



Gordon Riske,

Chief Executive Officer of KION GROUP AG

**Annual General Meeting of
KION GROUP AG**

Frankfurt, July 16, 2020

Check against delivery.

1. Welcoming introduction

- Ladies and gentlemen: shareholders, friends, and supporters of the KION Group,

On behalf of our 35,000 employees and the whole Executive Board: Welcome to this year's Annual General Meeting!

- I am welcoming you today in somewhat unusual circumstances. Holding the Annual General Meeting as a purely online event is a first for KION – as it is for many other companies. Legislative requirements have been changed as a result of the coronavirus crisis, meaning that we can now hold an Annual General Meeting without our shareholders being physically present.
- The decision to hold the meeting in this form was not one that we made lightly. However, we firmly believe that by doing so, we are helping to contain the spread of the virus. Health and safety is the highest priority for the KION Group – and naturally that also applies to all participants in the Annual General Meeting.

2. KION plays a critical role in society

- The past few weeks and months have been an enormous challenge for us all. But this pandemic has shown what a critical role the KION Group plays in society – specifically in maintaining supplies to the general public. Customers can always rely on our material handling equipment – come what may.
- The industrial trucks from Linde, STILL, Baoli, and Voltas and the supply chain solutions from Dematic help to keep logistics processes running smoothly in systemically important sectors such as food production and healthcare. We are helping to meet the basic needs of the population.
- We are keeping supply chains up and running so that critical supplies get through to the supermarkets and the healthcare sector. And we stand ready for our customers with our truck fleets. The same applies to our service technicians and those involved with the supply of spare parts, as both of these areas are of vital importance to customers, especially in a crisis situation.
- So as you can see: as shareholders, you are invested in a company that plays a pivotal role for the whole of society.

3. Measures during the crisis – employees

- Our number-one priority in recent months has always remained the same: making the **workplace** as safe as possible **for our employees**.

- Our crisis management teams have been extremely effective, and we have only had a tiny number of coronavirus cases within the KION Group. Crucially, none of them contracted the illness at work. This is partly due to the measures we introduced at a very early stage. We also benefited from the experience of our Chinese colleagues and partners, who were confronted with COVID-19 before we were.
- We were very quick to implement rules on minimum distances between people and on hand washing. These rules apply to production areas in the plants, service visits to customers, and workers in offices. We are also making increased use of video and telephone conferencing and working from home whenever possible. These measures have proven effective in helping to contain the spread of the virus.
- We have even come up with our own solutions for protecting our workforce from the pandemic. Our subsidiary Linde Material Handling has developed a new warning vest that can be used in production areas to help maintain physical distancing.
- Linde uses this vest in its own plants. If an employee comes too close and breaches the 1.5 meter distancing rule, the vest not only sounds a warning tone but also flashes and vibrates. And, in the theoretical event of a worker contracting the virus, the vest makes it possible to track and trace anyone who has been in close contact with them recently.
- This avoids having to put the entire workforce into quarantine if someone becomes infected. All data is deleted after a short time, which means that data protection can be guaranteed.

4. Measures during the crisis – financial

- Nonetheless, dealing with the new normality is not easy. To take firm action to counteract the challenging business conditions, we introduced a raft of measures back in March to **reduce costs** and improve our liquidity situation. This included postponing all non-essential capital expenditure and other spending.
- Other measures included localized suspension of production and personnel measures such as using up vacation, reducing accumulated hours in working-time accounts, and introducing short-time working. The KION Group will therefore be able to respond flexibly as the pandemic evolves.
- And we can adapt production levels at our plants worldwide in line with the availability of materials, regional demand patterns, and local rules imposed by the authorities.
- We can also ensure optimum deliveries to customers. The supply of spare parts and the service business have continued and will continue in accordance with local rules imposed by the authorities.

- In May, the KION Group took a further precautionary measure to maintain its usual financial strength during the coronavirus crisis. We have reached agreement with our core group of banks on the provision of an additional **liquidity line** on standard commercial terms, with Kreditanstalt für Wiederaufbau (KfW) providing a substantial share of the funding.
- Of the total credit facility of €1.0 billion, which KION can draw upon as and when required, €800 million is being put up by KfW, Germany's state-owned development bank, and €200 million by our core banks.
- One of the countermeasures we have had to take to protect our financial strength also directly affects you, our shareholders, and that is the reduction of the 2020 dividend to four euro cents per share.
- I assure you that this was not an easy decision for us. I hope you understand why we had to make it and, in these most exceptional of circumstances, I ask that you consent to our proposal.
- Our environment will be shaped by the effects of the coronavirus pandemic for a long time to come. We want to maintain our ability to act within this changed environment and be able to operate on the basis of a strong cash position.
- We do not know, nor can we currently predict, what course the coronavirus pandemic will take, how long it will last, or what impact it will have on the global economy. That is why, at the end of March, we retracted the outlook for 2020 provided in the 2019 annual report. Coronavirus has gripped the world since then. It is still impossible to say with any certainty what will happen to the global economy. Most economists agree that a V-shaped recovery is no longer realistic. What they cannot agree on is how wide the bottom of the U will be – or in other words: how long the crisis will last. Some are even suggesting we can expect an L-shaped recession.
- For the KION Group, it is clear that the reluctance to invest in industrial trucks caused by the pandemic, coupled with the temporary restrictions in the service business, will have a noticeable impact on our key figures this year, particularly in the trucks business.
- On the other hand, we firmly believe that our innovative products, services, and solutions – especially in the automation and supply-chain segment – mean we can emerge stronger from the crisis in the medium term.
- In the second quarter of 2020 – the first complete quarter affected by the coronavirus – the broad strategic positioning of the KION Group has paid off. This can be seen from the strength of order intake, which provides a preview of future operating performance.
- What is notable is that in the period from April to June, the market for automated material handling solutions remained intact and continued to grow. And that applies to all corners of the world and in practically all important customer industries.

According to the interim figures published on Monday, the total value of our order intake rose by over 11 per cent.

- While order intake in the Industrial Trucks & Services segment declined sharply by around 20 percent, the Supply Chain Solutions segment saw a doubling of order intake. Our Dematic business recorded its highest ever order intake in one quarter.
- This was due in large part to big-ticket orders from e-commerce customers, including companies in North America and Europe.
- As a Group, we have thus succeeded in compensating, at least in part, for the very difficult market conditions in the industrial trucks business through growth in our automation systems business. It is also notable that we generated an operating profit in the second quarter in both segments. Even our free cash flow was just into positive territory in the second quarter thanks to the strict spending discipline.
- This success is clear affirmation of our KION 2027 strategy. Diversification through two strong operating segments coupled with a focus on automation, digitalization, energy, innovation and performance is the right approach.
- As a full-service provider with a strong presence on every continent, we are able to exploit opportunities even during a global crisis. The coronavirus crisis is demonstrating that the KION Group has a highly resilient business model.
- We aim to publish the interim report of the KION Group for the period ended June 30, 2020 and the final figures on July 30.

5. 2019 financial year – excellent results

- Ladies and gentlemen, we are operating from a position of strength. And we should not forget what we achieved in 2019. Last year, your KION Group recorded its best results ever. We delivered what we promised.
- Let's take a brief look at the numbers for the 2019 financial year: The most important metrics are order intake, revenue, adjusted EBIT, and free cash flow. In all of these key categories, ladies and gentlemen, we **achieved and in some cases even exceeded our own targets**.
- Despite a market environment that was becoming increasingly difficult even in the previous year, in 2019 the KION Group improved its order intake by 5.3 percent year on year to €9.11 billion.
- This is a record figure and was achieved even though the global market for industrial trucks contracted by 2.1 percent compared with the prior year. Our strong order intake was helped by a very high level of orders toward the end of the year in our

Supply Chain Solutions segment and a solid performance in the Industrial Trucks & Services segment.

- The Group's revenue jumped by 10.1 percent to €8.81 billion in 2019. Both segments played their part in this.
- Adjusted EBIT rose by 7.7 percent to €850.5 million. And the adjusted EBIT margin stood at 9.7 percent, only a fraction below the prior-year margin of 9.9 percent. One of the main reasons for this was the disproportionately strong growth in the new truck business and project business, where the margins are lower, and greater expenditure on R&D.
- Our net income amounted to €444.8 million, a year-on-year rise of 10.7 percent. This improvement in net income compared with 2018 was one of the main factors behind the increase in free cash flow, which went up by 9.3 percent from 2018, which was already a strong year, to €568.4 million.
- In short: We made 2019 a success. We have also made progress along our path of profitable growth, despite increasingly difficult conditions for the industry that were brought about by macroeconomic challenges, several delays to Brexit, trade disputes, and the introduction of bilateral protectionist tariffs.
- The results for 2019 prove that even when times are tough, our business model is robust and we are highly resilient – a core objective of our successful KION 2027 strategy.
- We have more than 34,000 people to thank for our success. With immense dedication and amazing passion, and the support of our partners and suppliers, our employees work hard every day to do their very best for our customers. In a physical meeting, we would all thank you and show our respect and appreciation with a big round of applause. Today this has to be virtual – *and I will do it on behalf of all our shareholders.*

6. Strategy

- We are very well placed to face a challenging **future**. With its five fields of action – energy, digitalization, automation, innovation, and performance – our strategy was the foundation of our economic success in 2019 and will carry us forward into the future.
- By focusing on these fields of action, we anticipated key trends in our industry at an early stage. And it is clear that this foresight paid off last year.
- What have we achieved in concrete terms? Let me give you some excellent examples.

7. Energy

- In the area of **energy**, STILL set a new standard with the introduction of its RX60 electric forklift truck.
- With its great performance and agility both indoors and outdoors, it is an e-truck that offers all the benefits of an IC vehicle. The RX60 will help us to meet the increasing demand from industry for electric trucks.
- Our joint venture with BMZ in Karlstein am Main, KION Battery Systems, is also making good progress. The objective of this joint venture is to develop and manufacture lithium-ion batteries for counterbalance trucks.
- This collaboration will strengthen our position in energy-efficient drive technology and help us to secure a sustainable future. Bear in mind that 86 percent of the new trucks we sell are now equipped with an electric drive.

8. Digitalization

- In the area of **digitalization**, Linde has launched its new H20–H35 generation of trucks with the introduction of the 1202 counterbalance truck, packed with innovative features.
- The new truck offers full connectivity, which means that software updates can be carried out via the internet or our KION Cloud and a huge range of digital services can be enabled. This makes the model a unique proposition in the current market.
- And in March, the KION Group acquired DAI, a British software firm that specializes in logistics applications.
- This is an important addition to the software offering of our Dematic subsidiary in the Supply Chain Solutions segment.

9. Automation

- Another key aspect of our strategy is **automation**. You will all have seen from the news just how strongly the online shopping trend has grown in recent months.
- After just six months of development, in September 2019 Dematic unveiled its new micro-fulfillment solution, which can be set up at customers' premises within a few weeks.
- The micro-fulfillment solution features a small, automated warehouse that helps retailers with limited available space to meet increased demand from consumers for

fast order processing. It can be installed in the parking lot at the back of a grocery store, for example.

- A second example relates to the internal processes of the KION Group: We are preparing our financial organization for an increasingly digital future and trimming it for efficiency.
- An important milestone was reached a few weeks ago when we acquired a shared service center for finance and accounting in the Polish city of Krakow.
- This new center of excellence will enable us to make our operational financial processes even more efficient, not least because our new colleagues will bring extensive expertise in the area of process automation to the table.

10. Innovation

- Here is another example, this time from the area of **innovation**. In March, STILL introduced a new autonomous helper for warehouses: the OPX iGo neo. It is the latest addition to the broad cross-brand portfolio of automated guided vehicle systems that Linde, STILL, and Dematic offer our customers.
- The iGo neo acts as an independent assistant, following its operator around and always stopping in the optimal picking position. Its state-of-the-art sensors and sophisticated communication technology make it a reliable partner for its operator.

11. Performance

- And finally, **performance**. The clear focus on our five fields of action has been crucial in the successful strengthening of our position as a market leader in recent years. We have also continued to improve our flexibility and expand our production.
- We are therefore continuing to rigorously pursue our strategy. Although we have had to postpone some of our plans as a result of the coronavirus pandemic, we are continuing to invest in our new truck plants in China and Poland. Two further plants – in Pune (India) and near the city of Xiamen in China – were recently completed.
- The expansion of our business in China, one of the fastest-growing and most important markets in the world, plays a key part in our growth strategy. We are very confident that nothing will lessen **China's growing importance** as a market in the long term. And that is good for us, as China has been part of the KION Group's DNA for quite some time.
- More than a quarter of a century ago, we were one of the first western companies to invest in setting up proprietary production, development, sales, and service facilities in China. Now we are building an additional counterbalance truck plant in the eastern Chinese city of Jinan and extending our product portfolio.

- The equity investment in the plant by our anchor shareholder Weichai Power ensures that KION will have a strong local presence in the region. And at the same time, this step is an expression of our successful and trusting partnership.
- By building this plant, we will be making the biggest investment in China ever undertaken by any global company in the material handling industry – for the second time. We want to seize opportunities for growth in the value segment and benefit from the trend toward the electrification of industrial trucks in China.
- Capital expenditure on this new plant will amount to around €100 million. More than 800 new jobs will be created at our new site in Shandong province by 2025.
- The new plant will be built from scratch and will be highly automated – our most high-tech facility to date. The site will also include a KION Value Competence Center with global responsibility for this truck segment.
- And over the coming years, we will invest significant amounts of capital in our sales and service network in China.
- This will enable us to harness the potential of this important market even more effectively and to consolidate our position as the leading international intralogistics company in China. At the same time, we will strengthen our global offering in the value segment.

12. Important aspects of today's agenda

- Ladies and gentlemen: As you can see, even in this time of crisis we are looking ahead to the future. The 2017 Authorized Capital was used very successfully for the acquisition of Dematic. We now need to replenish this.
- Under agenda item 7, I will therefore ask for your consent to create a new 2020 Authorized Capital in 11,809,000 no-par-value shares, which is equal to 10 percent of the share capital.
- We want to enable you to participate in this important financial instrument aimed at creating additional flexibility during the crisis, and have decided not to disapply pre-emption rights.
- This measure will allow us to create new equity and thus liquidity with which to protect or improve our ability to secure funding. With your consent, the share capital of the KION GROUP AG can be increased up to the level of the aforementioned cap until July 15, 2025.
- To ensure that the Company is able to take advantage of attractive funding opportunities in the future, the Company is also seeking a new authorization for the issue of warrant-linked or convertible bonds or profit-sharing rights, and for the

creation of new conditional capital. The total nominal amount is capped at €1 billion until July 15, 2025.

- In 2017, you agreed to the creation of new conditional capital. Authorized and conditional capital should only be used as alternatives, and cannot be used together. Details are provided under item 8 on the agenda.
- Under agenda item 11, we will be asking you to approve a control and profit-and-loss transfer agreement between KION GROUP AG (the controlling company) and Dematic Holdings GmbH (the dependent company). Dematic Holdings GmbH is a wholly owned subsidiary of KION GROUP AG.
- Under the agreement, KION GROUP AG is entitled to issue the Management Board of Dematic Holdings GmbH with instructions on how the subsidiary should be run.
- The agreement will make managing Dematic Holdings GmbH more practical and efficient. It will also enable closer cooperation between KION GROUP AG and Dematic Holdings GmbH.
- The agreement can also establish an income-tax-sharing arrangement between KION GROUP AG and Dematic Holdings GmbH. It is therefore financially advantageous for the KION Group. In particular, it reduces the overall tax rate of the KION Group and reduces the risk of losses remaining unutilized for tax purposes.
- Entering into the control and profit-and-loss transfer agreement also reinforces the existing organizational integration of Dematic Holdings GmbH into KION GROUP AG that is required for VAT affiliation.
- You can find further details of the control and profit-and-loss transfer agreement with Dematic Holdings GmbH in the joint report prepared by the Executive Board of KION GROUP AG and the Management Board of Dematic Holdings GmbH concerning the conclusion and content of the control and profit-and-loss transfer agreement.

Ladies and gentlemen:

- With our strategy and our high-performing product portfolio, we are confident that we will emerge from the crisis even stronger than before. The main drivers of our business are the growing tendency of consumers to buy online and the fragmentation of supply chains.
- Neither the coronavirus pandemic, nor trade disputes, nor Brexit will have a lasting impact on these trends.
- Another main driver is the global desire for new drive technologies and energy sources to make logistics and intralogistics more sustainable. The coronavirus pandemic has clearly demonstrated how critical well-functioning supply chains are. The megatrend of e-commerce is also growing more strongly than ever in this exceptional situation. There is no turning the clock back.

- Many of the things we are currently doing may be new to us. Many of these will soon be habits that will become ingrained. The coronavirus crisis has clearly shown us the importance of our automation and digitalization initiatives, and how urgent it is that we press ahead with them with even greater intensity.
- Just think about automated guided vehicle systems, fully automated warehouses, and one-hour delivery. This is why KION is increasingly transitioning from a hardware to a software company. Innovative software is key to our future success, as data is the commodity of the future.
- By bringing together market-leading hardware and software, we can use our role as an integrated systems provider to generate significant competitive advantages for our customers. 'We keep the world moving' – and will continue to do so in the future.