Q3

Interim Report

Q3 2020

Key figures

KION Group overview

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Order intake	2,315.3	2,337.6	–1.0%	6,715.4	6,534.5	2.8%
Revenue	2,072.9	2,160.0	–4.0%	6,000.2	6,524.2	–8.0%
Order book[1]				4,144.4	3,631.7	14.1%
Financial performance						
EBITDA	365.0	419.3	–12.9%	962.1	1,218.7	–21.1%
Adjusted EBITDA[2]	367.3	420.1	–12.6%	986.7	1,224.1	–19.4%
Adjusted EBITDA margin[2]	17.7%	19.4%	–	16.4%	18.8%	–
EBIT	135.2	194.9	–30.6%	272.8	554.1	–50.8%
Adjusted EBIT[2]	159.1	217.1	–26.7%	363.8	624.7	–41.8%
Adjusted EBIT margin[2]	7.7%	10.1%	–	6.1%	9.6%	–
Net income	81.9	120.7	–32.2%	132.5	338.9	–60.9%
Financial position[1]						
Total assets				14,185.1	13,765.2	3.1%
Equity				3,472.3	3,558.4	–2.4%
Net financial debt				1,867.6	1,609.3	16.1%
Cash flow						
Free cash flow[3]	105.3	84.6	24.4%	–114.3	53.0	< –100%
Capital expenditure[4]	59.8	74.8	–20.0%	189.9	187.8	1.1%
Employees[5]				35,986	34,604	4.0%

1 Figure as at Sep 30, 2020 compared with Dec 31, 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 Sep 30, 2020 compared with Dec 31, 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 – Q3 2020

KION Group generates consistently strong level of order intake in the first nine months of 2020

- Total value of order intake rises by 2.8 percent year on year to €6.715 billion, despite the coronavirus pandemic
- At €4.144 billion, the order book is up by 14.1 percent compared with the end of 2019
- Revenue decreases by 8.0 percent to €6.000 billion due to the crisis
- Adjusted EBIT falls sharply year on year to €363.8 million (Q1–Q3 2019: €624.7 million)
- Adjusted EBIT margin declines from 9.6 percent to 6.1 percent
- Net income for the period remains well into positive territory at €132.5 million
- Free cash flow amounts to minus €114.3 million (Q1–Q3 2019: €53.0 million), partly due to acquisitions
- Funding structure strengthened by successful placement of a bond of €500.0 million on the capital markets
- Outlook for 2020 confirmed and quantified

Contents

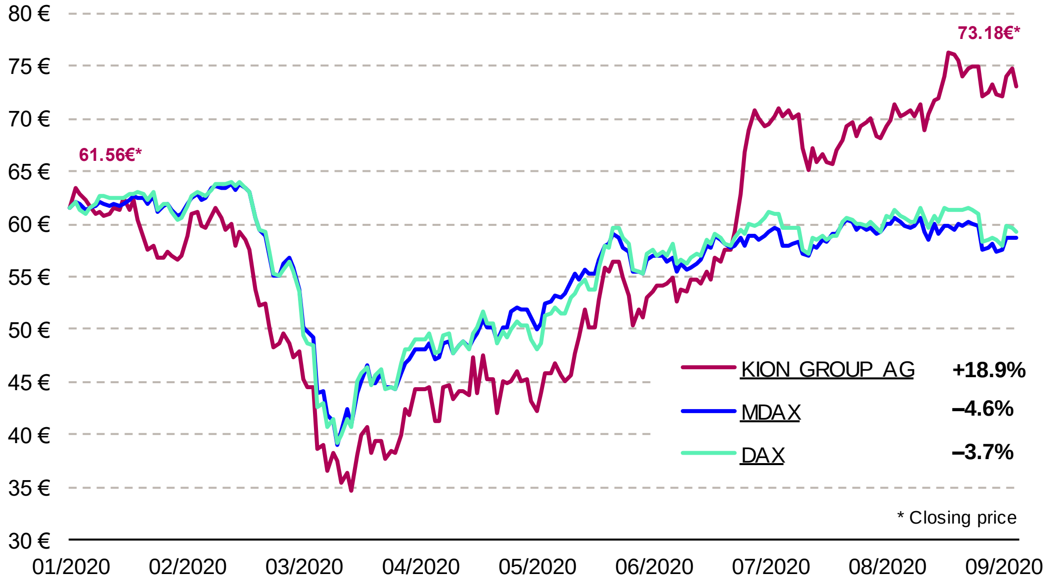
KION shares

Recovery continues – KION shares rise sharply

Whereas the German stock markets were dominated by the coronavirus pandemic at the start of the year, they began to stage a recovery in the second quarter that continued into the third quarter. A wealth of central bank measures and various economic stimulus packages gave investors greater confidence that the economic fallout from the pandemic would be brought under control. The DAX therefore went up in the third quarter and, by the end of September, was close to the level seen at the end of 2019 (down by 3.7 percent). The MDAX did not recover quite as strongly and, at the end of the third quarter, the index was still down by 4.6 percent compared with the end of last year.

KION shares comfortably outperformed their benchmarks in the reporting period. Supported by the Company's results, especially in the Supply Chain Solutions segment, the shares gained 18.9 percent in the nine-month period and closed at €73.18 on September 30, 2020, which was higher than at the end of 2019. This equates to a market capitalization of €8.6 billion, of which €4.7 billion is attributable to shares in free float. Compared with their low for the year so far, which was reached on March 23 in the early phase of the coronavirus crisis, shares in KION GROUP AG have therefore more than doubled in price.

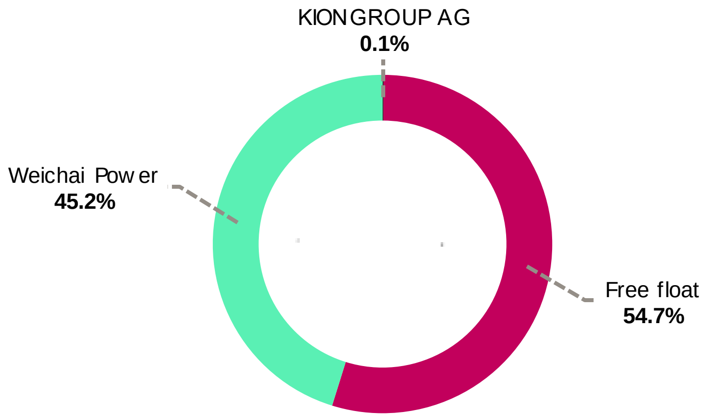
Share price performance in the first nine months of 2020 compared with the DAX and MDAX



Stable shareholder structure

The shareholder structure remained almost unchanged in the reporting period. Weichai Power Co., Ltd., Weifang, People's Republic of China, had a stake of 45.2 percent as at September 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 the end of the third quarter.

Shareholder structure as at September 30, 2020



Comprehensive coverage

A total of 21 brokerage houses currently follow and report regularly on the KION Group. As at September 30, 2020, nine analysts recommended KION shares as a buy, ten rated them as neutral, and two recommended selling them. The median target price specified by the share analysts was €65.00 at the end of September.

Investment-grade credit rating reaffirmed

The KION Group continues to have an investment-grade credit rating. In September 2020, Fitch Ratings reaffirmed the Group's long-term issuer default rating of BBB– with a stable outlook and its short-term issuer default rating of F3. The new bond placed by KION GROUP AG in September was given a rating of BBB–. Standard & Poor's also confirmed KION's issuer rating of BB+ with a stable outlook in September 2020 and awarded a senior unsecured rating of BB+.

Share data

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 Sep 30, 2020	€73.18
Performance since beginning of 2020	18.9%
Market capitalization as at Sep 30, 2020	€8,641.8 million
Free float	54.7%
Basic earnings per share[1]	€1.18

1 For the reporting period Jan 1 to Sep 30, 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

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 execute its KION 2027 strategy during the period under review, despite temporarily prioritizing short-term measures to deal with the coronavirus pandemic. 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 continue increasing its adjusted EBIT margin so that it reaches double digits in the long term. 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).

A particular focus is to sustainably strengthen the KION Group's position in the growth regions of the global material handling market. In the third quarter, for example, construction of a new plant for manufacturing counterbalance trucks in the value segment got under way in the eastern Chinese city of Jinan, the opening ceremony was held for the new warehouse technology factory near Xiamen, and the production facility for material handling solutions in Stříbro, Czech Republic, was expanded.

In the **energy** field of action, the Group continued to focus on the development and production of lithium-ion batteries for use in energy-efficient drive systems for industrial trucks. This includes KION Battery Systems GmbH (KBS), which went into operation at the start of this year and is a joint venture with BMZ Holding GmbH.

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

In the **automation** field of action, the KION Group entered into a strategic partnership with Shanghai-based Quicktron in the third quarter. Quicktron is a Chinese manufacturer of autonomous mobile robots. This expands the Group's global product offering of automated warehouse solutions.

Report on the economic position

Macroeconomic and sector-specific conditions

Macroeconomic conditions

Following its dramatic slump in the first half of the year, the global economy began to show early signs of recovery in the third quarter thanks to the easing of local lockdowns and the gradual restart of activity by companies that had faced restrictions. The extensive fiscal and monetary policy measures helped to contain the sharp drop in economic activity and global trade. In Europe and the United States, the economic decline triggered by the coronavirus pandemic was not as severe as had been anticipated in the first half of the year. Supported by government stimulus packages, China's economic output returned to the level seen before the outbreak of the pandemic.

Despite the recovery expected in the months ahead, the global economy will contract significantly over 2020 as a whole. In its October forecast, the International Monetary Fund (IMF) predicts that global economic output will fall by 4.4 percent, although this is a smaller decrease than estimated in June 2020. The global volume of trade is expected to contract by 10.4 percent.

Forecasts continue to come with a high degree of uncertainty as the continued course of the coronavirus pandemic is impossible to predict. A rise in infection rates could result in a return to local or national lockdown measures that might disrupt the recovery and deepen the recession again.

Sectoral conditions

Sales markets

The situation in the global economy, which was shaped by the coronavirus pandemic, was reflected in unit sales figures in the global market for industrial trucks in the first nine months of this year. Whereas the number of new trucks ordered in the first half of 2020 was 7.0 percent lower than in the same period of 2019, the decrease had been virtually eliminated by the end of September thanks to the slowly emerging bounce-back of the global economy. The number of new orders worldwide rose by 2.9 percent to 1,148 thousand trucks, primarily due to the growth of the market in China.

However, the regional picture was very mixed. The EMEA region (western Europe, eastern Europe, Middle East, and Africa) registered a decrease of 10.8 percent in the nine-month period. The Americas region (North, Central, and South America) was able to limit the decline to 5.0 percent. In the APAC region (Asia-Pacific), by contrast, the rapid recovery of the Chinese market (up by 30.2 percent) meant that order numbers rose by 17.2 percent.

Global orders for new electric forklift trucks decreased by 5.5 percent compared with the first three quarters of 2019, whereas trucks fitted with an internal combustion (IC) engine saw a 5.6 percent increase in orders owing to the sharp increase in unit sales in China. Order intake for warehouse trucks was also higher than in the prior-year period, rising by 3.8 percent.

Global industrial truck market (order intake)

in thousand units	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Western Europe	90.5	91.0	–0.5%	266.4	302.6	–12.0%
Eastern Europe	22.8	21.2	7.7%	61.0	65.1	–6.2%
Middle East and Africa	9.6	8.7	10.8%	24.3	26.8	–9.3%
North America	64.9	65.6	–1.1%	181.6	191.3	–5.1%
Central and South America	12.2	9.8	25.4%	26.8	28.1	–4.7%
Asia-Pacific	241.1	159.3	51.3%	587.6	501.1	17.2%
World	**441.2**	**355.6**	**24.1%**	**1,147.7**	**1,115.0**	**2.9%**

Source: WITS/FEM

Despite the significant deterioration of global economic conditions and the resulting reluctance to invest, the market for supply chain solutions saw a rise in orders that was primarily fueled by the growth of demand in the e-commerce sector.

Procurement markets and conditions in the financial markets

Prices for the commodities used by the KION Group were predominantly lower on average in the first nine months of this year than in 2019. In the third quarter, the price of steel remained close to its level at the start of the year, but this was lower than the average price for 2019. The price of copper rose sharply following a coronavirus-induced slump in the first quarter and was above the average price for 2019 in the third quarter. Crude oil was unable to stage a sustained recovery, with the price of Brent crude remaining below its average level for 2019 in the third quarter, whereas the price of rubber recovered and rose sharply in the third quarter.

Despite the euro’s marked appreciation against the Chinese renminbi and the US dollar from mid-2020 onward, currency effects had only a negligible impact on the KION Group’s operating performance in the period January to September 2020.

Business performance in the Group

The KION Group continued to pursue its key objective of expanding its market position in the Chinese material handling market, which is expected to see strong long-term growth, and in August began construction of a new factory for manufacturing Linde and Baoli counterbalance trucks in the eastern Chinese city of Jinan. The construction project, for which capital expenditure of around €100 million has been budgeted, is due to be completed in 2022. More than 800 new jobs are to be created in Jinan by 2025. 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 new strategic partnership formed with Shanghai-based Quicktron, a leading Chinese manufacturer of autonomous mobile robots (AMRs), is aimed at expanding the product portfolio for the Chinese market and beyond. The distribution agreement, which was signed in August 2020, enables Quicktron’s mobile automated warehouse solutions to be distributed directly via the global sales and service networks of the KION brands Linde, STILL, and Dematic.

In March 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 the solutions offered by DAI in the areas of logistics automation and supply chain engineering gives the Supply Chain Solutions segment 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.

The KION Group's third factory building at its Stříbro site in the Czech Republic went into operation in September 2020 and manufactures items for the Supply Chain Solutions segment such as conveyor belts, pouch sorting systems, and storage and retrieval equipment – known as Multishuttle systems – that ensure the smooth flow of goods in warehouses and distribution centers. The segment’s increased production capacity enables it to take even greater advantage of the growing demand for omnichannel solutions and the rapid expansion of e-commerce.

In the third quarter, the KION Group was able to scale back some of the short-term measures introduced in the Industrial Trucks & Services segment during the first half of the year in order to deal with the economic impact of the coronavirus pandemic. The major production facilities that had temporarily closed largely went back into operation. A variety of personnel measures – including the using up of accumulated credit hours in working-time accounts and the introduction of short-time working – continued to help to flexibly manage the capacity adjustments. Alongside the changes in production, supply logistics were also adapted to the new situation, partly in response to the disruptions to global supply chains. As a result, some of the buffer of parts that had been built up at the plants in the first half of the year was reduced as production began to be ramped up again.

In the Supply Chain Solutions segment, the plants remained busy and continued to operate almost continually in the reporting period. Disruptions in the project business caused by regional restrictions on access for project engineers were no longer an issue in the third quarter, which meant it was possible to make up for some of the project delays.

In May 2020, the KION GROUP AG reached agreement with its core group of banks on the provision of a syndicated liquidity line, with Kreditanstalt für Wiederaufbau (KfW, Germany’s state-owned development bank) 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 and has not been utilized so far. The KION GROUP AG 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 reduction in the dividend to €0.04 per dividend-bearing share.

On September 24, 2020, KION GROUP AG issued a corporate bond on the capital markets with a total volume of €500.0 million and a term of five years in order to increase the flexibility of the Group's funding over the long term. The variable-rate tranches of the promissory note that matures in May 2022 with a total nominal value of €653.5 million will be repaid ahead of schedule on October 30, 2020.

The aforementioned liquidity-related measures were accompanied by the postponement of capital expenditure on selected projects as well as various cost-cutting programs. As part of these countermeasures, a capacity and structural program was initiated over the course of 2020 in order to further stabilize the operating business and secure the Group's competitiveness. The program, which mainly affects the Industrial Trucks & Services segment, is aimed at streamlining and optimizing the organizational structures and capacity in production, sales, and service in the EMEA region in order to reflect the anticipated medium-term market environment after the coronavirus pandemic.

Financial performance and financial position

Overall assessment of the economic situation

Even after nine months of 2020, the KION Group's revenue still reflects the substantial adverse impact of the coronavirus pandemic. New truck business in the Industrial Trucks & Services segment continued to decline markedly owing to the high proportion of revenue generated in the EMEA region. The segment's revenue fell by 12.6 percent, and the 3.8 percent increase in revenue in the Supply Chain Solutions segment was not enough to make up for this. Consequently, consolidated revenue went down by 8.0 percent to €6,000.2 million (Q1–Q3 2019: €6,524.2 million).

By contrast, the Group's order intake increased by 2.8 percent to €6,715.4 million (Q1–Q3 2019: €6,534.5 million). This was driven by the Supply Chain Solutions segment, which again secured major new project orders in the third quarter and was therefore able to maintain the positive trend seen in the first half of the year. Having fallen sharply in the first six months of this year, order intake in the Industrial Trucks & Services segment began to recover slowly in the third quarter but was still down significantly year on year for the reporting period as a whole.

Adjusted EBIT dropped by €260.9 million to €363.8 million and was therefore considerably lower than in the prior-year period (Q1–Q3 2019: €624.7 million), which had seen strong earnings in the third quarter. The adjusted EBIT margin for the first three quarters of 2020 thus fell by 3.5 percentage points to 6.1 percent and remained well below the figure for the same period of last year (Q1–Q3 2019: 9.6 percent).

Net income for the period reduced to €132.5 million (Q1–Q3 2019: €338.9 million). Basic earnings per share decreased to €1.18 (Q1–Q3 2019: €2.88). Free cash flow was in negative territory at minus €114.3 million (Q1–Q3 2019: €53.0 million), primarily due to the sharp fall in operating profit. The reduced volume of business meant that the amount of net working capital tied up during the year was lower than in the prior-year period, but higher tax payments and the acquisition of DAI in March 2020 had a negative effect on free cash flow overall in the reporting period.

Net financial debt rose by €258.3 million to €1,867.6 million as at September 30, 2020 and therefore equated to 1.3 times adjusted EBITDA on an annualized basis. The placement of a corporate bond with a total volume of €500.0 million and a term of five years increased the flexibility of the KION Group's funding over the long term. The bond, placed on the capital markets on September 24, 2020, will facilitate the repayment of the variable-rate tranches of the promissory note maturing in May 2022 with a total nominal value of €653.5 million ahead of schedule on October 30, 2020.

Business situation and financial performance of the KION Group

Level of orders

Despite the difficult market conditions, the KION Group's order intake increased by 2.8 percent year on year to €6,715.4 million (Q1–Q3 2019: €6,534.5 million). The sharp 10.9 percent drop in order intake to €4,076.7 million in the Industrial Trucks & Services segment (Q1–Q3 2019: €4,577.5 million) was more than made up for by the substantial 35.1 percent rise to €2,631.5 million in the Supply Chain Solutions segment (Q1–Q3 2019: €1,947.6 million). The business of automated solutions for global supply chains, which is influenced by long-term trends and customer expectations, has – more than ever – proved to be a significant source of stability for the KION Group's business model during the coronavirus pandemic.

Overall, currency effects had only a small impact on the value of KION Group's order intake, reducing it by €60.2 million.

At €4,144.4 million, the Group's order book had grown by 14.1 percent compared with the end of 2019 (December 31, 2019: €3,631.7 million), mainly thanks to the project business order book in the Supply Chain Solutions segment. This has created good foundations for the coming fourth quarter.

Revenue

Consolidated revenue went down by 8.0 percent to €6,000.2 million (Q1–Q3 2019: €6,524.2 million). In the Industrial Trucks & Services segment, revenue generated from external customers fell by 12.6 percent to €4,106.0 million (Q1–Q3 2019: €4,695.3 million) due to the restrictions on production in the second quarter and the decline in new truck business and service business throughout the reporting period. The Supply Chain Solutions segment's revenue from external customers came to €1,876.0 million, which represented a year-on-year increase of 3.7 percent (Q1–Q3 2019: €1,809.8 million). Despite isolated delays to projects caused by local lockdowns, business solutions recorded a small revenue increase of 2.0 percent compared with the prior-year period. The segment's service business saw a rise of 8.9 percent on the back of orders for the modernization and expansion of systems.

Overall, the proportion of consolidated revenue attributable to the service business grew from 41.2 percent in the prior-year period to 43.9 percent in the first nine months of 2020, predominantly due to the decline in new truck business. Currency effects had a negative impact on consolidated revenue, decreasing it by a total of €56.7 million.

Revenue with third parties by product category

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Industrial Trucks & Services	**1,402.7**	**1,551.7**	**–9.6%**	**4,106.0**	**4,695.3**	**–12.6%**
New business	654.7	805.1	–18.7%	1,956.5	2,452.7	–20.2%
Service business	748.0	746.6	0.2%	2,149.6	2,242.6	–4.1%
– Aftersales	389.0	395.7	–1.7%	1,110.4	1,180.9	–6.0%
– Rental business	227.7	226.0	0.7%	673.7	684.4	–1.6%
– Used trucks	93.0	87.0	6.8%	257.6	263.5	–2.2%
– Other	38.3	37.9	1.2%	107.9	113.8	–5.2%
Supply Chain Solutions	**662.5**	**600.2**	**10.4%**	**1,876.0**	**1,809.8**	**3.7%**
Business solutions	492.8	439.8	12.0%	1,393.5	1,366.9	2.0%
Service business	169.7	160.4	5.8%	482.4	442.9	8.9%
Corporate Services	**7.7**	**8.1**	**–5.8%**	**18.2**	**19.1**	**–4.7%**
Total revenue	**2,072.9**	**2,160.0**	**–4.0%**	**6,000.2**	**6,524.2**	**–8.0%**

Revenue by sales region

Much of the fall in revenue was attributable to the EMEA region in the Industrial Trucks & Services segment. The temporary lockdown measures and a distinct reluctance to invest meant that business performance in Europe was particularly badly affected compared with the other sales regions. By contrast, the Supply Chain Solutions segment increased its revenue in the European markets. Within the Americas region, revenue in North America, which is a major sales market for the Supply Chain Solutions segment, fell slightly as a result of project delays attributable to local lockdowns while revenue in Central and South America dropped sharply. The APAC region benefited from China's significant growth spurt, and revenue in the region was only just short of the figure for the prior-year period.

Emerging markets accounted for 18.5 percent of the KION Group's revenue in the reporting period (Q1–Q3 2019: 19.5 percent). A total of 82.2 percent of revenue was generated outside Germany (Q1–Q3 2019: 80.7 percent).

Revenue with third parties by customer location

in € million	Q3 2020	Q3 2019	Change	Q1–Q3 2020	Q1–Q3 2019	Change
Western Europe	1,208.6	1,251.7	–3.4%	3,519.4	3,832.0	–8.2%
Eastern Europe	143.7	162.6	–11.6%	416.6	498.2	–16.4%
Middle East and Africa	16.7	23.2	–28.0%	56.1	70.0	–19.9%
North America	418.7	444.0	–5.7%	1,243.2	1,305.4	–4.8%
Central and South America	40.6	52.7	–23.0%	111.5	156.3	–28.7%
Asia-Pacific	244.6	225.9	8.3%	653.4	662.2	–1.3%
Total revenue	**2,072.9**	**2,160.0**	**–4.0%**	**6,000.2**	**6,524.2**	**–8.0%**

Earnings

EBIT and EBITDA

In the reporting period, earnings before interest and tax (EBIT) more than halved to €272.8 million (Q1–Q3 2019: €554.1 million). However, the decline in earnings was less pronounced in the third quarter at 30.6 percent. EBIT included budgeted negative effects from purchase price allocations totaling €66.4 million (Q1–Q3 2019: €65.2 million). Negative non-recurring items of €24.6 million were also recognized in the period under review (Q1–Q3 2019: €5.4 million). These items 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. An amount of €12.1 million was recognized as a negative non-recurring item in connection with the capacity and structural program that has been initiated. This amount also included the expenditure of €8.5 million on the restructuring of the UK sales organization that is already in progress in the Industrial Trucks & Services segment. EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) fell by 41.8 percent to €363.8 million (Q1–Q3 2019: €624.7 million). The adjusted EBIT margin was down significantly year on year at 6.1 percent (Q1–Q3 2019: 9.6 percent) but was showing clear signs of recovery compared with the figure of 5.2 percent for the first half of 2020.

EBIT

in € million	Q3 2020	Q3 2019	Change	Q1–Q3 2020	Q1–Q3 2019	Change
EBIT	**135.2**	**194.9**	**–30.6%**	**272.8**	**554.1**	**–50.8%**
+ Non-recurring items	2.2	0.8	>100%	24.6	5.4	>100%
+ PPA items	21.6	21.4	0.8%	66.4	65.2	1.8%
Adjusted EBIT	**159.1**	**217.1**	**–26.7%**	**363.8**	**624.7**	**–41.8%**
Adjusted EBIT margin	**7.7%**	**10.1%**	**–**	**6.1%**	**9.6%**	**–**

Earnings before interest, tax, depreciation, and amortization (EBITDA) decreased to €962.1 million (Q1–Q3 2019: €1,218.7 million). Adjusted EBITDA declined to €986.7 million (Q1–Q3 2019: €1,224.1 million), giving an adjusted EBITDA margin of 16.4 percent (Q1–Q3 2019: 18.8 percent).

EBITDA

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
EBITDA	**365.0**	**419.3**	**–12.9%**	**962.1**	**1,218.7**	**–21.1%**
+ Non-recurring items	2.2	0.8	>100%	24.6	5.4	>100%
+ PPA items	0.0	0.0	–	0.0	0.0	–
Adjusted EBITDA	**367.3**	**420.1**	**–12.6%**	**986.7**	**1,224.1**	**–19.4%**
Adjusted EBITDA margin	**17.7%**	**19.4%**	**–**	**16.4%**	**18.8%**	**–**

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 €248.6 million in the reporting period (Q1–Q3 2019: €245.6 million).

Key influencing factors for earnings

The cost of sales decreased at a slower rate than revenue, falling by 5.8 percent to €4,508.7 million (Q1–Q3 2019: €4,787.4 million). The KION Group’s gross margin therefore stood at 24.9 percent for the nine-month period (Q1–Q3 2019: 26.6 percent). This was primarily due to the reduced coverage of fixed costs as a result of the lower volume of business. The implementation of strategic projects meant that research and development costs went up by 2.3 percent and administrative expenses by 5.0 percent year on year. The temporary restrictions on sales activities, however, caused selling expenses to fall by 3.9 percent. One of the aforementioned strategic projects is the capacity and structural program, which has been initiated in the EMEA region in connection with the coronavirus pandemic. Purchase price allocation effects included in the cost of sales and in other functional costs were only slightly higher than in the first three quarters of 2019. The ‘other’ item included, among other effects, the share of profit (loss) of equity-accounted investments, which amounted to a loss of €4.9 million (Q1–Q3 2019: profit of €10.7 million). Currency translation losses also had a negative impact on the ‘other’ item.

The change in the cost of sales and in other functional costs is shown in the following table.

Condensed consolidated income statement

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Revenue	2,072.9	2,160.0	–4.0%	6,000.2	6,524.2	–8.0%
Cost of sales	–1,543.8	–1,569.5	1.6%	–4,508.7	–4,787.4	5.8%
Gross profit	**529.0**	**590.5**	**–10.4%**	**1,491.5**	**1,736.8**	**–14.1%**
Selling expenses and administrative expenses	–355.8	–364.1	2.3%	–1,090.6	–1,098.6	0.7%
Research and development costs	–35.8	–36.5	1.9%	–113.4	–110.9	–2.3%
Other	–2.2	4.9	< –100%	–14.7	26.9	< –100%
Earnings before interest and tax (EBIT)	**135.2**	**194.9**	**–30.6%**	**272.8**	**554.1**	**–50.8%**
Net financial expenses	–17.2	–25.4	32.4%	–64.1	–75.9	15.6%
Earnings before tax	**118.0**	**169.4**	**–30.3%**	**208.8**	**478.2**	**–56.3%**
Income taxes	–36.2	–48.8	25.9%	–76.3	–139.3	45.2%
Net income	**81.9**	**120.7**	**–32.2%**	**132.5**	**338.9**	**–60.9%**

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved from €75.9 million in the prior-year period to €64.1 million in the first nine months of this year due to further optimization of the interest on financial debt.

Income taxes

Income tax expenses fell significantly year on year to €76.3 million (Q1–Q3 2019: €139.3 million), reflecting the level of earnings. Nevertheless, the effective tax rate rose to 36.6 percent (Q1–Q3 2019: 29.1 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. The figure for the prior-year period had included positive effects such as the adjustment of tax provisions for prior periods and tax breaks for R&D activities in the United States.

Net income for the period

At €132.5 million, net income for the period was significantly lower than the figure for the prior-year period (Q1–Q3 2019: €338.9 million). Basic earnings per share attributable to the shareholders of KION GROUP AG came to €1.18 (Q1–Q3 2019: €2.88) based on 118.0 million (Q1–Q3 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 in the third quarter was up slightly on the same period of 2019, rising by 0.2 percent. In the nine-month period, however, there was a sharp fall of 12.8 percent to 137.5 thousand units sold. This poorer performance compared with the global market was mainly due to the challenging conditions in the segment's main sales market, the EMEA region. In the APAC region, the segment recorded a year-on-year increase, primarily thanks to disproportionately strong growth in China.

The total value of order intake fell by 10.9 percent to €4,076.7 million (Q1–Q3 2019: €4,577.5 million). Negative currency effects reduced order intake by a total of €49.4 million.

Key figures – Industrial Trucks & Services

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Order intake	1,421.8	1,493.8	–4.8%	4,076.7	4,577.5	–10.9%
Total revenue	1,404.3	1,552.8	–9.6%	4,108.9	4,699.6	–12.6%
EBITDA	274.3	348.0	–21.2%	732.1	1,027.5	–28.7%
Adjusted EBITDA	275.8	348.2	–20.8%	753.6	1,027.4	–26.7%
EBIT	91.2	169.4	–46.2%	183.1	495.7	–63.1%
Adjusted EBIT	92.9	169.8	–45.3%	205.3	496.3	–58.6%
Adjusted EBITDA margin	19.6%	22.4%	–	18.3%	21.9%	–
Adjusted EBIT margin	6.6%	10.9%	–	5.0%	10.6%	–

Revenue

The segment's total revenue decreased by 12.6 percent to €4,108.9 million (Q1–Q3 2019: €4,699.6 million), due in large part to the extraordinary problems created by the coronavirus pandemic and the significant weakness of the market in the EMEA region. The new truck business saw a sharp fall of 20.2 percent even in the nine-month period. By contrast, revenue in the service business contracted by just 4.1 percent and proved to be a source of stability, returning to the level of the prior-year period in the third quarter. The proportion of the segment's external revenue accounted for by the service business thus rose to 52.4 percent (Q1–Q3 2019: 47.8 percent). Negative currency effects reduced segment revenue by €47.4 million.

Earnings

The segment reported adjusted EBIT of €205.3 million for the first three quarters of 2020 (Q1–Q3 2019: €496.3 million). This reduction of 58.6 percent was largely due to the decrease in revenue in the new truck business and service business, production inefficiencies caused by supply bottlenecks that predominantly arose in the second quarter due to the lockdowns, and higher costs as a result of launching new products on the market. The segment's adjusted EBIT margin was 5.0 percent (Q1–Q3 2019: 10.6 percent). However, the adjusted EBIT margin for the third quarter stabilized at 6.6 percent, due in part to the effects of adjusting employees' variable remuneration on the basis of expected target achievement in the current year. The negative non-recurring items of €21.5 million in the reporting period included the €10.7 million impairment loss recognized in respect of Linde Hydraulics GmbH & Co. KG and the expenses of €12.1 million already recognized in connection with the capacity and structural program that has been initiated. Of this amount, €8.5 million was attributable to the restructuring of the UK sales organization that is under way. After taking into account non-recurring items and purchase price allocation effects, EBIT amounted to €183.1 million (Q1–Q3 2019: €495.7 million). Adjusted EBITDA declined to €753.6 million (Q1–Q3 2019: €1,027.4 million), giving an adjusted EBITDA margin of 18.3 percent (Q1–Q3 2019: 21.9 percent).

Supply Chain Solutions segment

Business performance and order intake

Order intake in the Supply Chain Solutions segment jumped by 35.1 percent to €2,631.5 million (Q1–Q3 2019: €1,947.6 million). Following the strong level of order intake in the first half of the year, which was due in large part to big-ticket orders from e-commerce customers, additional modernization and expansion orders in the third quarter resulted in order intake that was even higher than the excellent level in the prior-year period. The US dollar regained some of its strength overall, resulting in negative currency effects that reduced order intake by a total of €10.2 million.

The encouraging level of order intake and the resulting increase in the volume of orders on the books have ensured a good level of project-related capacity utilization for the quarters ahead.

Key figures – Supply Chain Solutions

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Order intake	887.6	838.6	5.8%	2,631.5	1,947.6	35.1%
Total revenue	664.0	600.6	10.6%	1,879.8	1,811.5	3.8%
EBITDA	87.4	80.0	9.2%	230.5	215.8	6.8%
Adjusted EBITDA	87.5	80.5	8.8%	231.7	220.7	5.0%
EBIT	50.3	42.7	17.7%	117.1	106.6	9.8%
Adjusted EBIT	71.9	64.4	11.6%	184.0	176.2	4.4%
Adjusted EBITDA margin	13.2%	13.4%	–	12.3%	12.2%	–
Adjusted EBIT margin	10.8%	10.7%	–	9.8%	9.7%	–

Revenue

The Supply Chain Solutions segment's total revenue for the first three quarters of the year stood at €1,879.8 million, which was slightly higher, by 3.8 percent, than the figure for the prior-year period (Q1–Q3 2019: €1,811.5 million). The negative currency effects included in that figure totaled €8.8 million. Revenue from the segment's long-term project business (business solutions) increased by 2.0 percent. Revenue from the service business was up by a satisfying 8.9 percent year on year thanks to additional modernization and expansion orders. The proportion of the segment's external revenue accounted for by the service business thus rose to 25.7 percent (Q1–Q3 2019: 24.5 percent). The proportion of external revenue generated in North America stood at 60.8 percent, which was down from 65.9 percent in the first three quarters of 2019 due in part to an increase in revenue in Europe.

Earnings

The Supply Chain Solutions segment's adjusted EBIT amounted to €184.0 million, which was 4.4 percent above the figure for the first nine months of 2019 (Q1–Q3 2019: €176.2 million). The adjusted EBIT margin stood at 9.8 percent, which was slightly higher than the margin of 9.7 percent in the first three quarters of 2019. More efficient project execution and stronger growth in the higher-margin service business compensated for the increase in 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 €117.1 million (Q1–Q3 2019: €106.6 million).

Adjusted EBITDA amounted to €231.7 million (Q1–Q3 2019: €220.7 million); the adjusted EBITDA margin was 12.3 percent (Q1–Q3 2019: 12.2 percent).

Corporate Services segment

Business performance

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

Revenue and earnings

Total revenue for the segment increased moderately to €262.6 million (Q1–Q3 2019: €250.6 million).

Adjusted EBIT for the segment came to €7.1 million (Q1–Q3 2019: €86.0 million) and included intra-group dividend income of €32.4 million (Q1–Q3 2019: €133.8 million). Excluding intra-group dividend income, adjusted EBIT was minus €25.3 million (Q1–Q3 2019: minus €47.8 million); lower personnel expenses contributed to this improvement. Adjusted EBITDA stood at €33.9 million, or €1.5 million if intra-group dividend income is excluded (Q1–Q3 2019: €109.6 million, or minus €24.2 million).

Key figures – Corporate Services

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Order intake	88.9	93.8	–5.2%	262.6	250.6	4.8%
Total revenue	88.9	93.8	–5.2%	262.6	250.6	4.8%
EBITDA	10.0	1.4	>100%	32.0	109.2	–70.7%
Adjusted EBITDA	10.6	1.7	>100%	33.9	109.6	–69.1%
EBIT	0.4	–7.1	>100%	5.2	85.6	–93.9%
Adjusted EBIT	1.0	–6.9	>100%	7.1	86.0	–91.8%

Net assets

Non-current assets amounted to €10,638.5 million as at September 30, 2020 (December 31, 2019: €10,696.4 million). The total carrying amount of intangible assets fell slightly to €5,655.5 million (December 31, 2019: €5,732.5 million). Of this sum, €3,453.5 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. However, currency effects had a negative impact on goodwill. Other property, plant and equipment rose slightly to €1,290.8 million (December 31, 2019: €1,236.3 million) and included a figure of €492.7 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 €540.8 million as at September 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 €1,315.9 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 €1,145.6 million (December 31, 2019: €1,080.9 million).

Current assets increased to a total of €3,546.7 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 €1,191.7 million as at September 30, 2020 (December 31, 2019: €1,085.3 million). Trade receivables amounted to €1,093.0 million, which was also higher than at the end of 2019 (December 31, 2019: €1,074.2 million). Contract assets, which mainly related to project business in the Supply Chain Solutions segment, increased to €206.5 million (December 31, 2019: €150.2 million). Cash and cash equivalents had risen to €429.0 million at the end of the reporting period (December 31, 2019: €211.2 million).

The KION Group's net working capital, which comprises inventories, trade receivables, and contract assets less trade payables and contract liabilities, amounted to €1,099.7 million as at September 30, 2020 (December 31, 2019: €828.9 million).

Condensed consolidated statement of financial position

in € million	Sep 30, 2020	in %	Dec 31, 2019	in %	Change
Non-current assets	10,638.5	75.0%	10,696.4	77.7%	–0.5%
Current assets	3,546.7	25.0%	3,068.8	22.3%	15.6%
Total assets	**14,185.1**	**100.0%**	**13,765.2**	**100.0%**	**3.1%**
Equity	3,472.3	24.5%	3,558.4	25.9%	–2.4%
Non-current liabilities	6,191.9	43.7%	6,277.8	45.6%	–1.4%
Current liabilities	4,521.0	31.9%	3,929.0	28.5%	15.1%
Total equity and liabilities	**14,185.1**	**100.0%**	**13,765.2**	**100.0%**	**3.1%**

Financial position

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

Having repaid the remaining liability of €200.0 million under the acquisition facilities agreement (AFA) ahead of schedule in January 2020, the KION Group took steps in response to the coronavirus crisis to protect the Group's financial strength and flexibility. In May 2020, KION GROUP AG therefore 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. This is a bridging measure that can be used as needed during the 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 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. Early termination of the agreement is possible at any time. So far, no drawdowns have been 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 existing credit facility and the additional liquidity line can be temporarily suspended. The Group's revolving facilities thus had a total volume of €2,150.0 million as at September 30, 2020 (December 31, 2019: €1,150.0 million).

On September 24, 2020, KION GROUP AG issued a corporate bond on the capital markets with a total volume of €500.0 million and a term ending in 2025. The bond is intended to increase the flexibility of the Group's funding over the long term. Furthermore, the variable-rate tranches of the promissory note that matures in May 2022 and have a nominal value of €653.5 million will be repaid ahead of schedule on October 30, 2020.

Analysis of capital structure

Current and non-current liabilities had risen by €506.1 million to €10,712.9 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 €1,382.2 million as at September 30, 2020 (December 31, 2019: €1,716.8 million). The carrying amount of the promissory notes included in this item fell from €1,317.3 million as at the end of 2019 to €667.4 million because the variable-rate tranches of the promissory note with a carrying amount of €652.9 million are now recognized as current due to their early repayment at the end of October 2020. Non-current financial liabilities also included the corporate bond issued amounting to €494.2 million and liabilities to banks of €200.2 million (December 31, 2019: €399.5 million). Current financial liabilities rose to €914.4 million (December 31, 2019: €103.7 million). As well as the tranches of the promissory note now recognized as current, the total includes liabilities under the commercial paper program of €185.0 million. Net financial debt (non-current and current financial liabilities less cash and cash equivalents) had increased to €1,867.6 million as at September 30, 2020 (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). Industrial net operating debt, which is an indicator of the liquidity situation and capital structure, relates to the operating business excluding leasing activities in which KION Group entities operate as lessors. To reconcile the net financial debt with the industrial net operating debt of €2,919.2 million as at September 30, 2020, the liabilities from short-term rental fleet financing of €524.0 million and the liabilities from procurement leases of €527.6 million were added to net financial debt.

Industrial net operating debt

in € million	Sep 30, 2020	Dec 31, 2019	Change
Promissory notes	1,320.3	1,317.3	0.2%
Bonds	494.2	0.0	–
Liabilities to banks	261.6	498.3	–47.5%
Other financial liabilities	220.5	4.9	>100%
Financial liabilities	**2,296.6**	**1,820.5**	**26.2%**
Less cash and cash equivalents	–429.0	–211.2	< –100%
Net financial debt	**1,867.6**	**1,609.3**	**16.1%**
Liabilities from financial services (short-term rental fleet)	412.3	437.2	–5.7%
Other financial liabilities (short-term rental fleet)	111.7	178.6	–37.4%
Liabilities from short-term rental fleet financing	**524.0**	**615.8**	**–14.9%**
Liabilities from procurement leases	527.6	486.1	8.5%
Industrial net operating debt	**2,919.2**	**2,711.2**	**7.7%**

Liabilities from financial services had risen to €2,772.3 million as at September 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 €2,360.1 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 €265.6 million (December 31, 2019: €297.2 million). Lease liabilities had decreased substantially to €284.1 million as at September 30, 2020 (December 31, 2019: €432.1 million). Overall, liabilities from financial services and lease liabilities together totaling €2,644.1 million were attributable to financing of the direct and indirect long-term leasing business (December 31, 2019: €2,495.0 million). A sum of €412.3 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 €111.7 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 €527.6 million (December 31, 2019: €486.1 million), for which right-of-use assets were recorded.

Current and non-current other financial liabilities totaled €754.6 million as at September 30, 2020 (December 31, 2019: €784.9 million).

Contract liabilities, of which a large proportion related to the long-term project business, decreased to €448.4 million in line with progress on projects (December 31, 2019: €504.9 million).

The retirement benefit obligation and similar obligations had increased to €1,408.7 million as at September 30, 2020 (December 31, 2019: €1,263.4 million), mainly due to lower discount rates.

At €3,472.3 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 for the period 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 24.5 percent as at September 30, 2020 (December 31, 2019: 25.9 percent).

Condensed consolidated statement of financial position

in € million	Sep 30, 2020	in %	Dec 31, 2019	in %	Change
Non-current assets	10,638.5	75.0%	10,696.4	77.7%	–0.5%
Current assets	3,546.7	25.0%	3,068.8	22.3%	15.6%
Total assets	**14,185.1**	**100.0%**	**13,765.2**	**100.0%**	**3.1%**
Equity	3,472.3	24.5%	3,558.4	25.9%	–2.4%
Non-current liabilities	6,191.9	43.7%	6,277.8	45.6%	–1.4%
Current liabilities	4,521.0	31.9%	3,929.0	28.5%	15.1%
Total equity and liabilities	**14,185.1**	**100.0%**	**13,765.2**	**100.0%**	**3.1%**

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 €189.9 million in the reporting period (Q1–Q3 2019: €187.8 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 €217.8 million to €429.0 million as at September 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 September 30, 2020 came to a total of €2,573.6 million (December 31, 2019: €1,357.4 million).

Net cash provided by operating activities totaled €170.1 million. This represented a significant decline compared with the figure of €238.0 million in the prior-year period and was mainly due to the fall in earnings from operations. In the third quarter, however, the stabilization of business and the success of the measures implemented to secure liquidity meant that cash flow from operating activities was well into positive territory again. The change in net working capital resulted in a total cash outflow of minus €277.0 million that was significantly smaller than the outflow of minus €470.7 million in the first three quarters of 2019. Furthermore, net cash payments from the leasing business increased to minus €110.2 million (Q1–Q3 2019: minus €90.6 million) and net cash payments from the short-term rental business grew to minus €148.8 million (Q1–Q3 2019: minus €124.6 million).

The net cash used for investing activities amounted to minus €284.4 million in the reporting period (Q1–Q3 2019: minus €185.0 million). Within this figure, cash payments for capital expenditure on production facilities, product development, and purchased property, plant and equipment amounted to minus €189.9 million, which was up slightly year on year (Q1–Q3 2019: minus €187.8 million). In addition, cash payments for the acquisition of subsidiaries and other entities totaled minus €109.2

million (after deduction of cash and cash equivalents acquired); this includes a net cash payment of minus €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 €114.3 million (Q1–Q3 2019: €53.0 million).

The net cash provided by financing activities of €347.7 million (Q1–Q3 2019: net cash used of minus €86.5 million) was primarily attributable to the issuance of the new corporate bond 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 €2,977.6 million (Q1–Q3 2019: €2,000.6 million); repayments amounted to minus €2,518.1 million (Q1–Q3 2019: minus €1,821.9 million). Payments made for interest portions and principal portions under procurement leases totaled minus €98.2 million (Q1–Q3 2019: minus €91.8 million). Current interest payments declined to minus €18.8 million thanks to the further optimization of the interest on financial debt (Q1–Q3 2019: minus €25.2 million). The payment of a dividend to the shareholders of KION GROUP AG in May 2019 had resulted in an outflow of funds of minus €141.5 million in the prior-year period. The corresponding payment in the reporting period amounted to just minus €4.7 million, which equates to a dividend of €0.04 per share.

Condensed consolidated statement of cash flows

in € million	Q3 2020	Q3 2019	Change	Q1–Q3 2020	Q1–Q3 2019	Change
EBIT	135.2	194.9	–30.6%	272.8	554.1	–50.8%
Cash flow from operating activities	172.7	167.9	2.9%	170.1	238.0	–28.5%
Cash flow from investing activities	–67.4	–83.3	19.0%	–284.4	–185.0	–53.8%
Free cash flow	**105.3**	**84.6**	**24.4%**	**–114.3**	**53.0**	**< –100%**
Cash flow from financing activities	78.1	–121.0	>100%	347.7	–86.5	>100%
Effect of exchange rate changes on cash	–3.9	0.4	< –100%	–15.6	2.4	< –100%
Change in cash and cash equivalents	**179.5**	**–36.0**	**>100%**	**217.8**	**–31.0**	**>100%**

Non-financial information

Employees

As at September 30, 2020, the KION Group employed 35,986 full-time equivalents (December 31, 2019: 34,604). The primary reason for this growth in the period under review was the inclusion of the employees taken on in the context of acquisitions.

Personnel expenses decreased slightly to €1,703.6 million (Q1–Q3 2019: €1,708.5 million).

Employees (full-time equivalents)

	Sep 30, 2020	Dec 31, 2019	Change
Western Europe	21,561	21,302	1.2%
Eastern Europe	3,646	3,281	11.1%
Middle East and Africa	84	101	–16.8%
North America	3,691	3,233	14.2%
Central and South America	1,329	1,219	9.0%
Asia-Pacific	5,675	5,468	3.8%
Total	**35,986**	**34,604**	**4.0%**

Research and development

Total spending on research and development, including capitalized development costs, went up by 1.1 percent year on year to reach €171.1 million (Q1–Q3 2019: €169.2 million), which equates to 2.9 percent of revenue (Q1–Q3 2019: 2.6 percent). R&D costs totaling €113.4 million were expensed in the income statement (Q1–Q3 2019: €110.9 million). There were also amortization charges of €72.6 million (Q1–Q3 2019: €61.7 million), which are reported under cost of sales.

Research and development (R&D)

in € million	Q3 2020	Q3 2019	Change	Q1 – Q3 2020	Q1 – Q3 2019	Change
Research and development costs (P&L)	35.8	36.5	–1.9%	113.4	110.9	2.3%
Capitalized development costs	13.0	20.2	–35.7%	57.7	58.3	–1.1%
Total R&D spending	**48.7**	**56.6**	**–14.0%**	**171.1**	**169.2**	**1.1%**
R&D spending as percentage of revenue	2.4%	2.6%	–	2.9%	2.6%	–

Focus of R&D in the first nine months 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.

In July, STILL's RX 60-25/35 truck won an IFOY award (International Intralogistics and Forklift Truck of the Year) in the 'counter balanced truck up to 3.5 t' category. This electric forklift truck matches the performance of a truck powered by an internal combustion (IC) engine, underlining the trend for electric drives. It was praised not only for its high level of productivity, quietness, and flexibility but also for the low operating costs and low maintenance costs of the electric drive. Linde Material Handling launched a new H20-35 series of IC trucks in the first quarter, with further electric forklift truck models to follow.

It also unveiled the Linde E10, a versatile stand-on truck for transport tasks. The truck can optionally be fitted with a lithium-ion battery.

The EXH-S 20/25 and EXD-S 20 pallet trucks brought to market by STILL in September, which feature a fixed stand-on platform, can be optionally fitted with a maintenance-free lithium-ion battery that can be topped up at smaller, conveniently located charging stations when the driver takes a short break. The trucks can also be fitted with a built-in charger if required, enabling them to be plugged into a normal electric power socket. This follows on from the introduction of the new models of the compact OXV vertical order picker from STILL and new tow tractor models from Linde, which are all available with both battery types.

Digitalization

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

In response to the coronavirus pandemic, Linde introduced two products in July – the Linde Secure Distance Vest and the Distance Beeper – that offer increased protection against infection, for example on assembly lines and in warehouses. The vest and beeper give acoustic, visual, and haptic warnings when their wearers do not maintain the minimum distance.

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's accumulation conveyor offers an efficient way of improving the capabilities of an existing sorting or conveyor system. It is easy to integrate and optimizes the flow of boxes/containers, ensures greater load density and throughput capacity, and reduces the risk of recirculation or stoppages during operation.

The new version of Dematic's order fulfillment solution is geared specifically to the requirements of the protein industry supply chain. It can be used to automate picking, distribution, and shipping and enables both chilled and frozen protein products (fish, poultry, and meat) to be handled by one system. It is based on an automated Dematic Multishuttle system that stores, buffers, and sorts the products and sequences them for order picking and packing.

Dematic's new DMS2E Multishuttle comes with IoT sensors as standard and offers increased availability and optimized performance, particularly in conjunction with the patented inter-aisle transfer technology.

Dematic has also optimized the automation of 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.

Customers

The coronavirus pandemic continues to influence day-to-day operations in every company and, at the same time, is making it more urgent to automate processes and structures. Since the start of the pandemic, the KION Group has therefore optimized its customer touchpoints by introducing new digital offerings and new digital tools.

During a digital material handling trade fair and conference held in summer 2020, customers were able to browse Linde Material Handling's virtual booth for as long as they liked in order to find out about the latest products and solutions and ask questions in a live chat. This web chat function is also available on Linde MH's websites and enables customers to contact the sales team directly, which is ideal in these times of travel restrictions.

Digital expert systems, such as an energy quick check and a product quick check, help customers to choose energy solutions and order-picker trucks: Customers are asked a series of questions in order to determine their specific requirements and suitable products are then suggested. The online visualization of industrial trucks using rotating 3D models helps to present the trucks' details to customers at a time when live demonstrations in dealers' showrooms are not possible.

STILL has expanded its intralogistics consultancy offering, which goes beyond mere product or systems advice and is crucial when putting together end-to-end process-based solutions. Working closely with the customer, STILL's specialists combine all of the elements of the flow of goods and information to create an intelligent logistics concept that meets the customer's needs and requirements.

At a Project Excellence Day for intralogistics consultants, Dematic presented innovative approaches in the field of compact, automated solutions for storage, retrieval, and order picking. Based on examples of best practice, industry experts also discussed the latest developments and requirements, including in connection with the coronavirus pandemic.

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. Although economic output is beginning to recover – albeit still hesitantly in many regions – after its slump in the early part of 2020, the forecast for the year as a whole is for a sharp fall in global economic output and the global volume of trade. The IMF currently anticipates that global economic output will fall by 4.4 percent over 2020 as a whole. Risks include, in particular, further outbreaks of the virus, which could result in the renewed shutdown of public life and economic activity.

The forward-looking statements and information given below are based on the Company's current expectations and assessments against the backdrop of the uncertain conditions that currently prevail. Consequently, they involve a relatively high number of risks and uncertainties. A further economic downturn in key sales markets would lead to KION Group's performance and financial results differing significantly from those in the outlook.

Different business sectors present a mixed picture. The current decline in global economic output is expected to continue depressing the market for industrial trucks and services over the remainder of the year. Looking at the year as a whole, China is the only sales region predicted to see market growth, whereas the market will contract in the rest of the world, including in the EMEA sales region. Despite the adverse effects of the coronavirus pandemic, the market for supply chain solutions is likely to grow as a result of 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.

Given its robust market position and the cutting-edge nature of its automation and material handling technologies, the KION Group expects steady demand for its products once the pandemic is over and the global economy has picked up. However, the Group anticipates a significant decline in some key performance indicators for the 2020 financial year compared with 2019. The pandemic is resulting in a marked reluctance to invest. Coupled with the restrictions in the service business in the Industrial Trucks & Services segment, this will have a noticeable adverse impact on consolidated revenue for the year as a whole, which in turn will negatively affect adjusted EBIT and free cash flow. Thanks to the good level of orders in the Supply Chain Solutions segment, the Group's order intake is expected to be at a level more in line with that seen in 2019.

Over the course of 2020, the KION Group initiated – primarily in the Industrial Trucks & Services segment – a capacity and structural program. The program is aimed at streamlining and optimizing the organizational structures and capacity in production, sales, and service, particularly in Europe, to reflect the anticipated medium-term market environment after the coronavirus pandemic. The planned measures, which may include personnel measures in certain functional divisions in addition to cross-location bundling of certain functions, should generate long-term cost savings. The expenses that have been incurred in 2020 and will be incurred in the future in connection with the program will be treated as non-recurring items; their amount depends on factors such as the ongoing negotiations with local employee representative bodies and whether the market recovers in the short term. These expenses are therefore not included in adjusted EBIT for 2020 and will predominantly impact on free cash flow in 2021.

Assuming a persistent stabilization of the industry-specific conditions for the Industrial Trucks & Services segment, the KION Group now expects order intake to be between €8,900 million and €9,600 million. The target figure for consolidated revenue is in the range of €7,850 million to €8,450 million. The target range for adjusted EBIT is €465 million to €545 million. Free cash flow is expected to be in a range between €50 million and €150 million. The target figure for ROCE is in the range of 5.2 percent to 6.2 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €5,500 million and €5,800 million. The target figure for revenue is in the range of €5,450 million to €5,750 million. The target range for adjusted EBIT is €265 million to €305 million.

Order intake in the Supply Chain Solutions segment is expected to be between €3,400 million and €3,800 million. The target figure for revenue is in the range of €2,400 million to €2,700 million. The target range for adjusted EBIT is €235 million to €275 million.

Outlook

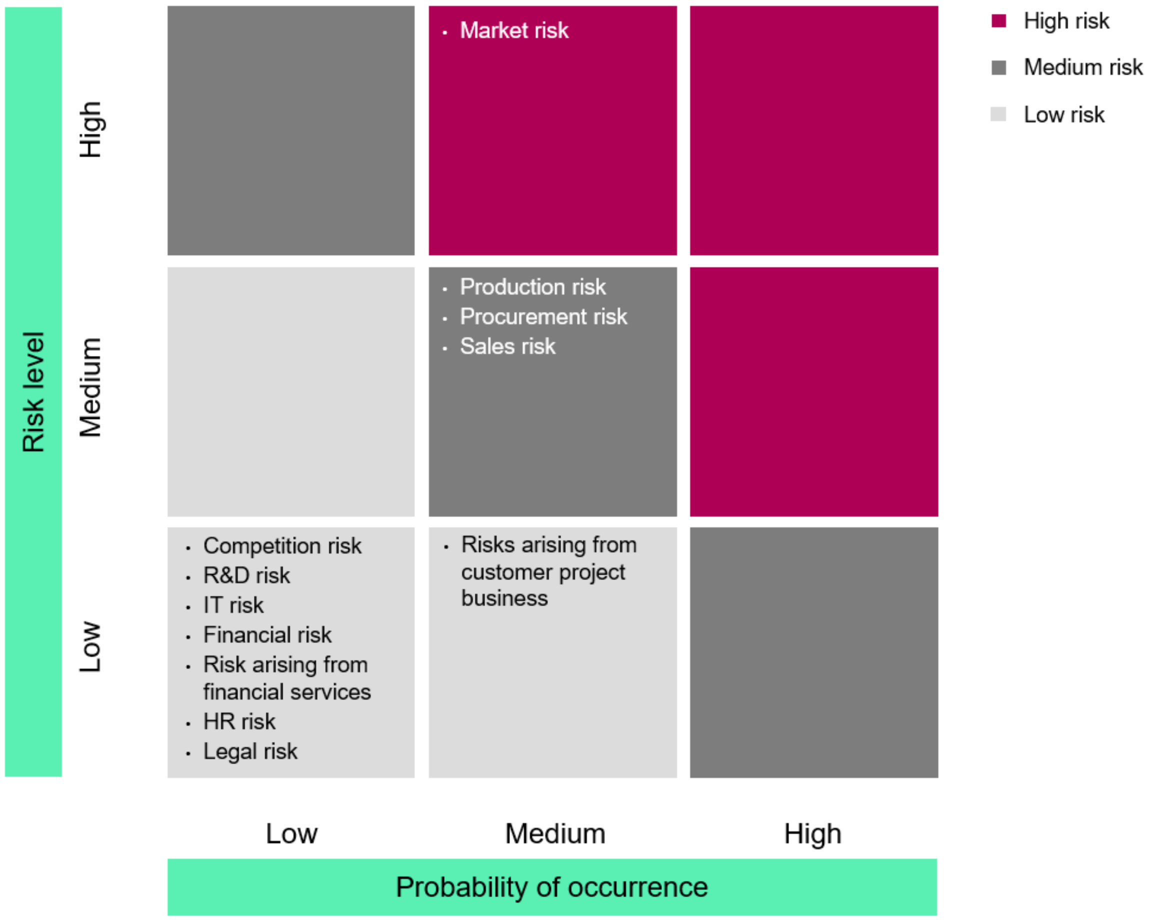
	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
in € million	2019 Actual	2020 Outlook	2019 Actual	2020 Outlook	2019 Actual	2020 Outlook
Order intake[1]	9,111.7	8,900 – 9,600	6,330.5	5,500 – 5,800	2,771.0	3,400 – 3,800
Revenue[1]	8,806.5	7,850 – 8,450	6,410.2	5,450 – 5,750	2,378.8	2,400 – 2,700
Adjusted EBIT[1]	850.5	465 – 545	695.1	265 – 305	228.1	235 – 275
Free cash flow	568.4	50 – 150				
ROCE	9.7%	5.2% – 6.2%				

1 Disclosures for the Industrial Trucks & Services and Supply Chain Solutions segments also include intra-group cross-segment order intake, revenue and effects on EBIT

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. The changes in these 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.

Risk matrix



Market risks

Macroeconomic conditions deteriorated considerably in the first nine months of 2020 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 adjust its costs. 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 heightened risk that customers will cancel or postpone orders. Although there are no indications of major problems arising from changes to existing orders 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. In the remaining months of the year, the KION Group believes it may continue to face a greater risk of delivery backlogs or non-fulfillment of deliveries in respect of individual commodities or components, 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 continues to anticipate a heightened risk of disruption to operating processes and production outages at individual sites. These could be caused by comprehensive government-imposed restrictions and directives or by chains of infection occurring within the workforce, or may arise as 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 put processes in place to ensure 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 occurred in production operations so far.

Condensed consolidated interim financial statements

Condensed consolidated income statement

in € million	Q3 2020	Q3 2019	Q1 – Q3 2020	Q1 – Q3 2019
Revenue	2,072.9	2,160.0	6,000.2	6,524.2
Cost of sales	–1,543.8	–1,569.5	–4,508.7	–4,787.4
Gross profit	**529.0**	**590.5**	**1,491.5**	**1,736.8**
Selling expenses	–223.9	–234.1	–678.8	–706.4
Research and development costs	–35.8	–36.5	–113.4	–110.9
Administrative expenses	–132.0	–130.0	–411.8	–392.2
Other income	28.9	17.5	68.8	52.4
Other expenses	–29.8	–12.9	–78.5	–36.1
(Loss) profit from equity-accounted investments	–1.3	0.3	–4.9	10.7
Earnings before interest and tax	**135.2**	**194.9**	**272.8**	**554.1**
Financial income	37.1	36.3	84.6	86.2
Financial expenses	–54.3	–61.7	–148.7	–162.1
Net financial expenses	**–17.2**	**–25.4**	**–64.1**	**–75.9**
Earnings before tax	**118.0**	**169.4**	**208.8**	**478.2**
Income taxes	**–36.2**	**–48.8**	**–76.3**	**–139.3**
Current taxes	–46.3	–53.8	–99.2	–165.7
Deferred taxes	10.1	5.0	22.9	26.4
Net income	**81.9**	**120.7**	**132.5**	**338.9**
Attributable to shareholders of KION GROUP AG	85.2	119.3	139.1	339.3
Attributable to non-controlling interests	–3.3	1.4	–6.6	–0.4
Earnings per share				
Average number of shares (in million)	118.0	117.9	118.0	117.9
Basic earnings per share (in €)	0.72	1.01	1.18	2.88
Diluted earnings per share (in €)	0.72	1.01	1.18	2.88

Condensed consolidated statement of comprehensive income

in € million	Q3 2020	Q3 2019	Q1 – Q3 2020	Q1 – Q3 2019
Net income	**81.9**	**120.7**	**132.5**	**338.9**
Items that will not be reclassified subsequently to profit or loss	**–35.4**	**–95.4**	**–85.2**	**–200.2**
Gains / losses on defined benefit obligation	–35.7	–94.4	–81.2	–198.8
thereof changes in unrealized gains and losses	–52.8	–134.7	–115.8	–284.5
thereof tax effect	17.0	40.2	34.6	85.7
Changes in unrealized gains / losses on financial investments	0.4	–1.0	–1.3	–1.3
Changes in unrealized gains and losses from equity-accounted investments	0.0	0.0	–2.6	–0.0
Items that may be reclassified subsequently to profit or loss	**–81.5**	**74.3**	**–134.8**	**97.5**
Impact of exchange differences	–81.9	78.9	–143.9	105.0
thereof changes in unrealized gains and losses	–81.9	78.9	–143.9	105.0
Gains / losses on hedge reserves	0.3	–4.6	8.5	–7.2
thereof changes in unrealized gains and losses	3.8	–7.3	9.3	–14.4
thereof realized gains (–) and losses (+)	–0.6	1.3	1.5	4.4
thereof tax effect	–2.9	1.4	–2.2	2.8
Changes in unrealized gains / losses from equity-accounted investments	0.0	–0.0	0.6	–0.3
Other comprehensive loss	**–116.9**	**–21.1**	**–219.9**	**–102.7**
Total comprehensive (loss) income	**–35.0**	**99.5**	**–87.5**	**236.3**
Attributable to shareholders of KION GROUP AG	–35.4	98.3	–83.8	236.7
Attributable to non-controlling interests	0.4	1.2	–3.7	–0.4

Condensed consolidated statement of financial position – Assets

in € million	Sep 30, 2020	Dec 31, 2019
Goodwill	3,453.5	3,475.8
Other intangible assets	2,202.0	2,256.6
Leased assets	1,315.9	1,361.2
Rental assets	540.8	632.9
Other property, plant and equipment	1,290.8	1,236.3
Equity-accounted investments	79.2	84.5
Lease receivables	1,145.6	1,080.9
Other financial assets	50.0	44.6
Other assets	71.5	73.8
Deferred taxes	489.1	449.7
Non-current assets	**10,638.5**	**10,696.4**
Inventories	1,191.7	1,085.3
Lease receivables	385.5	340.1
Contract assets	206.5	150.2
Trade receivables	1,093.0	1,074.2
Income tax receivables	35.8	24.9
Other financial assets	79.2	74.1
Other assets	126.1	108.8
Cash and cash equivalents	429.0	211.2
Current assets	**3,546.7**	**3,068.8**
Total assets	**14,185.1**	**13,765.2**

Condensed consolidated statement of financial position – Equity and liabilities

in € million	Sep 30, 2020	Dec 31, 2019
Subscribed capital	118.0	118.0
Capital reserve	3,035.7	3,034.7
Retained earnings	1,114.1	975.2
Accumulated other comprehensive loss	–783.2	–560.3
Non-controlling interests	–12.3	–9.2
Equity	**3,472.3**	**3,558.4**
Retirement benefit obligation and similar obligations	1,408.7	1,263.4
Financial liabilities	1,382.2	1,716.8
Liabilities from financial services	1,837.8	1,566.9
Lease liabilities	140.1	243.8
Other provisions	121.5	113.8
Other financial liabilities	501.2	500.9
Other liabilities	249.8	301.2
Deferred taxes	550.6	570.9
Non-current liabilities	**6,191.9**	**6,277.8**
Financial liabilities	914.4	103.7
Liabilities from financial services	934.5	933.2
Lease liabilities	144.0	188.3
Contract liabilities	448.4	504.9
Trade payables	943.0	975.9
Income tax liabilities	44.2	88.7
Other provisions	148.3	140.6
Other financial liabilities	253.5	284.0
Other liabilities	690.7	709.6
Current liabilities	**4,521.0**	**3,929.0**
Total equity and liabilities	**14,185.1**	**13,765.2**

Condensed consolidated statement of cash flows

in € million	Q1 – Q3 2020	Q1 – Q3 2019
Earnings before interest and tax	**272.8**	**554.1**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets	689.3	664.6
Non-cash reversals of deferred revenue from leases	–140.9	–161.3
Other non-cash income (–) / expenses (+)	42.3	17.8
Gains (–) / losses (+) on disposal of non-current assets	–3.0	–4.2
Change in leased assets (excluding depreciation) and receivables / liabilities from lease business	–110.2	–90.6
Change in rental assets (excluding depreciation) and liabilities from rental business	–148.8	–124.6
Change in net working capital[1]	–277.0	–470.7
Cash payments for defined benefit obligations	–17.3	–15.2
Change in other provisions	19.7	6.1
Change in other operating assets / liabilities	–0.3	–25.6
Taxes paid	–156.5	–112.4
Cash flow from operating activities	**170.1**	**238.0**
Cash payments for purchase of non-current assets	–189.9	–187.8
Cash receipts from disposal of non-current assets	5.8	3.5
Dividends received	2.7	10.6
Acquisition of subsidiaries / other businesses (net of cash acquired)	–109.2	–10.0
Cash receipts / payments for sundry assets	6.2	–1.2
Cash flow from investing activities	**–284.4**	**–185.0**

Condensed consolidated statement of cash flows (continued)

in € million	Q1 – Q3 2020	Q1 – Q3 2019
Capital increase from issuing of employee shares	0.3	0.7
Acquisition of treasury shares	0.0	–2.9
Dividend of KION GROUP AG	–4.7	–141.5
Dividends paid to non-controlling interests	–2.0	–2.7
Financing costs paid	–12.2	–2.9
Proceeds from borrowings	2,977.6	2,000.6
Repayment of borrowings	–2,518.1	–1,821.9
Interest received	1.1	1.6
Interest paid	–18.8	–25.2
Interest and principal portion from procurement leases	–98.2	–91.8
Cash receipts / payments from other financing activities	22.7	–0.4
Cash flow from financing activities	**347.7**	**–86.5**
Effect of exchange rate changes on cash and cash equivalents	–15.6	2.4
Change in cash and cash equivalents	**217.8**	**–31.0**
Cash and cash equivalents at the beginning of the period	211.2	175.3
Cash and cash equivalents at the end of the period	429.0	144.3

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

Condensed consolidated statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings
Balance as at Jan 1, 2019	**117.9**	**3,033.1**	**662.1**
Net income			339.3
Other comprehensive loss			
Comprehensive income	**0.0**	**0.0**	**339.3**
Dividend of KION GROUP AG			–141.5
Dividends paid to non-controlling interests			
Changes from employee share option program	0.0	1.2	
Acquisition of treasury shares	–0.1	–2.9	
Other changes			1.4
Balance as at Sep 30, 2019	**117.9**	**3,031.4**	**861.3**
Balance as at Jan 1, 2020	**118.0**	**3,034.7**	**975.2**
Net income			139.1
Other comprehensive loss			
Comprehensive loss	**0.0**	**0.0**	**139.1**
Dividend of KION GROUP AG			–4.7
Dividends paid to non-controlling interests			
Changes from employee share option program	0.0	1.0	
Changes from addition / disposal of non-controlling interests			
Other changes			4.5
Balance as at Sep 30, 2020	**118.0**	**3,035.7**	**1,114.1**

Accumulated other comprehensive 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
					339.3	–0.4	338.9
105.1	–198.8	–7.2	–1.3	–0.3	–102.6	–0.1	–102.7
105.1	–198.8	–7.2	–1.3	–0.3	236.7	–0.4	236.3
					–141.5	0.0	–141.5
					0.0	–2.7	–2.7
					1.2	0.0	1.2
					–2.9	0.0	–2.9
					1.4	0.0	1.4
–113.8	–482.3	–17.6	0.6	–0.8	3,396.6	0.2	3,396.7
–143.5	–399.3	–16.8	0.0	–0.8	3,567.5	–9.2	3,558.4
					139.1	–6.6	132.5
–146.9	–81.2	8.5	–1.3	–2.0	–222.9	2.9	–219.9
–146.9	–81.2	8.5	–1.3	–2.0	–83.8	–3.7	–87.5
					–4.7	0.0	–4.7
					0.0	–2.0	–2.0
					1.0	0.0	1.0
					0.0	1.6	1.6
					4.5	1.0	5.5
–290.3	–480.6	–8.2	–1.3	–2.8	3,484.5	–12.3	3,472.3

Selected 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 October 28, 2020.

Basis of preparation

The condensed consolidated interim financial statements of the KION Group for the nine months ended September 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 111 foreign (December 31, 2019: 107) subsidiaries were fully consolidated in addition to KION GROUP AG as at September 30, 2020.

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

53 (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 in connection with the business combination amount to €2.5 million. Of this sum, €1.3 million was recognized in consolidated profit or loss under administrative expenses in the first nine months of 2020. The remaining €1.2 million related to the previous year. The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the provisional figures available at the acquisition date is shown in the following table.

Impact of the acquisition of Digital Applications International Ltd. on the financial position

in € million	Fair value at the acquisition date
Goodwill	71.8
Customer relationships	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.

In the first three quarters of 2020, consolidated revenue rose by €11.2 million and net income for the period by €1.1 million as a result of the acquisition.

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 nine months of this year.

The purchase price allocation for the acquisition described above was only provisional as at September 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 set out 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. When it acquired 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 estimates 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 condensed consolidated income statement

Revenue

The following tables 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

	Q3 2020			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	1,021.6	180.3	6.7	1,208.6
Eastern Europe	133.7	9.0	1.0	143.7
Middle East and Africa	15.5	1.2	0.0	16.7
North America	23.5	395.1	0.0	418.7
Central and South America	38.7	1.9	0.0	40.6
Asia-Pacific	169.7	74.9	0.0	244.6
Total revenue	**1,402.7**	**662.5**	**7.7**	**2,072.9**
New business	654.7			654.7
Service business	748.0			748.0
– Aftersales	389.0			389.0
– Rental business	227.7			227.7
– Used trucks	93.0			93.0
– Other	38.3			38.3
Business solutions		492.8		492.8
Service business		169.7		169.7
Corporate Services			7.7	7.7
Total revenue	**1,402.7**	**662.5**	**7.7**	**2,072.9**
Timing of revenue recognition				
Products and services transferred at a point in time	1,039.2	74.6	4.0	1,117.8
Products and services transferred over a period of time	363.5	587.9	3.7	955.1

Disaggregation of revenue with third parties

in € million	Q3 2019 Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	1,114.7	131.3	5.7	1,251.7
Eastern Europe	155.5	4.7	2.4	162.6
Middle East and Africa	18.6	4.6	0.0	23.2
North America	48.6	395.4	0.0	444.0
Central and South America	51.4	1.4	0.0	52.7
Asia-Pacific	163.0	62.9	0.0	225.9
Total revenue	**1,551.7**	**600.2**	**8.1**	**2,160.0**
New business	805.1			805.1
Service business	746.6			746.6
– Aftersales	395.7			395.7
– Rental business	226.0			226.0
– Used trucks	87.0			87.0
– Other	37.9			37.9
Business solutions		439.8		439.8
Service business		160.4		160.4
Corporate Services			8.1	8.1
Total revenue	**1,551.7**	**600.2**	**8.1**	**2,160.0**
Timing of revenue recognition				
Products and services transferred at a point in time	1,195.3	68.5	6.7	1,270.6
Products and services transferred over a period of time	356.4	531.7	1.4	889.5

Disaggregation of revenue with third parties

	Q1 – Q3 2020			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	2,997.2	506.9	15.3	3,519.4
Eastern Europe	390.9	22.8	2.8	416.6
Middle East and Africa	47.3	8.8	0.0	56.1
North America	103.0	1,140.2	0.0	1,243.2
Central and South America	104.7	6.8	0.0	111.5
Asia-Pacific	462.9	190.4	0.0	653.4
Total revenue	**4,106.0**	**1,876.0**	**18.2**	**6,000.2**
New business	1,956.5			1,956.5
Service business	2,149.6			2,149.6
– Aftersales	1,110.4			1,110.4
– Rental business	673.7			673.7
– Used trucks	257.6			257.6
– Other	107.9			107.9
Business solutions		1,393.5		1,393.5
Service business		482.4		482.4
Corporate Services			18.2	18.2
Total revenue	**4,106.0**	**1,876.0**	**18.2**	**6,000.2**
Timing of revenue recognition				
Products and services transferred at a point in time	3,043.9	211.1	11.6	3,266.6
Products and services transferred over a period of time	1,062.1	1,664.9	6.6	2,733.6

Disaggregation of revenue with third parties

in € million	Q1 – Q3 2019 Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
Western Europe	3,403.8	412.7	15.5	3,832.0
Eastern Europe	470.2	24.5	3.5	498.2
Middle East and Africa	58.1	11.8	0.1	70.0
North America	113.5	1,191.9	0.0	1,305.4
Central and South America	152.2	4.2	0.0	156.3
Asia-Pacific	497.5	164.7	0.0	662.2
Total revenue	**4,695.3**	**1,809.8**	**19.1**	**6,524.2**
New business	2,452.7			2,452.7
Service business	2,242.6			2,242.6
– Aftersales	1,180.9			1,180.9
– Rental business	684.4			684.4
– Used trucks	263.5			263.5
– Other	113.8			113.8
Business solutions		1,366.9		1,366.9
Service business		442.9		442.9
Corporate Services			19.1	19.1
Total revenue	**4,695.3**	**1,809.8**	**19.1**	**6,524.2**
Timing of revenue recognition				
Products and services transferred at a point in time	3,621.2	191.8	14.6	3,827.6
Products and services transferred over a period of time	1,074.1	1,618.0	4.5	2,696.6

Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments in the first three quarters of 2020 amounted to a loss of €4.9 million (Q1–Q3 2019: profit of €10.7 million).

The 10 percent stake in Linde Hydraulics GmbH & Co. KG, Aschaffenburg, was written down 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, improved by €11.9 million to €64.1 million in the first three quarters of this year (Q1–Q3 2019: €75.9 million).

Of this amount, €18.4 million (Q1–Q3 2019: €25.4 million) was attributable to interest expense on loan liabilities and promissory notes. Currency effects totaling €11.7 million (Q1–Q3 2019: €11.3 million) had an adverse impact on net financial expenses. The net loss in respect of the retirement benefit obligation and similar obligations amounted to €10.6 million in the first nine months of 2020 (Q1–Q3 2019: €14.2 million).

Interest income from leases in an amount of €43.5 million (Q1–Q3 2019: €38.5 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). Interest expense on leases of €40.7 million (Q1–Q3 2019: €40.2 million) was 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 €10.6 million (Q1–Q3 2019: €11.5 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 condensed consolidated statement of financial position

Goodwill and other intangible assets

Goodwill amounted to €3,453.5 million as at September 30, 2020 (December 31, 2019: €3,475.8 million). Based on the provisional purchase price allocation, the acquisition of software company DAI resulted in a €71.8 million increase in goodwill. Exchange-rate effects, conversely, caused a €94.1 million decrease in goodwill in 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.

As at September 30, 2020, the value of the brand names stood at €939.2 million and the total carrying amount for technology and development assets at €678.7 million (December 31, 2019: €939.8 million and €697.9 million respectively).

At €584.0 million, sundry intangible assets were €34.9 million below their carrying amount as at December 31, 2019 of €619.0 million and were primarily in connection with customer relationships.

Other property, plant and equipment

Other property, plant and equipment totaled €1,290.8 million (December 31, 2019: €1,236.3 million) and included a figure of €492.7 million for right-of-use assets related to procurement leases (December 31, 2019: €452.7 million). Of this figure, €376.2 million was attributable to land and buildings (December 31, 2019: €325.9 million) and €116.5 million to plant & machinery and office furniture & equipment (December 31, 2019: €126.8 million).

Inventories

Inventories increased by €106.4 million to €1,191.7 million as at September 30, 2020 (December 31, 2019: €1,085.3 million). Work in progress was up by €48.4 million to €191.7 million (December 31, 2019: €143.3 million), while finished goods rose by €34.5 million to €673.0 million (December 31, 2019: €638.5 million). Write-downs of €5.6 million were recognized on inventories in the third quarter of 2020 (Q3 2019: €5.2 million) and of €22.9 million in the first nine months of 2020 (Q1–Q3 2019: €21.4 million). Reversals of write-downs had to be recognized in the amount of €1.7 million in the third quarter of 2020 (Q3 2019: €1.4 million) and in the amount of €6.2 million in the first three quarters of 2020 (Q1–Q3 2019: €6.2 million) because the reasons for the write-downs no longer applied.

Trade receivables

The €18.8 million rise in trade receivables to €1,093.0 million as at September 30, 2020 (December 31, 2019: €1,074.2 million) predominantly consisted of an increase of €15.7 million in receivables from factoring transactions to €20.5 million (December 31, 2019: €4.8 million) and an increase of €12.4 million in receivables due from third parties to €1,083.2 million (December 31, 2019: €1,070.8 million). Receivables due from non-consolidated subsidiaries, equity-accounted investments, and other equity investments rose by €1.5 million to €42.3 million (December 31, 2019: €40.8 million). Valuation allowances for trade receivables stood at €53.0 million (December 31, 2019: €42.2 million).

Equity

As at September 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 118,090,000 no-par-value shares.

The total number of shares outstanding was 117,966,694 no-par-value shares as at September 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.

The distribution of a dividend of €0.04 per share (2019: €1.20 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €4.7 million in July 2020 (2019: €141.5 million).

Retirement benefit obligation and similar obligations

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

The retirement benefit obligation and similar obligations were higher than they 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 the following table.

Discount rate

	Sep 30, 2020	Dec 31, 2019
Germany	0.85%	1.15%
UK	1.55%	1.85%
USA	2.75%	3.30%
Other (weighted average)	0.50%	0.73%

The change in estimates relating to defined benefit pension entitlements resulted in an €81.2 million decrease in equity as at September 30, 2020 (after deferred taxes). Overall, the net obligation under defined benefit pension plans rose to €1.359,2 million (December 31, 2019: €1.211,7 million). This consisted of €1.408,7 million recognized under the retirement benefit obligation and similar obligations (December 31, 2019: €1.263,4 million) less an amount of €49.5 million (December 31, 2019: €51.7 million) recognized under other non-current assets.

Financial liabilities

The non-current and current financial liabilities totaling €2,296.6 million (December 31, 2019: €1,820.5 million) included promissory notes amounting to €1,320.3 million as at September 30, 2020 (December 31, 2019: €1,317.3 million). The corporate bond of €494.2 million (December 31, 2019: €0.0 million), liabilities to banks of €261.6 million (December 31, 2019: €498.3 million), and liabilities arising from the issuance of commercial paper amounting to €185.0 million (December 31, 2019: €0.0 million) were also included under financial liabilities.

In January 2020, ahead of schedule, 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 AG applied for an additional liquidity line of up to €1.0 billion from Kreditanstalt für Wiederaufbau (KfW). The liquidity line was approved on May 22, 2020. Of the total amount, €800.0 million has been put up by KfW 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 recognized over the term of the liquidity line. So far, no drawdowns have been made from the new syndicated liquidity line. The KION GROUP AG 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.

On September 24, 2020, KION GROUP AG placed a corporate bond on the Luxembourg Stock Exchange with a total volume of €500.0 million, a coupon of 1.625 percent, and a term ending in 2025. The unsecured corporate bond was issued at a price of 99.407 percent. The transaction costs of €2.8 million attributable to the corporate bond will be recognized over the term of the corporate bond.

Furthermore, the variable-rate tranches of the promissory note that matures in May 2022 with a total nominal value of €653.5 million will be repaid ahead of schedule on October 30, 2020. They were recognized as current liabilities as at September 30, 2020. The nominal value and the maturity of the fixed-rate tranche of the promissory note that matures in May 2022 and of the other promissory notes were unchanged compared with December 31, 2019.

Liabilities from financial services

Non-current and current liabilities from financial services, which totaled €2,772.3 million (December 31, 2019: €2,500.2 million), comprised a sum of €2,360.1 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 €412.3 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 long-term 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 €843.2 million (December 31, 2019: €729.6 million). They also include residual value obligations of €265.6 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 €207.9 million (December 31, 2019: €392.9 million), liabilities from the issuance of notes (securitizations) in an amount of €883.5 million (December 31, 2019: €530.2 million) – of which €489.8 million resulted from the issuance through K-Lift S.A., Luxembourg (December 31, 2019: €285.9 million) – and other liabilities from financial services in an amount of €159.8 million (December 31, 2019: €113.0 million).

Lease liabilities

Non-current and current lease liabilities amounting to €284.1 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 €230.2 million (December 31, 2019: €316.0 million) and leased assets under sale and leaseback sub-lease transactions of €110.8 million (December 31, 2019: €166.1 million).

Contract balances

Contract assets increased by €56.2 million to €206.5 million as at September 30, 2020 (December 31, 2019: €150.2 million). They mainly related to work under project business contracts that has not yet been invoiced.

Of the contract liabilities, €347.8 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 €100.7 million to prepayments received from customers (December 31, 2019: €88.1 million). The contract liabilities related to services that are still to be provided but for which prepayments from customers have been received or are due.

Other financial liabilities

Other non-current and current financial liabilities, which totaled €754.6 million (December 31, 2019: €784.9 million), included liabilities of €527.6 million from procurement leases (December 31, 2019: €486.1 million). Liabilities of €111.7 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

Condensed consolidated statement of cash flows

Free cash flow – the sum of cash flow from operating activities (€170.1 million; Q1–Q3 2019: €238.0 million) and investing activities (minus €284.4 million; Q1–Q3 2019: minus €185.0 million) – amounted to minus €114.3 million in the first three quarters of 2020 (Q1–Q3 2019: €53.0 million).

Contingent liabilities and other financial obligations

As at September 30, 2020, contingent liabilities included guarantees and indemnities of €106.0 million (December 31, 2019: €114.9 million).

The other financial commitments totaling €176.4 million (December 31, 2019: €189.4 million) included purchase commitments of €122.2 million under long-term license and maintenance agreements (December 31, 2019: €121.1 million), commitments of €52.9 million for capital expenditures on non-current assets (December 31, 2019: €66.8 million), and future payment commitments of €1.3 million to related parties (December 31, 2019: €1.5 million).

Information on financial instruments

The carrying amounts and fair values of financial assets and liabilities in accordance with IFRS 7 are shown in the following table.

Carrying amounts and fair values broken down by class

in € million	Sep 30, 2020 Carrying amount	Sep 30, 2020 Fair value	Dec 31, 2019 Carrying amount	Dec 31, 2019 Fair value
Financial assets				
Lease receivables[1]	1,531.1	1,530.8	1,421.0	1,427.4
Trade receivables	1,093.0	1,093.0	1,074.2	1,074.2
Other financial assets	129.2	129.2	118.7	118.7
thereof financial investments	12.9	12.9	14.4	14.4
thereof financial receivables	17.9	17.9	23.9	23.9
thereof other financial investments	23.3	23.3	24.2	24.2
thereof sundry financial assets	55.2	55.2	44.3	44.3
thereof derivative financial instruments	19.9	19.9	12.0	12.0
Cash and cash equivalents	429.0	429.0	211.2	211.2
Financial liabilities				
Financial liabilities	2,296.6	2,310.3	1,820.5	1,827.7
thereof promissory notes	1,320.3	1,325.5	1,317.3	1,323.9
thereof bonds	494.2	502.7	–	–
thereof liabilities to banks	261.6	261.6	498.3	498.9
thereof other financial liabilities	220.5	220.5	4.9	4.9
Liabilities from financial services	2,772.3	2,786.4	2,500.2	2,515.4
Lease liabilities[1]	284.1	285.8	432.1	435.3
Trade payables	943.0	943.0	975.9	975.9
Other financial liabilities	754.6	764.4	784.9	794.7
thereof liabilities from procurement leases[1]	527.6	536.7	486.1	494.6
thereof liabilities from short-term rental fleet financing[1]	111.7	112.4	178.6	179.9
thereof sundry financial liabilities and liabilities from accrued interest	89.1	89.1	96.0	96.0
thereof derivative financial instruments	26.2	26.2	24.3	24.3

1 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.

Financial instruments measured at fair value

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	Sep 30, 2020
Financial assets				**76.6**
thereof financial investments	1.9		11.0	12.9
thereof other financial investments		23.3		23.3
thereof trade receivables		20.5		20.5
thereof derivative financial instruments		19.9		19.9
Financial liabilities				**26.2**
thereof derivative financial instruments		26.2		26.2

Financial instruments measured at fair value

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	Dec 31, 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 September 30, 2020.

Variable remuneration

KEEP Employee Share Option Program

As at September 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 nine months of 2020. A pro-rata expense of €0.7 million was recognized for bonus shares in the first three quarters of 2020 (Q1–Q3 2019: €0.5 million).

KION performance share plan (PSP) for managers

The 2020 tranche of the long-term, variable remuneration component (LTI 2020) was granted to the managers in the KION Group 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 260,423 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 €20.4 million as at September 30, 2020 (December 31, 2019: €12.5 million). Of this amount, €7.5 million related to the 2018 tranche (December 31, 2019: €4.4 million), €9.1 million to the 2019 tranche (December 31, 2019: €4.4 million), and €3.8 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 (2018 tranche).

The total carrying amount for liabilities in connection with this share-based remuneration was €4.7 million as at September 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), €3.5 million to the 2019 tranche (December 31, 2019: €2.0 million), and €1.2 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 third quarter of 2020 and 2019 and for the first three quarters of 2020 and 2019.

Segment report Q3 2020

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation / Reconci-liation	Total
Revenue from external customers	1,402.7	662.5	7.7	–	2,072.9
Intersegment revenue	1.6	1.5	81.2	–84.4	–
Total revenue	1,404.3	664.0	88.9	–84.4	2,072.9
Earnings before tax	**84.5**	**43.0**	**–2.9**	**–6.7**	**118.0**
Net financial expenses	–6.6	–7.3	–3.3	–	–17.2
EBIT	**91.2**	**50.3**	**0.4**	**–6.7**	**135.2**
+ Non-recurring items	1.5	0.1	0.6	–	2.2
+ PPA items	0.2	21.4	0.0	–	21.6
= Adjusted EBIT	**92.9**	**71.9**	**1.0**	**–6.7**	**159.1**
Capital expenditure[1]	42.5	14.5	2.9	–	59.8
Amortization and depreciation[2]	35.0	9.7	5.2	–	49.9
Order intake	1,421.8	887.6	88.9	–83.1	2,315.3

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 Q3 2019

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation / Reconci-liation	Total
Revenue from external customers	1,551.7	600.2	8.1	–	2,160.0
Intersegment revenue	1.1	0.4	85.6	–87.1	–
Total revenue	1,552.8	600.6	93.8	–87.1	2,160.0
Earnings before tax	**157.6**	**36.9**	**–14.8**	**–10.2**	**169.4**
Net financial expenses	–11.8	–5.9	–7.7	–	–25.4
EBIT	**169.4**	**42.7**	**–7.1**	**–10.2**	**194.9**
+ Non-recurring items	0.1	0.4	0.3	–	0.8
+ PPA items	0.2	21.2	0.0	–	21.4
= Adjusted EBIT	**169.8**	**64.4**	**–6.9**	**–10.2**	**217.1**
Capital expenditure[1]	58.9	11.5	4.4	–	74.8
Amortization and depreciation[2]	29.7	10.3	4.4	–	44.3
Order intake	1,493.8	838.6	93.8	–88.5	2,337.6

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 – Q3 2020

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation / Reconciliation	Total
Revenue from external customers	4,106.0	1,876.0	18.2	–	6,000.2
Intersegment revenue	2.9	3.9	244.4	–251.1	–
Total revenue	4,108.9	1,879.8	262.6	–251.1	6,000.2
Earnings before tax	**152.4**	**96.3**	**–7.4**	**–32.5**	**208.8**
Net financial expenses	–30.7	–20.8	–12.6	–	–64.1
EBIT	**183.1**	**117.1**	**5.2**	**–32.5**	**272.8**
+ Non-recurring items	21.5	1.2	1.9	–	24.6
+ PPA items	0.6	65.8	0.0	–	66.4
= Adjusted EBIT	**205.3**	**184.0**	**7.1**	**–32.5**	**363.8**
Segment assets	10,500.9	5,306.2	2,119.2	–3,741.1	14,185.1
Segment liabilities	7,557.4	2,399.6	4,496.6	–3,740.7	10,712.9
Capital expenditure[1]	141.0	36.8	12.0	–	189.9
Amortization and depreciation[2]	99.9	29.9	13.7	–	143.5
Order intake	4,076.7	2,631.5	262.6	–255.5	6,715.4
Number of employees[3]	25,740	8,753	1,493	–	35,986

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 Sep 30, 2020; allocation according to the contractual relationships

Segment report Q1 – Q3 2019

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation / Reconci-liation	Total
Revenue from external customers	4,695.3	1,809.8	19.1	–	6,524.2
Intersegment revenue	4.3	1.7	231.5	–237.5	–
Total revenue	4,699.6	1,811.5	250.6	–237.5	6,524.2
Earnings before tax	**456.4**	**88.3**	**67.3**	**–133.7**	**478.2**
Net financial expenses	–39.3	–18.3	–18.3	–	–75.9
EBIT	**495.7**	**106.6**	**85.6**	**–133.7**	**554.1**
+ Non-recurring items	–0.0	5.0	0.4	–	5.4
+ PPA items	0.6	64.6	0.0	–	65.2
= Adjusted EBIT	**496.3**	**176.2**	**86.0**	**–133.7**	**624.7**
Segment assets	10,253.0	5,095.2	1,789.7	–3,357.9	13,780.1
Segment liabilities	7,338.1	2,108.4	4,294.0	–3,357.2	10,383.4
Capital expenditure[1]	144.4	30.8	12.5	–	187.8
Amortization and depreciation[2]	87.0	28.4	12.7	–	128.0
Order intake	4,577.5	1,947.6	250.6	–241.2	6,534.5
Number of employees[3]	26,150	7,202	1,086	–	34,438

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 Sep 30, 2019; allocation according to the contractual relationships

In the first nine months of 2020, revenue of €613.3 million (Q1–Q3 2019: €474.9 million) was generated from one single external customer and predominantly in the Supply Chain Solutions segment. The decline in revenue in the Industrial Trucks & Services segment in the first nine months of 2020 meant that an even higher proportion of the KION Group's total revenue was attributable to this customer.

The non-recurring items in the first nine 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 a capacity and structural program initiated in 2020 for which an amount of €12.1 million has already been recognized as a negative non-recurring item with an impact on EBIT. The capacity and structural program, which mainly affects the Industrial Trucks & Services segment, is aimed at streamlining and optimizing the organizational structures and capacity in production, sales, and service, particularly in Europe, to reflect the anticipated medium-term market environment after the coronavirus pandemic. The expenditure of €8.5 million on the already ongoing realignment of the sales organization in the United Kingdom was also included.

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 September 30, 2020 (December 31, 2019: 45.0 percent). The distribution of a dividend of €0.04 per share (2019: €1.20 per share) to Weichai Power resulted in an outflow of funds from KION GROUP AG of €2.1 million (2019: €63.8 million).

The revenue that the KION Group generated in the third quarter of 2020 and in the first to third quarters of 2020 from selling goods and services to related parties is shown in the following table along with the receivables that were outstanding at the reporting date.

Related party disclosures: receivables and sales

	Receivables		Sales of goods and services			
in € million	Sep 30, 2020	Dec 31, 2019	Q3 2020	Q3 2019	Q1 – Q3 2020	Q1 – Q3 2019
Non-consolidated subsidiaries	17.5	18.8	6.4	7.9	18.4	23.4
Associates (equity-accounted)	26.2	21.7	39.6	40.9	109.7	143.6
Joint ventures (equity-accounted)	1.9	2.0	8.4	18.3	25.5	46.2
Other related parties[1]	18.3	25.0	6.1	8.6	16.9	28.1
Total	**63.9**	**67.5**	**60.6**	**75.6**	**170.5**	**241.3**

1 The figures for 'other related parties' include transactions with Weichai Power and its affiliated companies

The goods and services obtained from related parties in the third quarter of 2020 and in the first to third quarters of 2020 are shown in the following table along with the liabilities that were outstanding at the reporting date.

Related party disclosures: liabilities and purchases

	Liabilities		Purchases of goods and services			
in € million	Sep 30, 2020	Dec 31, 2019	Q3 2020	Q3 2019	Q1 – Q3 2020	Q1 – Q3 2019
Non-consolidated subsidiaries	10.2	15.6	7.0	1.0	13.4	12.4
Associates (equity-accounted)	18.4	11.9	26.2	34.7	77.3	106.4
Joint ventures (equity-accounted)	91.8	99.9	22.3	13.1	58.1	63.7
Other related parties[1]	9.5	9.1	12.3	3.1	31.6	12.9
Total	**129.9**	**136.5**	**67.9**	**51.9**	**180.3**	**195.6**

1 The figures for ‘other related parties’ include 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 consolidated interim financial statements and October 28, 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 September 30, 2020, or that it would be necessary to disclose.

Frankfurt am Main, October 28, 2020

The Executive Board

Gordon Riske	Dr. Eike Böhm	Anke Groth	Ching Pong Quek

Quarterly information

Quarterly information

in € million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Order intake	**2,315.3**	**2,319.3**	**2,080.8**	**2,577.3**	**2,337.6**	**2,078.6**
thereof Industrial Trucks & Services	1,421.8	1,261.0	1,393.9	1,753.0	1,493.8	1,573.2
thereof Supply Chain Solutions	887.6	1,057.6	686.3	823.4	838.6	506.0
Total revenue	**2,072.9**	**1,899.6**	**2,027.7**	**2,282.3**	**2,160.0**	**2,280.7**
thereof Industrial Trucks & Services	1,404.3	1,262.6	1,442.0	1,710.6	1,552.8	1,638.2
thereof Supply Chain Solutions	664.0	634.6	581.2	567.3	600.6	642.0
Adjusted EBITDA	**367.3**	**268.4**	**351.0**	**433.4**	**420.1**	**425.0**
thereof Industrial Trucks & Services	275.8	197.5	280.2	382.0	348.2	355.3
thereof Supply Chain Solutions	87.5	70.2	74.0	68.2	80.5	78.2
Adjusted EBITDA margin	**17.7%**	**14.1%**	**17.3%**	**19.0%**	**19.4%**	**18.6%**
thereof Industrial Trucks & Services	19.6%	15.6%	19.4%	22.3%	22.4%	21.7%
thereof Supply Chain Solutions	13.2%	11.1%	12.7%	12.0%	13.4%	12.2%
EBIT	**135.2**	**17.5**	**120.2**	**162.5**	**194.9**	**200.6**
thereof Industrial Trucks & Services	91.2	–4.5	96.5	166.0	169.4	177.8
thereof Supply Chain Solutions	50.3	31.0	35.7	23.0	42.7	39.0
Adjusted EBIT	**159.1**	**60.7**	**144.0**	**225.8**	**217.1**	**225.2**
thereof Industrial Trucks & Services	92.9	15.7	96.7	198.8	169.8	177.7
thereof Supply Chain Solutions	71.9	53.4	58.7	52.0	64.4	63.6
Adjusted EBIT margin	**7.7%**	**3.2%**	**7.1%**	**9.9%**	**10.1%**	**9.9%**
thereof Industrial Trucks & Services	6.6%	1.2%	6.7%	11.6%	10.9%	10.8%
thereof Supply Chain Solutions	10.8%	8.4%	10.1%	9.2%	10.7%	9.9%

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, national and international changes in 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

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

May 11, 2021
Annual General Meeting

Subject to change without notice

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

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We keep

the world moving.

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