Leasing Business Deep Dive

Update FY 2024

Frankfurt/Main, March 2025

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Agenda

1. **Business Model and Strategy**
2. Funding
3. Risk Management
4. Lease Accounting & Reporting
5. Key takeaways

Integrated Business Model within Industrial Trucks & Services

Leasing is an important component growing the business

New truck sales

- Technology and innovation leadership
- Tailor-made solutions and customer options
- Optimized total cost of ownership
- Multiple brands for multiple segments / markets

Around half of new truck sales carry leasing contracts

Financial services

- Sales support vehicle with benefit for aftermarket and service activities
- Integrated within regular sales process
- Long-term customer relationships

PRODUCTS

SERVICES

Ongoing customer relation-ship (e.g. short-term rental) triggers new truck sales

Many customer and most leasing contracts linked to service contracts

Short-term rental & used trucks

- Rental offering to match customers' capacity needs
- Integrated in industrial segments Linde MH and STILL
- Used truck sales from lease contracts

After duration of leasing, trucks are used in rental fleet or sold as used trucks

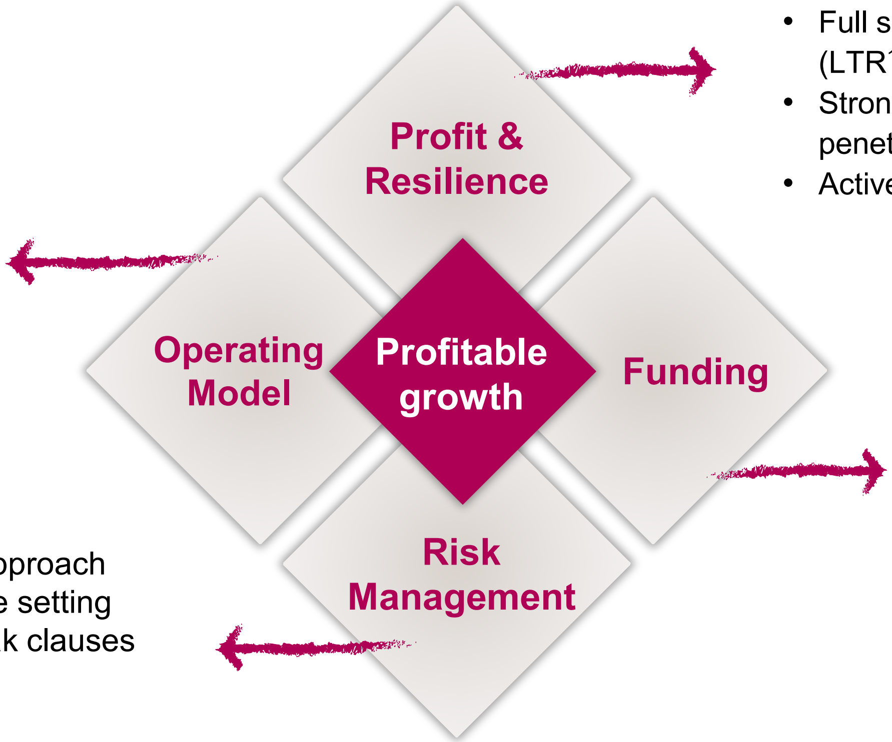
Service solutions & aftersales

- Proximity with global service network
- Service contracts
- Proprietary spare parts
- Solutions approach including fleet data management, automation and intralogistics services

Leasing and Rental Strategy

Integrated approach to drive profitable growth

- Serve customers' needs
- Full integration into regional sales structures
- Central steering body for setting guard railing
- Separated captives in bigger markets



- Full support of life cycle management (LTR[1], STR[2], service, used trucks)
- Strong customer focus to optimized penetration and retention
- Active asset management

- Optimized structure to offer competitive funding
- Diversified funding-partner portfolio for stable access to market
- Matched funding (currency, interest rate, maturity)

- Asset focused credit risk approach
- Conservative residual value setting
- Close management of break clauses

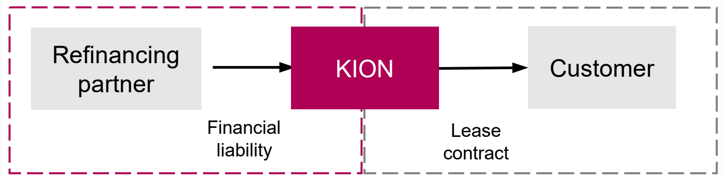
[1] Long-term rental [2] Short-term rental

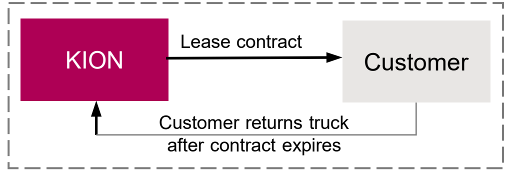
Lease Accounting – KION's Leasing and Rental Business

Contract and financing structure overview

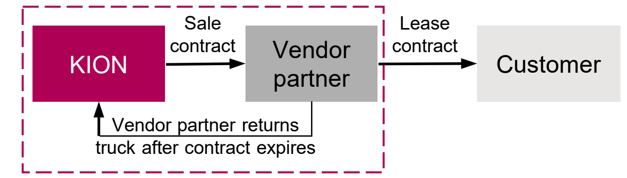
Rental business (Short-Term) | **Leasing business (Long-Term)**

Direct business





Indirect business



Sale & Leaseback, Rental Facility, self-funded

Sale & Leaseback, ABS[1], Lease Facility, self-funded

Vendor financing

Operating lease (OL) - Sales over lease term; accounted for as leased / rental asset

Finance lease (FL) - Sales at point in time; accounted for as lease receivable

[1] Asset-backed securities

Agenda

1. Business Model and Strategy
2. **Funding**
3. Risk Management
4. Lease Accounting & Reporting
5. Key takeaways

Funding Structure of Leasing & Short-Term Rental Business

Increasing share of ABS / RCF optimizing funding condition

Instrument	Balance Sheet Position in €m[1]	Maturity Matched Funding	Interest Matched Funding
ABS (Asset-backed securities)	1,731 1,503 1,362	✓	✓
SALB (Sale-and-Leaseback)	1,891 1,673 1,499	✓	✓
Indirect Leasing (Vendor Financing)	127 136 166	✓	✓
Lease/Rental Facility (incl. Revolving Credit Facility)	1,473 1,161 732	✓	✓

[1] Excluding deferred income

FY 2024
FY 2023
FY 2022

Source: KION Group, Annual Report 2024, p. 349-350

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3. **Risk Management**
4. Lease Accounting & Reporting
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Risk Management Categories

All risk categories are actively managed and mitigated

Residual Value Risk

- **Conservative residual value strategy** in place since FY 2001
- LTR[1] residual values allow for attractive profit margins in our used truck business
- KION has never recorded significant aggregated residual value losses

Customer Default Risk

- Customer **default costs** are **below 20 basis points** per year
- Differentiated, asset-based risk approach leads to very low refusal rate
- Increasing use of automated scoring

Break Clause Risk

- **Very low percentage rate** of contracts **carry a break clause risk**
- Utilization of break clauses has been rare
- No material impact on results
- Future customer utilization is expected to remain low

[1] Long-term rental

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1. Business Model and Strategy
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4. **Lease Accounting & Reporting**
5. Key takeaways

Lease Accounting – Balance Sheet

Increase in (lease) liabilities resulting from growth of leasing business

Assets

in € million	Dec. 31, 2024	Dec. 31, 2023
Goodwill	3,648.2	3,558.0
Other intangible assets	2,166.7	2,106.9
Leased assets	**1,631.5**	**1,454.9**
Rental assets	**805.2**	**737.8**
Other property, plant and equipment	1,986.1	1,749.9
Equity-accounted investments	110.3	103.6
Lease receivables	**2,088.9**	**1,701.9**
Other financial assets	208.6	187.5
Other assets	101.6	121.3
Deferred taxes	489.3	443.2
Non-current assets	**13,236.4**	**12,165.1**
Inventories	1,748.6	1,817.1
Lease receivables	**723.8**	**612.5**
Contract assets	278.1	403.3
Trade receivables	1,695.6	1,755.8
Income tax receivables	63.6	41.5
Other financial assets	76.2	65.5
Other assets	196.1	160.6
Cash and cash equivalents	787.0	311.8
Assets held for sale	–	55.2
Current assets	**5,569.0**	**5,223.3**
Total assets	**18,805.4**	**17,388.4**

Equity and liabilities

in € million	Dec. 31, 2024	Dec. 31, 2023
Equity	**6,207.1**	**5,772.7**
Retirement benefit obligation and similar obligations	747.5	775.7
Financial liabilities[1]	1,002.0	1,306.6
Liabilities from lease business	**3,225.3**	**2,715.5**
Liabilities from short-term rental business	**585.5**	**509.9**
Other provisions	213.1	173.7
Other financial liabilities	663.1	556.0
Other liabilities[2]	**204.9**	**177.7**
Deferred taxes	446.7	448.9
Non-current liabilities	**7,088.1**	**6,663.9**
Financial liabilities[1]	698.3	215.8
Liabilities from lease business	**1,182.2**	**1,040.7**
Liabilities from short-term rental business	**228.7**	**206.7**
Contract liabilities	778.6	773.3
Trade payables	1,160.4	1,194.0
Income tax liabilities	75.0	89.3
Other provisions	269.4	278.6
Other financial liabilities	313.9	328.5
Other liabilities[2]	**803.8**	**779.8**
Liabilities directly associated with assets held for sale	–	45.2
Current liabilities	**5,510.2**	**4,951.8**
Total equity and liabilities	**18,805.4**	**17,388.4**

[1] Prior-year figures have been adjusted due to the retrospective application of the amendments to IAS 1
[2] Also contains non-lease related items

Overview

- Many of KION Group's balance sheet items are related to leasing business, especially:
  - **Leased assets**
  - **Rental assets**
  - **Lease receivables**
  - **Liabilities from lease business**
  - **Liabilities from short-term rental business**
- In general, the development on the asset and liability side of the balance sheet are highly correlated
- Therefore, an increase in liabilities is resulting from an increase in leasing business (i.e., lease related assets) and / or a higher dedicated refinancing portion of our leasing business
- Valuable information on KION Group's leasing business can be found in the Notes to the consolidated financial statements

Source: KION Group, Annual Report 2024, p. 280-281

Lease Accounting – Balance Sheet

Direct leasing business drives KION's balance sheet

Leasing and rental balances as at Dec 31, 2024 (2023)

Leasing business

Leased assets
€1,631.5m (€1,454.9m)

Lease receivables
€2,812.7m (€2,314.4m)

Liabilities from lease business
€4,407.5m (€3,756.2m)

Deferred revenues[1]
€182.7m (€165.0m)

Rental business

Rental assets
€805.2m (€737.8m)

Liabilities from short-term rental business
€814.1m (€716.6m)

Deferred revenues[1]
€0.3m (€3.5m)

Direct vs. indirect leasing as at Dec 31, 2024 (2023)

Direct

Leased assets
(operating lease)
€1,366.8m (€1,199.4m)

Lease receivables
(finance lease)
€2,812.7m (€2,314.4m)

Liabilities from lease business
€4,280.5m (€3,620.5m)

Deferred revenues[1]
€0.1m (€0.6m)

Indirect

Leased assets
€264.8m (€255.5m)

Liabilities from lease business (residual value)
€127.0m (€135.7m)

Deferred revenues[1]
€182.6m (€164.4m)

[1] Contained in "other liabilities"

Source: KION Group, Annual Report 2024, p. 323-324, 328, 349-350, 354

Lease Accounting – Income Statement

Leasing business contributes 16% to total KION revenue

Condensed Consolidated income statement

in € million	2024	2023
Revenue	11,503.2	11,433.7
Cost of sales	–8,409.7	–8,652.5
Gross profit	**3,093.5**	**2,781.2**
Selling expenses	–1,206.5	–1,143.3
Research and development costs	–259.6	–235.1
Administrative expenses	–834.9	–760.9
Other income	115.3	136.0
Other expenses	–145.4	–130.2
Profit from equity-accounted investments	15.4	12.8
Earnings before interest and tax	**777.8**	**660.6**
Financial income	302.0	207.8
Financial expenses	–490.0	–408.6
Net financial expenses	**–188.0**	**–200.8**
Earnings before tax	**589.8**	**459.8**

Revenue with third parties by product category

in € million	2024	2023
Industrial Trucks & Services	**8,593.5**	**8,464.2**
New business	4,484.4	4,465.2
Service business	4,109.1	3,999.0
– Aftersales	2,158.7	2,089.7
– Rental business	1,190.3	1,163.6
– Used trucks	468.0	460.8
– Other	292.1	284.9
Supply Chain Solutions	**2,906.2**	**2,968.4**
Business solutions	1,715.4	1,930.9
Service business	1,190.8	1,037.4
Corporate Services	**3.5**	**1.1**
Total revenue	**11,503.2**	**11,433.7**

Leasing (FL) = €1,190m (2023: €989m)

Leasing (OL) = €619m (2023: €575m)
Rental (OL) = €571m (2023: €589m)

- Leasing & Rental business accounts for 21% of total KION revenue and 28% of total ITS revenue
- Leasing only (FL & OL) accounts for 16% of total KION revenue
- Share of finance lease revenue from New business amounts to 27%

Source: KION Group, Annual Report 2024, p. 87, 94, 278

Lease Accounting – Income Statement

Timely recognition of income differs between finance and operating Lease

FY 2024	LTR[1] (FL)	LTR[1] (OL)	STR[2] (OL)
Business line	**New business**	**Rental business**	**Rental business**
Recognition			
Revenue (FY 2023)	**€1,190m** (€989m)	**€619m** (€575m)	**€571m** (€589m)
Cost of sales, SG&A			
= EBIT impact			
Financial income	✓	✗	✗
Financial expense	✓	✓	✓
= EBT impact			

At commencement of the lease contract **Over time**

[1] Long-term rental [2] Short-term rental

finance lease (FL) vs. operating lease (OL)

- (In-) direct leasing business classified as a **finance lease** generates revenue and cost of sales at commencement of the lease contract
- (In-) direct leasing business classified as an **operating lease** generates revenues and cost of sales (i.e., depreciation) over the lease term
- Refinancing of KION´s leasing business causes financial expenses (finance and operating lease) as well as interest income (finance lease)
- Customer payments made under **operating leases** are fully recognized as revenue, covering amortization and interest

Source: KION Group, Annual Report 2024, p. 94, 310-317

Lease Accounting – Cash Flow Statement

Leasing business is operating cash flow accretive

Consolidated statement of cash flows

in € million	2024	2023
Earnings before interest and tax	**777.8**	**660.6**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets without lease and rental assets	546.3	485.5
Depreciation and impairment minus reversals of impairment on lease and rental assets	**592.9**	**567.5**
Non-cash reversals of deferred revenue from lease business	**–78.9**	**–91.8**
Other non-cash income (–)/expenses (+)	12.5	16.6
Gains (–)/losses (+) on disposal of non-current assets	–5.6	–5.9
Change in assets/liabilities from lease and short-term rental business	**–543.1**	**–461.8**
thereof change in leased assets (excluding depreciation and interest) and receivables/liabilities from lease business	**–270.1**	**–214.1**
thereof change in rental assets (excluding depreciation and interest) and liabilities from short-term rental business	**–186.6**	**–186.8**
thereof interest received from lease business	**140.2**	**102.0**
thereof interest paid from lease and short-term rental business	**–226.6**	**–162.9**
Change in net working capital	243.0	27.5
thereof inventories	93.8	–31.7
thereof trade receivables and trade payables	34.2	–22.3
thereof contract assets and contract liabilities	115.0	81.4
Cash payments for defined benefit obligations	–84.5	–85.9
Change in other provisions	19.3	81.1
Change in other operating assets/liabilities	–6.3	130.5
Taxes paid	–302.9	–180.0
Cash flow from operating activities	**1,170.6**	**1,144.0**

1

2

3

Understanding the cash flow statement

KION's leasing business is presented as operating cash flow

1. EBIT is the basis for the (indirect) calculation of the operating cash flow (OCF) incl. EBIT from leasing & rental business

2. Due to the indirect determination of the OCF, non-cash leasing items included in EBIT, i.e., depreciation €592.9m (2023: €567.5m) and deferred revenue of –€78.9m (2023: –€91.8m) are reversed = **+€514.0m** (2023: +€475.7m)

3. Changes in leased assets, rental assets as well as lease receivables and dedicated liabilities are off-set against each other **= -€543.1m** (2023: -€461.8m)

→ Taking all relevant lease positions into consideration, leasing and rental business activities usually have a **positive OCF effect**

Source: KION Group, Annual Report 2024, p. 282

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1. Business Model and Strategy
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5. **Key takeaways**

Leasing Business Deep Dive

Key takeaways

1. Leasing business is an **important component** of the integrated ITS business model
2. **Well managed risk profile** with **resilient income streams**
3. Optimized refinancing structure supports **competitive funding costs**
4. Leasing operations are **EBIT and operating cash flow accretive**

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