KION GROUP

DIGITALIZATION

ENERGY

AUTOMATION

Q2

INNOVATION

INTERIM REPORT
Q2 2020

PERFORMANCE

Key figures

KION Group overview

in € million	Q2 2020	Q2 2019	Change	Q1–Q2 2020	Q1–Q2 2019	Change
Order intake	2,319.3	2,078.6	11.6%	4,400.1	4,196.8	4.8%
Revenue	1,899.6	2,280.7	–16.7%	3,927.3	4,364.1	–10.0%
Order book[1]				3,974.4	3,631.7	9.4%
Financial performance						
EBITDA	247.8	421.7	–41.2%	597.1	799.4	–25.3%
Adjusted EBITDA[2]	268.4	425.0	–36.9%	619.4	804.0	–23.0%
Adjusted EBITDA margin[2]	14.1%	18.6%	–	15.8%	18.4%	–
EBIT	17.5	200.6	–91.3%	137.6	359.3	–61.7%
Adjusted EBIT[2]	60.7	225.2	–73.0%	204.8	407.6	–49.8%
Adjusted EBIT margin[2]	3.2%	9.9%	–	5.2%	9.3%	–
Net income (loss)	–17.1	125.2	<–100%	50.6	218.3	–76.8%
Financial position[1]						
Total assets				14,022.6	13,765.2	1.9%
Equity				3,511.1	3,558.4	–1.3%
Net financial debt				1,925.2	1,609.3	19.6%
Cash flow						
Free cash flow[3]	2.5	–113.6	>100%	–219.6	–31.6	<–100%
Capital expenditure[4]	49.0	57.4	–14.6%	130.0	113.0	15.1%
Employees[5]				**35,578**	**34,604**	**2.8%**

1 Figure as at 30/06/2020 compared with 31/12/2019
2 Adjusted for PPA items and non-recurring items
3 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities
4 Capital expenditure including capitalized development costs, excluding right-of-use assets
5 Number of employees (full-time equivalents) as at 30/06/2020 compared with 31/12/2019

All amounts in this interim report are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

This interim report is available in German and English at www.kiongroup.com. Only the content of the German version is authoritative.

Highlights of Q1 – Q2 2020

KION Group records strong order intake in the first half of 2020 thanks to e-commerce boom

- Total value of order intake goes up by 4.8 percent to €4.400 billion in the first half of 2020, despite the coronavirus pandemic
- Revenue decreases by 10.0 percent to €3.927 billion due to the crisis
- Adjusted EBIT falls sharply year on year to €204.8 million (H1 2019: €407.6 million)
- Adjusted EBIT margin declines from 9.3 percent to 5.2 percent
- Net income for the period remains in positive territory at €50.6 million
- Free cash flow amounts to minus €219.6 million in the first half of 2020 (H1 2019: minus €31.6 million), partly due to acquisitions

Contents

KION shares

Marked recovery following slump in share prices caused by coronavirus pandemic

The course of the coronavirus pandemic dominated events in the German stock markets in the reporting period. The adverse impact of the pandemic on global economic growth and on companies' financial situation triggered a sharp drop in share prices in February. The DAX fell by around 40 percent within four weeks to 8,255.65 points on March 16, 2020, its lowest level for more than six years. During the second quarter, various central bank measures and extensive economic stimulus packages led to growing confidence about the ability to overcome the economic fallout from the pandemic, resulting in a marked recovery in the stock markets. The DAX closed 7.1 percent lower compared with its position at the end of 2019, while the MDAX lost 8.7 percent in the same period.

KION shares followed a similar pattern. After falling sharply to their low for the year so far of €33.20 (March 23, 2020), the shares subsequently recouped a large part of their losses. Over the six-month period, they went down by 11.0 percent overall. The closing price as at June 30, 2020 of €54.80 equates to market capitalization of €6.5 billion, of which €3.6 billion is attributable to shares in free float. > DIAGRAM 01

Share price performance in the first half of 2020 compared with the DAX and MDAX **DIAGRAM 01**

Annual General Meeting held entirely virtually for first time

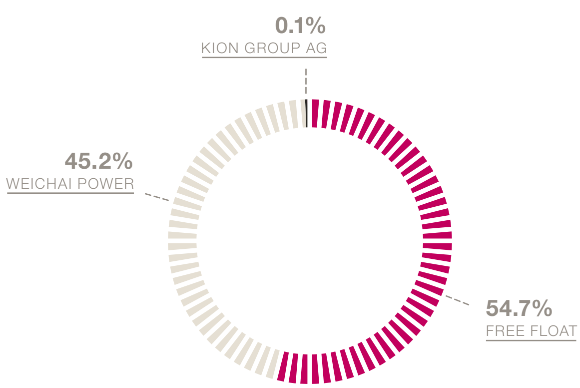
KION GROUP AG's Annual General Meeting on July 16, 2020 took place virtually, without shareholders being physically present, due to the restrictions imposed as a result of the pandemic.

The shareholders voted in favor of the motions, in each case by a large majority. In light of the unpredictability of the pandemic's likely impact, the Executive Board and Supervisory Board of KION GROUP AG had decided to lower the proposal for the appropriation of profit from €1.30 per share, as published in the 2019 annual report, to €0.04 per dividend-bearing share. The total dividend payout therefore amounted to approximately €4.7 million, enabling €148.8 million to be transferred to retained earnings.

Stable shareholder structure

The shareholder structure remained almost unchanged in the reporting year. Weichai Power Co., Ltd., Weifang, People's Republic of China, had a stake of 45.2 percent as at June 30, 2020, which means it is still the biggest single shareholder, while KION GROUP AG continues to hold 0.1 percent of the shares. The free float therefore accounted for 54.7 percent as at June 30, 2020. > DIAGRAM 02

Shareholder structure as at June 30, 2020 DIAGRAM 02



Comprehensive coverage

A total of 21 brokerage houses currently follow and report regularly on the KION Group. As at June 30, 2020, twelve analysts recommended KION shares as a buy, seven rated them as neutral, and two recommended selling them. The median target price specified by the share analysts was €57.00 at the end of the reporting period.

Investment-grade credit rating maintained

The KION Group continues to have an investment-grade credit rating. In April 2020, Fitch Ratings affirmed the Group's long-term issuer default rating of BBB– with a stable outlook and also awarded it a short-term issuer default rating for the first time of F3. Standard & Poor's has classified KION as BB+ with a stable outlook since December 2019. > TABLE 01

Share data TABLE 01

Issuer	KION GROUP AG
Registered office	Frankfurt am Main
Share capital	€118,090,000; divided into 118,090,000 no-par-value shares
Share class	No-par-value shares
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
Index membership	MDAX, STOXX Europe 600, FTSE EuroMid, MSCI World, FTSE4Good
Stock exchange symbol	KGX
ISIN	DE000KGX8881
WKN	KGX888
Bloomberg / Reuters	KGX:GR / KGX.DE
Closing price as at 30/06/2020	€54.80
Performance since beginning of 2020	–11.0%
Market capitalization as at 30/06/2020	€6,471.3 million
Free float	54.7%
Basic earnings per share*	€0.46

* For the reporting period 01/01/ – 30/06/2020

Interim group management report

FUNDAMENTALS OF THE KION GROUP

The accounting policies used in this interim report are essentially the same as those used for the year ended December 31, 2019. The reporting currency is the euro.

Management and control

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

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

Strategy of the KION Group

The KION Group continued to implement its KION 2027 strategy during the period under review, despite focusing heavily on short-term measures to deal with the coronavirus pandemic at the same time. The aim of the long-term strategy is for the KION Group, as a provider of solutions, to grow at a faster rate than the global material handling market and to be the most profitable provider in its sector, with an EBIT margin that is permanently in double digits. Profitability is to be ensured throughout the various market cycles by a robust business model. A further target is the optimization of efficient capital use as measured by return on capital employed (ROCE).

The KION Group is strengthening its market position for the long term in the growth regions of the global material handling market, in particular with its plans to build a new plant for manufacturing counterbalance trucks in Jinan, eastern China.

In the energy field of action, the Group continues to focus on the development and production of lithium-ion batteries for an energy-efficient drive system for industrial trucks. This includes a joint venture with BMZ Holding GmbH, which went into operation at the start of this year.

In the digitalization field of action, the Supply Chain Solutions segment added to its technological expertise and strengthened its market position by acquiring Digital Applications International Limited (DAI), a software firm specializing in logistics automation solutions.

The KION Group's new products in the automation field of action include the next generation of the Dematic Multishuttle warehouse automation solution.

REPORT ON THE ECONOMIC POSITION

Macroeconomic and sector-specific conditions

MACROECONOMIC CONDITIONS

The coronavirus pandemic plunged the global economy into a deep recession in the first half of this year. The pandemic and the measures taken by countries to halt its spread took a huge toll on consumer spending, capital expenditure, and manufacturing activity. Moreover, the negative effects worldwide had a significant adverse impact on global trade, financial markets, commodity markets, and supply chains.

The extensive measures taken to contain the coronavirus pandemic resulted in a sharp drop in economic activity in the eurozone and in the United States. To limit the detrimental effects, fiscal stimulus packages were introduced on an unprecedented scale, supported by the widening of the central banks' expansionary monetary policy.

Following the slowdown of its economy caused by the strict lockdown imposed in the first quarter, China began to rebound with support from government measures.

The International Monetary Fund (IMF) anticipates that the economic situation will recover worldwide as the year continues. Nevertheless, the global economy is expected to contract by 4.9 percent in 2020 as a whole. The global volume of trade is expected to slump by 11.9 percent. However, the forecasts come with a high degree of uncertainty. A rise in infection rates could result in a return to lockdown measures that might then make the recession even worse.

SECTORAL CONDITIONS

Sales markets

The global spread of coronavirus and the measures taken to contain the pandemic took a massive toll on the material handling market in the reporting period, in terms of both procurement and sales. The outbreak, which was initially concentrated in China, and the measures taken to contain it spread to every region worldwide within just a few weeks.

This was reflected in the significant decrease in order intake in the global market for industrial trucks. The number of new trucks ordered decreased to 706.4 thousand, a fall of 7.0 percent compared with the first half of 2019. The EMEA region (western Europe, eastern Europe, Middle East, and Africa) recorded the sharpest drop at 16.4 percent, while the Americas region (North, Central, and South America) saw a decline of 8.9 percent. In the APAC region (Asia-Pacific), however, orders went up slightly, by 1.4 percent. This was solely because the Chinese market bounced back significantly in the second quarter once the strict lockdown ended.

Global new orders for electric forklift trucks decreased by 13.4 percent compared with the first half of 2019. There were also reductions in order intake for IC trucks (down by 6.9 percent) and warehouse trucks (down by 4.8 percent). > TABLE 02

Global industrial truck market (order intake) TABLE 02

in thousand units	Q2 2020	Q2 2019	Change	Q1–Q2 2020	Q1–Q2 2019	Change
Western Europe	73.0	102.8	–29.0%	175.9	211.7	–16.9%
Eastern Europe	17.0	21.9	–22.4%	38.2	43.9	–12.9%
Middle East and Africa	5.6	8.4	–33.9%	14.7	18.1	–18.9%
North America	55.3	66.4	–16.8%	116.6	125.6	–7.2%
Central and South America	5.9	8.9	–33.8%	14.6	18.4	–20.7%
Asia-Pacific	203.5	168.8	20.5%	346.5	341.8	1.4%
World	**360.2**	**377.3**	**–4.5%**	**706.4**	**759.5**	**–7.0%**

Source: WITS/FEM

According to the KION Group's assessment, the worldwide market for supply chain solutions was held back by the marked slowdown of the global economy and the resulting reluctance to invest. Consequently, the KION Group observed a noticeable weakening – particularly of industries such as clothing and consumer durables – in the market for supply chain solutions, whereas the market sectors that are traditionally relevant to the KION Group, e-commerce and food supply chains, registered increases in demand.

Procurement markets and conditions in the financial markets

Prices for the commodities used by the KION Group fell on average during the first half of 2020. After dropping sharply in the first quarter, the price of steel began to move closer to the level at which it had started the year. The price of copper also slumped. Brent crude saw a sharp price fall and, despite oil prices rising in May and June, remained well below the average price for 2019. The price of rubber headed downward, especially in the second quarter.

Currency effects had only a negligible impact on the KION Group's operating performance in the first half of 2020.

Business performance in the Group

The KION Group, with its portfolio of products and services, was able to play an active part in maintaining global supply chains during the coronavirus pandemic, particularly in critical sectors such as healthcare and the food industry. Working closely with suppliers, the KION Group ensured good security of supply and offered a comprehensive level of service, including the supply of spare parts, despite very difficult conditions.

In the Industrial Trucks & Services segment, supply logistics and production were adapted to the challenges of the coronavirus pandemic. This included the suspension of manufacturing at major production facilities in Europe, North and South America, India, and China for a time. During this phase, the KION Group focused on taking action to improve the availability of materials in view of the difficult situation faced by suppliers. The buffer of parts that was built up made it possible to gradually resume production in an organized manner. This was accompanied by comprehensive health protection measures aimed at minimizing the risk of infection for employees, customers, and suppliers.

A variety of personnel measures – including the using up of accumulated credit hours in working-time accounts and the introduction of short-time working – helped to flexibly manage the temporary suspension of production and the subsequent ramp-up.

In the Supply Chain Solutions segment, most plants remained busy and continued to operate without disruption. Only smaller production facilities were temporarily affected by health protection measures imposed by local authorities. The project business experienced only minor disruption due to local restrictions on access for project engineers and the resulting delays to projects.

In May 2020, the KION Group reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW) taking a leading role. The liquidity line has been arranged as a precaution to protect the Group's financial strength. It has a volume of €1.0 billion, of which €800 million has been put up by KfW – Germany's state-owned development bank – and €200 million by the KION Group's core banks. The KION Group also agreed with the banks providing its funding that the covenants in respect of the current credit facility and the additional liquidity line can be temporarily suspended. In another move to preserve liquidity, the Annual General Meeting on July 16, 2020 approved a significantly reduced dividend of €0.04 per dividend-bearing share. These liquidity measures were accompanied by a range of cost-cutting initiatives and the postponement of selected capital expenditure projects.

Despite the aforementioned restrictions, there was no interruption of our key project to expand the Group's position in the Chinese material handling market. This market is expected to grow rapidly over the long term. The project involves the construction of a new plant in Jinan, eastern China, to make counterbalance trucks for the Linde and Baoli brands. Capital investment totaling around €100 million has been budgeted for the new facility, which is likely to be completed by 2022. The new plant will enable the KION Group to capitalize on opportunities for growth in the value segment and on the increasing electrification of industrial trucks in China. The operator of the new plant will be KION (Jinan) Forklift Co., Ltd., which was established with Weichai Power Co., Ltd. at the start of the year and in which the KION Group holds a 95.0 percent stake.

The Group is also focusing on the development and production of lithium-ion batteries for an energy-efficient drive system for industrial trucks. The joint venture KION Battery Systems, operated in partnership with BMZ Holding GmbH in Karlstein am Main, started up at the beginning of the year. It will go a long way toward meeting the strong growth in demand for lithium-ion battery systems in the EMEA region.

On March 2, 2020, the KION Group acquired UK specialist software company Digital Applications International Limited (DAI), thereby significantly expanding its software offering in the Supply Chain Solutions segment. The total expenditure is around €120 million, of which €98.0 million was included in the calculation of free cash flow in the period under review. The integration of solutions provided by DAI in the areas of logistics automation and supply chain engineering gives Dematic additional capacity in these areas, enabling it to provide even better support for the transportation, storage, and distribution of goods along the entire supply chain.

Financial performance and financial position

OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

The KION Group's results for the first half of 2020 reflect the massive adverse impact of the coronavirus pandemic, which predominantly affected the Industrial Trucks & Services segment. The 10.0 percent decrease in consolidated revenue to €3,927.3 million (H1 2019: €4,364.1 million) was primarily the result of extensive lockdown measures in many geographical markets during April and May. In the first quarter of 2020, the most affected region was APAC, especially China, whereas the focus shifted to EMEA – the main sales region – and the Americas in the second quarter. As a result, the reduction in revenue in the second quarter (down by 16.7 percent) was far worse than in the first three months of this year (down by 2.7 percent). By contrast, the Supply Chain Solutions segment saw a slight increase in revenue of 0.4 percent in the first six months of 2020, despite the challenging conditions.

Overall, the Group recorded an encouraging rise in order intake of 4.8 percent to €4,400.1 million in the reporting period (H1 2019: €4,196.8 million). This was attributable to the strong growth in orders in the Supply Chain Solutions segment, especially toward the end of the second quarter.

The decline in adjusted EBIT was limited to 49.8 percent thanks to the immediate introduction of cost containment measures. As a result, adjusted EBIT amounted to €204.8 million (H1 2019: €407.6 million). The adjusted EBIT margin fell by 4.1 percentage points, from 9.3 percent in the first half of 2019 to 5.2 percent in the reporting period. Net income for the period decreased significantly to €50.6 million (H1 2019: €218.3 million). Basic earnings per share decreased to €0.46 (H1 2019: €1.87).

Free cash flow was in negative territory at minus €219.6 million (H1 2019: minus €31.6 million), primarily due to the low level of EBIT, the change in net working capital, and the acquisition of DAI, most of the effects of which were included in the calculation of free cash flow in the period under review.

Net financial debt rose by €315.9 million to €1,925.2 million as at June 30, 2020 and therefore equated to 1.3 times adjusted EBITDA on an annualized basis. In the second quarter, no drawdowns were made from the syndicated liquidity line of €1.0 billion agreed in May 2020.

BUSINESS SITUATION AND FINANCIAL PERFORMANCE OF THE KION GROUP

Level of orders

Despite the effects of the coronavirus pandemic, the KION Group's order intake increased by 4.8 percent to €4,400.1 million (H1 2019: €4,196.8 million). While the Industrial Trucks & Services segment reported a sharp 13.9 percent drop in order intake to €2,654.9 million (H1 2019: €3,083.7 million), the Supply Chain Solutions segment registered a very satisfying increase of 57.3 percent to €1,743.9 million (H1 2019: €1,108.9 million). The business of automated solutions for global supply chains in the established e-commerce market and elsewhere, which is influenced by long-term trends and customer expectations, again proved to be a source of resilience and showed where the future lies for the KION Group's business model.

Overall, currency effects had only a small impact on the value of KION Group's order intake.

At €3,974.4 million, the Group's order book had grown by 9.4 percent compared with the end of 2019 (December 31, 2019: €3,631.7 million).

Revenue

Consolidated revenue amounted to €3,927.3 million, down by 10.0 percent on the figure of €4,364.1 million in the first half of 2019. In the Industrial Trucks & Services segment, revenue generated from external customers fell by 14.0 percent to €2,703.3 million (H1 2019: €3,143.6 million) due to the effects of the aforementioned restrictions on production and the crisis-related decline in new truck business and service business. The Supply Chain Solutions segment's revenue from external customers came to €1,213.5 million, which represented a small year-on-year increase of 0.3 percent (H1 2019: €1,209.6 million). The disruptions to operations and projects caused by the coronavirus pandemic had little impact here. As a result, revenue from project business decreased by just 2.8 percent, while revenue from the segment's service business went up by 10.7 percent. Across the segments, the proportion of consolidated revenue attributable to the service business grew from 40.8 percent in the prior-year period to 43.7 percent in the first six months of 2020, predominantly due to the decline in new business. Currency effects had a negative impact on consolidated revenue, decreasing it by a total of €8.7 million. > TABLE 03

Revenue with third parties by product category TABLE 03

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Industrial Trucks & Services	**1,261.9**	**1,635.8**	**–22.9%**	**2,703.3**	**3,143.6**	**–14.0%**
New business	584.2	881.8	–33.7%	1,301.8	1,647.6	–21.0%
Service business	677.6	754.0	–10.1%	1,401.6	1,496.0	–6.3%
– Aftersales	338.1	392.3	–13.8%	721.4	785.2	–8.1%
– Rental business	220.1	231.2	–4.8%	446.0	458.4	–2.7%
– Used trucks	82.7	95.3	–13.2%	164.6	176.5	–6.7%
– Other	36.7	35.2	4.4%	69.5	75.9	–8.4%
Supply Chain Solutions	**633.1**	**641.2**	**–1.3%**	**1,213.5**	**1,209.6**	**0.3%**
Business solutions	481.5	495.4	–2.8%	900.7	927.1	–2.8%
Service business	151.6	145.7	4.0%	312.7	282.5	10.7%
Corporate Services	**4.6**	**3.8**	**21.5%**	**10.5**	**11.0**	**–3.8%**
Total revenue	**1,899.6**	**2,280.7**	**–16.7%**	**3,927.3**	**4,364.1**	**–10.0%**

Revenue by sales region

Much of the fall in revenue in the Industrial Trucks & Services segment was accounted for by the EMEA region, which felt the full force of the significant disruption to business operations caused by lockdowns, especially in the second quarter. The reduction was more moderate in the

Americas region, while the APAC region was able to regain its momentum in the second quarter. In the Supply Chain Solutions segment, revenue decreased in the North America sales region but continued to increase in the European markets. Emerging markets accounted for 18.2 percent of the KION Group's revenue in the reporting period (H1 2019: 19.4 percent). A total of 82.1 percent of revenue was generated outside Germany (H1 2019: 80.6 percent). > TABLE 04

Revenue with third parties by customer location TABLE 04

in € million	Q2 2020	Q2 2019	Change	Q1–Q2 2020	Q1–Q2 2019	Change
Western Europe	1,065.9	1,349.0	–21.0%	2,310.9	2,580.3	–10.4%
Eastern Europe	130.7	176.0	–25.7%	272.9	335.6	–18.7%
Middle East and Africa	19.3	24.4	–21.0%	39.4	46.8	–15.9%
North America	412.6	448.9	–8.1%	824.5	861.5	–4.3%
Central and South America	32.8	56.2	–41.7%	70.9	103.6	–31.6%
Asia-Pacific	238.3	226.2	5.3%	408.8	436.4	–6.3%
Total revenue	**1,899.6**	**2,280.7**	**–16.7%**	**3,927.3**	**4,364.1**	**–10.0%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) contracted by 61.7 percent to €137.6 million (H1 2019: €359.3 million). This included budgeted negative effects from purchase price allocations totaling €44.8 million (H1 2019: €43.8 million). Negative non-recurring items amounting to €22.3 million were also recognized in the period under review (H1 2019: €4.6 million). These items predominantly related to the Industrial Trucks & Services segment and included the impairment loss of €10.7 million recognized on the long-term equity investment in Linde Hydraulics GmbH & Co. KG, which is accounted for using the equity method, and the realignment of the sales organization in the United Kingdom. EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) fell by 49.8 percent to €204.8 million (H1 2019: €407.6 million). The adjusted EBIT margin was down significantly year on year at 5.2 percent (H1 2019: 9.3 percent). > TABLE 05

EBIT TABLE 05

in € million	Q2 2020	Q2 2019	Change	Q1–Q2 2020	Q1–Q2 2019	Change
EBIT	**17.5**	**200.6**	**–91.3%**	**137.6**	**359.3**	**–61.7%**
+ Non-recurring items	20.6	3.4	>100%	22.3	4.6	>100%
+ PPA items	22.7	21.3	6.5%	44.8	43.8	2.3%
Adjusted EBIT	**60.7**	**225.2**	**–73.0%**	**204.8**	**407.6**	**–49.8%**
Adjusted EBIT margin	3.2%	9.9%	–	5.2%	9.3%	–

Earnings before interest, tax, depreciation, and amortization (EBITDA) decreased to €597.1 million (H1 2019: €799.4 million). Adjusted EBITDA declined to €619.4 million (H1 2019: €804.0 million), giving an adjusted EBITDA margin of 15.8 percent (H1 2019: 18.4 percent). > TABLE 06

EBITDA

TABLE 06

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
EBITDA	**247.8**	**421.7**	**– 41.2%**	**597.1**	**799.4**	**– 25.3%**
+ Non-recurring items	20.6	3.4	> 100%	22.3	4.6	> 100%
+ PPA items	0.0	0.0	–	0.0	0.0	–
Adjusted EBITDA	**268.4**	**425.0**	**– 36.9%**	**619.4**	**804.0**	**– 23.0%**
Adjusted EBITDA margin	14.1%	18.6%	–	15.8%	18.4%	–

EBITDA for the long-term leasing business, which is derived from internal reporting and assumes a minimum rate of return on the capital employed, amounted to €167.7 million in the reporting period (H1 2019: €164.6 million).

Key influencing factors for earnings

The cost of sales decreased at a slower rate than revenue, falling by 7.9 percent to €2,964.8 million (H1 2019: €3,217.9 million). This was largely due to the negative impact of the decline in volume, which was not fully offset. The KION Group's gross margin stood at 24.5 percent for the six-month period (H1 2019: 26.3 percent). Whereas research and development costs rose by 4.3 percent and administrative expenses by 6.7 percent owing to the implementation of strategic projects (including the realignment of sales activities in the United Kingdom in the Industrial Trucks & Services segment) during the reporting period, selling expenses decreased by 3.7 percent and therefore helped to contain the reduction in earnings. Purchase price allocation effects included in the cost of sales and in other functional costs were roughly on a par with the first half of 2019. The 'other' item included, among other effects, the share of profit (loss) of equity-accounted investments, which amounted to a loss of €3.6 million (H1 2019: profit of €10.4 million).

The change in the cost of sales and in other functional costs is shown in > TABLE 07.

(Condensed) income statement

TABLE 07

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Revenue	1,899.6	2,280.7	– 16.7%	3,927.3	4,364.1	– 10.0%
Cost of sales	– 1,480.3	– 1,686.2	12.2%	– 2,964.8	– 3,217.9	7.9%
Gross profit	**419.3**	**594.6**	**– 29.5%**	**962.5**	**1,146.2**	**– 16.0%**
Selling expenses and administrative expenses	– 355.8	– 375.0	5.1%	– 734.7	– 734.5	– 0.0%
Research and development costs	– 39.6	– 38.0	– 4.1%	– 77.7	– 74.5	– 4.3%
Other	– 6.4	19.0	<– 100%	– 12.4	22.0	<– 100%
Earnings before interest and tax (EBIT)	**17.5**	**200.6**	**– 91.3%**	**137.6**	**359.3**	**– 61.7%**
Net financial expenses	– 21.2	– 25.7	17.7%	– 46.9	– 50.5	7.2%
Earnings before tax	**– 3.7**	**174.8**	**<– 100%**	**90.8**	**308.8**	**– 70.6%**
Income taxes	– 13.4	– 49.7	73.0%	– 40.2	– 90.5	55.7%
Net income (loss)	**– 17.1**	**125.2**	**<– 100%**	**50.6**	**218.3**	**– 76.8%**

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved slightly from €50.5 million in the first half of 2019 to €46.9 million in the first six months of this year due to further optimization of the interest on net financial debt. In the second quarter, no drawdowns were made from the new syndicated liquidity line.

Income taxes

Income tax expenses fell to €40.2 million (H1 2019: €90.5 million). The effective tax rate rose substantially to 44.2 percent in the reporting period (H1 2019: 29.3 percent). This year-on-year change was primarily attributable to non-tax-deductible expenses, which did not decrease to the same extent as earnings before tax. Furthermore, the level of losses that could not be utilized for tax purposes was higher than in the prior-year period owing to the decline in earnings.

Net income for the period

Net income for the period stood at €50.6 million, which was significantly lower than the figure for the prior-year period (€218.3 million) due to the effects of the coronavirus pandemic. Basic earnings per share attributable to the shareholders of KION GROUP AG came to €0.46 (H1 2019: €1.87) based on 118.0 million (H1 2019: 117.9 million) no-par-value shares.

BUSINESS SITUATION AND FINANCIAL PERFORMANCE OF THE SEGMENTS

Industrial Trucks & Services segment

Business performance and order intake

The number of new truck orders amounted to 88.9 thousand units, which was down by 18.5 percent compared with the first half of 2019. This decrease was more pronounced than the decrease in the global market as a whole due to the situation in EMEA, the main sales region, where the material handling market was hit particularly hard by the coronavirus pandemic. The decline in the segment's order numbers was less severe in the APAC region.

The total value of order intake fell by 13.9 percent to €2,654.9 million (H1 2019: €3,083.7 million). Negative currency effects reduced order intake by a total of €21.9 million. > TABLE 08

Key figures – Industrial Trucks & Services TABLE 08

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Order intake	1,261.0	1,573.2	–19.8%	2,654.9	3,083.7	–13.9%
Total revenue	1,262.6	1,638.2	–22.9%	2,704.5	3,146.8	–14.1%
EBITDA	177.5	355.5	–50.1%	457.8	679.4	–32.6%
Adjusted EBITDA	197.5	355.3	–44.4%	477.8	679.3	–29.7%
EBIT	–4.5	177.8	<–100%	92.0	326.3	–71.8%
Adjusted EBIT	15.7	177.7	–91.2%	112.4	326.5	–65.6%
Adjusted EBITDA margin	15.6%	21.7%	–	17.7%	21.6%	–
Adjusted EBIT margin	1.2%	10.8%	–	4.2%	10.4%	–

Revenue

The segment's total revenue decreased by 14.1 percent to €2,704.5 million (H1 2019: €3,146.8 million) as a result of the contraction of demand in the new truck and service businesses and due to the restrictions and outages in production. The new truck business saw a sharp fall in every product category. During the coronavirus crisis, the drop in revenue in the service business of 6.3 percent was less pronounced than in other areas of business. The proportion of the segment's external revenue accounted for by the service business thus rose to 51.8 percent (H1 2019: 47.6 percent). Negative currency effects reduced segment revenue by €21.7 million.

Earnings

Adjusted EBIT for the segment came to €112.4 million (H1 2019: €326.5 million). This reduction of 65.6 percent was due to the decrease in revenue and production inefficiencies caused by supply bottlenecks affecting procurement. The segment's adjusted EBIT margin was 4.2 percent (H1 2019: 10.4 percent). After taking into account non-recurring items and purchase price allocation effects, EBIT amounted to €92.0 million (H1 2019: €326.3 million). Adjusted EBITDA declined to €477.8 million (H1 2019: €679.3 million), giving an adjusted EBITDA margin of 17.7 percent (H1 2019: 21.6 percent).

Supply Chain Solutions segment

Business performance and order intake

Despite the adverse impact of the coronavirus pandemic, order intake in the Supply Chain Solutions segment jumped by 57.3 percent year on year to reach €1,743.9 million (H1 2019: €1,108.9 million). This was due in large part to big-ticket orders from e-commerce customers, including companies in North America and Europe. Positive currency effects, primarily in relation to the resurgent US dollar, increased order intake by €21.2 million. > TABLE 09

Key figures – Supply Chain Solutions TABLE 09

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Order intake	1,057.6	506.0	> 100%	1,743.9	1,108.9	57.3%
Total revenue	634.6	642.0	– 1.2%	1,215.8	1,210.9	0.4%
EBITDA	70.2	74.7	– 6.0%	143.1	135.7	5.5%
Adjusted EBITDA	70.2	78.2	– 10.3%	144.2	140.3	2.8%
EBIT	31.0	39.0	– 20.6%	66.7	63.9	4.5%
Adjusted EBIT	53.4	63.6	– 16.0%	112.1	111.8	0.3%
Adjusted EBITDA margin	11.1%	12.2%	–	11.9%	11.6%	–
Adjusted EBIT margin	8.4%	9.9%	–	9.2%	9.2%	–

Revenue

The segment's total revenue of €1,215.8 million was slightly above the prior-year figure of €1,210.9 million; the increase included positive currency effects totaling €13.4 million. In the long-term project business (business solutions), temporary delays to projects as a result of restrictions on access to customers' premises were the main reason for the 2.8 percent fall in revenue. By contrast, the service business continued to prove robust, recording revenue growth of 10.7 percent. As a result, the proportion of the segment's external revenue accounted for by the service business increased to 25.8 percent (H1 2019: 23.4 percent). The proportion of revenue generated in North America stood at 61.4 percent, which was down from 65.9 percent in the first half of 2019 due to an increase in revenue in Europe.

Earnings
The segment's adjusted EBIT was almost unchanged year on year at €112.1 million (H1 2019: €111.8 million). At 9.2 percent, the adjusted EBIT margin also held steady (H1 2019: 9.2 percent). More efficient project execution and stronger growth in the higher-margin service business did not compensate for the level of selling expenses and administrative expenses aimed at supporting future growth that were incurred in the reporting period. After taking into account non-recurring items and purchase price allocation effects, EBIT came to €66.7 million (H1 2019: €63.9 million).

Adjusted EBITDA amounted to €144.2 million (H1 2019: €140.3 million); the adjusted EBITDA margin was 11.9 percent (H1 2019: 11.6 percent).

Corporate Services segment

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

Revenue and earnings
Total revenue for the segment rose to €173.7 million (H1 2019: €156.9 million).

Adjusted EBIT for the segment came to €6.1 million (H1 2019: €92.8 million) and included intra-group dividend income of €25.7 million (H1 2019: €123.6 million). Adjusted EBIT excluding intra-group dividend income amounted to minus €19.7 million (H1 2019: minus €30.8 million). Adjusted EBITDA stood at €23.3 million, or minus €2.4 million if intra-group dividend income is excluded (H1 2019: €107.9 million, or minus €15.7 million). > TABLE 10

Key figures – Corporate Services TABLE 10

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Order intake	85.0	76.9	10.5%	173.7	156.9	10.7%
Total revenue	85.0	76.9	10.5%	173.7	156.9	10.7%
EBITDA	26.0	115.0	–77.4%	22.0	107.8	–79.6%
Adjusted EBITDA	26.6	115.1	–76.9%	23.3	107.9	–78.4%
EBIT	16.9	107.4	–84.3%	4.8	92.7	–94.8%
Adjusted EBIT	17.5	107.5	–83.7%	6.1	92.8	–93.4%

NET ASSETS

Non-current assets amounted to €10,726.7 million as at June 30, 2020 (December 31, 2019: €10,696.4 million). The total carrying amount of intangible assets rose to €5,772.6 million (December 31, 2019: €5,732.5 million). Of this sum, €3,515.2 million was attributable to goodwill (December 31, 2019: €3,475.8 million); the acquisition of DAI increased goodwill by €71.8 million at the acquisition date, but this was partly offset by currency effects. Other property, plant and equipment rose slightly to €1,263.1 million (December 31, 2019: €1,236.3 million) and included a figure of €469.0 million for right-of-use assets related to procurement leases (December 31, 2019: €452.7 million).

The short-term rental fleet contracted in the reporting period; rental assets stood at €563.8 million as at June 30, 2020, which was less than at the end of the previous year (December 31, 2019: €632.9 million). At the same time, leased assets for direct and indirect leases with end customers that are classified as operating leases decreased to €1,327.3 million (December 31, 2019: €1,361.2 million). By contrast, long-term lease receivables arising from leases with end customers that are classified as finance leases swelled to €1,124.7 million (December 31, 2019: €1,080.9 million).

Current assets increased to a total of €3,295.9 million (December 31, 2019: €3,068.8 million). One of the reasons for this was the increase in inventories, which was aimed at creating a buffer of bought-in parts in order to maintain the availability of materials for production. The

Group's inventories stood at €1,194.3 million as at June 30, 2020 (December 31, 2019: €1,085.3 million). However, there was a small decrease in trade receivables to €1,058.2 million (December 31, 2019: €1,074.2 million). Contract assets mainly related to project business in the Supply Chain Solutions segment and, at €178.0 million, were higher than at the end of last year (December 31, 2019: €150.2 million).

The KION Group's net working capital, which comprises inventories, trade receivables, and contract assets less trade payables and contract liabilities, amounted to €1,025.6 million as at June 30, 2020 (December 31, 2019: €828.9 million). Cash and cash equivalents rose to €249.5 million at the end of the reporting period (December 31, 2019: €211.2 million). > TABLE 11

(Condensed) statement of financial position TABLE 11

in € million	30/06/2020	in %	31/12/2019	in %	Change
Non-current assets	10,726.7	76.5%	10,696.4	77.7%	0.3%
Current assets	3,295.9	23.5%	3,068.8	22.3%	7.4%
Total assets	**14,022.6**	**–**	**13,765.2**	**–**	**1.9%**
Equity	3,511.1	25.0%	3,558.4	25.9%	–1.3%
Non-current liabilities	6,184.5	44.1%	6,277.8	45.6%	–1.5%
Current liabilities	4,327.0	30.9%	3,929.0	28.5%	10.1%
Total equity and liabilities	**14,022.6**	**–**	**13,765.2**	**–**	**1.9%**

FINANCIAL POSITION

The principles and objectives applicable to financial management as at June 30, 2020 were largely the same as those described in the 2019 combined management report.

In January 2020, earlier than planned, KION GROUP AG repaid all of the remaining liability of €200.0 million that was outstanding as at December 31, 2019 under the acquisition facilities agreement (AFA).

In May 2020, the KION Group reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW) taking a leading role. The liquidity line has been arranged as a precaution to protect the Group's financial strength and flexibility and is a bridging measure that can be used as needed during these exceptional circumstances. Of the total liquidity line of €1.0 billion, which is provided on standard commercial terms, €800 million has been put up by KfW – Germany's state-owned development bank – and €200 million by the KION Group's core banks. The credit agreement has a term of twelve months and two extension options, each of six months. In the second quarter, no drawdowns were made from the new syndicated liquidity line. Early termination of the agreement is possible at any time.

The KION Group also agreed with the banks providing its funding that the covenants in respect of the existing credit facility and the additional liquidity line can be temporarily suspended. The Group's revolving facilities now have a total volume of €2,150.0 million (December 31, 2019: €1,150.0 million).

Analysis of capital structure

Current and non-current liabilities had risen by €304.7 million to €10,511.5 million as at the reporting date (December 31, 2019: €10,206.8 million). This was due to the financing of the acquisition of DAI, the growth of pension provisions, and increased liabilities in connection with the financing of the long-term leasing business.

Non-current financial liabilities amounted to €1,519.4 million as at June 30, 2020 (December 31, 2019: €1,716.8 million). This figure can essentially be broken down into promissory notes with a carrying amount of €1,319.0 million (December 31, 2019: €1,317.3 million) and liabilities to banks of €200.5 million (December 31, 2019: €399.5 million). Current financial liabilities stood at €655.2 million (December 31, 2019: €103.7 million) and included liabilities under the commercial paper program of €287.0 million. Net financial debt (non-current and current financial liabilities less cash and cash equivalents) rose sharply to €1,925.2 million (December 31, 2019: €1,609.3 million). This equated to 1.3 times adjusted EBITDA on an annualized basis (December 31, 2019: 1.0 times). > TABLE 12

Industrial net operating debt TABLE 12

in € million	30/06/2020	31/12/2019	Change
Promissory notes	1,319.0	1,317.3	0.1%
Liabilities to banks	560.8	498.3	12.5%
Other financial liabilities	294.8	4.9	> 100%
Financial liabilities	**2,174.6**	**1,820.5**	**19.5%**
Less cash and cash equivalents	–249.5	–211.2	–18.1%
Net financial debt	**1,925.2**	**1,609.3**	**19.6%**
Liabilities from financial services (short-term rental fleet)	422.1	437.2	–3.5%
Other financial liabilities (short-term rental fleet)	129.3	178.6	–27.6%
Liabilities from short-term rental fleet financing	**551.4**	**615.8**	**–10.5%**
Liabilities from procurement leases	**502.9**	**486.1**	**3.5%**
Industrial net operating debt	**2,979.5**	**2,711.2**	**9.9%**

The retirement benefit obligation had increased to €1,347.5 million as at June 30, 2020 (December 31, 2019: €1,263.4 million), mainly due to lower discount rates.

Liabilities from financial services had risen to €2,672.6 million as at June 30, 2020 (December 31, 2019: €2,500.2 million). They comprise liabilities from financing the leasing business and the short-term rental fleet on the basis of sale and leaseback sub-leases, as well as the liabilities that arise from financing the leasing business by means of lease facilities and the use of securitizations. A sum of €2,250.5 million was attributable to financing of the direct and indirect long-term leasing business (December 31, 2019: €2,062.9 million). This total also includes residual value obligations resulting from the indirect leasing business. These obligations fell to €277.8 million (December 31, 2019: €297.2 million). Lease liabilities had decreased to €331.1 million as at June 30, 2020 (December 31, 2019: €432.1 million). Overall, liabilities from financial services and lease liabilities together totaling €2,581.6 million were attributable to financing of the direct and indirect long-term leasing business (December 31, 2019: €2,495.0 million). A sum of €422.1 million, representing some of the financing of the short-term rental fleet, was recognized under liabilities from financial services (December 31, 2019: €437.2 million). The remaining amount of €129.3 million (December 31, 2019: €178.6 million) relating to the financing of the short-term rental fleet was recognized under other financial liabilities.

Other financial liabilities also included liabilities from procurement leases amounting to €502.9 million (December 31, 2019: €486.1 million), for which right-of-use assets were recorded.

Current and non-current other financial liabilities totaled €729.4 million as at June 30, 2020 (December 31, 2019: €784.9 million).

Contract liabilities, of which a large proportion related to the long-term project business, increased to €531.8 million owing to prepayments received from customers (December 31, 2019: €504.9 million).

At €3,511.1 million, consolidated equity was lower than the figure at the end of 2019 of €3,558.4 million. This was because the level of net income was unable to compensate for currency translation losses recognized in other comprehensive income and actuarial losses arising from the measurement of the defined benefit obligation. The equity ratio had fallen to 25.0 percent as at June 30, 2020 (December 31, 2019: 25.9 percent). > TABLE 11

Analysis of capital expenditure

The KION Group's total capital expenditure on property, plant and equipment and on intangible assets (excluding right-of-use assets from procurement leases) totaled €130.0 million in the reporting period (H1 2019: €113.0 million). Spending in the Industrial Trucks & Services segment continued to be focused on capital expenditure on product development and on the expansion and modernization of production and technology facilities. Capital expenditure in the Supply Chain Solutions segment primarily related to development costs.

Analysis of liquidity

Cash and cash equivalents had increased by €38.3 million to €249.5 million as at June 30, 2020 (December 31, 2019: €211.2 million). Taking into account the credit facility that was still freely available and the additional liquidity line, the unrestricted cash and cash equivalents available to the KION Group as at June 30, 2020 came to a total of €2,174.7 million (December 31, 2019: €1,357.4 million).

Net cash used by operating activities totaled €2.6 million. This represented a significant decline compared with the net cash provided by operating activities of €70.1 million in the prior-year period and was mainly due to the fall in earnings from operations. The change in net working capital resulted in a total cash outflow of €205.4 million (H1 2019: €381.4 million). Furthermore, net cash payments from the leasing business increased to €87.5 million (H1 2019: €63.6 million) and net cash payments from the short-term rental business advanced to €92.4 million (H1 2019: €78.1 million).

The net cash used for investing activities amounted to €217.0 million in the first half of this year (H1 2019: €101.7 million). Within this figure, cash payments for capital expenditure on production facilities, product development, and purchased property, plant and equipment rose to €130.0 million (H1 2019: €113.0 million). In addition, cash payments for the acquisition of subsidiaries and other entities totaled €97.7 million (after deduction of cash and cash equivalents acquired); this includes a net cash payment of €89.3 million for the acquisition of DAI.

Free cash flow – the sum of cash flow from operating activities and investing activities – came to minus €219.6 million (H1 2019: minus €31.6 million).

The net cash provided by financing activities of €269.6 million (H1 2019: €34.5 million) was primarily attributable to drawdowns from the available credit facilities and issuances under the commercial paper program launched in November 2019. These easily offset the net cash outflow for the early repayment of the outstanding liability under the acquisition facilities agreement (AFA). Overall, financial debt taken on during the reporting period amounted to €2,113.5 million (H1 2019: €1,687.3 million); repayments amounted to €1,762.4 million (H1 2019: €1,431.4 million). Payments made for interest portions and principal portions under procurement leases totaled €65.6 million (H1 2019: €60.1 million). Current interest payments declined to €16.5 million thanks to the further optimization of the interest on net financial debt (H1 2019: €19.9 million). The payment of a dividend to the shareholders of KION GROUP AG in May 2019 had resulted in an outflow of funds of €141.5 million in the prior-year period. No such payment had yet been made in the reporting period. The Annual General Meeting on July 16, 2020 voted to pay a dividend of €0.04 per share, which will result in a net cash outflow of around €4.7 million in the third quarter of 2020.
> TABLE 13

(Condensed) statement of cash flows — TABLE 13

in € million	Q2 2020	Q2 2019	Change	Q1–Q2 2020	Q1–Q2 2019	Change
EBIT	17.5	200.6	–91.3%	137.6	359.3	–61.7%
Cash flow from operating activities	57.9	–61.9	>100%	–2.6	70.1	<–100%
Cash flow from investing activities	–55.4	–51.7	–7.2%	–217.0	–101.7	<–100%
Free cash flow	**2.5**	**–113.6**	**>100%**	**–219.6**	**–31.6**	**<–100%**
Cash flow from financing activities	24.5	131.5	–81.3%	269.6	34.5	>100%
Effect of exchange rate changes on cash	–0.6	–1.7	66.3%	–11.7	2.0	<–100%
Change in cash and cash equivalents	**26.5**	**16.2**	**63.4%**	**38.3**	**4.9**	**>100%**

Non-financial information

EMPLOYEES

As at June 30, 2020, the KION Group employed 35,578 full-time equivalents (December 31, 2019: 34,604). The primary reason for this growth in the first half of 2020 was the inclusion of the employees taken on in the context of acquisitions.

Personnel expenses fell by 0.6 percent to €1,148.5 million in the reporting period (H1 2019: €1,155.3 million). > TABLE 14

Employees (full-time equivalents) TABLE 14

	30/06/2020	31/12/2019	Change
Western Europe	21,614	21,302	1.5%
Eastern Europe	3,570	3,281	8.8%
Middle East and Africa	84	101	–16.8%
North America	3,509	3,233	8.5%
Central and South America	1,258	1,219	3.2%
Asia-Pacific	5,543	5,468	1.4%
Total	**35,578**	**34,604**	**2.8%**

RESEARCH AND DEVELOPMENT

Total spending on research and development, including capitalized development costs, went up by 8.7 percent year on year to reach €122.4 million (H1 2019: €112.6 million), which equates to 3.1 percent of revenue (H1 2019: 2.6 percent). R&D costs totaling €77.7 million were expensed (H1 2019: €74.5 million). There were also amortization of capitalized development costs of €51.3 million (H1 2019: €40.2 million), which are reported under cost of sales. > TABLE 15

Research and development (R&D) TABLE 15

in € million	Q2 2020	Q2 2019	Change	Q1 – Q2 2020	Q1 – Q2 2019	Change
Research and development costs (P&L)	39.6	38.0	4.1%	77.7	74.5	4.3%
Capitalized development costs	25.1	19.6	27.9%	44.7	38.1	17.3%
Total R&D spending	**64.7**	**57.6**	**12.2%**	**122.4**	**112.6**	**8.7%**
R&D spending as percentage of revenue	3.4%	2.5%	–	3.1%	2.6%	–

Focus of R&D in the first half of 2020

The fundamental strategic direction of research and development, as defined in the KION 2027 strategy, did not change in the period under review. The focus continues to be on providing long-term support for the KION Group's position as a leading global supplier of integrated, automated supply chain solutions and mobile automation solutions. The innovativeness of the portfolio is being significantly increased by concentrating heavily on automation and robotics solutions that are based on a cross-segment software platform.

Energy

The development and refinement of energy-efficient drive solutions was one area of focus, as had been the case in prior periods. For example, the new models of STILL's compact OXV vertical order picker are available both with traditional lead-acid batteries and with lithium-ion batteries, while eco driving mode can be switched on at the touch of a button for maximum energy efficiency. If the battery needs to be changed in multi-shift operation, this can be done quickly and safely in just a few steps thanks to the standard lateral battery change.

Customers can also choose between the two battery types for Linde Material Handling's three new tow tractor models, P40 C, P40 C B, and P60 C. The tow tractors, which are mostly used as towing vehicles for logistic trains, have a narrow chassis and offer outstanding maneuverability, versatile equipment features, and a wide range of safety systems.

Digitalization

The KION Group has significantly expanded Dematic's intralogistics software offering by acquiring Digital Applications International Limited (DAI), a UK software company specializing in logistics automation solutions. DAI's core product is a warehouse management solution (WMS) that boosts the capacity of Dematic iQ automation solutions.

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

Automation

Dematic has optimized its automation solution for pallet storage. Dematic Standardized Automated Pallet Storage is a modular system of proven components that can be configured to meet specific customer requirements. Since the individual components are standardized, the system can be installed and put into operation in a very short time. Its compact design and the flexibility to store palletized goods at single, double, and even multiple depths make optimum use of the available space. It achieves throughput rates of up to 200 pallets per hour.

Dematic presented a fulfillment solution at the start of this year. It greatly improves the efficiency, ergonomics, and safety of the labor-intensive process of picking and dispatching packaged products. The solution is linked to the Dematic iQ software. Dematic Multishuttle (DMS) 2, which has now been unveiled, is the latest generation of this warehouse automation solution and is also linked to Dematic iQ or, optionally, an SAP solution. It offers even greater performance and improved accuracy.

CUSTOMERS

The coronavirus pandemic and the restrictions on public life and the economy imposed worldwide to contain the outbreak also created huge challenges for the KION Group's customers. The companies in the Group launched various initiatives to help their customers to cope with the crisis.

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

The new Linde Secure Distance Vest and the flexibly deployable Linde Distance Keeper beep, flash, and vibrate to warn employees as soon as they get too close, enabling them to work freely with the best possible protection against infection.

STILL supported a brewery that was making its manufacturing capacity and labor available to local pharmacies at cost price so that they could produce disinfectant. An electric forklift truck from the RX 20 series ensured rapid and efficient logistics at the brewery's premises, with STILL supplying the truck free of charge during the production period.

Dematic responded to the cancelation of LogiMAT, a flagship trade fair, with Dematic Virtual Showcase. In this series of webinars, experts provided insights into individual products and industry solutions. Participants also received live support from the experts during the webinars.

OUTLOOK, RISK REPORT, AND OPPORTUNITY REPORT

Outlook

EXPECTED ECONOMIC CONDITIONS

Compared with the forecasts made in the 2019 annual report, economic conditions have deteriorated substantially. Despite predicting a recovery following the collapse of economic output in the second quarter, the IMF anticipates that the economy will shrink by 4.9 percent over 2020 as a whole. This assessment is very uncertain. In a positive scenario, for example if effective methods of treatment are developed, the recovery in the second half of the year may be much more pronounced. Risks include, in particular, further outbreaks of the virus in regions that currently have low infection rates, which could result in the renewed shutdown of public life and economic activity. Moreover, the expansionary fiscal stimulus measures may not have the desired effect and could also harm the stability of the financial system.

The forward-looking statements and information given below are based on the Company's current expectations and assessments against the backdrop of the very uncertain conditions that currently prevail. Consequently, they involve a relatively high number of risks and uncertainties. If a negative economic scenario were to materialize, the KION Group's performance and profits would differ significantly from those in the outlook.

Sectoral conditions are mixed. The current negative growth rates are expected to continue to have a negative impact in the second half of the year, particularly in the Industrial Trucks & Services segment. Despite the adverse effects of the coronavirus pandemic, the market for supply chain solutions is likely to hold more or less steady owing to the sustained uptrend in e-commerce.

EXPECTED BUSINESS SITUATION AND FINANCIAL PERFORMANCE OF THE KION GROUP

In light of uncertainty about how the pandemic will unfold, its likely duration, and its impact on the global economy and sectoral conditions, the Executive Board of the KION Group retracted the outlook for the 2020 financial year in March that had been published in the 2019 annual report.

At the time of preparation of this interim report, the assessment of the Group's business performance over the remainder of this year was still very uncertain. Consequently, an outlook – including quantitative target ranges – for the main key performance indicators has not been provided for 2020. Instead, there is a qualitative comparative assessment of the predictions for these KPIs.

In light of the ongoing coronavirus pandemic, the KION Group anticipates, for the Group as whole, a noticeable decrease in order intake and a significant fall in revenue, adjusted EBIT, free cash flow, and ROCE compared with 2019.

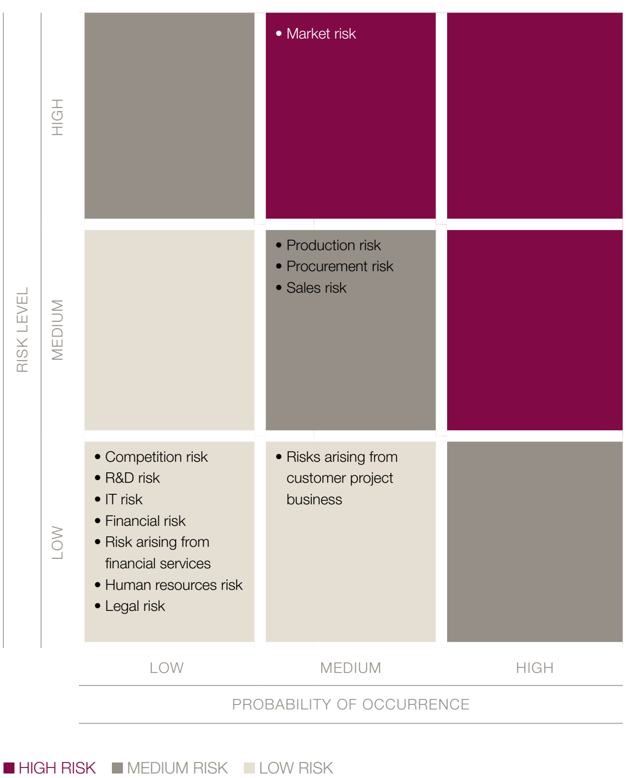
In the Industrial Trucks & Services segment, the current reluctance to invest and the declining demand for services will have a significant negative impact. The KION Group therefore expects that order intake, revenue, and adjusted EBIT for 2020 will be down significantly year on year in the Industrial Trucks & Services segment.

Given the currently very encouraging level of orders in the Supply Chain Solutions segment, its order intake in 2020 is likely to be substantially higher than in 2019. Because there are considerable uncertainties about a possible return to lockdown measures, delays to project execution cannot be ruled out. Revenue and adjusted EBIT are therefore expected to be at a level more in line with that seen in 2019.

Opportunity and risk report

As a result of the coronavirus pandemic, the KION Group's risk situation has changed compared with the description in the 2019 annual report, particularly with regard to market risk, sales risk, procurement risk, and production risk. These changed general risks affect both segments. As things stand at present, there are no indications of any risks that could jeopardize the Company's continuation as a going concern. The KION Group's overall opportunity situation has not changed significantly compared with the description in the 2019 annual report. > DIAGRAM 03

Risk matrix DIAGRAM 003



MARKET RISKS

Macroeconomic conditions deteriorated considerably in the first half of this year and the market outlook is very uncertain. The KION Group therefore assumes a higher level of market risk than it did at the end of 2019. Another market downturn could compound customers' already noticeable reluctance to invest – especially in the more cyclical Industrial Trucks & Services segment – and thus have an adverse impact on demand for the KION Group's products. The KION Group reacted quickly to the changes in demand by taking various measures to make its cost structures more flexible. It is continuing to monitor the geopolitical situation, market, and competitive environment very closely so that it can respond promptly and appropriately to any changes.

SALES RISKS

Given the challenging macroeconomic environment, there is a high risk that customers will cancel or postpone orders. Although there are no indications of major problems arising from order changes at present, the KION Group is continuing to engage in dialog with its customers and monitoring the situation closely.

Any new wave of infection resulting in either government or customer-imposed restrictions might prevent or limit the access to customers' premises that is needed to perform contractually agreed work. This gives rise to heightened revenue risk for both segments.

PROCUREMENT RISKS

Governments responded to the coronavirus pandemic with extensive containment measures that disrupted and blocked global supply chains. Although the situation has recently eased, the KION Group believes it may face a greater risk of delivery backlogs or non-fulfillment of deliveries in respect of individual commodities or components over the course of the year, depending on how the pandemic progresses. It is mitigating this risk by continually monitoring supply chains, the availability of materials, and suppliers' ability to fulfill orders. For critical materials, it has also increased its buffer of inventories and set up dedicated project teams whose job it is to ensure the supply of materials in the production plants and at suppliers' sites.

PRODUCTION RISKS

The KION Group anticipates a greater risk of disruption to operating processes and production outages at individual sites. These could be caused by comprehensive government-imposed restrictions and directives, chains of infection materializing in the workforce, or secondary risks resulting from the aforementioned procurement risks. The KION Group has introduced extensive organizational measures to ensure compliance with hygiene rules and make working hours more flexible. It has also laid the foundations for a sustained improvement in the availability of materials. In terms of personnel, the measures taken to protect the Group's workforce are proving effective and no chains of infection have materialized at the Company so far.

Condensed consolidated interim financial statements

Consolidated income statement

TABLE 16

in € million	Q2 2020	Q2 2019	Q1 – Q2 2020	Q1 – Q2 2019
Revenue	1,899.6	2,280.7	3,927.3	4,364.1
Cost of sales	–1,480.3	–1,686.2	–2,964.8	–3,217.9
Gross profit	**419.3**	**594.6**	**962.5**	**1,146.2**
Selling expenses	–217.7	–239.3	–454.9	–472.3
Research and development costs	–39.6	–38.0	–77.7	–74.5
Administrative expenses	–138.1	–135.6	–279.8	–262.2
Other income	15.1	11.0	39.8	34.9
Other expenses	–15.2	–2.2	–48.7	–23.2
Profit (loss) from equity-accounted investments	–6.3	10.2	–3.6	10.4
Earnings before interest and tax	**17.5**	**200.6**	**137.6**	**359.3**
Financial income	2.1	16.6	47.6	49.9
Financial expenses	–23.3	–42.4	–94.4	–100.4
Net financial expenses	**–21.2**	**–25.7**	**–46.9**	**–50.5**
Earnings before tax	**–3.7**	**174.8**	**90.8**	**308.8**
Income taxes	**–13.4**	**–49.7**	**–40.2**	**–90.5**
Current taxes	–16.2	–56.7	–52.9	–112.0
Deferred taxes	2.9	7.0	12.7	21.4
Net income (loss)	**–17.1**	**125.2**	**50.6**	**218.3**
Attributable to shareholders of KION GROUP AG	–14.8	127.0	53.9	220.0
Attributable to non-controlling interests	–2.3	–1.8	–3.3	–1.7
Earnings per share				
Average number of shares (in million)	118.0	117.9	118.0	117.9
Basic earnings per share (in €)	–0.13	1.08	0.46	1.87
Diluted earnings per share (in €)	–0.13	1.08	0.46	1.86

Consolidated statement of comprehensive income

TABLE 17

in € million	Q2 2020	Q2 2019	Q1 – Q2 2020	Q1 – Q2 2019
Net income (loss)	**–17.1**	**125.2**	**50.6**	**218.3**
Items that will not be reclassified subsequently to profit or loss	**–157.6**	**–56.7**	**–49.8**	**–104.8**
Gains / losses on defined benefit obligation	–157.6	–55.2	–45.5	–104.4
thereof changes in unrealized gains and losses	–227.0	–80.2	–63.0	–149.8
thereof tax effect	69.4	25.1	17.6	45.4
Changes in unrealized gains / losses on financial investments	–0.1	–1.6	–1.7	–0.3
Changes in unrealized gains and losses from equity-accounted investments	0.1	0.0	–2.6	–0.0
Items that may be reclassified subsequently to profit or loss	**–21.4**	**–48.0**	**–53.2**	**23.2**
Impact of exchange differences	–25.3	–52.5	–62.0	26.1
thereof changes in unrealized gains and losses	–25.3	–52.5	–62.0	26.1
thereof realized gains (–) and losses (+)	0.0	0.0	0.0	0.0
Gains / losses on hedge reserves	4.0	4.8	8.2	–2.6
thereof changes in unrealized gains and losses	2.1	4.5	5.5	–7.2
thereof realized gains (–) and losses (+)	0.8	1.0	2.1	3.1
thereof tax effect	1.1	–0.7	0.7	1.4
Changes in unrealized gains / losses from equity-accounted investments	0.0	–0.3	0.6	–0.3
Other comprehensive loss	**–179.0**	**–104.7**	**–103.0**	**–81.5**
Total comprehensive loss (income)	**–196.1**	**20.4**	**–52.4**	**136.7**
Attributable to shareholders of KION GROUP AG	–194.5	22.2	–48.4	138.4
Attributable to non-controlling interests	–1.6	–1.7	–4.1	–1.6

Consolidated statement of financial position – Assets

TABLE 18

in € million	30/06/2020	31/12/2019
Goodwill	3,515.2	3,475.8
Other intangible assets	2,257.4	2,256.6
Leased assets	1,327.3	1,361.2
Rental assets	563.8	632.9
Other property, plant and equipment	1,263.1	1,236.3
Equity-accounted investments	77.2	84.5
Lease receivables	1,124.7	1,080.9
Other financial assets	49.8	44.6
Other assets	67.3	73.8
Deferred taxes	480.9	449.7
Non-current assets	**10,726.7**	**10,696.4**
Inventories	1,194.3	1,085.3
Lease receivables	363.0	340.1
Contract assets	178.0	150.2
Trade receivables	1,058.2	1,074.2
Income tax receivables	25.5	24.9
Other financial assets	94.0	74.1
Other assets	133.7	108.8
Cash and cash equivalents	249.5	211.2
Current assets	**3,295.9**	**3,068.8**
Total assets	**14,022.6**	**13,765.2**

Consolidated statement of financial position – Equity and liabilities

TABLE 19

in € million	30/06/2020	31/12/2019
Subscribed capital	118.0	118.0
Capital reserve	3,035.5	3,034.7
Retained earnings	1,032.5	975.2
Accumulated other comprehensive loss	–662.6	–560.3
Non-controlling interests	–12.2	–9.2
Equity	**3,511.1**	**3,558.4**
Retirement benefit obligation	1,347.5	1,263.4
Non-current financial liabilities	1,519.4	1,716.8
Liabilities from financial services	1,704.4	1,566.9
Lease liabilities	173.8	243.8
Other non-current provisions	114.6	113.8
Other financial liabilities	489.3	500.9
Other liabilities	262.1	301.2
Deferred taxes	573.4	570.9
Non-current liabilities	**6,184.5**	**6,277.8**
Current financial liabilities	655.2	103.7
Liabilities from financial services	968.2	933.2
Lease liabilities	157.3	188.3
Contract liabilities	531.8	504.9
Trade payables	873.0	975.9
Income tax liabilities	60.2	88.7
Other current provisions	135.9	140.6
Other financial liabilities	240.1	284.0
Other liabilities	705.2	709.6
Current liabilities	**4,327.0**	**3,929.0**
Total equity and liabilities	**14,022.6**	**13,765.2**

Consolidated statement of cash flows

TABLE 20

in € million	Q1 – Q2 2020	Q1 – Q2 2019
Earnings before interest and tax	**137.6**	**359.3**
Amortization, depreciation and impairment charges of non-current assets	459.4	440.1
Non-cash reversals of deferred revenues from leases	–95.5	–109.4
Other non-cash income (–)/expenses (+)	30.7	7.5
Gains (–)/losses (+) on disposal of non-current assets	–2.4	–3.0
Change in leased assets (excluding depreciation) and receivables/liabilities from lease business	–87.5	–63.6
Change in rental assets (excluding depreciation) and liabilities from rental business	–92.4	–78.1
Change in net working capital*	–205.4	–381.4
Cash payments for defined benefit obligations	–10.2	–10.7
Change in other provisions	–1.4	6.9
Change in other operating assets/liabilities	–52.8	–30.3
Taxes paid	–82.9	–67.2
Cash flow from operating activities	**–2.6**	**70.1**
Cash payments for purchase of non-current assets	–130.0	–113.0
Cash receipts from disposal of non-current assets	5.0	1.8
Dividends received	0.7	8.8
Acquisition of subsidiaries/other businesses (net of cash acquired)	–97.7	0.0
Cash receipts/payments for sundry assets	5.1	0.7
Cash flow from investing activities	**–217.0**	**–101.7**

Consolidated statement of cash flows (continued)

TABLE 20

in € million	Q1 – Q2 2020	Q1 – Q2 2019
Capital increase from issuing of employee shares	0.3	0.7
Dividend of KION GROUP AG	0.0	– 141.5
Dividends paid to non-controlling interests	0.0	– 0.8
Financing costs paid	– 7.3	– 2.1
Proceeds from borrowings	2,113.5	1,687.3
Repayment of borrowings	– 1,762.4	– 1,431.4
Interest received	0.9	3.2
Interest paid	– 16.5	– 19.9
Interest and principal portion from procurement leases	– 65.6	– 60.1
Cash receipts / payments from other financing activities	6.7	– 0.9
Cash flow from financing activities	**269.6**	**34.5**
Effect of exchange rate changes on cash and cash equivalents	– 11.7	2.0
Change in cash and cash equivalents	**38.3**	**4.9**
Cash and cash equivalents at the beginning of the year	211.2	175.3
Cash and cash equivalents at the end of the year	249.5	180.2

* Net Working Capital comprises inventories, contract assets, trade receivables less contract liabilities and trade payables

Consolidated statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings
Balance as at 01/01/2019	**117.9**	**3,033.1**	**662.1**
Net income for the period			220.0
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**220.0**
Dividend of KION GROUP AG			–141.5
Dividends paid to non-controlling interests			
Changes from employee share option programme	0.0	1.0	
Balance as at 30/06/2019	**117.9**	**3,034.1**	**740.6**
Balance as at 01/01/2020	**118.0**	**3,034.7**	**975.2**
Net income for the period			53.9
Other comprehensive income (loss)			
Comprehensive income (loss)	**0.0**	**0.0**	**53.9**
Changes from employee share option programme	0.0	0.8	
Other changes			3.4
Balance as at 30/06/2020	**118.0**	**3,035.5**	**1,032.5**

TABLE 21

Accumulated other comprehensive income (loss)							
Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on hedge reserves	Gains/losses on financial investments	Gains/losses from equity-accounted investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
−218.9	**−283.5**	**−10.4**	**1.9**	**−0.4**	**3,301.7**	**3.3**	**3,305.1**
					220.0	−1.7	218.3
26.0	−104.4	−2.6	−0.3	−0.3	−81.6	0.1	−81.5
26.0	**−104.4**	**−2.6**	**−0.3**	**−0.3**	**138.4**	**−1.6**	**136.7**
					−141.5	0.0	−141.5
					0.0	−0.8	−0.8
					1.0	0.0	1.0
−192.9	**−387.9**	**−13.0**	**1.6**	**−0.8**	**3,299.6**	**0.9**	**3,300.5**
−143.5	**−399.3**	**−16.8**	**0.0**	**−0.8**	**3,567.5**	**−9.2**	**3,558.4**
					53.9	−3.3	50.6
−61.3	−45.5	8.2	−1.7	−2.0	−102.3	−0.8	−103.0
−61.3	**−45.5**	**8.2**	**−1.7**	**−2.0**	**−48.4**	**−4.1**	**−52.4**
					0.8	0.0	0.8
					3.4	1.0	4.4
−204.7	**−444.8**	**−8.6**	**−1.6**	**−2.8**	**3,523.3**	**−12.2**	**3,511.1**

Notes to the condensed consolidated interim financial statements

BASIS OF PRESENTATION

General information on the Company

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

The condensed consolidated interim financial statements and the interim group management report were prepared by the Executive Board of KION GROUP AG on July 29, 2020.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the six months ended June 30, 2020 have been prepared in line with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and other International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council concerning the application of international accounting standards for interim financial statements. A condensed scope of interim reporting has been prepared in accordance with IAS 34.

All of the IFRSs and the related interpretations (IFRICs/SICs) of the IFRS Interpretations Committee (IFRS IC) that had been issued by the reporting date and that were required to be applied for financial years commencing on or after January 1, 2020 have been applied in preparing these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not contain all the information and disclosures required of a set of consolidated annual financial statements and should therefore be read in conjunction with the consolidated financial statements prepared for the year ended December 31, 2019.

The reporting currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros.

Basis of consolidation

A total of 27 German (December 31, 2019: 26) and 113 foreign (December 31, 2019: 107) subsidiaries were fully consolidated in addition to KION GROUP AG as at June 30, 2020.

In addition, two joint ventures and seven associates were consolidated and accounted for using the equity method as at June 30, 2020, which was the same number as at December 31, 2019.

51 (December 31, 2019: 53) subsidiaries of minor importance and other equity investments (joint ventures and associates that are not accounted for using the equity method, plus financial investments) were not included in the consolidation.

Acquisitions

DIGITAL APPLICATIONS INTERNATIONAL LIMITED

On March 2, 2020, 100.0 percent of the shares were acquired in UK software company Digital Applications International Limited (DAI), whose registered office is in London. The purchase consideration for the net assets acquired was €110.3 million. The acquisition of DAI significantly expands the KION Group's software offering in the Supply Chain Solutions segment.

The incidental acquisition costs incurred by the business combination amount to €2.3 million. Of this sum, the remaining €1.1 million was recognized in consolidated profit or loss under administrative expenses in the first half of 2020. The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the preliminary figures available at the acquisition date is shown in > TABLE 22.

Impact of the acquisition of Digital Applications International Ltd. on the financial position of the KION Group TABLE 22

in € million	Fair value at the acquisition date
Goodwill	71.8
Customer relationship	21.2
Other intangible assets	12.0
Other property, plant and equipment	11.3
Trade receivables	5.7
Cash and cash equivalents	8.8
Other assets	29.5
Total assets	**160.3**
Other non-current financial liabilities	9.7
Other non-current liabilities	12.1
Other current liabilities	17.5
Other liabilities	10.6
Total liabilities	**49.9**
Total net assets	**110.3**
Cash payment	87.4
Assumed liabilities	23.0
Consideration transferred	**110.3**

As part of this transaction, receivables in a gross amount of €5.7 million and contract assets of €3.0 million were acquired. At the acquisition date, it was assumed that the amount of irrecoverable trade receivables was insignificant.

Consolidated revenue rose by €6.7 million as a result of the acquisition. The net income reported for the first half of 2020 contains profit totaling €0.9 million attributable to the entity acquired.

If this business combination had been in place since January 1, 2020, this would have had no other material impact on either the revenue or the net income (loss) reported by the KION Group for the first six months of this year.

The purchase price allocation for the acquisition described above was only provisional as at June 30, 2020 because some details, particularly in the area of long-term construction contracts, had not yet been fully evaluated. In addition, the measurement of intangible assets and the amount of deferred taxes should be considered provisional. Goodwill constitutes the strategic synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is currently not tax deductible. The derived goodwill is assigned to the Dematic cash-generating unit (CGU).

The line item 'Acquisition of subsidiaries / other businesses (net of cash acquired)' in the consolidated statement of cash flows contains a net cash outflow of €89.3 million for the acquisition of DAI.

OTHER ACQUISITIONS

With effect from January 1, 2020, 50.0 percent of the shares were acquired in KION Battery Systems GmbH (KBS), Karlstein, Germany. KBS is fully consolidated in the KION Group's financial statements on the basis of the control criteria in IFRS 10, in particular due to its economic dependence. Upon completion of the transaction, KBS acquired the research and development business – which had previously been at the disposal of the KION Group – of BMZ Batterien-Montage-Zentrum GmbH, Karlstein, for €6.6 million with effect from January 1, 2020 as part of an asset deal.

With effect from July 1, 2020, KBS acquired the operating business – which had also previously been at the disposal of the KION Group and predominantly consisted of production activities – of BMZ Batterien-Montage-Zentrum GmbH, Karlstein, for €11.5 million as part of another asset deal.

With effect from May 29, 2020, 100.0 percent of the shares were acquired in innogy Business Services Polska sp. z. o. o., Krakow, Poland. The purchase consideration for these shares was approximately €3.3 million. As part of the acquisition of this entity, which specializes in accounting services, the KION Group took on around 240 employees.

Both individually and taken together, these acquisitions had only an immaterial impact on the KION Group's financial position and financial performance based on the figures available at their acquisition dates.

Accounting policies

These condensed consolidated interim financial statements are based on the interim financial statements of the parent company and its consolidated subsidiaries prepared in accordance with the standard accounting policies applicable throughout the KION Group. The accounting policies used in these condensed consolidated interim financial statements, as well as the assumptions, are the same as those used for the year ended December 31, 2019.

The KION Group applies the IFRS 9 simplified impairment approach to trade receivables, lease receivables, and contract assets. The default rates are calculated on the basis of observable historical default rates, taking into account current conditions and assessments of future economic conditions. As a result of the coronavirus pandemic, the assessment of future economic conditions has been updated to reflect current circumstances.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue

> TABLES 23 – 26 show revenue from contracts with customers, broken down by sales region, product category, timing of revenue recognition, and segment.

Disaggregation of revenue with third parties TABLE 23

	Q2 2020			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	893.9	168.2	3.8	1,065.9
Eastern Europe	122.0	8.0	0.8	130.7
Middle East and Africa	16.8	2.5	0.0	19.3
North America	34.7	378.0	0.0	412.6
Central and South America	31.1	1.7	0.0	32.8
Asia-Pacific	163.4	74.8	0.0	238.3
Total revenue	**1,261.9**	**633.1**	**4.6**	**1,899.6**
New business	584.2			584.2
Service business	677.6			677.6
– Aftersales	338.1			338.1
– Rental business	220.1			220.1
– Used trucks	82.7			82.7
– Other	36.7			36.7
Business solutions		481.5		481.5
Service business		151.6		151.6
Corporate Services			4.6	4.6
Total revenue	**1,261.9**	**633.1**	**4.6**	**1,899.6**
Timing of revenue recognition				
Products and services transferred at a point in time	918.3	67.3	3.2	988.8
Products and services transferred over a period of time	343.5	565.8	1.5	910.8

Disaggregation of revenue with third parties

TABLE 24

	Q2 2019			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	1,193.0	152.5	3.5	1,349.0
Eastern Europe	167.4	8.4	0.3	176.0
Middle East and Africa	19.5	4.9	0.0	24.4
North America	30.1	418.8	0.0	448.9
Central and South America	54.6	1.7	0.0	56.2
Asia-Pacific	171.2	55.0	0.0	226.2
Total revenue	**1,635.8**	**641.2**	**3.8**	**2,280.7**
New business	881.8			881.8
Service business	754.0			754.0
– Aftersales	392.3			392.3
– Rental business	231.2			231.2
– Used trucks	95.3			95.3
– Other	35.2			35.2
Business solutions		495.4		495.4
Service business		145.7		145.7
Corporate Services			3.8	3.8
Total revenue	**1,635.8**	**641.2**	**3.8**	**2,280.7**
Timing of revenue recognition				
Products and services transferred at a point in time	1,271.9	64.3	2.3	1,338.5
Products and services transferred over a period of time	363.9	576.9	1.5	942.3

Disaggregation of revenue with third parties

TABLE 25

in € million	Q1 – Q2 2020 Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	1,975.6	326.6	8.6	2,310.9
Eastern Europe	257.2	13.8	1.9	272.9
Middle East and Africa	31.8	7.6	0.0	39.4
North America	79.4	745.1	0.0	824.5
Central and South America	66.1	4.8	0.0	70.9
Asia-Pacific	293.2	115.5	0.0	408.8
Total revenue	**2,703.3**	**1,213.5**	**10.5**	**3,927.3**
New business	1,301.8			1,301.8
Service business	1,401.6			1,401.6
– Aftersales	721.4			721.4
– Rental business	446.0			446.0
– Used trucks	164.6			164.6
– Other	69.5			69.5
Business solutions		900.7		900.7
Service business		312.7		312.7
Corporate Services			10.5	10.5
Total revenue	**2,703.3**	**1,213.5**	**10.5**	**3,927.3**
Timing of revenue recognition				
Products and services transferred at a point in time	2,004.7	136.5	7.6	2,148.8
Products and services transferred over a period of time	698.6	1,077.0	3.0	1,778.5

Disaggregation of revenue with third parties TABLE 26

	Q1 – Q2 2019			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	2,289.1	281.4	9.8	2,580.3
Eastern Europe	314.7	19.8	1.1	335.6
Middle East and Africa	39.6	7.2	0.0	46.8
North America	64.9	796.6	0.0	861.5
Central and South America	100.8	2.8	0.0	103.6
Asia-Pacific	334.6	101.8	0.0	436.4
Total revenue	**3,143.6**	**1,209.6**	**11.0**	**4,364.1**
New business	1,647.6			1,647.6
Service business	1,496.0			1,496.0
– Aftersales	785.2			785.2
– Rental business	458.4			458.4
– Used trucks	176.5			176.5
– Other	75.9			75.9
Business solutions		927.1		927.1
Service business		282.5		282.5
Corporate Services			11.0	11.0
Total revenue	**3,143.6**	**1,209.6**	**11.0**	**4,364.1**
Timing of revenue recognition				
Products and services transferred at a point in time	2,425.9	123.2	7.9	2,557.0
Products and services transferred over a period of time	717.7	1,086.3	3.1	1,807.1

Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments amounted to a loss of €3.6 million in the first half of 2020 (H1 2019: €10.4 million).

The 10 percent stake in Linde Hydraulics GmbH & Co. KG, Aschaffenburg, was written off in full in the second quarter of 2020 due to the downturn in the company's business. The impairment loss totaled €10.7 million and affects the Industrial Trucks & Services segment.

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, decreased from €50.5 million in the first half of 2019 to €46.9 million in the first six months of this year.

Of this amount, €12.8 million (H1 2019: €17.8 million) was attributable to interest expense on loan liabilities and promissory notes. Negative currency effects totaling €7.8 million (H1 2019: €8.6 million) had an adverse impact on net financial expenses. The net income in respect of the retirement benefit obligation amounted to €7.0 million as at June 30, 2020 (June 30, 2019: €9.5 million).

Interest income from leases in an amount of €28.9 million (H1 2019: €24.9 million) relates to the interest portion of lease payments in financial services transactions in which KION Group entities operate as lessors (in the case of leases classified as finance leases). In addition to this interest income, there was interest expense on leases of €27.5 million (H1 2019: €25.7 million) that is attributable both to liabilities from financing the direct and indirect leasing business and to liabilities from financing the short-term rental fleet.

Interest expense on procurement leases amounted to €7.0 million (H1 2019: €7.8 million).

Income taxes

In the consolidated interim financial statements, income taxes for the current reporting period are calculated on the basis of the expected income tax rate for the full year.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill rose to €3,515.2 million as at June 30, 2020 (December 31, 2019: €3,475.8 million). The increase was primarily due to the acquisition of DAI, which gave rise to goodwill of €71.8 million based on the preliminary purchase price allocation. Furthermore, currency effects resulted in a €32.4 million decrease in goodwill at the end of the reporting period. In qualitative and quantitative analyses, the estimates and assumptions adjusted as a result of the coronavirus pandemic did not give rise to sufficient indications as at the reporting date that goodwill or brand names might have become impaired during the reporting period.

The value of the brand names, at €939.4 million, and the total carrying amount for technology and development assets, at €699.5 million, were virtually unchanged (December 31, 2019: €939.8 million and €697.9 million).

At €618.5 million, sundry intangible assets were €0.4 million below their carrying amount as at December 31, 2019 of €619.0 million.

Other property, plant and equipment

Other property, plant and equipment totaled €1,263.1 million (December 31, 2019: €1,236.3 million) and included a figure of €469.0 million for right-of-use assets related to procurement leases (December 31, 2019: €452.7 million). Of this figure, €351.2 million was attributable to land and buildings (December 31, 2019: €325.9 million) and €117.8 million to plant & machinery and office furniture & equipment (December 31, 2019: €126.8 million).

Inventories

Inventories increased by €109.0 million to €1,194.3 million as at June 30, 2020 (December 31, 2019: €1,085.3 million). Work in progress was up by 32.5 percent to €189.9 million (December 31, 2019: €143.3 million), while finished goods rose by 6.7 percent to €681.3 million (December 31, 2019: €638.5 million). Write-downs of €11.1 million were recognized on inventories in the second quarter of 2020 (Q2 2019: €10.2 million) and of €17.3 million in the first half of 2020 (H1 2019: €16.2 million). Reversals of write-downs had to be recognized in the amount of €2.2 million in the second quarter of 2020 (Q2 2019: €3.1 million) and in the amount of €4.5 million in the first half of 2020 (H1 2019: €4.8 million) because the reasons for the write-downs no longer applied.

Trade receivables

The €16.0 million reduction in trade receivables to €1,058.2 million as at June 30, 2020 (December 31, 2019: €1,074.2 million) predominantly consisted of a €29.7 million fall in receivables due from third parties to €1,041.1 million (December 31, 2019: €1,070.8 million) that was partly offset by an increase in receivables from factoring transactions of €14.1 million to €18.9 million (December 31, 2019: €4.8 million). Receivables due from non-consolidated subsidiaries, equity-accounted investments, and other equity investments rose by €5.8 million to €46.6 million (December 31, 2019: €40.8 million). Valuation allowances of €48.5 million (December 31, 2019: €42.2 million) were recognized for trade receivables.

Equity

As at June 30, 2020, the Company's share capital amounted to €118.1 million, which was unchanged on December 31, 2019 and was fully paid up. It was divided into 118.1 million no-par-value shares.

The total number of shares outstanding was 117,966,694 no-par-value shares as at June 30, 2020 (December 31, 2019: 117,959,356 no-par-value shares). At the reporting date, KION GROUP AG held 123,306 treasury shares (December 31, 2019: 130,644). In February 2020, a further 7,338 no-par-value shares were issued for employees' own investments under KEEP 2019.

In March 2020, the Executive Board and Supervisory Board adjusted the proposal for the appropriation of profit for the 2019 financial year in light of the coronavirus pandemic and the unpredictability of its likely impact. Consequently, they proposed to the Annual General Meeting held on July 16, 2020 that a dividend of €0.04 per dividend-bearing share – a total of €4.7 million – be paid from the distributable profit of €153.5 million. It was also proposed that the remaining sum of €148.8 million be transferred to other retained earnings. The Annual General Meeting agreed to the proposal for the appropriation of profit on July 16, 2020. A dividend of €1.20 per share had been distributed in 2019.

Retirement benefit obligation

For the purposes of the interim report, a qualified estimate of the defined benefit obligation was made based on the change in actuarial parameters in the period under review.

The retirement benefit obligation was higher than it had been at the end of 2019 owing to actuarial losses that resulted from lower discount rates in all three currency areas. The present value of the defined benefit obligation was calculated on the basis of the discount rates shown in > TABLE 27.

Discount rate TABLE 27

	30/06/2020	31/12/2019
Germany	1.05%	1.15%
UK	1.50%	1.85%
USA	2.75%	3.30%
Other (weighted average)	0.67%	0.73%

The change in estimates relating to defined benefit pension entitlements resulted in a €45.5 million decrease in equity as at June 30, 2020 (after deferred taxes). Overall, the net obligation under defined benefit pension plans rose to €1,302.2 million (December 31, 2019: €1,211.7 million). This consisted of €1,347.5 million recognized under the retirement benefit obligation (December 31, 2019: €1,263.4 million) less an amount of €45.3 million (December 31, 2019: €51.7 million) recognized under other non-current assets.

Financial liabilities

The financial liabilities reported as at June 30, 2020 essentially comprised promissory notes amounting to €1,319.0 million (December 31, 2019: €1,317.3 million), interest-bearing liabilities to banks of €560.8 million (December 31, 2019: €498.3 million), and issued commercial paper amounting to €287.0 million (December 31, 2019: €0.0 million).

In January 2020, earlier than planned, KION GROUP AG repaid all of the remaining liability of €200.0 million that was outstanding as at December 31, 2019 under the acquisition facilities agreement (AFA).

The KION Group applied for an additional liquidity line of up to €1.0 billion from Kreditanstalt für Wiederaufbau (KfW) in order to maintain its financial strength and flexibility during the coronavirus pandemic. The application was approved on May 22, 2020. Of the total amount, €800.0 million has been put up by KfW – Germany's state-owned development bank – and €200.0 million by the KION Group's core banks. The transaction costs of €4.5 million attributable to the new liquidity line will be deferred and recognized over the term of the liquidity line. In the second quarter of 2020, no drawdowns were made from the new syndicated liquidity line.

The KION Group also agreed with the banks providing its funding that the covenants in respect of the current credit facility and the additional liquidity line can be temporarily suspended.

Liabilities from financial services

Liabilities from financial services, which totaled €2,672.6 million (December 31, 2019: €2,500.2 million), comprised a sum of €2,250.5 million related to the financing of long-term leasing business and to residual value obligations arising from the indirect leasing business (December 31, 2019: €2,062.9 million) and a sum of €422.1 million related to the financing of industrial trucks for the short-term rental fleet (December 31, 2019: €437.2 million).

Liabilities from financial services arising from the leasing business encompass liabilities from financing by means of sale and leaseback sub-lease transactions entered into with leasing companies since January 1, 2018 in an amount of €812.0 million (December 31, 2019: €729.6 million). They also include residual value obligations of €277.8 million (December 31, 2019: €297.2 million) resulting from the indirect leasing business.

Furthermore, liabilities from financial services include liabilities from lease facilities in an amount of €329.2 million (December 31, 2019: €392.9 million), liabilities from the issuance of notes (securitizations) in an amount of €700.0 million (December 31, 2019: €530.2 million) – of which €338.0 million was issued through K-Lift S.A., Luxembourg (December 31, 2019: €285.9 million) – and other liabilities from financial services in an amount of €131.5 million (December 31, 2019: €113.0 million).

Lease liabilities

Lease liabilities amounting to €331.1 million (December 31, 2019: €432.1 million) related solely to finance lease obligations arising from sale and leaseback sub-lease transactions entered into up to December 31, 2017 for the financing of long-term leases with end customers. On the opposite side of the statement of financial position, there were lease receivables worth €260.4 million (December 31, 2019: €316.0 million) and leased assets under sale and leaseback sub-lease transactions of €128.1 million (December 31, 2019: €166.1 million).

Contract balances

Contract assets increased by €27.7 million to €178.0 million as at June 30, 2020 (December 31, 2019: €150.2 million). They mainly relate to services in connection with project business contracts that were provided by the KION Group before the payment deadlines agreed with the customers.

Of the contract liabilities, €432.5 million was attributable to project business contracts with a net debit balance due to customers as at the reporting date (December 31, 2019: €416.8 million) and €99.3 million to prepayments received from customers (December 31, 2019: €88.1 million). They relate to services that are still to be provided but for which prepayments from customers have been received. The increase in project business contracts with a net debit balance due to customers of €15.6 million compared with the end of 2019 was due to a rise in services not yet provided.

Other financial liabilities

Other financial liabilities, which totaled €729.4 million (December 31, 2019: €784.9 million), included liabilities of €502.9 million from procurement leases (December 31, 2019: €486.1 million). Liabilities of €129.3 million from sale and leaseback transactions used to finance the short-term rental fleet were also included in other financial liabilities (December 31, 2019: €178.6 million).

OTHER DISCLOSURES

Information on financial instruments

The carrying amounts and fair values of financial assets and liabilities in accordance with IFRS 7 are shown in > TABLE 28.

Carrying amounts and fair values broken down by class TABLE 28

in € million	30/06/2020 Carrying amount	30/06/2020 Fair value	31/12/2019 Carrying amount	31/12/2019 Fair value
Financial assets				
Lease receivables*	1,487.6	1,487.8	1,421.0	1,427.4
Trade receivables	1,058.2	1,058.2	1,074.2	1,074.2
Other financial assets	143.8	143.8	118.7	118.7
thereof financial investments	12.5	12.5	14.4	14.4
thereof financial receivables	18.9	18.9	23.9	23.9
thereof other financial investments	23.5	23.5	24.2	24.2
thereof sundry financial assets	71.4	71.4	44.3	44.3
thereof derivative financial instruments	17.4	17.4	12.0	12.0
Cash and cash equivalents	249.5	249.5	211.2	211.2
Financial liabilities				
Financial liabilities	2,174.6	2,180.6	1,820.5	1,827.7
thereof promissory notes	1,319.0	1,325.0	1,317.3	1,323.9
thereof liabilities to banks	560.8	560.8	498.3	498.9
thereof other financial liabilities	294.8	294.8	4.9	4.9
Liabilities from financial services	2,672.6	2,693.9	2,500.2	2,515.4
Lease liabilities*	331.1	334.3	432.1	435.3
Trade payables	873.0	873.0	975.9	975.9
Other financial liabilities	729.4	737.4	784.9	794.7
thereof liabilities from procurement leases*	502.9	509.5	486.1	494.6
thereof liabilities from short-term rental fleet financing*	129.3	130.7	178.6	179.9
thereof sundry financial liabilities and liabilities from accrued interest	71.7	71.7	96.0	96.0
thereof derivative financial instruments	25.5	25.5	24.3	24.3

* as defined by IFRS 16

FAIR VALUE MEASUREMENT

The following tables show the assignment of fair values to the individual levels as defined by IFRS 13 for financial instruments measured at fair value. > TABLES 29–30

Financial instruments measured at fair value

TABLE 29

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	30/06/2020
Financial assets				**72.4**
thereof financial investments	1.5		11.0	12.5
thereof other financial investments		23.5		23.5
thereof trade receivables		18.9		18.9
thereof derivative financial instruments		17.4		17.4
Financial liabilities				**25.5**
thereof derivative financial instruments		25.5		25.5

Financial instruments measured at fair value

TABLE 30

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	31/12/2019
Financial assets				**55.3**
thereof financial investments	3.2		11.2	14.4
thereof other financial investments		24.2		24.2
thereof trade receivables		4.8		4.8
thereof derivative financial instruments		12.0		12.0
Financial liabilities				**24.3**
thereof derivative financial instruments		24.3		24.3

Level 1 comprises the financial investment in Balyo SA, for which the fair value is calculated using prices quoted in an active market.

The fair value of other financial investments is determined using prices quoted in an active market and other observable inputs. They are assigned to Level 2.

Trade receivables that are recognized at fair value through profit or loss are assigned to Level 2. Their fair value is calculated using the transaction price achievable in an active market. The biggest influence on the transaction price is the default risk of the counterparty.

Interest-rate swaps and currency forwards are also classified as Level 2. The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of the observable market information at the reporting date. The default risk for the Group and for the counterparty is taken into account on the basis of gross figures. The fair value of interest-rate swaps is calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates are used to calculate the cash flows, which are then discounted on the basis of a yield curve that is observable in the market. The fair value of the currency forwards is calculated by the system using the discounting method based on forward rates on the reporting date.

In order to eliminate default risk to the greatest possible extent, the KION Group only enters into derivatives with investment-grade counterparties.

Level 3 essentially comprises the financial investment in Zhejiang EP Equipment Co., Ltd. The fair value is determined using appropriate valuation methods that draw on observable inputs to the greatest possible extent. If no observable inputs are available, unobservable inputs are used.

If events or changes in circumstances make it necessary to reclassify financial instruments to a different level, this is done at the end of a reporting period.

HEDGE ACCOUNTING

Potential ineffective portions of existing hedges were deemed immaterial as at June 30, 2020.

Variable remuneration

KEEP EMPLOYEE EQUITY PROGRAM

As at June 30, 2020, KION Group employees held options on a total of 53,040 no-par-value shares (December 31, 2019: 53,776). The total number of bonus shares granted therefore declined by 736 forfeited bonus shares in the first half of 2020. A pro-rata expense of €0.4 million for six months was recognized for bonus shares in the first half of 2020 (H1 2019: €0.4 million).

KION PERFORMANCE SHARE PLAN (PSP) FOR MANAGERS

The 2020 tranche of the long-term, variable remuneration component for the managers in the KION Group (LTI 2020) was granted with effect from January 1, 2020 and has a term of three years. At the beginning of the performance period on January 1, 2020, the managers were allocated a total of 252,645 phantom shares for this tranche. The allocation was based on a particular percentage of each manager’s individual gross annual remuneration at the time of grant.

In March 2020, a payment from the 2017 tranche was made on the basis of the achievement of the long-term targets that were defined in 2017 at the start of the performance period.

The total carrying amount for liabilities in connection with this share-based remuneration was €11.5 million as at June 30, 2020 (December 31, 2019: €12.5 million). Of this amount, €4.0 million related to the 2018 tranche (December 31, 2019: €4.4 million), €5.6 million to the 2019 tranche (December 31, 2019: €4.4 million), and €1.9 million to the 2020 tranche. As at December 31, 2019, there had also been an amount of €3.7 million relating to the 2017 tranche.

KION PERFORMANCE SHARE PLAN (PSP) FOR THE EXECUTIVE BOARD

The members of the Executive Board have been promised a multiple-year variable remuneration component in the form of a performance share plan with a three-year term in each case. At the beginning of the performance period on January 1, 2020, the Executive Board members were allocated a total of 76,656 phantom shares for this tranche on the basis of the starting price of KION shares (60-day average). The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract.

In March 2020, a payment from the 2017 tranche was made on the basis of the achievement of the long-term targets that were defined in 2017 at the start of the performance period.

In connection with the arrangement of the KfW liquidity line, the Executive Board has foregone its variable remuneration for 2020 (tranche 2018).

The total carrying amount for liabilities in connection with this share-based remuneration was €2.7 million as at June 30, 2020 (December 31, 2019: €5.8 million). Of this amount, €0.0 million related to the 2018 tranche (December 31, 2019: €2.0 million), €2.1 million to the 2019 tranche (December 31, 2019: €2.0 million), and €0.6 million to the 2020 tranche. As at December 31, 2019, there had also been an amount of €1.8 million relating to the 2017 tranche.

Segment report

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions, and Corporate Services. Segment reporting therefore takes into account the organizational and strategic focus of the KION Group.

The KPIs used to manage the segments are order intake, revenue, and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including effects from purchase price allocations and non-recurring items – to the adjusted EBIT for the segments.

The following tables show information on the KION Group's operating segments for the second quarter of 2020 and 2019 and for the first half of 2020 and 2019. > TABLES 31 – 34

Segment report Q2 2020 TABLE 31

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	1,261.9	633.1	4.6	–	1,899.6
Intersegment revenue	0.7	1.5	80.3	–82.6	–
Total revenue	1,262.6	634.6	85.0	–82.6	1,899.6
Earnings before tax	**–15.4**	**23.7**	**13.8**	**–25.9**	**–3.7**
Net financial expenses	–10.9	–7.3	–3.1	–	–21.2
EBIT	**–4.5**	**31.0**	**16.9**	**–25.9**	**17.5**
+ Non-recurring items	20.0	–0.1	0.7	–	20.6
+ PPA items	0.2	22.5	0.0	–	22.7
= Adjusted EBIT	**15.7**	**53.4**	**17.5**	**–25.9**	**60.7**
Capital expenditure [1]	32.9	12.0	4.2	–	49.0
Amortization and depreciation [2]	32.9	10.7	4.3	–	47.9
Order intake	1,261.0	1,057.6	85.0	–84.2	2,319.3

1 Capital expenditure including capitalized development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)

Segment report Q2 2019

TABLE 32

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	1,635.8	641.2	3.8	–	2,280.7
Intersegment revenue	2.4	0.9	73.1	–76.4	–
Total revenue	1,638.2	642.0	76.9	–76.4	2,280.7
Earnings before tax	**163.4**	**32.0**	**103.0**	**–123.6**	**174.8**
Net financial expenses	–14.4	–7.0	–4.3	–	–25.7
EBIT	**177.8**	**39.0**	**107.4**	**–123.6**	**200.6**
+ Non-recurring items	–0.2	3.5	0.1	–	3.4
+ PPA items	0.2	21.1	0.0	–	21.3
= Adjusted EBIT	**177.7**	**63.6**	**107.5**	**–123.6**	**225.2**
Capital expenditure[1]	42.1	10.8	4.5	–	57.4
Amortization and depreciation[2]	28.8	9.3	4.2	–	42.3
Order intake	1,573.2	506.0	76.9	–77.6	2,078.6

1 Capital expenditure including capitalized development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)

Segment report Q1 – Q2 2020

TABLE 33

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	2,703.3	1,213.5	10.5	–	3,927.3
Intersegment revenue	1.2	2.4	163.1	–166.7	–
Total revenue	2,704.5	1,215.8	173.7	–166.7	3,927.3
Earnings before tax	**67.9**	**53.3**	**–4.5**	**–25.9**	**90.8**
Net financial expenses	–24.1	–13.5	–9.3	–	–46.9
EBIT	**92.0**	**66.7**	**4.8**	**–25.9**	**137.6**
+ Non-recurring items	20.0	1.0	1.3	–	22.3
+ PPA items	0.4	44.4	0.0	–	44.8
= Adjusted EBIT	**112.4**	**112.1**	**6.1**	**–25.9**	**204.8**
Segment assets	10,403.4	5,392.7	2,025.8	–3,799.3	14,022.6
Segment liabilities	7,501.6	2,448.9	4,360.0	–3,799.0	10,511.5
Capital expenditure[1]	98.5	22.4	9.1	–	130.0
Amortization and depreciation[2]	64.9	20.2	8.6	–	93.6
Order intake	2,654.9	1,743.9	173.7	–172.3	4,400.1
Number of employees[3]	25,850	8,271	1,457	–	35,578

1 Capital expenditure including capitalized development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at 30/06/2020; allocation according to the contractual relationships

Segment report Q1 – Q2 2019 TABLE 34

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	3,143.6	1,209.6	11.0	–	4,364.1
Intersegment revenue	3.2	1.3	145.9	–150.4	–
Total revenue	3,146.8	1,210.9	156.9	–150.4	4,364.1
Earnings before tax	**298.8**	**51.4**	**82.1**	**–123.5**	**308.8**
Net financial expenses	–27.5	–12.4	–10.6	–	–50.5
EBIT	**326.3**	**63.9**	**92.7**	**–123.5**	**359.3**
+ Non-recurring items	–0.2	4.6	0.2	–	4.6
+ PPA items	0.4	43.4	0.0	–	43.8
= Adjusted EBIT	**326.5**	**111.8**	**92.8**	**–123.5**	**407.6**
Segment assets	10,018.8	4,940.6	1,763.3	–3,178.7	13,544.0
Segment liabilities	7,177.0	2,050.5	4,202.0	–3,185.9	10,243.5
Capital expenditure [1]	85.5	19.3	8.2	–	113.0
Amortization and depreciation [2]	57.3	18.1	8.3	–	83.7
Order intake	3,083.7	1,108.9	156.9	–152.7	4,196.8
Number of employees [3]	25,753	7,178	809	–	33,740

1 Capital expenditure including capitalized development costs, excluding right-of-use assets
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at 30/06/2019; allocation according to the contractual relationships

In the first half of 2020, revenue of €434.1 million (H1 2019: €367.4 million) was generated from one single customer and predominantly in the Supply Chain Solutions segment. The decline in revenue in the Industrial Trucks & Services segment in the first six months of 2020 meant that a relatively high proportion of the KION Group's total revenue was attributable to this customer.

The non-recurring items in the first six months of 2020 mainly related to the Industrial Trucks & Services segment and included the impairment loss of €10.7 million recognized on the long-term equity investment in Linde Hydraulics GmbH & Co. KG, which is accounted for using the equity method, and the realignment of the sales organization in the United Kingdom.

Related party disclosures

In addition to the subsidiaries included in the condensed consolidated interim financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, associates, joint ventures, and other related parties in the course of its ordinary business activities. The related parties that are solely or jointly controlled by the KION Group or over which significant influence can be exercised are included in the list of shareholdings as at December 31, 2019.

Another related party is Weichai Power Co., Ltd., Weifang, People's Republic of China, which indirectly held a 45.2 percent stake in KION GROUP AG via Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power') as at June 30, 2020 (December 31, 2019: 45.0 percent). The Annual General Meeting on July 16, 2020 voted to pay a dividend of €0.04 per share (2019: €1.20 per share), which will be paid in the third quarter of 2020. The KION Group has therefore not yet distributed a dividend to Weichai Power in the first half of the year (2019: €63.8 million).

The revenue that the KION Group generated in the first half of 2020 and second quarter of 2020 from selling goods and services to related parties is shown in > TABLE 35 along with the receivables that were outstanding at the reporting date.

Related party disclosures: receivables and sales

TABLE 35

in € million	Receivables		Sales of goods and services			
	30/06/2020	31/12/2019	Q2 2020	Q2 2019	Q1 – Q2 2020	Q1 – Q2 2019
Non-consolidated subsidiaries	19.2	18.8	6.3	8.4	12.0	15.5
Associates (equity-accounted)	30.0	21.7	29.6	50.1	70.1	102.7
Joint ventures (equity-accounted)	2.5	2.0	7.0	20.8	17.1	28.0
Other related parties*	17.9	25.0	5.5	11.1	10.8	19.5
Total	**69.6**	**67.5**	**48.4**	**90.4**	**109.9**	**165.7**

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

The goods and services obtained from related parties in the first half of 2020 and second quarter of 2020 are shown in > TABLE 36 along with the liabilities that were outstanding at the reporting date.

Related party disclosures: liabilities and purchases

TABLE 36

in € million	Liabilities		Purchases of goods and services			
	30/06/2020	31/12/2019	Q2 2020	Q2 2019	Q1 – Q2 2020	Q1 – Q2 2019
Non-consolidated subsidiaries	7.3	15.6	1.8	5.8	6.4	11.5
Associates (equity-accounted)	7.9	11.9	29.1	48.0	51.1	71.8
Joint ventures (equity-accounted)	94.7	99.9	22.6	33.4	35.7	50.6
Other related parties*	6.6	9.1	10.8	4.3	19.2	9.8
Total	**116.6**	**136.5**	**64.4**	**91.5**	**112.4**	**143.6**

* 'Other related parties' include, among others, transactions with Weichai Power and its affiliated companies

The exemption for government-related entities was applied. There were no transactions that were significant, either individually or taken together, between the KION Group and companies with which the KION Group is closely associated solely because of its relationship with Shandong Heavy Industry Group Co., Ltd, Jinan, People's Republic of China.

Material events after the reporting date

Between the reporting date of these condensed interim consolidated financial statements and July 29, 2020, there were no events or developments that would have led to a material change in the recognition or measurement of the individual assets and liabilities reported as at 30 June 2020 or that it would be necessary to disclose.

Frankfurt am Main, July 29, 2020

The Executive Board

Gordon Riske

Anke Groth

Dr. Eike Böhm

Ching Pong Quek

Review report

To the KION GROUP AG, Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements of the KION GROUP AG, Frankfurt am Main, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes, together with the interim group management report of the KION GROUP AG, Frankfurt am Main, for the period from 1 January to 30 June 2020, that are part of the semi annual financial report pursuant to § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statements audit. Since, in accordance with our engagement, we have not performed a financial statements audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the interim consolidated financial statements of the KION GROUP AG, Frankfurt am Main, have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, July 29, 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Kirsten Gräbner-Vogel)	(Stefan Dorissen)
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the financial position and financial performance of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main, July 29, 2020

The Executive Board

Gordon Riske

Anke Groth

Dr. Eike Böhm

Ching Pong Quek

Quarterly information

Quarterly information

TABLE 37

in € million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Order intake	**2,319.3**	**2,080.8**	**2,577.3**	**2,337.6**	**2,078.6**	**2,118.3**
thereof Industrial Trucks & Services	1,261.0	1,393.9	1,753.0	1,493.8	1,573.2	1,510.5
thereof Supply Chain Solutions	1,057.6	686.3	823.4	838.6	506.0	602.9
Total revenue	**1,899.6**	**2,027.7**	**2,282.3**	**2,160.0**	**2,280.7**	**2,083.4**
thereof Industrial Trucks & Services	1,262.6	1,442.0	1,710.6	1,552.8	1,638.2	1,508.6
thereof Supply Chain Solutions	634.6	581.2	567.3	600.6	642.0	568.8
Adjusted EBITDA	**268.4**	**351.0**	**433.4**	**420.1**	**425.0**	**378.9**
thereof Industrial Trucks & Services	197.5	280.2	382.0	348.2	355.3	324.0
thereof Supply Chain Solutions	70.2	74.0	68.2	80.5	78.2	62.1
Adjusted EBITDA margin	**14.1%**	**17.3%**	**19.0%**	**19.4%**	**18.6%**	**18.2%**
thereof Industrial Trucks & Services	15.6%	19.4%	22.3%	22.4%	21.7%	21.5%
thereof Supply Chain Solutions	11.1%	12.7%	12.0%	13.4%	12.2%	10.9%
EBIT	**17.5**	**120.2**	**162.5**	**194.9**	**200.6**	**158.7**
thereof Industrial Trucks & Services	−4.5	96.5	166.0	169.4	177.8	148.5
thereof Supply Chain Solutions	31.0	35.7	23.0	42.7	39.0	24.8
Adjusted EBIT	**60.7**	**144.0**	**225.8**	**217.1**	**225.2**	**182.4**
thereof Industrial Trucks & Services	15.7	96.7	198.8	169.8	177.7	148.8
thereof Supply Chain Solutions	53.4	58.7	52.0	64.4	63.6	48.2
Adjusted EBIT margin	**3.2%**	**7.1%**	**9.9%**	**10.1%**	**9.9%**	**8.8%**
thereof Industrial Trucks & Services	1.2%	6.7%	11.6%	10.9%	10.8%	9.9%
thereof Supply Chain Solutions	8.4%	10.1%	9.2%	10.7%	9.9%	8.5%

DISCLAIMER

Forward-looking statements
This interim report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of KION GROUP AG. These statements only take into account information that was available up to and including the date on which this interim report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions (including those, triggered by the coronavirus pandemic) and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2019 group management report, which has been combined with the Company's management report, and in this interim report. However, other factors could also have an adverse effect on our business performance and results. KION GROUP AG neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this interim report.

Rounding
Certain numbers in this interim report have been rounded. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the interim report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

FINANCIAL CALENDAR

October 29, 2020
Quarterly statement for the period ended September 30, 2020 (Q3 2020), conference call for analysts

March 2, 2021
Publication of 2020 annual report, financial statements press conference, and conference call for analysts

April 28, 2021
Quarterly statement for the period ended March 31, 2021 (Q1 2021), conference call for analysts

Subject to change without notice

CONTACT INFORMATION

Contacts for the media

Michael Hauger
Senior Vice President
Corporate Communications
Phone: +49 69 201 107 655
michael.hauger@kiongroup.com

Frank Grodzki
Senior Director External Communications
Phone: +49 69 201 107 496
frank.grodzki@kiongroup.com

Contacts for investors

Antje Kelbert
Senior Manager Investor Relations
Phone: +49 69 201 107 346
antje.kelbert@kiongroup.com

Dana Unger
Senior Manager Investor Relations
Phone: +49 69 201 107 371
dana.unger@kiongroup.com

Securities identification numbers
ISIN: DE000KGX8881
WKN: KGX888

KION GROUP AG
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany
Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com

This interim report is available in German and English at kiongroup.com. Only the content of the German version is authoritative.

kiongroup.com/ir

We
keep
the
world
moving.

KION GROUP AG
Corporate Communications
Thea-Rasche-Strasse 8
60549 Frankfurt am Main | Germany

Phone: +49 69 201 100
Fax: +49 69 201 107 690
info@kiongroup.com
www.kiongroup.com