Highlights of Q1 2021

KION Group makes a good start to 2021

- Total value of order intake increases by 26.2 percent to €2.626 billion
- At €4.787 billion, the order book grows by 7.8 percent compared with the end of 2020
- Revenue rises by 17.1 percent to €2.375 billion
- Adjusted EBIT jumps by 49.2 percent to €215.0 million
- Adjusted EBIT margin improves by 2 percentage points to 9.1 percent
- Net income for the period increases to €137.0 million (Q1 2020: €67.8 million)
- Free cash flow is also up significantly year on year at €262.1 million (Q1 2020: minus €222.1 million)
- KION Group adheres to the targets in the outlook for the full year 2021

Business performance and economic situation

Management and control

The Supervisory Board of KION GROUP AG appointed Hasan Dandashly and Andreas Krinninger as additional members of the Executive Board of KION GROUP AG with effect from January 1, 2021. Hasan Dandashly, President & CEO of Dematic, has global Executive Board responsibility for the Supply Chain Solutions (SCS) segment. Andreas Krinninger, President & CEO of Linde Material Handling EMEA, assumed responsibility within the Executive Board for the EMEA business of the Industrial Trucks & Services (ITS) segment, while Ching Pong Quek remains responsible for the ITS segment's business in the APAC and Americas regions.

To ensure long-term continuity in the Chief Technology Officer role on the Executive Board, Dr. Henry Puhl, who has been President & CEO of STILL EMEA since 2016, has been appointed as a member of the Executive Board with effect from July 1, 2021. He will succeed Dr. Eike Böhm, who is retiring on June 30, 2021.

Furthermore, the Supervisory Board of KION GROUP AG established a Remuneration Committee with effect from March 1, 2021. This new committee focuses mainly on issues relating to the Executive Board's remuneration but also deals with the annual remuneration report and the preparations for the report's approval by the Annual General Meeting. It also prepares all Supervisory Board resolutions required in this regard. The committee will have the following five members until the end of their respective terms of office:

- Dr. Michael Macht, chairman of the Remuneration Committee,
- Özcan Pancarci, deputy chairman of the Remuneration Committee,
- Hans Peter Ring, member of the Remuneration Committee,
- Alexandra Schädler, member of the Remuneration Committee, and
- Jiang Kui, member of the Remuneration Committee.

Summary of business performance

Sales markets

Unlike in the prior-year period, the global economy was on a path of recovery in the first quarter of 2021, which enabled the global market for industrial trucks to grow. At 592.0 thousand, the number of new trucks ordered was up by a very substantial 71.0 percent compared with the first quarter of 2020. Growth was exceptionally strong in the APAC region (Asia-Pacific), where the number of new trucks ordered almost doubled with a year-on-year rise of 98.6 percent. The biggest contributor to this increase was China (up by 131.3 percent), where the coronavirus crisis had taken a particularly heavy toll on demand in the first quarter of 2020. The Americas region (North, Central, and South America) recorded significant year-on-year growth of 71.8 percent. The EMEA region (western Europe, eastern Europe, Middle East, and Africa) also saw a significant double-digit increase (41.0 percent) in the number of new trucks ordered compared with the prior-year period.

New orders for IC trucks jumped by 72.6 percent, primarily thanks to the sharp rise in demand in China. The market for electric forklift trucks (up by 56.9 percent) and warehouse trucks (up by 74.5 percent) also staged a clear recovery, generating significant year-on-year growth. The surge in warehouse truck orders was mainly driven by strong demand for entry-level trucks in China.

In the KION Group's view, the coronavirus pandemic accelerated the growth of the market for supply chain solutions. According to the KION Group, the trend observed in recent quarters was maintained in the first quarter of 2021. This was driven, in particular, by customers providing critical infrastructure for key services during the pandemic, who continued to invest in warehouse automation. The KION Group believes that this growth is primarily being driven by ongoing investment by companies in the e-commerce, food, and general merchandise sectors.

Global industrial truck market (order intake)

in thousand units	Q1 2021	Q1 2020	Change
EMEA	**187.7**	**133.1**	**41.0%**
Western Europe	143.9	102.8	40.0%
Eastern Europe	31.7	21.2	49.6%
Middle East and Africa	12.0	9.1	32.3%
Americas	**120.3**	**70.0**	**71.8%**
North America	105.0	61.4	71.1%
Central and South America	15.3	8.7	76.6%
APAC	**284.0**	**143.0**	**98.6%**
China	225.7	97.6	> 100%
APAC excluding China	58.3	45.5	28.3%
World	**592.0**	**346.2**	**71.0%**

Source: WITS / FEM

Business performance in the Group

On February 1, 2021, the KION Group strengthened Linde Material Handling's dealer network by acquiring the remaining shares in the Hamburg-based wholesaler and service provider Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH. As a result of the acquisitions, these companies are now wholly owned subsidiaries. The purchase consideration for 79 percent of the shares totaled €13.9 million.

The construction of an additional factory for manufacturing Linde and Baoli counterbalance trucks in the eastern Chinese city of Jinan, which got under way in 2020, is continuing on schedule and is due to be completed in 2022. This investment for future growth in the value segment amounts to around €100 million. More than €60 million has been invested in the new industrial truck plant in Kołbaskowo, near Szczecin in Poland, which will be brought on stream shortly.

The capacity and structural program initiated in 2020 is continuing to run to plan, with further measures being implemented in the first quarter of this year. The program, which mainly affects the Industrial Trucks & Services segment, is aimed at optimizing the organizational structures and adjusting capacity in production, sales, and service in the EMEA region, primarily in order to reflect the anticipated medium-term market environment.

Following the very successful capital increase in the fourth quarter of 2020, the KION Group's liquidity situation improved even more in the first quarter of 2021 thanks to the very satisfying business situation. Consequently, the KION Group will repay the variable-rate tranche of the promissory note with a volume of €167.0 million ahead of schedule at the end of April 2021. The KION Group expects this early repayment to further optimize its future finance costs.

Financial performance and financial position

Business situation and financial performance of the KION Group

Level of orders

The KION Group's order intake amounted to €2,626.3 million, which was 26.2 percent higher than the figure in the prior-year period (Q1 2020: €2,080.8 million). This encouraging growth was attributable to both operating segments. The Industrial Trucks & Services segment recorded a sharp rise in order intake of 28.7 percent to €1,800.4 million because order intake in the prior-year period had been particularly hard hit by the spread of coronavirus (Q1 2020: €1,398,7 million). Order intake in the Supply Chain Solutions segment came to €829.8 million, a year-on-year rise of 20.9 percent (Q1 2020: €686.3 million).

Currency effects reduced the value of the KION Group's order intake by a total of €58.4 million.

At €4,786.6 million, the Group's order book was up by €345.3 million compared with the end of 2020 (December 31, 2020: €4,441.3 million), supported by the increase in orders on hand in the Industrial Trucks & Services segment.

Revenue

Consolidated revenue went up by 17.1 percent to €2,375.1 million in the first three months of 2021 (Q1 2020: €2,027.7 million). In the Industrial Trucks & Services segment, revenue generated from external customers rose by 4.9 percent to €1,516.1 million (Q1 2020: €1,445.9 million). The service business made a significant contribution to this rise, whereas revenue from new truck business was on a par with the first quarter of 2020. The Supply Chain Solutions segment increased its revenue by an exceptionally strong 47.6 percent to €856.5 million (Q1 2020: €580.4 million), primarily by working through the substantial order book that it had built up in the project business (business solutions) over the course of 2020. The segment's service business saw its revenue fall slightly owing to exchange rates.

Overall, the proportion of consolidated revenue attributable to the service business declined from 44.7 percent in the prior-year period to 40.8 percent in the first quarter of 2021 due to the disproportionately strong growth of the project business in the Supply Chain Solutions segment. Currency effects reduced consolidated revenue by a total of €72.4 million.

Revenue with third parties by product category

in € million	Q1 2021	Q1 2020[1]	Change
Industrial Trucks & Services	**1,516.1**	**1,445.9**	**4.9%**
New business	717.8	717.5	0.0%
Service business	798.3	728.4	9.6%
– Aftersales	418.7	383.3	9.2%
– Rental business	235.7	225.9	4.3%
– Used trucks	99.7	81.9	21.7%
– Other	44.3	37.2	19.1%
Supply Chain Solutions	**856.5**	**580.4**	**47.6%**
Business solutions	685.7	402.9	70.2%
Service business	170.8	177.5	–3.8%
Corporate Services	**2.5**	**1.5**	**66.4%**
Total revenue	**2,375.1**	**2,027.7**	**17.1%**

1 Effective January 1, 2021, the logistics service companies were transferred from the Corporate Services segment to the Industrial Trucks & Services segment. In addition, a definitional adjustment was made in the two product categories of the Supply Chain Solutions segment. The 2020 segment figures have been adjusted accordingly.

Revenue by sales region

In the Industrial Trucks & Services segment, the EMEA region saw a moderate rise in revenue compared with the level in the generally weaker prior-year period. By contrast, the Americas region recorded a further decrease that was mainly due to negative currency effects. In the APAC region, revenue went up sharply thanks to particularly rapid market growth following the coronavirus pandemic. The Supply Chain Solutions segment increased its revenue significantly in all sales regions. Investment in new facilities and in the expansion of existing facilities by major e-commerce customers was the main reason for the continued robust revenue growth.

Revenue with third parties by customer location

in € million	Q1 2021	Q1 2020	Change
EMEA	**1,508.9**	**1,407.3**	**7.2%**
Western Europe	1,343.6	1,245.0	7.9%
Eastern Europe	147.4	142.1	3.7%
Middle East and Africa	17.9	20.1	–11.3%
Americas	**618.9**	**450.0**	**37.5%**
North America	579.8	411.9	40.8%
Central and South America	39.0	38.1	2.5%
APAC	**247.4**	**170.5**	**45.1%**
China	132.4	86.2	53.5%
APAC excluding China	115.0	84.3	36.5%
Total revenue	**2,375.1**	**2,027.7**	**17.1%**

Earnings

EBIT and EBITDA

Earnings before interest and tax (EBIT) went up by 61.1 percent year on year to reach €193.5 million (Q1 2020: €120.2 million). EBIT included budgeted negative effects from purchase price allocations totaling €21.0 million (Q1 2020: €22.1 million). Non-recurring items amounting to an expense of €0.5 million were also recognized in the period under review (Q1 2020: €1.8 million). EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) jumped by 49.2 percent to €215.0 million (Q1 2020: €144.0 million). The adjusted EBIT margin improved to 9.1 percent (Q1 2020: 7.1 percent).

EBIT

in € million	Q1 2021	in % of revenue	Q1 2020	in % of revenue
EBIT	**193.5**	**8.1%**	**120.2**	**5.9%**
Adjustment by functional costs:				
+ Cost of sales	9.5	0.4%	10.0	0.5%
+ Selling expenses and administrative expenses	14.4	0.6%	13.7	0.7%
+ Research and development costs	0.0	0.0%	0.1	0.0%
+ Other costs	–2.5	–0.1%	0.1	0.0%
Adjusted EBIT	**215.0**	**9.1%**	**144.0**	**7.1%**
adjusted for non-recurring items	0.5	0.0%	1.8	0.1%
adjusted for PPA items	21.0	0.9%	22.1	1.1%

Earnings before interest, tax, depreciation, and amortization (EBITDA) rose to €421.3 million (Q1 2020: €349.2 million). Adjusted EBITDA increased to €421.9 million (Q1 2020: €351.0 million), giving an adjusted EBITDA margin of 17.8 percent (Q1 2020: 17.3 percent).

EBITDA

in € million	Q1 2021	in % of revenue	Q1 2020	in % of revenue
EBITDA	**421.3**	**17.7%**	**349.2**	**17.2%**
Adjustment by functional costs:				
+ Cost of sales	0.0	0.0%	0.0	0.0%
+ Selling expenses and administrative expenses	3.0	0.1%	1.7	0.1%
+ Research and development costs	0.0	0.0%	0.0	0.0%
+ Other costs	–2.4	–0.1%	0.1	0.0%
Adjusted EBITDA	**421.9**	**17.8%**	**351.0**	**17.3%**
adjusted for non-recurring items	0.6	0.0%	1.8	0.1%
adjusted for PPA items	0.0	0.0%	0.0	0.0%

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 €85.4 million in the reporting period (Q1 2020: €85.1 million).

Key influencing factors for earnings

The cost of sales rose at a faster rate than revenue, increasing by 18.5 percent to €1,759.8 million (Q1 2020: €1,484.5 million). This was due, on the one hand, to the stronger growth of the Supply Chain Solutions segment compared with the Industrial Trucks & Services segment and, on the other, to the sharp rise in the business solutions business within the Supply Chain Solutions segment. The KION Group's gross margin therefore dropped to 25.9 percent in the quarter under review (Q1 2020:

26.8 percent). Selling expenses fell again slightly, decreasing by 0.5 percent compared with the first quarter of 2020 due to ongoing pandemic-related restrictions. By contrast, the implementation of strategic projects resulted in a 6.3 percent rise in research and development costs. Administrative expenses also went up, increasing by 6.6 percent year on year due, in part, to higher variable remuneration payments. Purchase price allocation effects included in the cost of sales and in other functional costs were lower than in the first three months of 2020. The 'other' item includes not only income and expense resulting from currency translation but also line items such as the share of profit (loss) of equity-accounted investments, which amounted to a profit of €4.6 million (Q1 2020: €2.7 million).

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

Condensed consolidated income statement

in € million	Q1 2021	Q1 2020	Change
Revenue	2,375.1	2,027.7	17.1%
Cost of sales	–1,759.8	–1,484.5	–18.5%
Gross profit	**615.3**	**543.2**	**13.3%**
Selling expenses and administrative expenses	–387.0	–378.9	–2.1%
Research and development costs	–40.5	–38.1	–6.3%
Other	5.8	–6.0	> 100%
Earnings before interest and tax (EBIT)	**193.5**	**120.2**	**61.1%**
Net financial expenses	–10.0	–25.7	60.9%
Earnings before tax	**183.5**	**94.5**	**94.2%**
Income taxes	–46.5	–26.7	–74.1%
Net income	**137.0**	**67.8**	**> 100%**

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved to €10.0 million (Q1 2020: €25.7 million). One of the reasons for this was the sharp reduction in borrowing over the course of 2020.

Income taxes

Income tax expenses rose significantly year on year to €46.5 million (Q1 2020: €26.7 million), reflecting the level of earnings. The effective tax rate was 25.4 percent (Q1 2020: 28.3 percent).

Net income for the period

Net income for the period came to €137.0 million, which was substantially higher than in the same period of the previous year (Q1 2020: €67.8 million). Basic earnings per share attributable to the shareholders of KION GROUP AG came to €1.04 (Q1 2020: €0.58) based on 131.1 million (Q1 2020: 118.0 million) no-par-value shares.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

Business performance and order intake

Order numbers in the new truck business increased sharply to 67.6 thousand units, reflecting the growth of the market on the back of pent-up demand. The 47.3 percent rise in the number of new trucks ordered compared with the first quarter of 2020 was attributable to healthy demand in all product categories. Order numbers almost doubled in the APAC region. The increase in the EMEA region was much more moderate but outstripped the market growth of counterbalance trucks. The Americas region registered very substantial growth compared with the first three months of 2020.

The value of order intake rose by 28.7 percent to €1,800.4 million (Q1 2020: €1,398.7 million). Currency effects reduced order intake by a total of €28.7 million.

Key figures – Industrial Trucks & Services

in € million	Q1 2021	Q1 2020[1]	Change
Order intake	1,800.4	1,398.7	28.7%
Total revenue	1,518.7	1,447.3	4.9%
Order book[2]	1,659.2	1,384.1	19.9%
EBITDA	316.3	282.6	11.9%
Adjusted EBITDA	315.2	282.6	11.5%
EBIT	131.1	97.7	34.2%
Adjusted EBIT	131.0	98.0	33.7%
Adjusted EBITDA margin	20.8%	19.5%	–
Adjusted EBIT margin	8.6%	6.8%	–

1 Effective January 1, 2021, the logistics service companies were transferred from the Corporate Services segment to the Industrial Trucks & Services segment. The 2020 segment figures have been adjusted accordingly.

2 Figure as at Mar. 31, 2021 compared with Dec. 31, 2020

Revenue

The segment's total revenue rose by 4.9 percent, from €1,447.3 million in the first quarter of 2020 to €1,518.7 million in the period under review. The revenue earned from new trucks remained at the level of the prior-year period. By contrast, the service business notched up strong growth of 9.6 percent that was mainly driven by the increase in aftersales business and used truck business.

The proportion of the segment's external revenue accounted for by the service business thus rose to 52.7 percent (Q1 2020: 50.4 percent). Currency effects reduced segment revenue by €22.1 million.

Earnings

The segment's adjusted EBIT went up by 33.7 percent to €131.0 million in the first three months of 2021 (Q1 2020: €98.0 million). This improvement was due to the increase in revenue and, in particular, the slower rise in fixed costs. As a result, the segment's adjusted EBIT margin jumped to 8.6 percent (Q1 2020: 6.8 percent). After taking into account non-recurring items and purchase price

allocation effects, EBIT rose to €131.1 million (Q1 2020: €97.7 million). Adjusted EBITDA increased to €315.2 million (Q1 2020: €282.6 million), giving an adjusted EBITDA margin of 20.8 percent (Q1 2020: 19.5 percent).

Supply Chain Solutions segment

Business performance and order intake

In the first quarter of 2021, order intake in the Supply Chain Solutions segment was up by an encouraging 20.9 percent to €829.8 million (Q1 2020: €686.3 million). The increase registered for business solutions was primarily attributable to orders from customers in the food industry. By contrast, there was a contraction in the volume of order intake recorded for customer services as a result of exchange-rate effects. Currency effects reduced order intake by a total of €29.7 million.

Key figures – Supply Chain Solutions

in € million	Q1 2021	Q1 2020	Change
Order intake	829.8	686.3	20.9%
Total revenue	860.7	581.2	48.1%
Order book[1]	3,132.8	3,071.1	2.0%
EBITDA	116.6	72.9	60.0%
Adjusted EBITDA	118.0	74.0	59.5%
EBIT	80.5	35.7	> 100%
Adjusted EBIT	101.7	58.7	73.3%
Adjusted EBITDA margin	13.7%	12.7%	–
Adjusted EBIT margin	11.8%	10.1%	–

1 Figure as at Mar. 31, 2021 compared with Dec. 31, 2020

Revenue

The Supply Chain Solutions segment's total revenue stood at €860.7 million (Q1 2020: €581.2 million). This significant year-on-year rise of 48.1 percent was due to the sustained high level of project-related capacity utilization. As there were already plenty of orders on the books at the start of the year, the segment was able to increase its revenue in the long-term project business (business solutions) by an exceptionally strong 70.2 percent, whereas revenue from the service business (customer services) fell by 3.8 percent as a result of exchange-rate effects. The proportion of the segment's external revenue accounted for by customer services thus fell to 19.9 percent (Q1 2020: 30.6 percent). Currency effects reduced segment revenue by €50.2 million.

Earnings

The adjusted EBIT generated by the Supply Chain Solutions segment surged by 73.3 percent to €101.7 million in the first three months of 2021 (Q1 2020: €58.7 million). The adjusted EBIT margin therefore improved significantly to 11.8 percent (Q1 2020: 10.1 percent). The rise in earnings was primarily driven by the volume-related rise in gross profit and the fact that fixed costs rose at a lower rate than revenue. After taking into account non-recurring items and purchase price allocation effects, EBIT came to €80.5 million (Q1 2020: €35.7 million).

Adjusted EBITDA amounted to €118.0 million (Q1 2020: €74.0 million); the adjusted EBITDA margin rose to 13.7 percent (Q1 2020: 12.7 percent).

Corporate Services segment

Business performance

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

Revenue and earnings

Total segment revenue increased moderately to €43.7 million (Q1 2020: €39.4 million).

Adjusted EBIT for the segment came to minus €16.2 million (Q1 2020: minus €12.4 million). Adjusted EBITDA was minus €9.7 million (Q1 2020: minus €5.3 million).

Key figures – Corporate Services

in € million	Q1 2021	Q1 2020[1]	Change
Order intake	43.7	39.4	10.8%
Total revenue	43.7	39.4	10.8%
EBITDA	–10.1	–6.0	–69.0%
Adjusted EBITDA	–9.7	–5.3	–82.9%
EBIT	–16.6	–13.1	–27.1%
Adjusted EBIT	–16.2	–12.4	–30.9%

1 Effective January 1, 2021, the logistics service companies were transferred from the Corporate Services segment to the Industrial Trucks & Services segment. The 2020 segment figures have been adjusted accordingly.

Net assets

Non-current assets totaled €10,808.8 million as at March 31, 2021 (December 31, 2020: €10,666.2 million). The carrying amount of intangible assets rose to €5,669.5 million (December 31, 2020: €5,559.6 million). Of this sum, €3,492.5 million was attributable to goodwill (December 31, 2020: €3,407.6 million); the acquisition of the remaining shares in the German wholesaler and service provider Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH increased goodwill by €7.9 million. Currency effects of €76.9 million also caused goodwill to increase. At €1,322.2 million, other property, plant, and equipment was at roughly the same level as at the end of 2020 (December 31, 2020: €1,316.6 million). This line item included right-of-use assets amounting to €495.1 million in relation to procurement leases (December 31, 2020: €492.5 million).

With rental assets of €528.4 million recognized in the statement of financial position, the short-term rental business was more or less unchanged compared with the end of 2020 (December 31, 2020: €529.6 million). However, leased assets for direct and indirect leases with end customers that are classified as operating leases increased to €1,365.4 million (December 31, 2020: €1,333.3 million). Long-term lease receivables arising from leases with end customers that are classified as finance leases amounted to €1,235.6 million (December 31, 2020: €1,199.1 million).

Current assets increased to a total of €3,880.2 million (December 31, 2020: €3,389.4 million) for two main reasons. Firstly, the KION Group increased its inventories as a precaution – partly in order to maintain its ability to supply customers – and inventories therefore stood at €1,222.8 million as at March 31, 2021 (December 31, 2020: €1,101.0 million). Secondly, trade receivables swelled to €1,258.8 million (December 31, 2020: €1,172.7 million). Contract assets, which mainly related to project business in the Supply Chain Solutions segment, increased to €192.9 million (December 31, 2020: €172.1 million). Cash and cash equivalents rose to €515.1 million (December 31, 2020: €314.4 million). Some of this will be used to repay a variable-rate tranche of the promissory note with a volume of €167.0 million ahead of schedule in April 2021.

The KION Group's net working capital stood at €886.9 million as at March 31, 2021 (December 31, 2020: €984.5 million). The increase in inventories, trade receivables, and contract assets as at the reporting date was more than offset by the even sharper rise in trade payables and contract liabilities.

Current lease receivables from end customers increased from €396.2 million as at December 31, 2020 to €427.6 million as at March 31, 2021.

Condensed consolidated statement of financial position

in € million	Mar. 31, 2021	in %	Dec. 31, 2020	in %	Change
Non-current assets	10,808.8	73.6%	10,666.2	75.9%	1.3%
Current assets	3,880.2	26.4%	3,389.4	24.1%	14.5%
Total assets	**14,689.0**	**100.0%**	**14,055.7**	**100.0%**	**4.5%**
Equity	4,667.0	31.8%	4,270.8	30.4%	9.3%
Non-current liabilities	5,651.3	38.5%	5,966.6	42.4%	–5.3%
Current liabilities	4,370.7	29.8%	3,818.3	27.2%	14.5%
Total equity and liabilities	**14,689.0**	**100.0%**	**14,055.7**	**100.0%**	**4.5%**

Financial position

The principles and objectives applicable to financial management as at March 31, 2021 were largely the same as those described in the 2020 combined management report.

Analysis of capital structure

Non-current and current liabilities rose to €10,022.0 million as at the reporting date (December 31, 2020: €9,784.8 million). This was primarily due to the growth in trade payables and contract liabilities in line with the volume of business.

In view of the repayment of the variable-rate tranche of the promissory note with a nominal amount of €167.0 million, which is planned for the end of April 2021, the tranche has now been recognized under current financial liabilities. Consequently, non-current financial liabilities fell to €949.1 million as at the reporting date (December 31, 2020: €1,117.4 million). The carrying amount of the promissory notes included in this line item amounted to €422.7 million (December 31, 2020: €590.0 million).

Non-current financial liabilities also largely include the corporate bond issued, which has a carrying amount of €494.8 million (December 31, 2020: €494.5 million).

Current financial liabilities rose to €222.4 million (December 31, 2020: €77.1 million), predominantly as a result of the repayment-related reclassification of the variable-rate tranche of the promissory note. Net financial debt (non-current and current financial liabilities less cash and cash equivalents) decreased to €656.4 million as at March 31, 2021 (December 31, 2020: €880.0 million). This equated to 0.5 times adjusted EBITDA on an annualized basis (December 31, 2020: 0.6 times). To reconcile the net financial debt with the industrial net operating debt of €1,681.3 million as at March 31, 2021 (December 31, 2020: €1,912.6 million), the liabilities from the short-term rental business of €494.7 million and the liabilities from procurement leases of €530.2 million were added to net financial debt.

Industrial net operating debt

in € million	Mar. 31, 2021	Dec. 31, 2020	Change
Promissory notes	589.4	590.0	–0.1%
Bonds	494.8	494.5	0.1%
Liabilities to banks	54.6	77.1	–29.2%
Other financial debt	32.8	32.9	–0.5%
Financial debt	**1,171.5**	**1,194.5**	**–1.9%**
Less cash and cash equivalents	–515.1	–314.4	–63.8%
Net financial debt	**656.4**	**880.0**	**–25.4%**
Liabilities from short-term rental business	494.7	505.6	–2.1%
Liabilities from procurement leases	530.2	527.0	0.6%
Industrial net operating debt	**1,681.3**	**1,912.6**	**–12.1%**

Non-current and current liabilities from the leasing business rose to €2,858.5 million as at March 31, 2021 (December 31, 2020: €2,739.3 million). Of this total, €2,609.1 million was attributable to financing of the direct leasing business (December 31, 2020: €2,483.6 million) and €249.4 million to the repurchase obligations resulting from the indirect leasing business (December 31, 2020: €255.7 million). Liabilities from the financing of the direct leasing business included liabilities arising from sale and leaseback sub-lease transactions with leasing companies in an amount of €1,144.9 million (December 31, 2020: €1,125.0 million), liabilities from lease facilities in an amount of €434.1 million (December 31, 2020: €411.3 million), and liabilities from securitization in an amount of €1,030.1 million (December 31, 2020: €947.3 million).

Non-current and current liabilities from the short-term rental business, which totaled €494.7 million (December 31, 2020: €505.6 million), declined in line with the slight fall in rental assets.

Non-current and current other financial liabilities stood at €657.1 million as at March 31, 2021 (December 31, 2020: €646.9 million). This item included liabilities from procurement leases amounting to €530.2 million (December 31, 2020: €527.0 million), for which right-of-use assets were recorded. Contract liabilities, of which a large proportion related to the long-term project business, increased to €664.3 million owing to prepayments from customers (December 31, 2020: €550.8 million).

The retirement benefit obligation and similar obligations fell to €1,269.4 million owing to significantly higher discount rates (December 31, 2020: €1,450.3 million).

Consolidated equity rose to €4,667.0 million as at the end of the first quarter of 2021 (December 31, 2020: €4,270.8 million). The net income of €137.0 million earned during the quarter under review contributed to the rise in equity, as did the actuarial gains and losses arising from the measurement of pensions, which amounted to a net gain of €145.0 million (after deferred taxes) and were recognized in other comprehensive income. The currency translation gains of €120.1 million, also recognized in other comprehensive income, had a positive impact on equity too. The equity ratio therefore improved to 31.8 percent (December 31, 2020: 30.4 percent).

Analysis of capital expenditure

The focusing of the capital expenditure program as a result of the coronavirus pandemic resulted in a decrease in the volume of capital expenditure compared with the first quarter of 2020. 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 €58.0 million in the reporting quarter (Q1 2020: €81.0 million). Spending in the Industrial Trucks & Services segment continued to be focused on capital expenditure on product development and on the expansion and modernization of production and technology facilities. Capital expenditure in the Supply Chain Solutions segment primarily related to development costs.

Analysis of liquidity

Cash and cash equivalents increased by €200.6 million to €515.1 million as at March 31, 2021 (December 31, 2020: €314.4 million). Taking into account the credit facility that was still freely available and, as at the reporting date, had not been drawn down at all, the unrestricted cash and cash equivalents available to the KION Group as at March 31, 2021 amounted to €1,657.4 million (December 31, 2020: €1,457.3 million).

Net cash provided by operating activities totaled €331.4 million. This represented a significant improvement compared with the net cash used for operating activities of minus €60.5 million in the prior-year period and was mainly due to the rise in earnings from operations and the reduction in the amount of working capital tied up. The change in net working capital amounted to an inflow of €101.2 million (Q1 2020: outflow of minus €121.6 million).

The net cash used for investing activities amounted to just minus €69.8 million in the reporting period (Q1 2020: minus €161.6 million). Within this figure, cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment came to minus €58.0 million, which was down sharply on the prior-year period (Q1 2020: minus €81.0 million). In addition, the acquisition of the remaining shares in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH resulted in a cash outflow totaling minus €13.9 million, of which €2.0 million had been paid as an advance payment in December 2020. Cash flow from investing activities in the prior-year period had included net payments of minus €85.8 million for the acquisition of UK software company Digital Applications International Limited (DAI).

Free cash flow – the sum of cash flow from operating activities and investing activities – came to €262.1 million. This represented a significant improvement compared with the prior-year period, which had been affected by acquisition items (Q1 2020: minus €222.1 million).

Net cash used for financing activities came to minus €66.8 million (Q1 2020: net cash provided of €245.1 million), partly due to the repayment of current liabilities to banks. Payments made for interest portions and principal portions under procurement leases totaled minus €33.8 million (Q1 2020: minus €32.1 million).

Condensed consolidated statement of cash flows

in € million	Q1 2021	Q1 2020	Change
EBIT	193.5	120.2	61.1%
+ Amortization / depreciation[1] on non-current assets (without lease and rental assets)	99.3	97.2	2.1%
+ Net changes from lease business (including depreciation[1] and release of deferred income)	0.2	–22.4	> 100%
+ Net changes from short-term rental business (including depreciation[1])	7.0	8.2	–14.2%
+ Changes in net working capital	101.2	–121.6	> 100%
+ Taxes paid	–52.8	–46.8	–12.9%
+ Other	–16.6	–95.4	82.6%
= Cash flow from operating activities	**331.9**	**–60.5**	**> 100%**
+ Cash flow from investing activities	–69.8	–161.6	56.8%
thereof changes from acquisitions	–11.8	–87.0	86.4%
thereof changes from other investing activities	–58.0	–74.6	22.2%
= Free cash flow	**262.1**	**–222.1**	**> 100%**
+ Cash flow from financing activities	–66.8	245.1	< –100%
+ Effect of exchange rate changes on cash	5.3	–11.2	> 100%
= Change in cash and cash equivalents	**200.6**	**11.8**	**> 100%**

1 Including impairment and reversals of impairment

Outlook

The KION Group has made a good start to 2021. Nevertheless, economic conditions are still subject to significant uncertainty. The KION Group continues to see risks in relation to changes in the sales markets, commodity prices, and the availability of base products. From the current perspective, all of the targets specified in the outlook in the 2020 annual report are confirmed without exception:

The order intake of the KION Group is expected to be between €9,700 million and €10,400 million. The target figure for consolidated revenue is in the range of €9,150 million to €9,750 million. The target range for adjusted EBIT is €720 million to €800 million. Free cash flow, including the effects of the capacity and structural program started in 2020, is expected to be in a range between €450 million and €550 million. The target figure for ROCE is in the range of 8.2 percent to 9.2 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €5,900 million and €6,200 million. The target figure for revenue is in the range of €5,900 million to €6,200 million. The target range for adjusted EBIT is €445 million to €485 million.

Order intake in the Supply Chain Solutions segment is expected to be between €3,800 million and €4,200 million. The target figure for revenue is in the range of €3,250 million to €3,550 million. The target range for adjusted EBIT is €360 million to €400 million.