficiency. For customers, this means greater economic efficiency; for the capital markets, it's a clear signal: We're ideally positioned to compete in a cost-sensitive market.

I will now hand over to Christian, and he's going to take you through our detailed Q4 financials as well as our 2026 outlook.

Christian Harm: Thank you, Rob. Let's go to slide 6 for the key financials for the ITS segment.

Order intake exceeded 70,000 units in the fourth quarter, which is a sequential increase of 17%, a solid seasonal development in the fourth quarter. Year-over-year, the growth rate was 1% and thus lower than in the first three quarters. In 2024, the fourth quarter was by far the strongest quarter of the year.

New orders in value terms decreased 1% year-on-year, driven equally by new business and service. New business in value terms deviated slightly from the unit development due to the product mix.

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The order book reflects the ongoing lead time normalization.

Revenue declined by 5% year-over-year to approximately €2.2 billion. The resilient service business did not compensate for the expected 10% decline in the new truck business. As mentioned throughout last year, the new truck business revenue in 2024 significantly benefited from the tailwind of a higher order backlog.

Adjusted EBIT at €192 million and the corresponding adjusted EBIT margin at 8.8% reflected mainly the expected impact from lower volumes resulting in reduced fixed cost absorption in a year-over-year comparison.

Additional expenses were incurred for long-term incentive programs resulting from the higher share price at the year-end 2025.

I now continue on page 7, which summarizes the key financials for SCS: Q4 2025 order intake again showed year-over-year growth, resulting in a strong growth of 40% in the full year 2025. The fourth quarter increase in orders was primarily driven by a 13% growth in Customer Services. Business Solutions was down 1%.

The year-over-year decline in e-commerce orders was almost entirely compensated by demand from other verticals, such as food and beverage, healthcare, and 3PL, underlining the strength of our diversified customer portfolio.

At 25%, the share of the pure-play e-commerce vertical was comparable to the prior quarter.

We continue to believe that we have passed the trough, but we remain in a lumpy recovery trajectory; therefore, I can only encourage you again to not look at a singular quarter in SCS, whether that quarter is particularly strong or not. A multiple-quarter rolling average gives you a much better picture of the expected development in revenue and earnings for the quarters ahead.

For example, our 2025 full-year order intake in SCS was exactly in line with our expectations, but the quarterly distribution was quite different from what we thought.

As a result of the growth in order intake in full-year 2025, the order book increased 11% year-over-year. Excluding FX effects of €202 million, the growth would have even been more pronounced.

Overall revenue increased double digit, driven by a 30% increase in Business Solutions, which is continuing to benefit from the recovery in order intake since the beginning of 2025.

The adjusted EBIT increased strongly year-on-year to €57 million due to higher revenues, the further reduction in legacy projects, and improved project execution. Additional expenses for long-term incentive programs resulting from the higher share price at the year-end 2025 prevented an even stronger improvement. The adjusted EBIT margin increased to 6.2% in the quarter.

Now let's quickly run through the key financials for the group on page 8. Order intake on group level reflects growth in both operating segments.

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Order book showed a slight year-over-year increase resulting from recovery in order intake in SCS, partially offset by continued lead time normalization in ITS and FX effects of €232 million.

Revenue in SCS continues to benefit from the order intake recovery since the beginning of 2025, partially offset by the expected revenue decline in the ITS new truck business.

Adjusted EBIT at €213 million and the adjusted EBIT margin at 6.9% was mainly impacted by the lower fixed cost absorption in ITS, which was partially compensated by the strong earnings improvement in SCS. As already mentioned, additional expenses were incurred for long-term incentive programs resulting from the higher share price at end of 2025.

Page 9 now shows the reconciliation from the adjusted EBITDA to group net income.

Nonrecurring items in the quarter included approximately €8 million of expenses for the efficiency program, taking the full-year 2025 efficiency-program-related expenses to €169 million. Approximately €10 million of final expenses expected for 2026 takes the total efficiency-program-related expenses to €180 million and thus to the middle of the €170 million to €190 million range provided last October.

In Q4 2025, PPA items were at the usual quarterly level.

Net financial expenses improved year-over-year mainly due to lower interest expenses from the lease and short-term rental business and from interest-bearing liabilities, partially offset by lower gains from interest rate swaps.

Pretax earnings decreased by 19% year-over-year to €140 million.

Tax expenses of €66 million in the quarter corresponded to a tax rate of 47%, mainly driven from a revaluation of deferred tax assets and liabilities, something that is common as part of the year-end closing process.

Net income attributable to shareholders decreased by 38% to €69 million, corresponding to earnings per share of €0.53.

Let's continue with the free cash flow statement on page 10. Free cash flow in the quarter reached positive €317 million. The slight outperformance compared to the implied Q4 guidance is substantially due to a stronger improvement in net working capital in both segments.

Moving on to page 11 then, which shows the development of net financial debt and our leverage ratios, we had a solid sequential decrease in net debt to €584 million at the end of the fourth quarter 2025.

Consequently, the leverage ratio on net financial debt improved by 0.1x compared to the end of September 2025. The improvement was less pronounced on the leverage ratio on net operating debt due to the increase in liabilities from procurement leases and from short-term rental financing.

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Our leverage ratios continue to remain slightly below the level last seen post our December 2020 capital increase, but as mentioned before, this time, we achieved the improvement entirely through self-help measures.

Slide 13 lays out our guidance. Let's start with ITS.

Based on our expectations for the global industrial truck market to grow slightly in 2026 in units as well as the continued growth in the service business, we believe revenue in ITS could increase by around 3% at the midpoint.

Depending on the extent of macroeconomic recovery, particularly in Europe, revenue could decline 1% on the lower end and increase 6% on the upper end of our expectations and reach between €8.2 billion and €8.8 billion.

Following the implementation of the efficiency program in 2025, we expect most of the savings to materialize in 2026, providing substantial tailwind to ITS profitability in 2026. In addition, we expect some volume benefits at the midpoint of our guidance.

Against that, the continued competitive environment is likely to weigh on price levels. Accordingly, we expect ITS adjusted EBIT to improve to between €765 million and €885 million, which is an increase of 6% on the lower end and 23% on the upper end.

Let's now turn to IAS, which Rob explained earlier is the new name for our former Supply Chain Solutions segment.

Based on the growth in order intake in the project business in 2025 as well as our expectations for a sustained momentum in the service business, we expect revenue in IAS between €3.2 billion and €3.5 billion, which is a 4% increase on the lower end and 14% on the upper end.

We expect further improvement in adjusted EBIT in IAS to between €200 million and €280 million, which is an increase of 9% on the lower end and 53% on the upper end.

The improvement will result from top-line growth, continued progress in completion of legacy projects, improved project execution, and the high-margin service business.

At KION Group level, we expect revenue between €11.4 billion and €12.3 billion, representing a 1% increase at the lower end and 9% at the upper end. Group adjusted EBIT is expected between €850 million and €1.4 billion, or between 8% and 32% higher than in 2025.

Free cash flow between €430 million and €570 million euros is expected to be substantially below the excellent prior-year level due to a large portion of the cash out from the efficiency program shifting to 2026, as highlighted in our Q3 call last year. In addition, our free cash flow guidance includes approximate €200 million earmarked for several M&A projects.

And lastly, ROCE is expected between 8.3% and 9.7%.

As always, you will find a slide on the housekeeping items in the appendix of this presentation.

And with that, I now hand back to Rob for our key takeaways.

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Rob Smith: Thank you, Christian. Let's turn together to page 14 for our key takeaways.

Looking back on the financial year 2025, our core key performance indicators were in line with our outlook, with free cash flow slightly exceeding expectations. For our Industrial Trucks & Services segment, 2025 was the look-through year that we expected.

Our former Supply Chains Solutions segment once again increased profitability. In a challenging geopolitical and macroeconomic environment, both the industrial truck market as well as the warehouse automation market have passed their troughs, and customer demand increased in 2025. KION's order intake outperformed key markets in both segments.

KION's offering combines everything modern supply chains rely on: industrial trucks, automation, robotics, software, and AI, along with systems and solutions that learn in real time, adapt in seconds, and plan ahead. We will offer end-to-end solutions to our customers with an integrated approach, starting a new chapter in KION'S history.

In 2016, we were creating the intralogistics industry with the acquisition of Dematic. In 2026, it's now our vision to become the supply chain solutions company.

With profitable growth in 2026 combined with the consistent implementation of our Playing to Win strategy, we are well on track to bring KION and both operating segments to more than 10% adjusted EBIT margin in 2027.

As always, our outlook remains subject to no significant disruptions in our sales and procurement markets resulting from geopolitical conflicts and potential trade barriers.

This does conclude our presentation. Thank you for your interest, and now we're looking forward to taking your questions. Sergen, let's open the line, please.

Operator: Thank you very much, Mr. Smith. Ladies and gentlemen, we will now begin the question-and-answer session.

Sven Weier: Yeah, good afternoon, and thanks for taking my questions. The first one is just coming back to the guidance. Obviously, looks a bit conservative at first sight. So I was just wondering, how much is this at this early stage of the year still very much impressed by the prevailing risks that tariffs and rather than by the opportunities such as German stimulus?

And also, on that German stimulus, obviously, we've seen German manufacturing orders rising. How long would it typically take until your German manufacturing clients would pass that on to you? Are we talking about 3 months, 6 months? That's the first one. Thank you.

Rob Smith: Hey, Sven, thank you for asking about that. And let's talk about the upper end and the bottom end and understand what the assumptions are. I think a good understanding to start with is that our midpoint of our guidance does not have German stimulus in it as the base case. The upper end and the lower end are set to package for macroeconomic developments that could come in either direction. The upside, of course, would be some tailwind coming from the German stimulus, which we do expect to come, but we haven't seen it yet.

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This conversation started back in March of last year. We are seeing it in the defense industry. When that starts to come to our customers and the broader market, it'll certainly be coming through to us, but we see that as tailwind going towards the upper side of the guidance.

Downside, we need to package for other geopolitical and macroeconomic risks as well. Our guidance is caveated to say no significant disruptions, either on the sales side or the procurement side, coming from major geopolitical tensions or conflicts.

But look back at last year, Liberation Day, trade deal suspense, the Gaza War, the rare earths and the magnets becoming very difficult to get, the Nexperia chip crisis, the Israeli-Iran-US conflict. Interestingly, we have brought our business to be quite robust and have been able to get through all of those events last year without any days of stoppage in our factories.

But I think it just goes to show what a significant amount of macroeconomic and geopolitical volatility can be in the market during the course of this year. And of course, we need to package with our range to include such kind of potential downside as well.

Sven Weier: Yeah, that makes sense. And I guess, when you say at the upper end, you include some positive impact from the German stimulus. It's some impact but not any kind of euphoria in Germany, I would assume.

Rob Smith: Euphoria in Germany. We're looking forward to that coming, Sven. And when that does, that'll certainly be tailwind. But look, the point is our base case doesn't count stimulus in it because it still is in the process of coming is our expectation.

Sven Weier: And the other question I had is just on warehouse automation, right? We all know the elephant in the room is the Amazon order that probably doesn't repeat this year. But I think, as you alluded to also in the prepared remarks, you were able to replace e-commerce by other words because, should we also look at the challenge of replacing the Amazon order this year with other business as possible because you are so diversified into other verticals?

Rob Smith: Yeah, for sure, Sven. Yeah, for sure. Look at the numbers from last year versus the year before, second half of the year, 24%, 25% e-commerce versus a higher rate second half of the year last year. We consistently are getting very good business in other verticals as well. So yes, that's the case. And yes, we have a good and growing service business in the IAS segment.

Sven Weier: Sounds good. Thank you, Rob.

Martin Wilkie: Thank you. Yes, thanks for taking the questions. So I had a couple of questions just on your new IAS division. Firstly, does this signal any change to the way you're thinking of making products and service offerings in that division? Obviously, heavily tied to warehouses at the moment. Just to understand, what was the driver behind making the change? You did talk in the opening remarks about several M&A projects, not sure how large they are, but does this signal acquisitions to broaden the offering inside that new automation division?

Rob Smith: Good questions, Martin. So as KION is becoming the supply chain solutions company and giving our market, our customers everything they need for us to be able to orchestrate exciting supply chain solutions for their supply chains, we're combining the capabilities all across our business.

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We're maintaining the industrial truck and service segment. And by renaming the Supply Chain Solutions segment the Intelligent Automation Solutions segment and positioning that further into the supply chain orchestration capability and being able to give our customers a full solution through both segments, we think that is a clearer picture, both segments working together as with KION being the supply chain solutions company, giving our customers fully orchestrated, full stack solution that solves their supply chain challenges.

You ask about M&A. We might as well just pick that question up right now because I think it's on quite a few of your minds. Our cash flow guidance, if you do the math and you add back the €200 million M&A, is very strong cash flow for this year.

Now we call out about a couple hundred million of M&A. We have that in mind for both our IAS segment as well as our ITS segment. In the IAS segment, we are regularly looking at startup automation, robotics, software. Those would be the type of targets for the IAS segment to continue to build the orchestration capabilities and the integration capabilities there.

We have a very consistent amount of ongoing sales and service network expansion and acquiring dealers over time in the ITS segment, as well as we have a very strong leasing business and increasing our leasing footprint there.

Every time we sell a new truck on a lease contract, it goes out with a full service contract attached to it too. So investing in the leasing footprint could make another good business sense in the ITS segment.

Hope that's helpful and in line with where your question was going.

Martin Wilkie: Yeah, no, that's really helpful. And it does link into the second question I had as well, which is about the margin because you still guide that both divisions, and therefore including the new IAS division, get to a 10% margin in 2027, which is obviously a decent step up from where we were in '25 and where you're guiding in 2026.

What is the big driver of getting to that level of profitability? Is it in anticipation of higher volume, or I know the mix of that business is changing towards more software and services and other areas that are presumably higher margin. So is it sort of a mix effect as the business changes over the coming years?

Rob Smith: Martin, it's a shame that Sergen told you, you can only get two questions because both of them are real good ones today. Thank you for that.

Look, the profitability increase that you've seen consistently and sequentially at our IAS segment have been driven and will continue to be driven by four important levers. The first one has been working through and closing off the legacy projects that were a result of the summer of 2022's adjustments based on significant inflation and supply chain disruptions.

The second one is we have tightened up the processes and increased the execution excellence in our IAS segment very substantially.

We've also been -- the third one is growing the service revenue. And as you rightly point out, service is a very profitable business in each of our segments, in both segments. So we've been growing that consistently, and that's a continued growth.

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And as we're adding revenue, that's an additional fourth lever that drives the increase in profitability.

I just -- maybe people on the call haven't thought back as far as '22 anymore, but between '22 and '23, we improved the profitability in the IAS segment by 270 basis points. Between '23 and '24, it was 230 basis points year-on-year.

Last year, we added 220 basis points, again, to the profitability of our IAS segment. We got 40% order intake year-on-year increase in IAS last year, finishing with 3.6 billion.

As we go through this year, and should the first half of the year, which clearly will have a good impact on the revenue line, as you see in our outlook and our guidance, depending on what kind of orders we're able to convert from our very healthy pipeline in the first part of this year, perhaps they would include some win-and-do volume that we could also add to the revenues that will convert into revenue during the course of this year.

So yes, there's a revenue uplift factor, but the other three factors apply as well. We finished off a bunch of further legacy projects next year. We still have some. There's one big one that goes even into next year, but it's dramatically reduced.

The executions picked up strong. The service we call out every quarter, you can see how that's growing. That will continue to grow. And as the revenue's coming, I think we shall be continuing the sequential and increasing profitability in our IAS segment.

Martin Wilkie: Great. That's really helpful. Thank you.

Akash Gupta: Yes, hi. Good afternoon, Rob and Christian. Thanks for your time. My first one is on this interesting comment you made on this business update for Q4 that this new lithium-ion battery from your own production is giving you improved price performance ratio and thus potential to change the market.

Can you elaborate a bit more about this? Like how big benefit do you anticipate to get? And again, I want to square that with your comment on outlook, where you expect a bit high competition. So why like you are still seeing high competition despite having something unique, given most of your forklifts are already battery powered? So first one is on that.

Rob Smith: Good question, Akash. Let me touch on -- we call it the Thor battery, like the Thor hammer. It's a great new battery. It's a very good new addition in our lithium-ion battery range.

You'll recall that we've had a battery in our lithium-ion range, and it's an extremely performant battery and covers best the high end of the battery performance demand market for very demanding customers, two- and three-shift operations, very heavy, not very much time for recharging, so very, very demanding applications.

We have that battery. What we've done over the very rapid development time is add another battery to our segment, this Thor battery, that covers probably about 80% of the market's needs for the battery performance range and is a significant cost reduction vis-à-vis the Thor battery. And we think that's going to be a very good thing for our Industrial Truck & Service sales.

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You also called out the competitive pressure weighing on pricing levels that we mentioned. Hey, that's not new news. As a matter of fact, it basically is the competitive pressure does put a limit on price assertion, but the pricing in the market has always been competitive, and it continues to be rational. So we don't see that as new incremental news and would not want you to interpret it as new incremental news.

And we're very excited about this Thor battery. We've built it. We've developed it between our Asia-Pacific and our European team. We're manufacturing it in Asia. We're assembling it in Asia. We're assembling it in Europe. So it has good local content in both places. And it's a very significant cost reduction, which enhances our competitiveness. We think that's a real good thing.

Akash Gupta: Thank you. And my follow-up is on SCS Q1 orders. I think we heard earlier in preclose call that there were some orders that were slipped from late Q4 to early Q1. So I wanted to ask like if you can give us some indication of how strong Q1 orders can be in terms of either any absolute indication or relative indication. That would be second one. Thank you.

Rob Smith: Akash, the question quality here. Look, you know we don't guide on order intake, Akash. But like every quarter, there are things that slip from the one quarter into future periods. And indeed, there were things that slipped from the fourth quarter into future periods as well.

The point I'd make to you is both the third and the fourth quarter last year were higher than the third and fourth quarter the year before. And we're part of that 40% uplift year-on-year.

And so yes, there's some slippage. There always is things that move quarter to quarter, nothing unusual last year, and a very strong order intake during the full year last year.

Christian pointed out a little bit earlier it could lead you to the wrong conclusion to just look at any one quarter. And it's better to look on several quarters rolling. And you might as well look at the full year last year as a very good improvement versus the full year before.

We've said that the market trough is behind us. It is. Our customers are making good orders. We continue to have a very solid and attractive pipeline.

Maybe I just touch on that. The orders that we have taken since or we've converted, we've won, since 2022 versus the legacy projects before that, look, the other statement I'd make on the profitability increase we're expecting and are delivering in our IAS segment is the orders that we've been taking onboard since 2022 have a margin quality that certainly supports exactly where we expect to drive our business profitability to.

Akash Gupta: Okay. So basically, for Q1, we shouldn't be expecting any massive quarter. So these orders that have shifted from Q4 to Q1, they are not that material to have a very material impact on Q1. Would that be better?

Rob Smith: Akash, have you started giving an order intake guidance?

Akash Gupta: No, I'd just like to get some indication because I think, if you look at consensus and just for the full year, we have consensus orders going down, and you are calling that we have gone past trough, and we are in a growth environment. So I guess you don't give full-year

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order guidance, but I was just wondering if you can help us with Q1, given we are already towards the end of second month.

Rob Smith: No, look, we'll talk about Q1 at the end of April. What I would tell you, though, is absolutely the trough is behind us. We got a 40% uplift last year, and we have a good pipeline in front of us, and we intend to continue to convert orders from that pipeline and bring a good year this year.

Akash Gupta: Thank you.

Gael de-Bray: Thanks very much for taking the questions. The first and very quick one is on the guidance for 2026. So apparently, you included the impact of M&A in the free cash flow guidance. So I was wondering whether the impact of these acquisitions was also embedded in your revenue and EBIT guidance for 2026.

And as we are talking about the guidance, can you also talk about the current competitive and pricing dynamics and the sort of price pressure you've incorporated in your margin assumptions for ITS this year? Thank you.

Christian Harm: So Gael, this is Christian. Maybe I take this one on the M&A, right? So rightly, we have incorporated roughly €200 million in our free cash flow guidance for the year 2026. We have obviously not included effects, neither on the sales side nor on the EBITDA side from those. But particularly, as you know, when you're familiar with M&A processes, that's pretty unclear in terms of when a closing of such transaction is actually taking place. So we have not made any reference to those in our guidance.

When it comes to your second question, which was around sort of dynamics on the pricing, and I guess this question is more related to ITS in that context, we had been reporting that we had sort of a peak in pricing basically around the second quarter of 2024 and then sort of a development throughout '24. We had '25 ongoing sort of competitive situation. Q4 prices were a bit softer than we had, and sort of that will translate obviously in revenue this year, and that's also incorporated in the guidance that we have put out now for ITS.

We are looking at that and say, well, there is obviously competitiveness in the market, and that's weighing on our pricing. That should not be interpreted, though, in terms of as prices would go down, but competitiveness limits the extent to which we are actually able to have a positive price assertion in the market conditions that we are in. And I think that's the meaning of competitiveness weighing on our pricing.

Gael de-Bray: Okay. Understood. And I had a follow-up on the current AI disruption sort of concerns that the market has around software. So I was wondering how you yourselves are facing these risks to your software offering within SCS.

Rob Smith: Gael, I would look at that in a differentiated fashion, right? I think that some of the pressure you're seeing are on workflow types of software. What we're talking about when we discuss, there is a vertical competence that's able to control and orchestrate everything that's inside the four walls of a distribution center or a warehouse and maybe even connecting distribution centers and warehouses up and down the supply chain.

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So AI is enhancing our ability to do that kind of orchestration. And we're talking about physical AI. And that's quite a bit different than maybe you call it white collar AI, right?

Gael de-Bray: Okay. Thank you.

Philippe Lorain: Yes, good afternoon, gentlemen. So I've picked up also from your presentation that you've amended the free cash flow definition to include some other items. So maybe you can give also like a little bit more color on that.

And I read that this adjustment has no impact normally on the free cash flow that you reported for the fiscal year 2025, but I struggle a little bit with that concept. So if you could shed a bit more light on that, why would that not be impacted? Is it just because you are not going to restate that? Thank you.

Christian Harm: Yeah, so Philippe, happy to take the question. And for those of you who have not noticed that, there is a page in the appendix that is explaining that piece that Philippe makes a reference to.

So essentially, we are financing and refinancing our leasing operations and the leasing business that we are doing, right? And sort of we are reporting the refinancing of the leasing in our free cash flow.

That is based on the fact that the financing instruments that we have used so far actually have a dedicated purpose for leasing, right? Going forward, we will also address the broader capital markets for the financing of our leasing with instruments with a general purpose, but still, we're going to use them for the specific usage of refinancing our leasing business.

And to the extent that we do this, and when we do this, and to the extent that we do this, that is launching or issuing an instrument of a general purpose and then use that exclusively for leasing, right, in the leasing refinancing, we will actually adjust the free cash flow definition because that would naturally not be included in the free cash flow under our prior definition but rather be in the financing cash flow.

But in order to actually not distort the free cash flow definition that we had so far, we're going to actually adjust the definition as such, right? We will call that out when and if we do that and to the extent that we do that, but you should ensure that the free cash flow as such is comparable on a year-on-year comparison and also to sort of the disclosure that we had for 2025.

Hope that helps clarifying that.

Philippe Lorain: Okay. So far, in the numbers that you put out for 2026, there's no such impact that you would flag in these numbers. There's just like this €200 million from M&A that you've taken into account.

Christian Harm: Philippe, there is not, but the change of the definition is such that, in case we do this, actually, also the free cash flow as we're reporting it is not changing, right? So that's the notion of the adaptation of the definition that we have given in the appendix that, actually, the free cash flow, if you look at that throughout the year, is actually the same sort of free cash flow that you have looked at also in the past.

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Philippe Lorain: Okay. Perfect. Thanks.

Timothy Lee: Hi, thanks for taking my questions. So my first question is again on the AI potential disruption. So I think you definitely call out how you can provide your customers from what your partnership to help on the improved capability for your customers. But is there also a risk, like your customers can also adopt their own AI development and then to kind of replace some of the works that you guys do or the other system integrators are offering for them? So that's my first question.

Rob Smith: No, you don't need to worry about that, Timothy. We've got a -- we're the best in doing that, and customers are not able to do that without us. And we're using the physical AI to enhance our offering for customers, and customers are really excited about that. So I don't see any -- I don't see the risk or the concern that you have on that, and I would certainly allay those worries.

Christian Harm: May I add on that, Rob, because physical AI means basically you have sensors. You have cameras, all in the entire process, that enables the software to actually perform with the algorithms, the optimization.

But the one without the other in our context doesn't work. And I think that's very important to keep in mind. When we talk physical AI, it's also physical. It's not just software. There is a physical element to that that is very important and that customers definitely don't do on their own.

Timothy Lee: Got it. That's helpful. And my second question is about warehouse automation order outlook again. I think you are not giving any guidance, but can you give us a little bit more color how the difference of the different verticals would look like going forward?

And I think, last year, we had the e-commerce to be very strong, and I think you also have been doing quite well in diversifying the verticals. Then in 2026, can we see, let's say, the non-e-commerce verticals to be the major driver for the order intake? So what's your thoughts on that? Thank you.

Rob Smith: Sure, Timothy. Hey, you bring up a good topic, and that is which other verticals. Clearly, e-commerce is a very important vertical in the Supply Chain Solutions world, but we've got very good penetration and a very good pipeline with plenty of other verticals too, several that were particularly strong last year.

Food and beverage was very strong. General merchandise was very strong. The 3PL vertical was quite strong last year. The healthcare vertical converted very nicely out of the pipeline into orders for us too. Actually, the pure-play e-commerce in the second half of the year was below the second half of the year, the year before. And our ordered intake was, however, up in the second half. Apparel was down a bit year-on-year as well.

Maybe that gives you a little bit of color in those different verticals, but clearly, our automation offering and our intelligent -- by the way, the other element about calling it Intelligent Automation Solutions is exactly what Christian just pointed out, which is this growing excitement and capability and functionality that we're able to drive through the entire physical distribution center using the AI capability in the software.

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But my point is the Intelligent Automation Solutions segment has a very healthy pipeline across many, many verticals and is able to play in each of those.

Timothy Lee: Got it. Very helpful. Thank you.

Lucas Ferhani: Good afternoon, and thanks for taking the question. So the first one would be just on SCS. You're talking the outlook about strong growth at market level in '26 versus '25. Obviously, not everybody had the same performance as you did last year, growing kind of 40%. So do you still expect you can kind of deliver in line with that market growth, or do you expect, given the comps you have, you might be different versus the market in SCS next year?

And just on the margin as well in SCS, what gets you to kind of the bottom of the range where, basically, there's not much or any margin progress versus maybe the top of the range where the margin progress is more in line with what you've seen in the last 2, 3 years? Thank you.

Christian Harm: So Lucas, let me talk about the first one first, right? So ITS sort of, if I understood it right, sort of to what extent do we have a distance to the market development in ITS in the different perspectives? So if you look at our overall development, I think we had a quite good performance in our key markets in EMEA last year, right, which is a result or has been a result of our ability to broaden our offering and address actually a broader part of the market by introducing sort of also products, leveraging our China footprint, right, in addition to sort of the traditional product lines that we have from our European base, right, and broaden our offering in that sense.

So initiatives like Rob talked before, the battery, the lithium-ion battery, the Thor battery or so is sort of addressing the same element, not on the truck level, but then on the battery level, right, broadening our offering and our ability there. That should actually help us to also address the market effectively in that range.

If you look at APAC -- and that's part of the overall picture when we talk about sort of the market is growing at the lower single-digit growth rate, right, so we are talking about the global market there. If you look in Asia, right, and the competition there, I think we are pretty strong there. We are the third largest player in China, and we keep that position, right? But we're also not chasing every deal that is actually out there in China.

And so that is weighing sort of also in the development overall. So therefore, in the big scheme of things, on the overall, on the global level, right, we expect ITS to actually develop from a growth perspective at the midpoint at the market growth rate that, again, is a low single-digit growth rate there.

And your second question was on the SCS or IAS margin I have to say now, right? On the IAS margin, right, to the lower end, the one element is, like we are saying, we have a 12- to 18-month kind of conversion of order intake into revenue. We have comparable order intake from last year, but we still have win-and-do that we actually need to achieve this year, right, and win-and-do, that as revenue will then also contribute to operating leverage in the organization as such and thus into margins, right?

So it's a question in terms of, do we get the win-and-do order intake, and when do we get that actually, right, because that's also an element. Fourth quarter order intake would probably not

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help much for the net sales in the same year. First quarter does. So it's a question also in terms of the timing of the order intake of SCS throughout the year.

Lucas Ferhani: Thank you. Super helpful. And just the first question on the growth was more IAS or SCS. Just obviously, last year, you grew 40% in orders. And obviously, on the guidance, you talk about showing kind of market growth in 2025. So just wondering if it might be different for you, given the growth you saw last year. Are you able to develop in line with kind of market growth also this year in SCS?

Rob Smith: Lucas, let's be real clear. The warehouse automation market did not grow 40% last year. Our order intake did, and we won market share during the course of last year. And we do expect to have a good order intake again this year as well.

Lucas Ferhani: Okay. Perfect. And just the follow-up one is on the 2027 target. You reconfirmed that. Obviously, it's still a bit of a debate. It's not necessarily reflected in consensus. I guess, with the visibility you have in both divisions, and obviously, you have less visibility in ITS, maybe what gives you the confidence to get that gap next year in terms of margin to get to that target? Thank you.

Rob Smith: Thanks for bringing that back up. Look, we are well on track to bring KION and both of our operating segments to over 10% adjusted EBIT margin in 2027.

And Sergen, I'm looking at the clock, and I see there's still a couple. We will certainly take the questions from both Alex's before we finish off the call, even if it goes a little bit past the hour. Okay, Sergen?

Alex Jones: Great, good afternoon. Thanks for taking my questions. Can I start on margins and warehouse automation again? You talked earlier about more than 200 basis points expansion in each of the last 3 years, but if I take the midpoint of '26, you're doing 120 basis points and then speeding up to nearly 300 into '27 to hit the 10%.

Could you just remind us whether there's a clear reason for that sort of nonlinearity margin expansion to slow down a bit in '26, then speed up in '27, or are you just being conservative in a project business with the midpoint of the guide for this year? Thank you.

Rob Smith: We had a little bit of difficulty hearing your question, so I'm going to try it and help you with that, Alex. Look, I called out those four levers. Last year, we finished off another bunch of those legacy projects. This year, we'll finish off a further bunch of legacy projects. There is one that runs into '27, but we expect to close a bunch again this year.

We got a very good performing execution, and subject to no major supply chain disruptions, we expect to continue to have a very good performance on the execution. We shall be continuing to drive the revenue growth in the service business, which will have a good contribution, and then of course, the size of the revenue.

We had a good order book last year or a good order intake last year. As we drive order intake this year, as Christian said, stuff that comes in the first quarter will convert into revenue this year. Stuff that comes in towards the second half of the year will convert in 2027.

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Those four factors together and the performance that we've called out, 270 basis points, 230 basis points, 220 basis points, demonstrate to us and give us confidence that we're well on track for bringing the IAS profitability over the 10% in 2027.

Alex Jones: Okay. Understood. And then maybe if I can follow up on the IT&S revenue guide, at the midpoint, you've got 3% revenue growth there. You've talked about low single-digit volume. You've talked about negative mix. If I look at the FX, it doesn't look as though it's a big driver. So I sort of struggle to get to 3% without pricing being at least neutral if not positive. Is there something I'm missing when trying to put those building blocks together? Thank you.

Christian Harm: Yeah, so you have a mix between new business and service, right, so services performing positively, right, in the midpoint. And then the new business as such, right, we expect to develop in line with the overall market development that we were describing in the low single digit, right?

And then in the new business, obviously, you have the product mix, and you have the pricing. Again, we said it's where pricing is not sort of taking it down, but we see a limitation in terms of our potential to actually have a positive factor from that, but don't underestimate there is also service growth in the ITS, and that gives the mixture of the midpoint revenue guidance that we are giving out.

Alex Jones: Thank you.

Alex Hauenstein: Perfect. Thank you. First part is with regard to ITS. Could you comment, please, about your expected path of fixed cost absorption over the course of the year here? How are additionally the saving effects here over the next four quarters are coming to play and play a role in terms of the margin path for the course of the year? Can you shed a bit of a light on that apart from the usual seasonality, let's say?

Christian Harm: So Alex, in 2026, we will only see sort of slight effects from fixed cost absorption from the operating leverage that we gained through that, right? We came out of the trough of the order intake, right? And we were actually producing and shipping more. That is the function of the order book rundown that was normalizing, right?

As order intake with the market will grow, right, there will be sort of a growing impact of operating leverage and then fixed cost absorption going forward. For 2026, there is some, but it's still limited.

Alex Hauenstein: Okay. And maybe a follow-up on that. In terms of the expected rate of stickiness and the flow-through to the EBIT line to be consistent going forward, what is your way of thinking here? How much of this is sticky, what you are initially getting out of the targets here in terms of the EBIT effect?

Rob Smith: Alex, we're having a hard time hearing you. It's getting cut off. Could you try that one more time so we can give you a good answer to a well-understood question?

Alex Hauenstein: Yes, sure. Sorry for that. I don't know what's happening. So my question is a bit -- the follow-up question is here, how much of the effect on the cost savings are actually flowing through the EBIT line for a consistent basis? How much is sticky on that, and how much is maybe given to the customers again? Any thoughts here?

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Christian Harm: Yeah. So I interpret now that sort of your question is towards the efficiency program and how sticky the effects from the efficiency programs are. Okay. Good. So we have, let's say, implemented last year already, right? We had around about €30 million of effect last year. We have a major part of the effects this year, and we will have slight effects last year.

What we have done is not just -- we have actually done a structural adjustment of our business, our setup, right? And that is done in a way and is meant to actually be a sustainable adjustment of our overall structure, right? And as such, we actually expect that to be a sustainable part of our story going forward.

Alex Hauenstein: Okay. And maybe the last question, if I may, with regard to the partnerships that you were mentioning, I'm wondering whether you could share some more color on the NVIDIA and Accenture partnerships here.

Could you give us a couple of examples maybe? How and on which concrete projects and topics are you partnering here with, and what is really the additional potential top-line and bottom-line effects on growth going forward? It's tricky to say probably, but a bit more light on these things and maybe kind of an idea of what we should look at, at LogiMAT in terms of these --

Rob Smith: That's a nice one to finish up on. Thank you. Thank you for the question, Alex. Look, we announced in the back half -- towards the end of '24, we entered into this partnership with NVIDIA and Accenture to bring physical AI into the real world and the supply chain, in the physical world and the supply chain.

And we demonstrated proof of concept last year. We demonstrated very significant progress at multiple trade shows, starting at CES and then GTC and LogiMAT. Last year, in end of October, at the CMAT in Shanghai, we demonstrated the digital twin using the NVIDIA Omniverse, orchestrating the physical products that were on the stand floor, moving in an orchestrated fashion, driven by the digital twin.

And what we -- having proved the concept last year, we started some lighthouse customer projects underway. We expect to feature one at GTC in March and to demonstrate that the physical AI is in customer projects and is coming into the world.

And we think that will have an increasing take rate, and we think that'll have an increasing impact, and it'll be driving revenue lines, and it'll be driving EBIT lines in the future.

So we're very excited to have started that work, to have demonstrated the proof of its concept last year, and to have customer lighthouses underway that we shall be featuring at different trade shows and events during the course of this year.

Alex Hauenstein: Okay. Great. I'm going to have a look, if possible. We're looking forward to it. Thank you.

Rob Smith: You're welcome to come see us in LogiMAT, as a matter of fact. We'd be delighted to see you there. Watch for us at GTC. You can come see us at the Hannover Messe as well. So come on.

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Operator: Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Rob Smith for any closing remarks.

Rob Smith: Sergen, thank you. And thanks to all of you for joining our call today and your many very, very good questions. We thought they were hitting the right spot, and we're happy we could discuss those with you.

We're looking forward to continuing this dialog and discussions in the next weeks to come. And we'll see you back here for our Q1 Results Call at the end of April. Thanks everyone. Goodbye now.