New Segmentation and IFRS 18: Reporting Implications

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Cover slide:

Thank you Matilde. Welcome, and thank you for joining today's call.

Today we want to provide you with an early and detailed introduction to two important changes that will affect how you see and model KION from 2027 onwards.

First, we are introducing a dedicated Financial Services segment. Second, IFRS 18 becomes effective from 1 January 2027 and changes the presentation of our financial statements.

These changes will have visible effects on several of the metrics you are familiar with, including revenue, profitability, free cash flow, ROCE, indebtedness and leverage. However, one message is important from the outset: these are primarily changes in segmentation, accounting presentation and KPI definitions. They do not change the underlying economics of our business.

Our objective today is therefore to give you sufficient transparency to understand the mechanics and prepare your models ahead of the transition.

Let me start with the key messages on **Slide 2**. From 2027, KION will report three operating segments rather than two: ITS, IAS and the new Financial Services segment with the acronym FS. Plus the Corporate Services segment as before.

The majority of our leasing business will be separated from ITS into Financial Services. This reflects the increasing importance and specific economics of leasing and gives us greater transparency, more dedicated steering and additional flexibility in funding.

In parallel, IFRS 18 changes the structure of the income statement. The familiar EBIT subtotal will disappear and Operating Profit will become the relevant subtotal under IFRS for KION.

The important modeling point is that several headline KPIs will mechanically look different. Based on the pro forma 2025 numbers, revenue will be higher, the operating margin will be somewhat lower, while ROCE and leverage will be higher than we have originally reported on 2025.

None of those movements, in themselves, represents a deterioration or improvement in the underlying business.

For the new Financial Services segment, we will introduce Return on Equity as the core profitability and capital-efficiency measure.

If you remember only one point from today's presentation, it should be this: the economics stay the same, but the way those economics appear in our reporting changes materially.

Slide 3 lays out today's agenda. We will proceed in three steps.

First, I will explain the rationale for Financial Services and the relevant IFRS 18 changes.

Second, we will go through the reporting implications in some detail. This is the most important section for your models because we will bridge the existing KPIs to the new definitions.

And finally, we will summarize the key points and explain the transition timetable through our 2026 full-year results and into Q1 2027.

Moving on to **slide 4.** Let me start with why we are making this change.

Leasing has become a significant business for KION. Leasing-related assets increased from approximately 2.4 billion euros in 2018 to almost 4.9 billion euros in 2025. That is a compound annual growth rate of around 11%.

Today, leasing-related assets represent approximately 27% of KION's total assets, while leasing-related revenues represent approximately 22% of ITS revenue.

But size is only part of the argument. Leasing also has fundamentally different economics than our industrial activities.

It is a long-duration, asset-backed, resilient business model with distinct funding requirement and cash-flow profile. It allows us to optimize economics over the entire truck lifecycle rather than simply at the original point of sale.

That increasing scale and the different economic profile led to the decision to establish a separate segment.

From 1 January 2027, the dedicated Financial Services segment should therefore give you better visibility into both the industrial businesses and the economics of the leasing portfolio. It should also improve our own steering and broaden the options available to fund the business.

I now continue on **slide 5** which shows the organizational change.

Today, KION has two operating segments, ITS and IAS, with Financial Services economically embedded within ITS.

From January 2027, Financial Services becomes our third operating segment.

Initially, this segment will comprise the existing Financial Services captive entities. We will explain captives in more details on the next page. These so-called captives will account for around 70% of the leasing business at the start, with that share expected to increase over time.

Whenever we refer going forward to the Industry business, we mean KION excluding the Financial Services segment.

There is an important nuance here for your models: Financial Services and leasing are not completely synonymous. A portion of the leasing business will remain in ITS. We will explain that distinction on the next slides because it becomes important when interpreting cash flow and segment performance.

Slide 6 lays out what we mean with Captives, as not all of you may be familiar with the concept.

A captive is an entity dedicated to financing the products of one manufacturer or brand. This is quite frequently seen with automakers or heavy truck companies.

Our Financial Services captives are dedicated entities through which we provide financing and leasing solutions for KION equipment.

Currently, these captive entities exist in seven European countries. Around 70% of KION's leasing-related assets are already held in these entities.

This structure provides several benefits. It allows specialized contract and risk management and enables funding structures such as asset-backed securitization, which can provide attractive funding costs.

Our intention is to increase the captive share over time. In countries where we already have a captive, the non-captive leasing business can migrate as contracts expire. We may also add captive entities or branches in further geographies. Leasing business in Sales & Service entities will continue to be reported in ITS.

Continuing on **slide 7**.

FS initially won’t include every leasing-related activity. This distinction is important.

The new FS segment captures the long-term leasing activity that is transacted through our captive entities.

The conventional industrial activities remain in ITS: direct sales of new trucks, after-sales, short-term rental and used trucks.

And, as I mentioned earlier, leasing conducted outside our captives will initially also remain within ITS.

So please do not model FS simply by carving all leasing revenue and assets out of ITS.

This is particularly relevant when looking at the new Industrial Free Cash Flow KPI later in the presentation. FS cash flow is not identical to total leasing cash flow because some leasing activity continues to reside within ITS.

Continuing on **slide 8**.

This slide explains one of the most important mechanics following the introduction of the Financial Services segment.

Today, the direct-sale business and the leasing business are both reflected within ITS. This means that truck economics and leasing economics are combined within one segment.

Going forward, when an ITS truck enters a lease through Financial Services, ITS will sell that truck to FS.

ITS therefore recognizes the truck sale as New Business revenue and recognizes the associated product margin upfront. Financial Services then holds the leasing contract with the customer and earns the corresponding finance or interest margin over the contract term.

At KION Group level, the intra-group revenue between ITS and FS is eliminated. Reporting of the external business of ITS with end customers remains unchanged.

At segment level this will provide a much clearer picture: ITS generates and reports the industrial product margin, while FS reports the economics of financing and managing the lease portfolio.

For analysts, that means ITS segment revenue will mechanically increase because transactions with FS become segment revenue even though they are eliminated in the consolidation for the Group.

I am now on **slide 9.**

Because FS is fundamentally a capital and balance-sheet business, an operating margin alone would not give us the best measure of performance.

We will therefore use Return on Equity as the core KPI for Financial Services.

We define FS RoE as the last 12 months' profit before tax divided by average equity based on the last five quarterly reporting dates.

On a pro forma 2025 basis, the RoE of FS would have been 12.3%.

Why RoE? Because it combines profitability with capital efficiency. Our objective is to optimize the interest margin and efficiently manage the portfolio and customer risk while using an appropriate amount of equity.

We currently envisage a debt-to-equity ratio of around 9 to 1, based on assumed volume growth and without requiring equity injections from the industrial business.

The actual FS RoE target will be communicated in March 2027 together with our 2027 outlook.

For modeling purposes, I would encourage you to think about FS primarily as a spread, risk and capital-efficiency business, rather than benchmarking its operating margin directly against ITS or IAS.

We now move from segmentation on to the topic of IFRS 18 on **slide 10**.

IFRS 18 replaces IAS 1 and becomes effective on 1 January 2027. Importantly, our 2026 comparative information will therefore also need to be presented on the new basis.

There are three elements relevant for today's discussion.

First, the income statement gets a new structure, including mandatory operating, investing and financing categories and two new required subtotals 'Operating Profit' and "Profit before financing and income tax".

Second, IFRS 18 introduces enhanced aggregation and disaggregation requirements.

And third, there are additional disclosure requirements for management-defined performance measures.

For KION specifically, one particularly important conclusion is that under IFRS 18 our leasing activity qualifies as a so-called 'specified main business activity'. As a result, certain leasing-related interest income and expenses that previously sat in the financial result now become part of Operating Profit.

That classification drives several of the changes in revenue and operating profit that you will see in the following slides.

Slide 11 shows what the new income statement will look like.

The operating category runs from revenue through to Operating Profit. The investing category then captures items such as results from associates and joint ventures and other investment income such as interest income on cash or from financial assets. Below that, financing expenses are shown before profit before tax.

Therefore the familiar EBIT subtotal disappears from the statutory P&L.

For KION, the most important practical impact is that leasing-related interest moves into Gross Profit and therefore into the operating result because, as said before, leasing is a specified main business activity.

This means that comparisons between historical EBIT and future Operating Profit need to be made carefully.

The important point to stress again: This is about presentation of income and expense. It is not about changing profitability.

It all comes together again on the profit before tax line, which will remain unchanged and continue to be comparable to historical figures.

Slide12: With that foundation in place, let us move to the most important part for your financial models.

We will now translate the segmentation and IFRS 18 changes into their impact on reported revenue, Adjusted Operating Profit, free cash flow, ROCE, debt and leverage.

The examples use pro forma 2025 data so that you can see the mechanics on a concrete numerical basis.

Continuing on **slide 13** which is effectively the map for the reporting framework from 2027 onwards.

At Group level, revenue remains with the new definition, but Adjusted EBIT is replaced by Adjusted Operating Profit.

For cash generation, today's KION Free Cash Flow will be replaced by Industrial Free Cash Flow, separating the Financial Services cash-flow from the industrial businesses.

We will retain ROCE as a KPI, but with a revised nominator consistent with the new Operating Profit definition and a new capital employed definition.

Our indebtedness presentation will also change.

At segment level, ITS and IAS will report revenue and Adjusted Operating Profit. Financial Services will, most importantly, report FS Return on Equity.

So when you roll your models from 2026 into 2027, you should not simply rename the historical KPIs. In several cases the definitions and calculation bases genuinely change.

We will provide restated 2026 comparatives alongside the 2027 outlook in March in the new reporting structure so that you have an appropriate basis for comparison.

Slide 14 presents the impact on Revenue.

On the reported 2025 basis, KION revenue was approximately 11.297 billion euros.

Under IFRS 18, approximately 194 million euros of Finance Lease interest income moves into revenue because leasing is one of our specified main business activities. The corresponding amount previously appeared in financial income.

For Operating Lease contracts, all income, including the interest component, was already presented within revenue and therefore remains unchanged under IFRS 18

That brings IFRS 18 restated revenue to approximately 11.491 billion euros, or 1.7% higher.

This is purely presentational. It does not mean an additional 194 million euros of customer activity or economic value has suddenly been created.

So for your historical comparisons, please normalize for this effect rather than interpreting the uplift as organic growth.

Furthermore, there is no change in the fundamental revenue-recognition timing logic for the underlying lease contracts.

Continuing on **slide 15** with the profitability bridge, which is slightly more complex.

We start with 2025 reported Adjusted EBIT of 789 million euros, representing a 7.0% margin under today's presentation.

We add approximately 194 million euros of leasing interest income relating to Finance Lease. We also bring approximately 195 million euros of leasing-related interest expense relating to both Finance and Operating Lease into the operating performance.

As a reminder, for Operating Lease contracts, all income, including the interest component, was already presented in the operating performance and therefore remains unchanged under IFRS 18

We then remove around €11 million euros relating to equity-accounted investments from the operating category, and there is another approximately 11 million euros of other changes.

The result is a pro forma Adjusted Operating Profit of 766 million euros and an Adjusted Operating Profit margin of 6.7%.

So compared with today's 7.0% Adjusted EBIT margin, the new margin is mechanically lower.

That should not be interpreted as 30 basis points of operational deterioration.

The classification boundary has changed and revenue has increased while Adjusted Operating Profit is lower than Adjusted EBIT. That is an important point when assessing both historical performance and our future outlook.

Profit before tax remains unaffected by these IFRS 18 and segmentation changes.

Let's talk about free cash flow on **Slide 16**.

The cash flow presentation will also change quite materially, so this is another area where historical comparisons need to be made carefully.

Reported fiscal 2025 operating cash flow was approximately 1.132 billion euros. IFRS 18-related reclassifications reduce that by around 192 million euros. You see this in the second column from the left. We will discuss these reclassifications in more detail on the next slide.

These reclassifications result in an IFRS 18-restated operating cash flow of approximately 940 million euros.

IFRS 18 has only a minor impact on the investing cash flow, so that KION Free Cash Flow moves from approximately 710 million euros reported to approximately 518 million euros on an IFRS 18-restated basis.

The segmentation of Financial Services allows for separation of the majority of the lease business from KION's industrial business. Accordingly, we separate the free cash flow of the Financial Services segment. On this pro forma basis, Financial Services free cash flow is approximately minus - 280 million euros. Adding positive 307.5 million euro cash flow from financing activities, total cash flow of the FS segment is slightly positive at 27.5 million euros.

Removing Financial Services from KION Free Cash Flow gives us Industrial Free Cash Flow of approximately 797 million euros.

From 2027, Industrial FCF becomes the key KPI for KION for steering cash generation and liquidity. We want the KPI to give us and you a meaningful view of cash performance from the industrial operations under the new reporting architecture.

One nuance is very important: Free Cash Flow of the Financial Services segment is not the same as KION Leasing Free Cash Flow, because, as we explained earlier, some leasing activities remain in ITS.

Slide 17 lays out the changes in Operating Cash Flow that we referred to on the previous slide.

Going forward, KION will use both special purpose refinancing instruments as well as general-purpose instruments to fund leasing and rental assets.

Due to IFRS 18, the presentation of leasing and rental related funding cash flows will change and moved from operating into financing activities. Investments in the lease and rental portfolio remain in operating activities.

For the 2025 example, the principal movements include 426.2 million euros of changes in lease liabilities being reclassified to financing activities, together with changes in rental liabilities in the amount of 8.1 million euros, the interest expenses related to leasing and rental of 213.5 million euros as well as smaller other effects in the amount of 13.1 million euros.

The net effect is a reduction of approximately 191.5 million euros in operating cash flow, with the offset in financing cash flow.

The key analytical point is that the reclassification between operating and financing cash flow does not change total cash flow.

Again, this change is reason we are introducing Industrial Free Cash Flow as the core KPI. We want the KPI to give you a meaningful view of cash performance from the industrial operations under the new reporting architecture.

Slide 18 presents the new ROCE definition.

ROCE also needs to be adjusted because both sides of the equation have to be aligned.

Going forward, the profit numerator becomes Adjusted Operating Profit rather than Adjusted EBIT.

We then adjust capital employed so that the denominator corresponds to the items represented in Operating Profit.

In particular, leased assets are excluded from capital employed. Since the associated financing cost is reflected within Operating Profit under the new approach, the interest for the associated liability has been covered so that the assets can be deducted from capital employed.

Associated companies are also excluded from capital employed because the corresponding income is no longer part of Operating Profit.

The result is somewhat counterintuitive: despite the lower profit KPI in the fiscal 2025 example, ROCE is structurally higher, because the reduction in the capital employed denominator is proportionately larger.

This is another metric where a direct comparison between the old and new KPI definition would therefore be misleading.

The higher ROCE is not evidence that KION suddenly became more capital efficient overnight. It is simply the effect of a different KPI definition.

This brings us to indebtedness on **slide 19**.

Today, our debt table starts from corporate debt as financial debt and goes down to Industrial Net Debt that excludes lease liabilities funded through special-purpose refinancing instruments.

In the table to the right, we have added those lease liabilities to arrive at Net Debt.

From 2027, the mechanics change because leasing will be financed through both special purpose and increasingly through general purpose instruments.

We will therefore start from a broader definition of interest-bearing liabilities, excluding pensions.

We then derive Net Debt excluding Leasing Business by deducting liabilities used in refinancing of leasing business from both Financial Services and ITS from Net Debt.

An important modelling point is that this new measure is above the current Industrial Net Debt measure indicated by the values in green circles in the chart.

A key reason relates to the allocation of the Financial Services cash pool within intra-group financing of 300.5 million euro in 2025. That excess cash at FS was lent to Corporate Services and used for general group financing purposes. Going forward FS will use this cash for refinancing its leased assets and therefore reducing its liabilities related to leasing business.

The overall Net Debt is identical under the new presentation of indebtedness. So, it is clear that KION did not suddenly take on additional economic debt on day one of the new reporting structure. Rather the starting point and allocation framework for the KPI have changed.

Moving on to Leverage on **slide 20**.

The changes in the indebtedness presentation naturally flow through into leverage.

Under the current presentation, the 2025 leverage ratio is 1.4 times. Under the future methodology, it becomes approximately 2.1 times.

There are three main drivers for this change.

First, the starting level of industrial net debt is higher under the revised definition. This goes back to what has been explained on the previous slide.

Second, the denominator changes from EBITDA to OPDAI, or Operating Profit before depreciation, amortization and impairments which is structurally lower, comparable to the difference between Adjusted EBIT and Adjusted Operating Profit as explained earlier.

Third, the contribution of the leasing business from both Financial Services and the portion that remains in ITS, is deducted from the denominator to create a like-for-like comparison between the industrial debt measure and industrial earnings.

The move from 1.4 times to 2.1 times should therefore not be interpreted as a sudden deterioration in KION's credit profile. It is predominantly the mathematical consequence of changing both the numerator and denominator to align them with the new segmentation.

The table on **slide 21** brings all effects together at Group and segment level.

The key point is that the changes do not affect all parts of KION equally.

At Group level, IFRS 18 including the reclassification of the Leasing Business as a consequence, affects the presentation of revenue, operating profitability, and capital efficiency while the Financial Services segmentation changes our presentation of cash flow, leverage, and indebtedness.

For ITS, the creation of FS changes the perimeter and introduces additional internal transactions with Financial Services, affecting presentation of revenue and operating profitability.

Financial Services will be disclosed separately with its own revenue and profitability profile and, most importantly, its own Return on Equity KPI.

IAS remains unaffected from these changes.

Finally, you should expect the Corporate Services and Consolidation column to become more important mechanically, because creating FS generates additional intercompany transactions between ITS and FS that have to be eliminated at Group level.

Reporting of the external business of ITS with end customers remains unchanged. With regard to profitability, the eliminations relate to the factory margin of ITS from Operating Lease contracts that are sold to FS and where revenue and margin is recognized over the contract term.

That is particularly relevant when building sum-of-the-segments models: segment revenues cannot simply be added together without consolidation eliminations.

Slide 22: That concludes the detailed mechanics.

Let me now pull the key points together and, importantly, explain what information you will receive from us to enable the transition of your models.

Please turn to **slide 23** for a quick summary.

There are five messages I would like you to take away from today.

First, from 1 January 2027, KION will report a dedicated Financial Services segment alongside ITS and IAS.

Second, the majority of the Leasing Business will be separated from ITS, improving transparency and allowing us to manage both the industrial and financial services activities with KPIs suited to their respective economics.

Third, IFRS 18 changes the structure of our income statement and makes Operating Profit the relevant new profitability subtotal.

Fourth, several of our KPIs consequently change. Financial Services gets a dedicated RoE, and our definitions of free cash flow, ROCE, indebtedness and leverage are adapted.

And fifth, the most important message: the numbers will look different, but the underlying economics of KION do not change as a result of the new reporting framework.

That distinction should remain front of mind when moving from historical reported figures into your 2027 models.

Slide 24 lays out what you can expect next.

We acknowledge that there are quite some changes here and that you maybe need a second or third review to understand them. That is why we have decided not to provide a Q&A directly with this call.

Instead, I would like to ask you to go through these pages at your own speed and time and then direct your questions to our IR team over the next days.

We will collect and group these questions and provide a FAQ on our IR website. We imagine many of you will have similar questions and where questions are different, you may benefit from each other's questions. This is probably more efficient than answering questions on a bilateral basis.

Then on March 4th, 2027, we will report FY 2026 under the current reporting structure.

We will also provide both full year and quarterly 2026 comparative figures in the new reporting structure so that you will have the comparative information needed to recalibrate your models before the first 2027 quarterly results. We also intend to update this presentation based on FY2026.

Finally, we will provide our 2027 outlook in the new reporting structure.

Then, on 29 April 2027, Q1 2027 will be the first regular quarterly reporting period under the new structure.

Thank you again for your time and patience today. I know this is neither an easy nor an entertaining topic. Please remember to connect with the IR team with your questions, I look forward to seeing them.

I now hand back to Matilde to close up this call.