2023

Annual report

KION Group Key figures for 2023

KION Group overview

in € million	2023	2022	2021	Change 2023/2022
Revenue and financial performance				
Revenue	11,433.7	11,135.6	10,294.3	2.7%
EBITDA	1,713.6	1,201.8	1,735.7	42.6%
Adjusted EBITDA[1]	1,748.7	1,218.7	1,696.9	43.5%
Adjusted EBITDA margin[1]	15.3%	10.9%	16.5%	–
EBIT	660.6	168.3	794.8	> 100%
Adjusted EBIT[1]	790.5	292.4	841.8	> 100%
Adjusted EBIT margin[1]	6.9%	2.6%	8.2%	–
Net income	314.4	105.8	568.0	> 100%
Basic earnings per share (in €)	2.33	0.75	4.34	> 100%
Dividends per share (in €)[2]	0.70	0.19	1.50	> 100%
Financial position[3]				
Total assets	17,388.4	16,599.4	15,850.9	4.8%
Equity	5,772.7	5,607.8	5,168.9	2.9%
Net working capital[4]	2,009.0	2,050.2	1,192.0	–2.0%
Net financial debt[5]	1,210.6	1,670.5	567.6	–27.5%
ROCE[6]	7.7%	2.9%	9.1%	–
Cash flow				
Free cash flow[7]	715.2	–715.6	543.8	> 100%
Capital expenditure[8]	442.8	382.7	333.8	15.7%
Orders				
Order intake	10,875.6	11,707.6	12,481.6	–7.1%
Order book[3]	6,362.1	7,077.8	6,658.5	–10.1%
Employees[9]	42,325	41,149	39,602	2.9%

1 Adjusted for PPA items and non-recurring items

2 For 2023: Proposed dividend for the fiscal year 2023

3 Figures as at balance sheet date Dec. 31;
Prior year figures for total assets and net working capital adjusted (see note [41] in the notes to the consolidated financial statements)

4 Net working capital comprises inventories, trade receivables and contract assets less trade payables and contract liabilities

5 Key figure comprises financial liabilities less cash and cash equivalents

6 ROCE is defined as the proportion of adjusted EBIT to capital employed

7 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities

8 Capital expenditure in property, plant and equipment and intangible assets, including capitalized development costs

9 Number of employees (full-time equivalents) as at balance sheet date Dec. 31

All amounts in this annual 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 (€ thousand).

Contents

Company profile

The KION Group is among the world's leading suppliers of industrial trucks and supply chain solutions.[1] Its portfolio encompasses industrial trucks, such as forklift trucks and warehouse trucks, as well as integrated automation technology and software solutions for the optimization of supply chains, including all related services. Across more than 100 countries worldwide, the KION Group's logistics solutions improve the flow of material and information within factories, warehouses, and distribution centers. The KION Group, which is included in the MDAX, is the largest manufacturer of industrial trucks in the EMEA region. In China, it is the leading foreign manufacturer.

The KION Group's world-renowned brands are well established. Dematic is the global leader in warehouse automation, providing a broad range of intelligent supply chain and automation solutions. The Linde and STILL brands serve the premium and higher value segments of the industrial truck market. Baoli focuses on industrial trucks in the lower value and economy segments. The regional industrial truck brand Fenwick is one of the leading suppliers of material handling products in France, while OM is among the leading vendors in the Indian market.

With more than 1.8 million industrial trucks worldwide as at December 31, 2023, the KION Group counts companies of various sizes in numerous industries on six continents among its customers.

We keep the world moving.

[1] The market position of the KION Group as a whole, its market position in China, and Dematic's market position are measured by the respective volumes of revenue generated in 2022; unit sales in 2022 serve as the basis for determining the market position in the EMEA region and the market positions of Fenwick and OM.

Segments

Industrial Trucks & Services

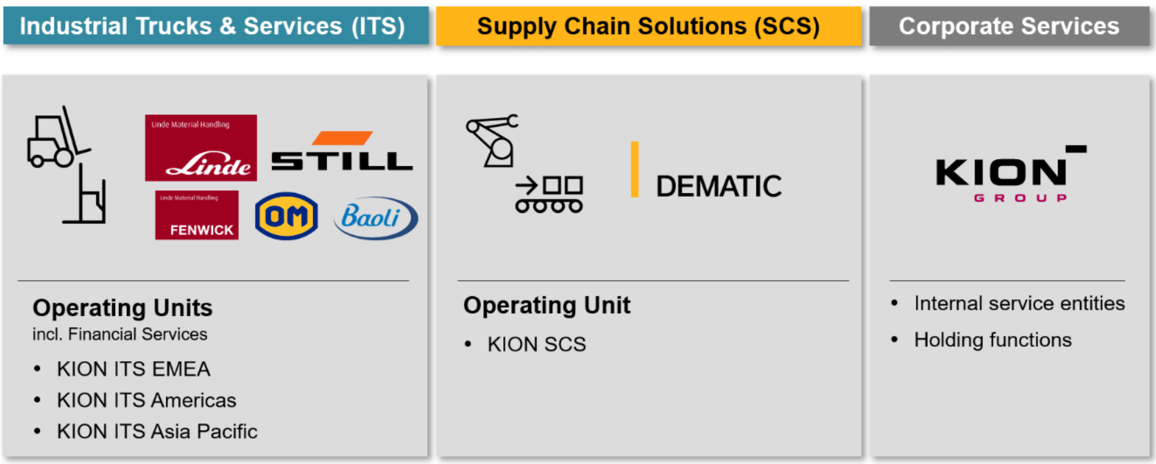
The Industrial Trucks & Services segment encompasses forklift trucks, warehouse technology, and related services, including complementary financial services. It pursues a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the regional brands Fenwick and OM.

Supply Chain Solutions

The Supply Chain Solutions segment encompasses integrated technology and software solutions that are used to optimize supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and Multishuttle warehouse systems through to order picking. The Supply Chain Solutions segment comprises the Operating Unit KION SCS with the Dematic brand.

Corporate Services

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



To our shareholders

Letter to shareholders

Dear shareholders, customers, partners, and friends of the KION Group,

in 2023, the KION Group benefited from a year of delivering on our strategy as we took further significant steps along our path to sustainable and profitable growth. I am glad to say that we improved profitability in both our business segments and for KION. The substantial progress in our results, on both financial and operating metrics, demonstrates that the commercial and operational agility measures we initiated in 2022 are delivering sustainable business performance.

We achieved double-digit profitability in our Industrial Trucks & Services (ITS) segment, the highest level since 2019, and stabilized our Supply Chain Solutions (SCS) segment, where we worked through and completed a substantial number of remaining low margin projects.

The progress we have made in delivering on our business priorities is supported by a commitment to capitalize on the opportunities offered by sustainability and technological innovation. We are building a more resilient business, better adapted for a fast-changing world and more able to respond to rapidly evolving client demands.

Shaping the future of supply chains globally

KION Group continues to develop its leading position in the intralogistics industry. We are creating fully integrated solutions for automated, sustainable warehouse systems, supported by intelligent material handling equipment and technology. To this end, we invest around three percent of our revenue each year in research and development, backed by a strong global CTO organization with around 2,800 colleagues worldwide.

Accelerating with sustainability

We invest in sustainability, reflecting our commitment to a carbon-neutral future and our customers' increased demand for green solutions. In July 2023, the KION Group committed to achieving the "Net Zero" pledge of the Science-Based Targets Initiative (SBTi). In fall 2023, we launched a recycling program for end-of-life lithium-ion batteries with our strategic partner, Li-Cycle. We also launched the commercial production of our own hydrogen fuel cell systems for industrial trucks. The leading index provider MSCI raised the KION Group's ESG rating to AAA in recognition of our commitment to sustainability, placing us in the top 10 percent of the industry.

Rob Smith

Chief Executive Officer of KION GROUP AG

Investing across the globe

KION Group is investing worldwide to extend our leadership in the intralogistics industry. Following the global roll-out of a new family of trucks last year, we are further strengthening our production site in Jinan, China, with a new plant for the Supply Chain Solutions segment that is expected to create more than 300 new jobs by the end of 2024. KION North America is investing in production and assembly lines in the Industrial Trucks & Services segment with an expanded plant in Summerville, South Carolina, that will create around 450 new jobs when it opens in spring 2024.

In Aschaffenburg, Germany, Linde Material Handling (LMH) opened its state-of-the-art Experience Hub in fall 2023. The new customer center will support a range of occasions - from group product demonstrations to major customer events and functions for LMH's European and global sales and service organization.

Positioning for the future

As we pursue our ambitious vision for fully integrated, automated and sustainable intralogistics solutions, we reshaped the Executive Board, effective January 2024, to drive KION’s 2027 profitable growth strategy. The Supervisory Board of KION GROUP AG has appointed Michael Larsson as the Executive Board member responsible for the Supply Chain Solutions segment globally and the Industrial Trucks and Services business in the Americas. It has also entrusted Executive Board member Ching Pong Quek with additional responsibilities as the new KION Group Chief Technology Officer.

Our strong performance in 2023 is clear evidence that KION Group is firmly back on track. That success is attributable first and foremost to the dedication, experience and expertise of our more than 42,000 colleagues around the world. We also thank our loyal customers and business partners.

Looking ahead, our robust 2023 financial and operational performance has created a strong momentum for 2024. ITS will continue to build on its strong 2023 performance and is expected to remain in the double-digit margin territory. SCS will further improve project management processes and resolve legacy projects to return to double digit profitability by the end of 2027.

Having demonstrated agility and resilience in 2023, we enter 2024 with confidence. We offer customers the latest integrated material handling solutions, backed by strong and well-known brands. We are investing in our innovation pipeline to deliver the next generation of sustainable technologies. I am convinced that 2024 will be another successful year for the KION Group and our shareholders, our employees, our customers, our business partners, and for the communities in which we operate.

With best wishes,

Rob Smith

Chief Executive Officer

KION GROUP AG

Executive Board of KION GROUP AG

Rob Smith

- Chief Executive Officer (CEO)
- Born in 1965 in Augsburg, Germany

Christian Harm

- Chief Financial Officer (CFO)
- Born in 1968 in St. Pölten, Austria

Valeria Gargiulo

- Chief People & Sustainability Officer (CPSO) & Labor Relations Director
- Born in 1972 in Lomas de Zamora, Argentina

Hans Michael Larsson

- President KION Supply Chain Solutions & ITS Americas
- Born in 1965 in Västerås, Sweden

Andreas Krinninger

- President KION ITS EMEA
- Born in 1967 in Bergisch Gladbach, Germany

Ching Pong Quek

- Chief Technology Officer (CTO) & President KION ITS Asia Pacific
- Born in 1967 in Batu Pahat / Johor, Malaysia

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

The KION Group was able to report strong results and lay the foundations for long-term growth in 2023, despite macroeconomic uncertainties and the ongoing geopolitical conflicts.

Over the course of the year, the Company made significant efforts to improve its agility and position itself better for the future while at the same time strengthening its resilience to any unforeseen developments. Although 2024 will be another challenging year and the Supply Chain Solutions (SCS) segment, in particular, needs to return to growth, the course of business in 2023 gives cause for optimism about the future.

Moreover, the Executive Board and the Company’s approximately 42,000 employees have been relentless in their pursuit of KION’s strategy in relation to digital transformation, automation, and sustainability.

The Supervisory Board would like to take this opportunity to thank the members of the Executive Board and all employees of the KION Group for their hard work in this area in 2023.

In 2023, the Supervisory Board continued to advise the Executive Board and diligently fulfilled the tasks and duties imposed on it by the law and the Company’s articles of association.

Focus of the Supervisory Board’s work

At the total of seven ordinary and three extraordinary Supervisory Board meetings held in the year under review, the Supervisory Board thoroughly discussed all matters of relevance to the Company and satisfied itself that the Company was being run lawfully, purposefully, and properly. In addition, six resolutions were adopted in writing. Although individual Supervisory Board members were occasionally unable to participate in meetings of the Supervisory Board, they were mostly still able to vote as required using a written voting form.

Regarding the Company’s operations, the Supervisory Board obtained regular updates on progress with the package of measures initiated in 2022 to boost profitability. This package is mainly focused on strengthening the supplier network, taking measures to enhance operational and commercial agility, improving risk management, and managing the implementation of projects in the SCS segment more efficiently. The Supervisory Board’s work in 2023 also focused on supporting the Executive Board in its implementation of the Company-wide transformation and digitalization project and the related implementation of a new enterprise resource planning (ERP) system based on SAP S/4HANA.

Hans Peter Ring

Chairman of the Supervisory Board of KION GROUP AG

During a number of meetings in 2023, the Supervisory Board discussed sustainability matters of significance to the Company, including the decision to join the Science Based Targets initiative (SBTi). Developments in relation to occupational health, safety, and the environment were presented to the Supervisory Board on a regular basis. The Supervisory Board was involved in every key step of the realization of these fundamental initiatives for the future of the Company.

The ordinary meetings of the Supervisory Board in 2023 were also used to address its regular schedule of topics. At the ordinary meeting on March 1, 2023, this included approval and adoption of the separate financial statements of KION GROUP AG, examination of the proposal for the appropriation of profit, approval of the consolidated financial statements of KION GROUP AG for 2022, determination of target achievement for the Executive Board members' variable remuneration, the adoption of resolutions on the 2022 financial reporting and, as preparation, on the 2022 non-financial reporting and the 2022 remuneration report, and the adoption of resolutions in preparation for the 2023 Annual General Meeting.

Following the resignation of its previous chairman, Dr. Michael Macht, the Supervisory Board elected Hans Peter Ring as its new chairman and as chairman of the Executive, Remuneration, Nomination, and Mediation Committees immediately after the Annual General Meeting on May 17, 2023. The newly elected Supervisory Board member Dr. Nicolas Peter was elected as chairman of the Audit Committee and as a member of the Executive, Remuneration, and Mediation Committees.

The Company's economic position and the core topics of increasing the Company's profitability (particularly in the SCS segment), sustainability, and progress with the Company-wide transformation and digitalization project were discussed by the Supervisory Board in detail at its meeting on June 28, 2023.

At its ordinary meeting on September 21, 2023, the Supervisory Board held in-depth discussions on the Company's financial and operating situation and on the cybersecurity, compliance, and human resources reports received. At its strategy meeting, which was also held on September 21, 2023, the Supervisory Board closely examined the KION 2027 strategy, including the medium-term planning for 2024 to 2026, and the strategic targets relating to sustainability, the business model, and the product portfolio of the Company. The Supervisory Board also deliberated on the strategic significance of the Company-wide transformation and digitalization project and on the progress with its implementation.

At the final ordinary meeting of the reporting year, held on December 12, 2023, the agenda included the Supervisory Board's examination of the budget planning for 2024, various corporate governance matters (including the 2023 declaration of conformity), the adoption of resolutions on personnel matters relating to the Executive Board and on changes to the Executive Board remuneration system, and the setting of the 2024 targets for the Executive Board's variable remuneration.

The extraordinary Supervisory Board meetings on March 17, 2023, July 6, 2023, and October 18, 2023 focused on personnel matters relating to the Executive Board, including its organizational structure and the schedule of responsibilities of the individual Executive Board members.

By way of written resolutions, the Supervisory Board decided on personnel matters relating to Executive Board members, the non-financial reporting, and transactions requiring its consent.

Collaboration between the Supervisory Board and Executive Board

Last year, the Supervisory Board continued to fulfill the tasks and responsibilities imposed on it by the law, the Company's articles of association, and the German Corporate Governance Code with dedication and diligence.

The Supervisory Board worked tirelessly to oversee and monitor the Executive Board and advise it on how to manage the Company.

The Executive Board provided the Supervisory Board with regular written and oral reports on the Company's economic position and on material business transactions, both during meetings and between meetings.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent and made necessary decisions. It was always fully involved in major decisions affecting the Company from an early stage. All members of the Supervisory Board had the opportunity to examine the documents, reports, and proposed resolutions that were presented in the full meetings or in the committees and to analyze and discuss them in detail.

Between meetings of the Supervisory Board and between those of its committees, the chairmen of the Supervisory Board and Audit Committee remained in close contact at all times with the Chief Executive Officer and Chief Financial Officer. There were also regular discussions between the chairman of the Audit Committee and those responsible for internal audit and corporate compliance in the Company.

Work of the committees

Five standing committees support the Supervisory Board's work and prepare resolutions to be adopted by the full Supervisory Board so that it can perform its tasks with the necessary degree of care and efficiency: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee.

The Executive Committee held four ordinary meetings in the year under review. One member was unable to take part in one of the meetings, but otherwise all members of the Executive Committee participated in all of its meetings. In 2023, the Executive Committee mainly focused on preparations for the full Supervisory Board meetings, on the Company's financial position and financial performance, and on personnel and organizational matters relating to the Executive Board.

The Audit Committee, which is also the committee responsible for all sustainability and ESG-related matters, held five ordinary meetings in 2023. One member was unable to take part in one of the meetings, but otherwise all members of the Audit Committee participated in all of its meetings. The meetings focused on the Group's business performance and financial planning, on the Company's risk situation, on matters related to the audit, its quality control, and the independence of the auditor, on the audit of the separate and consolidated financial statements of KION GROUP AG, on the quarterly financial statements, and on sustainability matters. It also addressed financial and non-financial reporting and the compliance and internal audit reports. Particular attention was paid to matters relating to the KION Group's internal control and risk management system. The committee satisfied itself that there were no conflicts of interest in respect of the auditor. Supervisory Board resolutions required in this regard were prepared by the Audit Committee and reported to the Supervisory Board. The auditor reported regularly to the Audit Committee on its audit work and findings. The Audit Committee regularly held discussions without the Executive Board.

The Remuneration Committee, which held four ordinary meetings in 2023, dealt with the setting of targets and the achievement of the targets for the Executive Board members' variable remuneration as well as the 2022 and 2023 remuneration reports. With the support of an independent external corporate governance consultant, it also examined the appropriateness of the level of Executive Board remuneration and prepared planned changes to the Executive Board remuneration system in 2024. All members of the Remuneration Committee participated in all of its ordinary meetings.

The Nomination Committee convened for one extraordinary meeting in 2023, in which all of its members took part. It carried out the Supervisory Board's preparations for appointing a successor for the previous chairman of the Supervisory Board, Dr. Michael Macht, and interviewed potential candidates. At its meeting, the Nomination Committee made a final decision about proposing Dr. Nicolas Peter to the Annual General Meeting for election as a new member of the Supervisory Board.

There was no need for the Mediation Committee to meet in 2023.

The Supervisory Board meetings included regular reports on the work of the committees. Details of the committees' members are provided in the 'Corporate governance statement'.

Summary of the nature of, and members’ participation in, the meetings of the Supervisory Board and its committees

Because of the diverse composition of the Supervisory Board and its committees, each of which has members from outside Germany, all meetings of both the Supervisory Board and its committees were held in a hybrid format, i.e. with a combination of video conferencing and attendance in person. The members of the Supervisory Board and its committees based in Germany routinely attended in person with only a few exceptions; the members of the Supervisory Board based in China predominantly used video conferencing to participate.

There were also a number of working sessions and telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information. The employee representatives and, where necessary, the shareholder representatives too held separate preliminary discussions to deliberate on the agenda items of the full meetings of the Supervisory Board. In some cases, preparatory discussion took place between individual Supervisory Board or committee members as well.

The rate of participation for the meetings of the Supervisory Board and its committees stood at around 93 percent.

Overview of attendance at meetings of the Supervisory Board and committees in fiscal year 2023

Plenary/Committee	Meeting attendance	Percentage
SUPERVISORY BOARD PLENARY		
Hans Peter Ring (Chairman)[1]	10/10	100
Dr. Michael Macht[2]	3/3	100
Özcan Pancarci (Deputy Chairman)	10/10	100
Birgit A. Behrendt	9/10	90
Dr. Alexander Dibelius	10/10	100
Kui Jiang	9/10[8]	90
Dr. Christina Reuter	10/10	100
Dr. Nicolas Peter[3]	7/7	100
Tan Xuguang	0/10	0
Ping Xu	9/10[8]	90
Dominique Lembke	10/10	100
Martin Fahrendorf	10/10	100
Jan Bergemann	10/10	100
Jörg Milla	10/10	100
Alexandra Schädler	9/10	90
Thomas Mainka	10/10	100
Claudia Wenzel	10/10	100
EXECUTIVE COMMITTEE		
Hans Peter Ring (Chairman)[1]	4/4	100
Dr. Michael Macht[2]	1/1	100
Özcan Pancarci (Deputy Chairman)	4/4	100
Dr. Alexander Dibelius	3/4	75
Kui Jiang	4/4	100
Alexandra Schädler	4/4	100
Jörg Milla	4/4	100
Dr. Nicolas Peter[3]	3/3	100
Claudia Wenzel	4/4	100
AUDIT COMMITTEE		
Dr. Nicolas Peter (Chairman)[4]	3/3	100
Alexandra Schädler (Deputy Chairman)	4/5	80
Hans Peter Ring[5]	5/5	100
Dr. Michael Macht[6]	2/2	100
Jörg Milla	5/5	100

Overview of attendance at meetings of the Supervisory Board and committees in fiscal year 2023 (continued)

Plenary/Committee	Meeting attendance	Percentage
REMUNERATION COMMITEE		
Hans Peter Ring (Chairman)[1]	4/4	100
Dr. Michael Macht[2]	1/1	100
Özcan Pancarci (Deputy Chairman)	4/4	100
Kui Jiang	4/4	100
Dr. Nicolas Peter[3]	3/3	100
Alexandra Schädler	4/4	100
NOMINATION COMMITTEE		
Hans Peter Ring (Chairman)[7]	0/0	-
Dr. Michael Macht[2]	1/1	100
Dr. Alexander Dibelius (Deputy Chairman)	1/1	100
Birgit A. Behrendt	1/1	100
Kui Jiang	1/1	100
MEDIATION COMMITTEE		
Hans Peter Ring (Chairman)[1]	0/0	-
Dr. Michael Macht[2]	0/0	-
Özcan Pancarci (Deputy Chairman)	0/0	-
Jörg Milla	0/0	-
Dr. Nicolas Peter[3]	0/0	-

[1] Year-round member; Chairman since May 2023

[2] Member and Chairman until May 2023

[3] Member since May 2023

[4] Member and Chairman since May 2023

[5] Year-round member; Chairman until May 2023

[6] Member until May 2023

[7] Member and Chairman since May 2023

[8] Kui Jiang and Ping Xu were excused from the extraordinary meeting in August 2023. They participated via voting message.

The members of the Executive Board generally participated in the meetings of the Supervisory Board and its committees. However, the Supervisory Board and its committees also met regularly without the Executive Board to discuss individual matters.

Personnel matters relating to the Executive Board

There was a change in the position of Chief Financial Officer at the beginning of the year, with Marcus Wassenberg taking on the role on January 1, 2023. The Company and Marcus Wassenberg then parted ways by mutual agreement on July 6, 2023, and Christian Harm took over as Chief Financial Officer on the same day.

Valeria Gargiulo took up the newly created role of Chief People and Sustainability Officer (CPSO) on May 1, 2023. Her main responsibilities are human resources, sustainability, and occupational health and safety.

Dr. Henry Puhl, Chief Technology Officer (CTO), and Hasan Dandashly, President KION SCS, stepped down from the Executive Board with effect from the end of December 31, 2023. Michael Larsson took over as President KION SCS on January 1, 2024 and assumed responsibility for the ITS Americas business at the same time. Responsibility for the CTO role passed to Ching Pong Quek on January 1, 2024. He carries out this remit separately from and in addition to his existing responsibility for the ITS APAC business. The schedule of responsibilities for the Executive Board was adjusted accordingly with effect from January 1, 2024.

Following preparatory work by its Executive Committee, the Supervisory Board closely monitored these personnel matters and discussed them in detail at a number of meetings. It also deliberated extensively on the Executive Board’s organizational structure and schedule of responsibilities. The Supervisory Board believes that, in its current composition, the Executive Board is now very well positioned for the profitable growth targeted by the Company and for the technological and geopolitical challenges that lie ahead.

Executive Board remuneration and the Executive Board remuneration system

The Supervisory Board and, in particular, its Remuneration Committee reviewed the appropriateness of Executive Board remuneration and the Executive Board remuneration system in 2023. In the fourth quarter of 2023, the Remuneration Committee prepared a new version of the Executive Board remuneration system, which the Supervisory Board adopted in December 2023.

The new Executive Board remuneration system adopted by the Supervisory Board on December 12, 2023 is subject to approval by the 2024 Annual General Meeting on May 29, 2024. If the 2024 Annual General Meeting approves it, the 2024 remuneration system will apply retrospectively from January 1, 2024. A key priority in updating the remuneration system was to make sure that it continues to support the Company’s strategic and long-term development to the fullest possible extent. The feedback received from shareholders in recent years was also incorporated, for example by restricting the discretionary elements of the Executive Board’s remuneration. The intention with the introduction of the 2024 Executive Board remuneration system is for the Company to start complying with recommendation G.10 of the German Corporate Governance Code in the version dated April 28, 2022 (GCGC) (long-term variable remuneration components accessible only after four years).

Details of the new 2024 remuneration system will be published on the KION Group’s website (www.kiongroup.com/en/Investor-Relations/Shareholders-Meeting) as part of the preparations for the 2024 Annual General Meeting and will be made available to shareholders ahead of the meeting.

Corporate governance matters handled by the Supervisory Board

In the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG), which was issued on November 27 / December 12, 2023, the Supervisory Board and Executive Board declared that KION GROUP AG had complied with all the recommendations in the GCGC since the issue of the previous declaration of conformity, with one exception, and would also comply with them in the future. The exception relates to recommendation G.10 of the GCGC (long-term variable remuneration components accessible only after four years). The most recent declaration of conformity and previous versions are permanently available to the public on the website of KION GROUP AG at www.kiongroup.com/conformity.

At the start of 2024, the chairman of the Supervisory Board held discussions with investors about corporate governance matters relating to the Supervisory Board.

The Supervisory Board must also review the content of the non-financial Group report, which the Company is obliged to publish in accordance with section 315b of the German Commercial Code (HGB). The Supervisory Board had engaged the Company's then auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch, to prepare the review of this report for 2022; the report was presented to the Supervisory Board for a decision in April 2023 and published on April 27, 2023. The Company's current auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was engaged to prepare the review of the non-financial Group report for 2023. No concerns were raised as a result of the Supervisory Board's reviews of these reports. The Supervisory Board took account of the auditors' assessments in its own reviews of the non-financial Group reports for 2022 and 2023 and did not raise any objections.

The Executive Board and Supervisory Board provide a detailed report on corporate governance at KION GROUP AG in the 'Corporate governance statement', which can also be found on the KION GROUP AG website at www.kiongroup.com/governance. The corporate governance statement also includes information on the objectives for the composition of the Supervisory Board, including its diversity plan and profile of skills and expertise, and reports on progress with achieving them.

The Company supports the members of the Supervisory Board in the performance of their tasks by providing suitable training and development opportunities. New members of the Supervisory Board are given special onboarding information in order to familiarize them with the KION Group and its internal structures and processes.

No conflicts of interest on the Supervisory Board came to light during the year under review.

Relationships with affiliated entities (dependency report)

The Supervisory Board also examined the report concerning relationships with affiliated entities (dependency report), which the Executive Board signed off on February 27, 2024. The auditor reviewed this report and issued an auditor's report. Based on its audit, which it completed on February 28, 2024 without having identified any deficiencies, the auditor issued the following opinion:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the facts in the report are stated accurately;
2. the consideration given by the entity for the transactions specified in the report was not unreasonably high;
3. there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different from the opinion of the Executive Board."

The dependency report and the auditor's report about it were distributed to all the members of the Supervisory Board in good time. Both reports were discussed in detail in the presence of the auditor at the Supervisory Board meeting on February 28, 2024, after the auditor had presented its report in person. The Supervisory Board approved the findings of the audit conducted by the independent auditors and, based on the final outcome of its own review, did not raise any objections to the Executive Board's declaration at the end of the dependency report.

Engagement of the auditor; audit of the separate and consolidated financial statements

The Company's independent auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the separate financial statements, the consolidated financial statements, and the combined management report for KION GROUP AG and the Group for the year ended December 31, 2023 following its engagement by the Annual General Meeting on May 17, 2023.

The auditor was appointed by the chairman of the Supervisory Board on December 11, 2023. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 24, 2023.

The auditor submitted its report and the documents relating to the 2023 financial statements to the members of the Audit Committee and the members of the Supervisory Board, in each case with the required lead time. The Audit Committee and Supervisory Board each discussed the report extensively in the presence of the auditor and, in some cases, without the Executive Board being present. The auditor reported in detail on the main findings of the audit on each occasion.

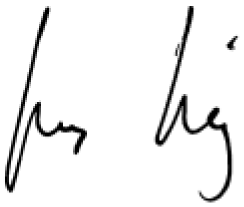
The auditor issued an unqualified opinion for the separate financial statements, consolidated financial statements, and group management report, which was combined with the Company's management report, on February 28, 2024. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2023, the Supervisory Board – on the basis of a recommendation from the Audit Committee – agreed with the findings of the audit by the auditor after further discussing these findings at its meeting on February 28, 2024 and did not raise any objections. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended December 31, 2023 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on February 28, 2024, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.70 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning, and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Personnel changes on the Supervisory Board of KION GROUP AG

Dr. Michael Macht, the previous chairman of the Supervisory Board, resigned from the Supervisory Board and all related roles at the end of the Annual General Meeting on May 17, 2023. As proposed by the Company's Executive Board and Supervisory Board, the Annual General Meeting on May 17, 2023 elected Dr. Nicolas Peter to the Supervisory Board with effect from the end of the Annual General Meeting for the remaining period of Dr. Michael Macht's term of office, i.e. until the end of the 2025 Annual General Meeting.

The details of this report were discussed thoroughly at the Supervisory Board meeting on February 28, 2024, when it was adopted.



Hans Peter Ring

Chairman

KION shares

Equity markets make gains despite economic woes

The German equity markets recorded price gains over the course of 2023. The DAX closed the year at 16,752 points, which was up by 20.3 percent compared with its 2022 closing price and only minimally below its high for the year of 16,794 points recorded on December 11, 2023.

The equity markets made an excellent start to 2023 thanks to positive corporate news and the end of the coronavirus pandemic. And until the middle of the year, they appeared immune to burgeoning recessionary risks and the progressive tightening of monetary policy aimed at tackling the high rate of core inflation. The only exception was a brief correction that occurred in March due to concerns about a domino effect in the wake of localized turmoil in the banking sector, but the markets quickly shrugged this off.

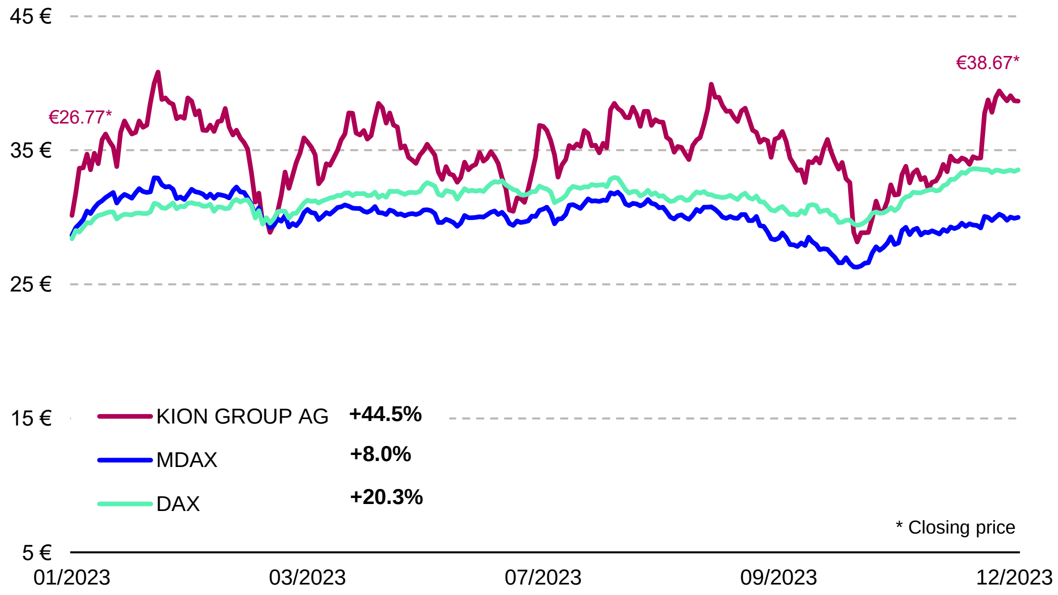
However, significant volatility returned to the equity markets in the third quarter as it was no longer possible to ignore the macroeconomic risk factors, and the DAX ceded some of its gains. The sudden escalation of the conflict in the Middle East following the attack on Israel pushed prices down even more, before they began trending upward again in November. This was underpinned by increasingly moderate inflation rates, falling commodity prices and, especially in the closing weeks of the year, speculation about imminent interest-rate cuts that was fueled by statements from the US Federal Reserve. The MDAX was unable to match the DAX's performance and made a gain of only 8 percent compared with its 2022 closing price.

KION shares end 2023 with a strong gain

In 2023, KION shares were able to recoup some of the substantial losses that they had suffered in the previous year. They ended the reporting year at €38.67, which was 44 percent higher than their 2022 closing price. They therefore comfortably outperformed the MDAX and DAX. The raising of the outlook following positive trends for adjusted EBIT and free cash flow in the first and second quarters of 2023 did not initially boost the share price in either instance. The KION Group believes that this was because of the continuing uncertainties in the markets and the deterioration in financing conditions. By contrast, the raising of the Group's outlook for adjusted EBIT and free cash flow in the third quarter of 2023 and the main share indices' rally toward the end of the year did ultimately mean that the KION share price closed 2023 with a significant gain.

The closing price on December 29, 2023, based on around 131.1 million outstanding shares, equates to market capitalization of €5.1 billion, of which approximately €2.7 billion was attributable to shares in free float.

Share price performance in 2023 compared with the DAX and MDAX (both indexed to KION)



Significantly higher dividend planned

KION GROUP AG's 2023 Annual General Meeting took place on May 17, 2023 in Frankfurt, Germany, and returned to being held as an in-person event for the first time since the outbreak of the coronavirus pandemic. Approximately 84 percent of the share capital was represented and all of the motions were approved by a majority of votes. The proposals approved by the Annual General Meeting included the distribution of a dividend of €0.19 per share, resulting in a total distribution to shareholders of around €24.9 million and an addition of €85.0 million to retained earnings.

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend for 2023 of €0.70 per share (2022: €0.19) to the Annual General Meeting on May 29, 2024. This gives a total dividend payout of €91.8 million. The significant increase compared with the prior-year amount is due to the improvement in earnings and free cash flow. With earnings per share for 2023 of €2.33, this equates to a dividend payout rate of around 30 percent, which is once again within the target corridor of between 25 percent and 40 percent.

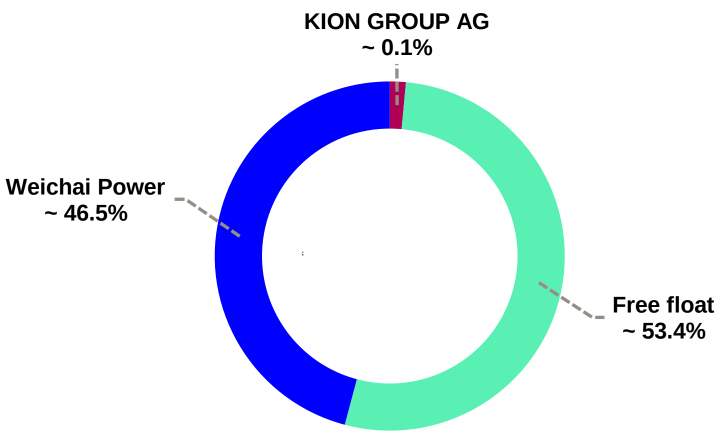
Basic information on KION shares

ISIN	DE000KGX8881
WKN	KGX888
Bloomberg	KGX:GR
Reuters	KGX.DE
Share type	No-par-value shares
Index	MDAX, MSCI World, MSCI Germany Small Cap, STOXX Europe 600, FTSE EuroMid, DAX 50 ESG, STOXX Europe Sustainability, FTSE4Good Index Series

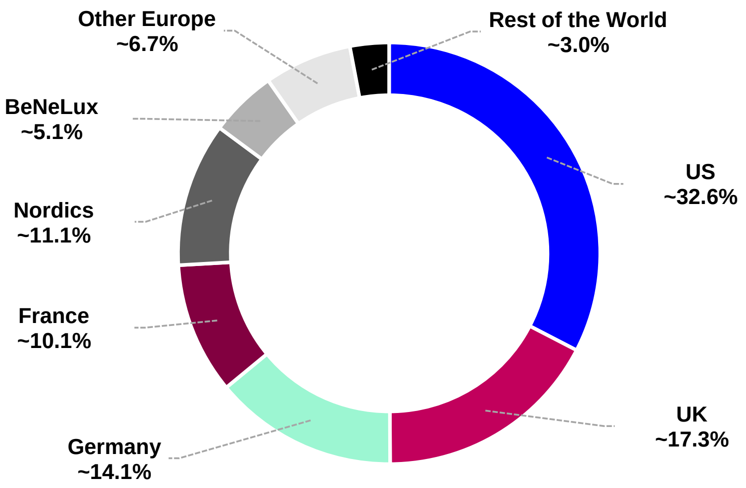
Stable shareholder structure

As far as the Company is aware, the shareholder structure remained unchanged in the reporting year. Weichai Power Co., Ltd., Weifang, People's Republic of China, had a stake of around 46.5 percent as at the end of 2023, which means it is still the biggest single shareholder, while KION GROUP AG continued to hold around 0.1 percent of the shares. Consequently, the number of shares held in treasury was unchanged at 73,876 as at the reporting date (December 31, 2022: 73,876). The free float was therefore also unchanged at 53.4 percent at the end of 2023 (December 31, 2022: 53.4 percent). To the knowledge of the Company, approximately 65 percent of the free float was held by institutional investors in Europe, approximately 33 percent by institutional investors in the Americas region, and approximately 2 percent by institutional investors in the APAC region.

Shareholder structure as at December 31, 2023



Free float by country as at December 31, 2023



Based on 55,315,016 free float shares or 79% of 70,087,264 free float shares (Shareholder Identification December 2023 – Full Shareholder ID)

KION shares predominantly recommended as a buy

As at December 31, 2023, 24 brokerage houses were following and regularly reporting on the KION Group (December 31, 2022: 22). Of this total, 16 analysts recommended KION shares as a buy, seven rated them as neutral, and only one brokerage house advised selling them. The average target price specified by the sell-side analysts was €44.81 (December 31, 2022: €37.17).

Share data

Closing price at the end of 2022	€26.77
High for 2023 (intraday)	€40.86
Low for 2023 (intraday)	€27.11
Closing price at the end of 2023	€38.67
Market capitalization at the end of 2023	€5,070.6 million
Performance in 2023	44.5%
Average daily XETRA trading volume in 2023 (no. of shares)	311.4 thousand
Average daily XETRA trading volume in 2023 (€)	€10.8 million
Share capital	€131,198,647
Number of shares as at Dec. 31, 2023	131,198,647
Earnings per share for 2023[1]	€2.33
Dividend per share for 2023[2]	€0.70
Dividend payout rate for 2023[2]	30%
Total dividend payout for 2023[2]	€91.8 million
Equity ratio as at Dec. 31, 2023	33.2%

1 Calculated on the basis of the average number of shares outstanding of 131,107,933

2 Proposed dividend for 2023

Credit ratings remain solid

The KION Group's credit ratings remained at a solid level in the year under review. Standard & Poor's confirmed its BBB– rating in April 2023 and changed the outlook from CreditWatch negative to negative. Since October 2022, Fitch Ratings has awarded a long-term issuer default rating of BBB with a stable outlook and a short-term issuer default rating of F2.

This was partly due to the increase in free cash flow and the successful outcome of the financing activities in 2023. On October 10, 2023, KION GROUP AG issued a promissory note in several tranches with a total nominal amount of €375.0 million, thereby extending the maturity profile of the Group's financial liabilities. The promissory note, whose tranches predominantly have a variable rate and maturity periods of up to seven years, is linked to the fulfillment of sustainability criteria (ESG-linked promissory note).

Services for investors

Active investor relations

KION GROUP AG's investor relations team was once again a reliable point of contact for the capital markets in 2023. Extensive, active dialogue with the capital markets was very important, particularly as the outlook for the year was raised several times and there was a change of Chief Financial Officer.

Analysts and investors were able to talk to the investor relations team during a total of 35 days of conferences and roadshows. As had also been the case in 2022, one of the events was a virtual conference focusing on ESG aspects.

In its 2022 sustainability report, the KION Group provided details of its sustainability management approach. On July 6, 2023, KION GROUP AG announced that it had signed up to the Science Based Targets initiative (SBTi), which provides an underlying methodology for KION's ongoing support of the United Nations' Paris climate agreement and its goal of limiting global warming to 1.5°C.

KION GROUP AG's 2023 Annual General Meeting took place on May 17, 2023 in Frankfurt and returned to being held as an in-person event for the first time since the outbreak of the coronavirus pandemic. A total of around 84 percent of the share capital was represented. All questions were answered individually during the meeting. There were no countermotions, nominations, or requests for additions to the agenda. A video of the speech made by Chief Executive Officer Rob Smith is available at www.kiongroup.com/en/Investor-Relations/Shareholders-Meeting.

To coincide with the publication of the 2022 annual report on March 2, 2023, the Executive Board of KION GROUP AG explained the results at a financial statements press conference and at a conference call for analysts and investors. In addition, the Executive Board held conference calls to report on each set of quarterly results. Transcripts from the conference calls for the 2022 annual results and 2023 quarterly results, along with the associated presentations, form part of the extensive information for analysts and investors that is available on the Company's website.

Information on the website

Detailed information on KION shares as well as press releases, reports, presentations, and information about annual general meetings can be found at www.kiongroup.com/ir. The KION Group's annual report is also available here, both as a PDF file and as an interactive online version. The contact details of the investor relations team can be found under IR Contact. Information on corporate governance, the sustainability report, and the remuneration report of the Group are published at www.kiongroup.com/governance, www.kiongroup.com/sustainability, and www.kiongroup.com/remuneration.

kiongroup.com/ir

Corporate governance statement

Where the combined management report makes reference to sources outside the combined management report or outside the consolidated financial statements (e.g. websites), the content of these sources does not form part of the combined management report and serves solely to provide additional information.

Corporate governance

Good corporate governance in the sense of responsible, values-based, and transparent corporate management and control aimed at long-term value creation covers the whole system of managing and monitoring an enterprise, the principles, processes, and guidelines that shape the way that it is managed, and the system of internal and external control and monitoring mechanisms. The Executive Board and Supervisory Board of KION GROUP AG believe that corporate governance in accordance with the accepted standards is essential to the long-term success of the entire KION Group and therefore expressly support the aims and objectives pursued in the version of the German Corporate Governance Code (GCGC) dated April 28, 2022. Compliance with these standards also promotes the trust that investors, employees, business partners, and the public have in the management and supervision of the Company.

In accordance with principle 23 of the GCGC, the Supervisory Board and Executive Board jointly report on the Company's corporate governance in this corporate governance statement as required by sections 289f and 315d of the German Commercial Code (HGB). The Supervisory Board and Executive Board are each responsible for the parts of the report that relate to them. As a key tool for reporting on corporate governance, the corporate governance statement pursuant to sections 289f and 315d HGB is included in the combined (group) management report. According to section 317 (2) sentence 6 HGB, the information provided pursuant to sections 289f and 315d HGB does not have to be reviewed by the auditor. Instead, the auditor merely checks whether all of the required disclosures have been included in the corporate governance statement.

1. Declaration of conformity pursuant to section 161 (1) AktG

Section 161 (1) of the German Stock Corporation Act (AktG) requires the executive board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, and intends to comply with, the recommendations in the prevailing version of the GCGC or – if necessary – stating the recommendations with which it has not complied or does not intend to comply, and the reasons why.

The Executive Board and Supervisory Board of KION GROUP AG submitted the Company's previous declaration of conformity on December 12/14, 2022.

Both decision-making bodies again considered the recommendations and suggestions of the GCGC in detail and, on November 27 / December 12, 2023, issued the following declaration of conformity for KION GROUP AG as required by section 161 (1) AktG:

> Since issuing the last declaration of conformity in December 2022, KION GROUP AG has complied with, and in the future will comply with, all recommendations of the German Corporate Governance Code in the version dated April 28, 2022 with the following exception:
>
> In deviation from recommendation G.10 sentence 2, according to which an executive board member should be able to access the long-term variable bonus amounts only after a period of four years, the Executive Board remuneration system of KION GROUP AG provides that Executive Board members have access to the long-term variable bonus components after three years. The Company is of the opinion that the consistency of the remuneration system for Executive Board members with the remuneration system for the Company's executives should be maintained.
>
> KION GROUP AG also complies with the non-mandatory suggestions of the German Corporate Governance Code.
>
> Frankfurt am Main, November 27 / December 12, 2023
>
> For the Executive Board:
>
> Dr. Rob Smith Christian Harm
>
> For the Supervisory Board:
>
> Hans Peter Ring

The declaration of conformity is permanently available to the public on the KION GROUP AG website at www.kiongroup.com/conformity. KION GROUP AG's declarations of conformity for the previous ten years are also permanently available to the public via this link on the KION GROUP AG website.

2. Corporate governance practices

The corporate governance of KION GROUP AG is essentially determined by the provisions of the German Stock Corporation Act and the German Codetermination Act. It also follows the recommendations and suggestions of the GCGC. KION GROUP AG complied with all but one of the GCGC's recommendations in the reporting period.

Another aspect of key importance besides these fundamental principles is the KION Group's own understanding of transparent, responsible, and sustainable corporate governance, taking account of the societal expectations of all stakeholders in each of the markets in which the Company operates. One of the KION Group's objectives under its KION 2027 strategy is to use the resources available to it in the individual parts of the Company responsibly and sustainably. The KION Group's actions are therefore guided by environmental, social, and economic considerations. Details of the KION Group's sustainability strategy and non-financial Group report as required by law can be found in the 2023 sustainability report, which will be published at www.kiongroup.com/sustainability.

2.1 Human rights

The KION Group is committed to respecting human rights worldwide. Within the scope of its corporate responsibility and sphere of influence, the KION Group wants to play its part in promoting and protecting such rights, for example in the way that it treats its employees, suppliers, and customers. The KION Group adheres to external standards and adopts its own policies and guidelines in order to prevent violations of human rights. In its employment and commercial relationships – and therefore both internally and in the supply chain – the KION Group views human rights as the minimum standard to be upheld as a matter of course. It follows the definition set out in the United Nations' Guiding Principles on Business and Human Rights, i.e. in the Universal Declaration of Human Rights (available on the UN website at www.un.org/en/our-work/protect-human-rights), as codified by the signatory states in the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and the principles and rights at work prescribed in the eight fundamental conventions of the International Labour Organization (ILO) (available from the ILO website: conventions and protocols [ilo.org]).

Details of the processes used by the KION Group to protect human rights can be found in the 2023 sustainability report, which will be published at www.kiongroup.com/sustainability, and on the KION Group website at www.kiongroup.com/responsibility, under 'Sustainable development goals'.

2.2 Compliance, risk management, and internal control system

The KION Group builds its long-term success on the application of a set of practices and processes that are standardized across the Group and are based on the compliance management system, a risk-oriented internal control system, and proactive risk management.

Compliance management system

As a company with operations around the world, the KION Group has corporate social responsibility toward its customers, suppliers, employees, financial backers, other business partners, and the general public. This corporate social responsibility requires the KION Group, everywhere and at all times, to comply with all applicable laws and internal policies – some of which go further than the law – and to respect ethical values and act as sustainably as possible. To help it to do this, the KION Group has put in place a comprehensive compliance management system (CMS), centering around the KION Group Code of Compliance. The CMS provides a methodological, structured framework for the performance of early-warning, risk control, advisory, and monitoring tasks.

Details of the compliance management system can be found in the section 'Compliance', which is part of the combined management report.

Internal control system

The KION Group has an internal control system designed to meet the specific needs of the Company. Its processes are intended to ensure the correctness of the internal and external financial reporting, the efficiency of the Company's business operations, and compliance with key legal provisions and internal policies.

For its accounting process, the KION Group has defined appropriate structures and processes as part of its internal control and risk management system that are required to be implemented throughout the Group. The accounting-based internal control and risk management system includes written policies and procedures, compliance with the double-checking principle, and approval procedures. Another particularly important aspect, the separation of functions, has been integrated into processes and systems. The overarching aim is for the separate financial statements, consolidated financial statements, and combined management report to be fully compliant with the relevant statutory and regulatory requirements and, in particular, the applicable financial reporting standards. Changes to these requirements and standards are analyzed on an ongoing basis and taken into account as appropriate.

Details of the key features of the internal control system can be found in the 'Risk report', which is part of the combined management report.

Risk management system

For the Company to be managed professionally and responsibly, the Executive Board must use the risk management system established in the Company to regularly gather information about current risks and how they are evolving, and then report on this to the Supervisory Board's Audit Committee. The risks that have been recorded are managed on an ongoing basis, reviewed quarterly, and reassessed after action to mitigate them has been taken.

The procedures governing the KION Group's risk management system are laid down in a groupwide risk management policy. This policy defines the tasks, processes, and responsibilities and sets out the rules for identifying, assessing, reporting, and managing risk. The risk management policy features a comprehensive risk catalog, which also covers environmental, social, and corporate governance (ESG) risks. Specific individual risks are then reported by each Group entity. Reporting on cross-segment risks and groupwide risks is carried out at Group level by the central Risk Management function and the relevant Group functions.

Further details on the risk management system can be found in the 'Risk report', which is part of the combined management report.

Appropriateness and effectiveness

The Executive Board of KION GROUP AG has created a framework based on three systems – the internal control system, the risk management system, and the compliance management system – that is designed to make internal control and risk management and the measures implemented under the systems both appropriate and effective. In addition, the systems are subject to regular monitoring and reviews by third parties. External audits are carried out, as are reviews by the Internal Audit function, which reports on its findings to the Executive Board and the Supervisory Board's Audit Committee.

The internal control system and the risk management system are dynamic systems that are adapted on an ongoing basis, for example to reflect changes to the business model, the nature and scope of business transactions, and the allocation of responsibilities. Furthermore, the need to improve the systems' appropriateness and effectiveness in certain areas is identified during the annual assessments conducted by those in charge of the control functions, during the analyses conducted by Internal Audit, and in connection with the auditor's audit work.

The complex internal process and system landscape and the ever-changing statutory requirements mean that the internal control system for non-financial aspects is less well developed than the accounting-related internal control system. As part of its work on fulfilling the reporting requirements in the Corporate Sustainability Reporting Directive (CSRD) regarding sustainability management, the Company is planning to take steps to formalize the system and develop it further in the coming year. One of the steps planned for risk management from 2024 onward is to increase the focus on latent risk and measures to manage it.

Based on the examination of internal control and risk management and on Internal Audit's reporting, there were no indications for the Executive Board of KION GROUP AG in 2023 that the internal control system and the risk management system are, overall, not appropriate or not effective, taking the Company's business activities and risk position into consideration. Nonetheless, restrictions that are inherent in any control and risk management system must be taken into account. A system that is judged to be appropriate and effective, for example, does not guarantee that all risks that materialize will have been identified beforehand. Nor does it guarantee that risks that are identified beforehand will not materialize.

2.3 Financial reporting and the audit of the financial statements

Pursuant to section 315e (1) HGB, the KION Group's financial reporting is based on International Financial Reporting Standards (IFRS) as adopted by the European Union. KION GROUP AG's separate financial statements are prepared in accordance with the requirements of German law, taking German accounting standards into consideration.

The Company's independent auditor, which is appointed by means of a resolution of the Annual General Meeting, audits the separate financial statements prepared by the Executive Board of KION GROUP AG, the consolidated financial statements, and the combined management report.

As required by law, the auditor is appointed by the Annual General Meeting. A new auditor was appointed for the 2023 financial year: At the Annual General Meeting on May 17, 2023, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, was appointed to audit the separate and consolidated financial statements for 2023 and to review the condensed consolidated financial statements and interim group management report for the first half of 2023 (initial appointment in 2023). Dr. Stephanie Dietz has been the KPMG lead auditor since 2023. In 2022, the lead auditor from Deloitte GmbH Wirtschaftsprüfungsgesellschaft had been Stefan Dorissen.

The separate financial statements, consolidated financial statements, combined management report, and non-financial report are discussed by the Audit Committee and then reviewed and approved by the Supervisory Board.

The independent auditor reviews the condensed consolidated interim financial statements and condensed interim group management report in the half-year financial report. It also reviews the non-financial report. The Executive Board discusses the two quarterly statements and the half-year financial report with the Audit Committee before they are published.

2.4 Avoiding conflicts of interest

Conflicts of interest between the governing bodies and other decision-makers in the Company or significant shareholders go against the principles of good corporate governance and may be harmful to the Company. Even the mere appearance of such a conflict of interest must be avoided. KION GROUP AG and its governing bodies therefore adhere strictly to the GCGC's recommendations on this subject. The employees of KION GROUP AG and its subsidiaries are made aware of the problem of possible conflicts of interest as part of compliance training and are bound by rules on how to behave in the event of actual or potential conflicts of interest.

Every Executive Board member must disclose potential conflicts of interest to the chairman of the Supervisory Board and the Chief Executive Officer without undue delay and must also inform the other Executive Board members. Members of the Executive Board may only take on other posts, especially on supervisory boards at companies outside the KION Group, with the approval of the Supervisory Board. All transactions between KION GROUP AG and Executive Board members or related parties must be disclosed and concluded on an arm's-length basis.

Every Supervisory Board member must disclose potential conflicts of interest to the chairman of the Supervisory Board without undue delay; the chairman of the Supervisory Board must disclose such conflicts of interest to the chairman of the Audit Committee without undue delay. Where a conflict of interest is material and not merely temporary, the Supervisory Board member in question must resign.

The Company attaches high priority to preventing the risk of possible conflicts of interest from occurring in the first place. This is especially important given that Weichai Power Co., Ltd., Weifang, People's Republic of China, indirectly holds a stake of 46.5 percent (as at December 31, 2023) in KION GROUP AG. The Company achieves these aims by avoiding business scenarios or personnel structures that could give the impression of a possible conflict of interest and by setting internal rules for communications. All business partnerships, for example for procurement purposes, are formed solely on arm's-length terms. Every year, the Executive Board also publishes a dependency report in line with the relevant requirements that is reviewed by the Supervisory Board and the statutory auditor. The report contains information on all legal transactions and activities conducted in the reporting year between KION GROUP AG and Weichai Power Co., Ltd., as well as their subsidiaries, and on any requirement to compensate for disadvantages that have arisen.

In the reporting year, the members of the Executive Board and Supervisory Board did not have any conflicts of interest that they would have needed to disclose to the Supervisory Board without undue delay. There were also no consultancy contracts or other service contracts or contracts for work that had been entered into between the members of the Supervisory Board and the Company. The posts that the members of the Executive Board and Supervisory Board hold on supervisory boards that are required to be formed by law and on comparable supervisory bodies of commercial enterprises in Germany and abroad are listed in the notes to the separate financial statements of KION GROUP AG. Related party disclosures are made in the notes to the KION Group's consolidated financial statements under 'Related party disclosures'.

2.5 Managers' transactions

Under the EU Market Abuse Regulation, the members of the Executive Board and Supervisory Board, and persons closely associated with them, are obliged to notify both KION GROUP AG and the German Federal Financial Supervisory Authority (BaFin) without delay of the transactions that they carry out involving shares or debt instruments of KION GROUP AG or related derivatives or other related financial instruments. Such a notification is always required as soon as the value of the purchase and/or sale transactions of the individual member exceeds the sum of €20 thousand within a calendar year. These notifications are published on the KION Group's website at www.kiongroup.com/managers-transactions.

KION GROUP AG was notified of the following transactions in 2023:

Directors' dealings in 2023

Transaction date	Name of person required to disclose transaction	Governing body	Financial instrument	Purchase / sale	Quantity	Price (€)[1]	Transaction volume (€)[1]
Sep. 05, 2023	Valeria Jimena Gargiulo	Executive Board	Share	Purchase	5,900	€39.38	€232,379.20
Sep. 01, 2023	Valeria Jimena Gargiulo	Executive Board	Share	Purchase	5,000	€37.96	€189,829.57
Mar. 16, 2023	Hasan Dandashly	Executive Board	Share	Purchase	2,300	€29.78	€68,508.37
Mar. 10, 2023	Hasan Dandashly	Executive Board	Share	Purchase	3,000	€33.78	€101,367.94

1 Aggregate information

As far as KION GROUP AG is aware, the only members of the Supervisory Board with shares in KION GROUP AG as at December 31, 2023 were Mr. Martin Fahrendorf and Mr. Jan Bergemann. Members of the Supervisory Board have not entered into any commitment to purchase shares in KION GROUP AG.

2.6 Corporate communications and transparency

Transparent corporate governance has a high priority for the Executive Board and Supervisory Board. Regular and timely information about the KION Group's situation and results, as well material changes to its business, is provided to shareholders, shareholders' groups, all capital market participants, financial analysts, relevant media, members of the public with an interest in the Company, and employees. The separate financial statements of KION GROUP AG, the consolidated financial statements of the KION Group, and the combined management report are published within 90 days of the end of the financial year to which they relate. The half-year financial report and the quarterly statements of the KION Group are published within 30 days of the end of the quarter to which they relate. KION GROUP AG makes further information available at the financial statements press conference and Annual General Meeting, during regular conference calls for analysts and investors, in press releases, on the Company's website, and on social media. Company news with relevance for the share price is published as an ad hoc disclosure to ensure that all capital market participants are treated equally.

The KION Group also uses the internet for reporting purposes. It publishes extensive information on the Group at www.kiongroup.com, including the rules of procedure for the Supervisory Board, KION GROUP AG's articles of association, and all press releases. The KION Group's website also includes a financial calendar, which is kept updated with the dates of significant publications and events, such as annual reports, half-year financial reports, and quarterly statements, Annual General Meetings, financial statements press conferences, and analysts' meetings. The updated financial calendar is available on the KION Group's website at www.kiongroup.com/en/investor-relations/financial-calendar.

2.7 Shareholders and Annual General Meeting

The shareholders of KION GROUP AG exercise their rights during the Annual General Meeting, i.e. their right to speak and their right to vote. Every shareholder is entitled to participate in the Annual General Meeting.

Each share confers one vote in the voting at the Annual General Meeting. Shareholders can either exercise their voting rights themselves or appoint a third party to exercise their voting rights for them. The Executive Board is authorized to determine that shareholders can cast their votes in writing or by means of electronic communication (absentee voting). Resolutions of the Annual General Meeting require a simple majority of the votes cast, unless stipulated otherwise by mandatory provisions of law.

The Annual General Meeting, at which the Executive Board and Supervisory Board give an account of the previous year, is held in the first eight months of each financial year. The German Stock Corporation Act also states that an Extraordinary General Meeting can be held in special cases. The chairman of the Supervisory Board chairs the Annual General Meeting. The notice and agenda for the Annual General Meeting, including the reports and documents required for the Annual General Meeting by law, are published on the Company's website from the day on which notice is given.

The Annual General Meeting votes on all matters set out in the agenda on which it is required by law to vote, primarily the appropriation of profit, the election of Supervisory Board members, formal approval of the acts of the Supervisory Board and Executive Board members, the appointment of the independent auditor, changes to the Company's articles of association, and corporate actions. It also decides on whether to approve the Executive Board remuneration system presented by the Supervisory Board, on the remuneration of the Supervisory Board, and on whether to approve the remuneration report prepared by the Executive Board and Supervisory Board.

For the first time since the coronavirus pandemic, the Annual General Meeting was held as an in-person event in accordance with statutory requirements in 2023. KION GROUP AG's shareholders were able to submit recommendations or other opinions by letter or email or by presenting them in person. The Executive Board and/or Supervisory Board responded directly during the Annual General Meeting. Shareholders were also able to shape proceedings at the Annual General Meeting by submitting countermotions or requests for additions to the agenda.

3. Working methods of the Executive Board and Supervisory Board; shareholders and Annual General Meeting

3.1 Working methods of the Executive Board

The Executive Board is responsible for managing the Company in accordance with the law, the Company's articles of association, and the rules of procedure for the Executive Board in the Company's interest and taking account of shareholders, customers, employees, and other stakeholders with the aim of creating sustainable added value. The Executive Board as a whole is collectively responsible for the KION Group's business, which it manages in accordance with uniform policies. It also has general control over all Group subsidiaries. Every Executive Board member is responsible for his or her own area of responsibility within the scope of the rules of procedure for the Executive Board and the defined thresholds for business transactions, and keeps the other Executive Board members informed of developments on an ongoing basis.

The Executive Board makes decisions in all cases stipulated by law and the articles of association. It also ensures compliance with statutory requirements and internal policies. To this end, it takes the steps that are needed to make sure that the relevant internal policies are drawn up, implemented, and applied. The remit of the Executive Board primarily involves determining the strategic direction (in consultation with the Supervisory Board) and the management of the Company, the allocation of resources, accounting and financial reporting, control and risk management (including compliance management), the orderly organization of the business, systematic identification and assessment of the environmental and social impact of the Company's activities, and control of the Group. The Executive Board decides on appointments at the management level below the Executive Board, particularly the appointment of global key post holders. It also considers diversity when appointing people to management roles in the Group, which includes striving for the appropriate representation of women (further details can be found in the section 'Appointments to management positions below the level of the Executive Board of KION GROUP AG' in this corporate governance statement).

The Executive Board maintains a relationship of trust with the Supervisory Board of KION GROUP AG, the employee representatives, and the governing bodies of the Group companies.

Changes to the Executive Board; current composition

The Executive Board of KION GROUP AG comprised seven members for most of 2023.

The Supervisory Board reappointed Andreas Krinninger as an Executive Board member for a further five years. He continues to head up the Industrial Trucks & Services segment in the EMEA region in the role of President KION ITS EMEA. His new five-year term began on January 1, 2024.

Valeria Jimena Gargiulo joined the Executive Board of KION GROUP AG on May 1, 2023 in the newly created role of Chief People & Sustainability Officer (CPSO) and as Labor Relations Director. As a result, the schedule of responsibilities for the Executive Board of KION GROUP AG was updated in May 2023.

On July 6, 2023, the Supervisory Board of KION GROUP AG also appointed Christian Harm as a member of the Executive Board of KION GROUP AG and as the new Chief Financial Officer (CFO) for a term of three years. He replaced Marcus A. Wassenberg, who was CFO from January 1, 2023 to July 6, 2023. Mr. Harm has been an employee of the Company and its predecessors for 20 years. Most recently, he held the position of Executive Vice President Finance in the KION Group’s ITS EMEA Operating Unit.

At the end of the reporting year, Henry Puhl, Chief Technology Officer (CTO) of KION GROUP AG, left the Company at his own request in order to pursue new challenges elsewhere.

On January 1, 2024, Ching Pong Quek took on an additional role as the new CTO. The Executive Board member remains in his role as President KION ITS APAC but has handed over responsibility for the Americas region in the Industrial Trucks & Services segment to Michael Larsson.

Also on January 1, 2024, Michael Larsson became President KION SCS & ITS Americas, taking on Executive Board responsibility for the Supply Chain Solutions (SCS) segment and for the Americas region in the Industrial Trucks & Services (ITS) segment. He has taken over this role from Hasan Dandashly, who stepped down from the Executive Board of KION GROUP AG and retired at the end of the reporting year.

The table below contains detailed information about the six current members of the Executive Board of KION GROUP AG, including their year of birth, nationality, year in which they were first appointed, the year in which their term of office ends, their current role, and their responsibilities according to the current schedule of responsibilities.

Current Responsibilities within the KION Executive Board

Executive Board member	Areas of responsibility
Dr. Richard Robinson Smith Year of birth: 1965 Nationality: German/US-American Initial appointment: January 1, 2022 Appointed until: December 31, 2024	**CEO KION GROUP AG** Corporate Office Corporate Strategy Corporate Communications Legal Corporate Compliance Business Transformation Internal Audit
Christian Harm Year of birth: 1968 Nationality: Austrian Initial appointment: July 6, 2023 Appointed until: July 5, 2026	**CFO KION GROUP AG** Corporate Accounting & Tax Corporate Controlling Corporate Finance/M&A KION GROUP IT Investor Relations Finance KION ITS EMEA Finance KION ITS APAC Finance KION SCS
Valeria Jimena Gargiulo Year of birth: 1972 Nationality: Argentinian/Italian Initial appointment: May 1, 2023 Appointed until: April 30, 2026	**CPSO/Laber Relations Director KION GROUP AG** Corporate Human Resources Health & Safety Sustainability HR KION ITS EMEA HR KION ITS APAC HR KION SCS
Andreas Krinninger Year of birth: 1967 Nationality: Austrian Initial appointment: January 1, 2021 Appointed until: December 31, 2028	**President KION ITS EMEA** OU KION ITS EMEA Sales & Services Operations Multi Brand and Product Management Business Development

Current Responsibilities within the KION Executive Board (continued)

Executive Board member	Areas of responsibility
Ching Pong Quek Year of birth: 1967 Nationality: Malaysian Initial appointment: January 11, 2013 Appointed until: June 30, 2025	**President KION ITS APAC** OU KION ITS APAC KION ITS China KION ITS Rest of APAC Operations Strategy, M&A **CTO KION GROUP AG** Product Strategy & New Technologies Product Creation Processes, Tools & Data Module & Component Development Product Development Procurement Quality New Energy Mobile Automation
Michael Larsson Year of birth: 1965 Nationality: Swedish/US-American Initial appointment: January 1, 2024 Appointed until: December 31, 2026	**President KION SCS & ITS Americas** OU KION SCS (Americas, EMEA & APAC) Global SCS Supply Chain KION SCS Global Execution & Sustainability KION SCS Global Commercial & Strategy KION SCS Global Products & Solutions KION SCS Marketing & Communication KION Digital Solutions OU KION ITS Americas KION ITS North America KION ITS South America

Further information on the members of the Executive Board and their résumés, which are updated annually or more frequently if required, can be found at www.kiongroup.com/en/About-us/Management/. The résumés also provide details of any additional posts held by the Executive Board members.

Working methods of the Executive Board; cooperation with the Supervisory Board

The rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the Chief Executive Officer. Due to the international composition of the Executive Board, the meetings of the Executive Board in 2023 were mainly held in a hybrid format (i.e. with a combination of attendance in person and telephone/video conferencing). At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, must be approved by the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The Chief Executive Officer has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. All resolutions are documented. The Corporate Office carries out the preparations and follow-up work for all Executive Board meetings. Company employees regularly participate in the meetings as guests.

In accordance with its articles of association, the Company is represented by two members of the Executive Board or by one member of the Executive Board acting conjointly with a Prokurist (person with full commercial power of representation).

Taking account of the requirements of section 90 AktG, the Executive Board provides the Supervisory Board with regular, timely, and comprehensive information on all matters of relevance to the business as a whole relating to the intended operating policy, strategic planning, business performance, financial position, financial performance, and business risks. The Chief Executive Officer also discusses matters regularly with the chairman of the Supervisory Board, just as the CFO keeps in contact with the chairman of the Audit Committee. The Executive Board's rules of procedure specify that important transactions are subject to approval by the Supervisory Board. Budget planning, major acquisitions, or capital expenditure, for example, require the consent of the Supervisory Board.

Executive Board committees

The Executive Board has established various committees to provide support and advice in the context of its work. These committees are made up of senior representatives from various departments, chosen because of their experience, remit, and expertise in relation to aspects of the Executive Board's work. Details of some of these committees are provided below.

The Executive Board has set up the KION capital markets committee for matters relating to the publication of information relevant to the financial markets. Its duties include ensuring accurate and timely publication of all inside information in this area.

The Executive Board has also set up a compliance committee, which is staffed by the heads of the Legal and Internal Audit departments and chaired by the Chief Compliance Officer. It operates as a cross-functional committee that primarily advises on and examines reported incidents of non-compliance and, if appropriate, imposes sanctions in the event of misconduct.

In addition, a risk committee ensures that the statutory requirements pursuant to section 91 AktG are applied and implemented correctly. The risk committee's remit includes monitoring the risk strategies and analyzing risks in terms of their impact on the Company's business objectives. The committee also monitors the KION Group's risk situation, focusing on early detection of developments that might jeopardize the Company's ability to continue as a going concern. Risk minimization strategies are another area of responsibility. An effectively functioning risk committee is thus a key element of successful corporate governance and helps to maintain the Company's long-term competitiveness.

A new committee established in the reporting year is the human rights committee, which receives and processes notifications and complaints about violations of human rights and environmental regulations. It also monitors the processes set up to identify, prevent, and mitigate the risk of violations of human rights and environmental regulations and monitors the implementation of any mitigation measures initiated. The human rights committee reports to the KION Executive Board on its work at least once a year.

3.2 Working methods and composition of the Supervisory Board

The Supervisory Board of KION GROUP AG appoints the members of the Executive Board and advises and monitors the Executive Board in its management of the Company. The Supervisory Board is fully involved from an early stage in all decisions that are fundamental to KION GROUP AG. There is also a list of transactions for which the Executive Board requires approval. The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship focused on ensuring the sustained success of the Company. The Supervisory Board also met regularly without the Executive Board during the reporting period.

The Supervisory Board has drawn up rules of procedure for its work that apply in addition to the requirements of the articles of association of KION GROUP AG. They were last amended on December 14, 2022. These rules of procedure are published on the KION GROUP AG website at www.kiongroup.com/Rules-of-Procedure. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs the meetings of the Supervisory Board, and represents it externally. The Supervisory Board generally meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. In 2023, there were ten Supervisory Board meetings in total. The focus of the Supervisory Board's advisory activities in 2023 is set out in detail in the Supervisory Board's report to the Annual General Meeting along with information about meeting attendance. Between these meetings, resolutions may also be adopted in writing, by telephone, or by other similar forms of voting, provided that the chairman of the Supervisory Board or, in his absence, his deputy, decides on this procedure for the individual case concerned. The Supervisory Board adopts resolutions by a simple majority of the votes cast unless a different procedure is prescribed by law. If a vote is tied, the matter will only be renegotiated if the majority of the Supervisory Board vote in favor of this option. Otherwise the Board must vote again without delay. If this new vote on the same matter also results in an equal number of votes for and against, the chairman of the Supervisory Board has a casting vote.

Ahead of Supervisory Board meetings, the employee representatives regularly meet with the Executive Board in order to hold preliminary discussions without the presence of the shareholder representatives. The shareholder representatives hold such preliminary discussions with the Executive Board as and when required.

Changes to the Supervisory Board; current composition

Dr. Michael Macht stepped down from his roles as a member and the chairman of KION GROUP AG's Supervisory Board with effect from the end of the Annual General Meeting on May 17, 2023. To replace him, the Annual General Meeting elected Dr. Nicolas Peter as a new member of the Supervisory Board. Hans Peter Ring, who has been a member of the Supervisory Board since June 2013, was elected as chairman of the Supervisory Board immediately after the Annual General Meeting. His previous role of chairman of the Audit Committee was taken over by Dr. Nicolas Peter.

The Supervisory Board of KION GROUP AG has 16 members. In accordance with the German Codetermination Act, it comprises equal numbers of shareholder representatives and employee representatives. The shareholder representatives are elected by the Annual General Meeting by simple majority. The eight employee representatives are elected by the employees in accordance with the German Codetermination Act. In accordance with the articles of association, Supervisory Board members are elected for the period until the end of the Annual General Meeting that resolves on the formal approval of its acts for the fourth financial year after commencement of the term of office. The year in which the term of office begins is not included in this calculation.

The current members of the Supervisory Board of KION GROUP AG are listed below:

Current composition of the Supervisory Board of KION GROUP AG

Shareholder Representatives	Representatives of the employees
Hans Peter Ring (Chairman)	Özcan Pancarci (Deputy chairman)
Birgit A. Behrendt	Jan Bergemann
Dr. Alexander Dibelius	Martin Fahrendorf
Kui Jiang	Dominique Lembke
Dr. Nicolas Peter	Thomas Mainka
Dr. Christina Reuter	Jörg Milla
Xuguang Tan	Alexandra Schädler
Ping Xu	Claudia Wenzel

3.3 Corporate governance in the Executive Board and Supervisory Board

In 2023, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company's main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. The Supervisory Board's Audit Committee, which was appointed to support this task in relation to finance, accounting, and auditing, received regular reports on the accounting standards and associated processes, on changes to the regulatory environment and the internal control and risk management systems, and on the audit of financial statements and the effectiveness and quality of this, and then reported back to the Supervisory Board on these matters.

3.4 Self-assessment by the Supervisory Board

The Supervisory Board regularly assesses the effectiveness of its work and that of its committees (self-assessment), with support from an external advisor if required. Following on from the previous effectiveness reviews in 2015 and 2018, the Supervisory Board last carried out a self-assessment in 2021 in order to review its work and that of its committees with the support of an external advisor. The findings of these self-assessments are routinely reported on at full meetings of the Supervisory Board. Any identified need for improvement is actioned. The organizational arrangements and processes for the Supervisory Board's work are updated on an ongoing basis.

The Supervisory Board will carry out its next self-assessment in 2024.

3.5 Working methods and composition of the committees of the Supervisory Board

Some of the Supervisory Board's work is carried out by committees. KION GROUP AG's Supervisory Board had five standing committees in the reporting year. Except for the Remuneration Committee and Nomination Committee, they all have an equal number of shareholder and employee representatives. The composition and tasks of the committees are specified in the rules of procedure for the Supervisory Board. The committees' tasks, responsibilities, and work processes comply with the provisions of the German Stock Corporation Act and the recommendations and suggestions of the GCGC.

The chairman of each committee reports regularly to the full Supervisory Board on the committee's work. The minutes of the committee meetings are made available to all Supervisory Board members. The standing committees have each drawn up their own rules of procedure that define their tasks and working methods. Details of the committees' activities and working methods in 2023 can be found in the Supervisory Board report.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. The main task of the Executive Committee is to prepare the meetings of the Supervisory Board and to handle ongoing matters between Supervisory Board meetings. Specifically, it prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the annual declaration of conformity pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the declaration of conformity that has been issued. The Executive Committee also prepares documents for the Supervisory Board regarding personnel measures affecting Executive Board members and, if applicable, when a new Chief Executive Officer is to be appointed. In addition, it is responsible for resolutions concerning the conclusion, amendment, and termination of Executive Board employment contracts and agreements with Executive Board members governing pensions, severance packages, consultancy, and other matters and for resolutions on any matters arising as a result of such contracts and agreements, unless they relate to remuneration. In consultation with the Executive Board, the Executive Committee regularly discusses long-term succession planning for the Executive Board. The responsibilities of the Executive Committee also include resolutions about the extension of loans to Executive Board members, Supervisory Board members, and parties related to them within the meaning of sections 89 and 115 AktG, as well as resolutions to approve contracts with Supervisory Board members outside their Supervisory Board remit.

Current members of the Executive Committee:

- Hans Peter Ring (chairman)
- Özcan Pancarci (deputy chairman)
- Dr. Alexander Dibelius
- Kui Jiang
- Jörg Milla
- Dr. Nicolas Peter
- Alexandra Schädler
- Claudia Wenzel

The chairman of the Executive Committee, Hans Peter Ring, is a Supervisory Board member who is independent of the Company and Executive Board.

Mediation Committee

The Mediation Committee comprises the chairman of the Supervisory Board, his deputy, an employee representative, and a shareholder representative. It only convenes in exceptional cases if a resolution concerning the appointment or dismissal of an Executive Board member by the Supervisory Board is not approved with the majority specified by law. If the two-thirds-of-votes majority required by section 27 (3) and section 31 (3) MitbestG is not reached in a vote by the Supervisory Board on the appointment of an Executive Board member, the Mediation Committee must propose candidates for the post to the Supervisory Board within one month. The chairman of the Supervisory Board does not have a casting vote on the candidates proposed.

Current members of the Mediation Committee:

- Hans Peter Ring (chairman)
- Özcan Pancarci (deputy chairman)
- Jörg Milla
- Dr. Nicolas Peter

Audit Committee (also deals with sustainability matters)

The Audit Committee comprises four members, all of whom are elected by the Supervisory Board. Its task is to monitor financial reporting (including non-financial reporting), the accounting process, the appropriateness and effectiveness of the internal control system, the risk management system, the internal audit system, the auditing of the financial statements, and compliance, thereby supporting the Supervisory Board in its task of monitoring the Company's management. The Audit Committee also reviews the work carried out by the independent auditor and checks that the independent auditor is qualified and independent. It is responsible for preparing the engagement of the independent auditor, determining the focus of the audit, and agreeing the fee. On a regular basis, the Audit Committee evaluates and reviews the quality of the audit and discusses with the auditor the assessment of the audit risk, the audit strategy, the audit planning, and the audit findings. It advises and monitors the Executive Board with regard to the sustainability topics of relevance to the Company in the areas environment, social, and corporate governance (ESG). These topics include the Company's sustainability strategy, the sustainability-related opportunities, risks, and objectives of the Company's business activities, and sustainability reporting and its auditing. The further expansion of sustainability management is a particular priority. This can be understood as the structures and processes that will help to systematically develop and anchor the social, environmental, and economic aspects of sustainability within the Company. It also prepares all Supervisory Board resolutions required in this regard. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

The Supervisory Board also routinely holds discussions with the auditor that do not include the Executive Board.

Outside of the Supervisory Board and Audit Committee meetings, and without the involvement of representatives from KION GROUP AG, the chairman of the Audit Committee and the independent auditor hold discussions, when required, on the latest developments in the Company and the findings from the audit.

The heads of the Internal Audit and Corporate Compliance departments also regularly report to the chairman of the Audit Committee outside the Audit Committee meetings and without the participation of the Executive Board.

Current members of the Audit Committee:

- Dr. Nicolas Peter (chairman)
- Alexandra Schädler (deputy chairwoman)
- Jörg Milla
- Hans Peter Ring

The members of the Supervisory Board's Audit Committee are all familiar with the sector in which the KION Group operates. The chairman of the Audit Committee, Dr. Nicolas Peter, is a Supervisory Board member who is independent of the Company, the Executive Board, and the controlling shareholder. The many years of service he has given as CFO of a large listed company mean that he has the required expertise in accounting specified in section 100 (5) alt. 1 and section 107 (4) AktG. Another member of the Supervisory Board and Audit Committee, Ms. Alexandra Schädler, has the required expertise in auditing specified in section 100 (5) alt. 2 and section 107 (4) AktG on account of her long period of service for a major auditing firm. Finally, Hans Peter Ring, chairman of the Supervisory Board and a member of the Audit Committee, has given many years of service as a CFO for large companies – some of which are publicly listed – and he therefore also has the required expertise in accounting specified in section 100 (5) alt. 1 and section 107 (4) AktG. Their expertise also relates to sustainability reporting and its auditing.

Remuneration Committee

The Remuneration Committee comprises five members. Three of its members are shareholder representatives and two are employee representatives. It is always chaired by the chairman of the Supervisory Board. The Remuneration 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, especially in connection with the Executive Board members' variable remuneration components (setting of targets and target achievement for the short-term and long-term bonuses).

Current members of the Remuneration Committee:

- Hans Peter Ring (chairman)
- Özcan Pancarci (deputy chairman)
- Kui Jiang
- Dr. Nicolas Peter
- Alexandra Schädler

Nomination Committee

The Nomination Committee has four members, all of whom are shareholder representatives and are elected by the shareholder representatives on the Supervisory Board. The Nomination Committee's task is to propose candidates for the election of shareholder representatives on the Supervisory Board to the Company's Annual General Meeting.

Current members of the Nomination Committee:

- Hans Peter Ring (chairman)
- Birgit A. Behrendt
- Dr. Alexander Dibelius (deputy chairman)
- Kui Jiang

4. Remuneration of the Executive Board and Supervisory Board

KION GROUP AG's remuneration report for 2023 and the related opinion of the independent auditor pursuant to section 162 AktG, a full description of the remuneration systems that are currently in place for the Executive Board and Supervisory Board, and the Annual General Meeting's voting on (a) the remuneration system of the Supervisory Board of KION GROUP AG pursuant to section 113 (3) AktG, (b) the remuneration system of the Executive Board pursuant to section 120a (1) AktG, and (c) the 2023 remuneration report pursuant to section 120a (4) AktG are published on the KION GROUP AG website at www.kiongroup.com/remuneration. The remuneration reports published since 2021, including the related opinion of the independent auditor, are also available under this link. Remuneration reports for years prior to 2021 are contained in the respective annual reports.

5. Diversity

One of the main concerns of good corporate governance is to ensure that appointments to the two governing bodies, i.e. the Supervisory Board and Executive Board, and to the two management levels below the Executive Board are appropriate to the specific needs of the business. To this end, the Executive Board and Supervisory Board of KION GROUP AG developed a joint diversity concept in 2017 that was most recently amended at the beginning of 2022.

Key criteria in this regard include, on the one hand, the professional and personal skills and qualifications of the members of the Supervisory Board, the Executive Board, and the two management levels below the Executive Board and, on the other hand, diversity in the composition of these two boards and two management levels – including an appropriate degree of female representation – and the independence of the Supervisory Board. Further details are provided below.

Composition of the Supervisory Board

The individuals who make up the current Supervisory Board, each with a different professional background, reflect the multitude of tasks assigned to the Supervisory Board and satisfy the related requirements for a supervisory board's composition (see below, for example 'Objectives for the composition of the Supervisory Board' and 'Profile of skills and expertise for the Supervisory Board').

Composition of the Supervisory Board from a diversity perspective

	Ring	Pancarci	Behrendt	Bergemann	Dr. Dibelius	Fahrendorf
Length of service						
– Member of Supervisory Board since	06/2013	06/2013	01/2015	05/2022	03/2007	05/2018
Diversity						
– Year of birth	1951	1969	1959	1966	1959	1965
– Gender[1]	m	m	f	m	m	m
– Nationality	German	German	German	German	German	German

	Jiang	Lembke	Mainka	Milla	Dr. Reuter	Dr. Peter
Length of service						
– Member of Supervisory Board since	12/2012	05/2022	05/2022	11/2015	05/2016	05/2023
Diversity						
– Year of birth	1964	1987	1982	1967	1985	1962
– Gender[1]	m	m	m	m	f	m
– Nationality	Chinese	German	German	German	German	German/ French

	Schädler	Tan	Wenzel	Xu
Length of service				
– Member of Supervisory Board since	10/2013	05/2019[2]	11/2016	01/2015
Diversity				
– Year of birth	1971	1961	1966	1972
– Gender[1]	f	m	f	f
– Nationality	German	Chinese	German	Chinese

1 f = female / m = male / d = diverse

1 First term of office from 06/2013 to 08/2017

The résumés of the current members of the Supervisory Board, which are updated annually or more frequently if required, can be found at www.kiongroup.com/en/About-us/Management/. The résumés also provide details of any additional posts held by the Supervisory Board members.

Objectives for the composition of the Supervisory Board

In 2017, in accordance with section 5.4.1 of the GCGC as amended on February 7, 2017, the Supervisory Board laid down specific requirements and objectives for its composition in recognition of the responsibilities and obligations assigned to it and taking into account the business needs of KION GROUP AG. These requirements and objectives were reviewed and adjusted in February 2022. Besides having the minimum professional skills required to be a Supervisory Board member, as specified by law and the highest courts and in line with the recommendations of the GCGC, all members of the Supervisory Board of KION GROUP AG should meet the following criteria:

- Identification with the fundamental values and beliefs of KION GROUP AG: integrity, collaboration, courage, and excellence
- Positive attitude toward the basic principles of responsible corporate governance
- Personal integrity and a responsible approach to dealing with potential conflicts of interest
- Ability to devote the expected amount of time required and compliance with the limit on the number of mandates that may be held at any one time

A further target set by the Supervisory Board with regard to its composition is a standard age limit of no more than 70 at the time of appointment/election to the Supervisory Board (target age limit). The Supervisory Board has consciously decided to have a flexible target age limit so that it has sufficient latitude to take account of circumstances on a case-by-case basis.

All of the current Supervisory Board members meet these requirements.

Profile of skills and expertise for the Supervisory Board

In connection with the objectives for its composition, the Supervisory Board also defined a profile of skills and expertise for itself in 2017. This profile is regularly reviewed as part of the Supervisory Board’s self-assessment or as necessary. It was most recently reviewed in February 2022 and adjusted in line with the Company’s current requirements. Expertise and experience in environmental, social, and corporate governance (ESG) matters and expertise in alternative energies were added to the profile, for example. The expertise area ‘in-depth understanding of the markets in Asia’ has been made more specific, and such expertise is now required to include an in-depth understanding of the Chinese market.

In the Supervisory Board’s opinion, when there is an objective of ensuring diversity in the composition of a board, there should be a focus on the skills and expertise of the individual members and on having a balanced mix of personal qualities, experience, skills, qualifications, and knowledge in line with the requirements of the business.

The Supervisory Board believes that, in its current composition, it covers all areas of the profile of skills and expertise with regard to practical experience (skills) and/or professional/academic training and knowledge (expertise).

Self-evaluation – Profile of skills and expertise for the Supervisory Board

#	Competency profile / experience and/ or expertise in the areas	Ring	Pancarci	Behrendt	Bergemann	Dr. Dibelius	Fahrendorf
1	Material handling and intralogistics as well as related industries, including components and drive technology	☒	☒	☒	☒	☐	☒
2	Technological development and assessment including in particular environmentally friendly technologies, products and solutions, such as alternative energy sources	☐	☒	☒	☐	☐	☒
3	Service/after sales-business, and technological developments in these areas	☐	☒	☒	☐	☐	☒
4	Digitalization and automation	☐	☒	☒	☐	☒	☒
5	Development of international marketing and product range strategies	☒	☒	☒	☐	☒	☐
6	Business acquisitions and cooperations	☒	☒	☒	☐	☒	☐
7	Environment, Social & Governance (ESG), in particular						
	– Environmental protection	☒	☒	☒	☐	☐	☐
	– Social & labour conditions, including equal opportunities, social partnership, co-determination and transformation skills	☒	☒	☒	☐	☐	☒
	– Corporate governance	☒	☒	☒	☐	☐	☐
8	Accounting	☒	☐	☐	☐	☐	☐
	Auditing	☒	☒	☒	☐	☐	☐
9	Capital markets and international financing	☒	☐	☒	☐	☒	☐
10	Supervisory Board and/or Executive Management process and organization in companies with an international presence, including corporate culture	☒	☒	☒	☐	☒	☐
11	Economic areas of particular importance for the company						
	– EMEA	☒	☒	☒	☐	☒	☒
	– North and South America	☒	☒	☒	☐	☒	☐
	– China	☒	☒	☒	☐	☒	☐
	– rest of Asia	☒	☒	☒	☐	☒	☐

Self-evaluation – Profile of skills and expertise for the Supervisory Board (continued)

#	Competency profile / experience and/ or expertise in the areas	Jiang	Lembke	Mainka	Milla	Dr. Peter	Dr. Reuter
1	Material handling and intralogistics as well as related industries, including components and drive technology	☐	☐	☒	☒	☒	☒
2	Technological development and assessment including in particular environmentally friendly technologies, products and solutions, such as alternative energy sources	☒	☐	☒	☒	☒	☒
3	Service/after-sales business, and technological developments in these areas	☐	☐	☒	☐	☒	☒
4	Digitalization and automation	☒	☐	☒	☒	☒	☒
5	Development of international marketing and product range strategies	☒	☐	☐	☐	☒	☐
6	Business acquisitions and cooperations	☒	☐	☐	☐	☒	☐
7	Environment, Social & Governance (ESG), in particular						
	– Environmental protection	☐	☐	☒	☒	☒	☒
	– Social & labour conditions, including equal opportunities, social partnership, co-determination and transformation skills	☐	☒	☒	☒	☒	☒
	– Corporate governance	☐	☐	☒	☐	☒	☒
8	Accounting	☐	☐	☒	☒	☒	☐
	Auditing	☐	☐	☒	☒	☒	☐
9	Capital markets and international financing	☐	☐	☒	☐	☒	☐
10	Supervisory Board and/or Executive Management process and organization in companies with an international presence, including corporate culture	☒	☒	☒	☒	☒	☒
11	Economic areas of particular importance for the company						
	– EMEA	☐	☒	☒	☒	☒	☐
	– North and South America	☐	☐	☐	☐	☒	☐
	– China	☒	☐	☐	☒	☒	☐
	– rest of Asia	☒	☐	☐	☐	☒	☐

Self-evaluation – Profile of skills and expertise for the Supervisory Board (continued)

#	Competency profile / experience and/ or expertise in the areas	Schädler	Tan	Wenzel	Xu	Number achieved/ minimum number
1	Material handling and intralogistics as well as related industries, including components and drive technology	☒	☒	☒	☒	13/4
2	Technological development and assessment including in particular environmentally friendly technologies, products and solutions, such as alternative energy sources	☐	☒	☐	☒	10/4
3	Service/after-sales business, and technological developments in these areas	☐	☒	☐	☒	8/4
4	Digitalization and automation	☐	☒	☒	☒	12/4
5	Development of international marketing and product range strategies	☐	☒	☐	☒	8/2
6	Business acquisitions and cooperations	☒	☒	☐	☒	9/2
7	Environment, Social & Governance (ESG), in particular					
	– Environmental protection	☒	☒	☐	☒	10/2
	– Social & labour conditions, including equal opportunities, social partnership, co-determination and transformation skills	☒	☒	☒	☒	13/2
	– Corporate governance	☒	☒	☐	☒	9/2
8	Accounting	☒	☒	☒	☒	8/1
	Auditing	☒	☒	☒	☒	10/1
9	Capital markets and international financing	☒	☒	☐	☒	8/2
10	Supervisory Board and/or Executive Management process and organization in companies with an international presence, including corporate culture	☒	☒	☒	☒	14/6
11	Economic areas of particular importance for the company					
	– EMEA	☒	☒	☐	☒	12/2
	– North and South America	☐	☒	☐	☒	7/2
	– China	☒	☒	☐	☒	10/2
	– rest of Asia	☐	☒	☐	☒	8/2

Independence of the Supervisory Board members

To ensure that it is able to monitor and advise the Executive Board objectively, the Supervisory Board should also have an appropriate number of independent members, not just overall but also among the members elected by the shareholders (shareholder representatives). The German Stock Corporation Act and the detailed provisions of the GCGC provide the basis for making decisions on this matter.

In 2020, the Supervisory Board therefore defined what it considers to be an adequate number of independent Supervisory Board members. Accordingly, five shareholder representatives on the Supervisory Board should be independent of the Company and Executive Board (see recommendation C.7 of the GCGC). The Supervisory Board believes that six shareholder representatives are currently independent of the Company and Executive Board: Hans Peter Ring, Birgit A. Behrendt, Dr. Alexander Dibelius, Dr. Nicolas Peter, Dr. Christina Reuter, and Xu Ping. Xu Ping does not have any business and/or personal relationships with KION GROUP AG or any of its subsidiaries; the Supervisory Board views her role as an advisor to the anchor investor Weichai (through Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg, a subsidiary of Weichai Power Co., Ltd., Weifang, People’s Republic of China) as unproblematic in this context. Dr. Alexander Dibelius has been a member of the Supervisory Board of KION GROUP AG since 2007, but the Supervisory Board still considers him to be independent. He has no business or financial ties to the Company or Executive Board.

Two shareholder representatives on the Supervisory Board should also be independent of the controlling shareholder (see recommendation C.9 of the GCGC). The Supervisory Board considers five of the eight shareholder representatives to currently be independent of the anchor investor Weichai: Hans Peter Ring, Birgit A. Behrendt, Dr. Alexander Dibelius, Dr. Nicolas Peter, and Dr. Christina Reuter.

As regards the employee representatives (including the representatives of the German Metalworkers’ Union), the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

Minimum gender representation on the Supervisory Board

Section 96 (2) AktG stipulates that at least 30 percent of the Supervisory Board members must be female and at least 30 percent must be male. The KION GROUP AG Supervisory Board met this statutory requirement regarding gender representation on supervisory boards in 2023 as 31.25 percent of its members were female (five of the 16 members).

The shareholder representatives and the employee representatives are agreed that attaining the objectives in relation to diversity, in particular the objectives relating to the involvement of women and people from different cultural backgrounds, is considered to be in the interests of KION GROUP AG and a task that forms part of the collective responsibility of the entire Supervisory Board. The Supervisory Board therefore supports the inclusion of additional female members and members from different cultural backgrounds who meet the above criteria insofar as the skills requirements are met.

Nomination of Supervisory Board members

In the process to nominate suitable candidates for the Annual General Meeting's election of a shareholder representative to the Supervisory Board in 2023, the Nomination Committee and the Supervisory Board took all of the aforementioned targets, the profile of skills and expertise, the diversity concept, and the requirement for independent shareholder representatives into consideration so that they were all covered. When proposing candidates to the Annual General Meeting in the future, the Nomination Committee and Supervisory Board will again take all of the aforementioned targets and the diversity concept into account and strive to ensure that the profile of skills and expertise continues to be achieved.

The Nomination Committee and Supervisory Board have no influence on the composition of the group of employee representatives on the Supervisory Board because the employees in Germany are free to choose whom they elect.

Composition of the Executive Board

The Supervisory Board strives to ensure that the Executive Board also has a diverse composition. This includes, in particular, appropriate gender representation, but also a broad range of experience, skills, expertise, cultural and international backgrounds, and personal qualities. The German Stock Corporation Act and the detailed provisions of the GCGC provide the basis for making decisions on this matter.

When implementing these objectives during the process of appointing successors or recruiting for a new position, the Supervisory Board draws up a shortlist of candidates who appear to be suitable for the Company as a result of their strategic management experience, expertise, skills, and qualifications. Demographic criteria (including the standard retirement age of 65 for Executive Board members) and diversity criteria are then also taken into account.

Minimum gender representation on the Executive Board

It is also the job of the Supervisory Board to ensure that the composition of the Executive Board meets the statutory requirement for minimum gender representation. The statutory requirement pursuant to section 76 (3a) AktG stipulates that in a listed company with a supervisory board on which shareholders and employees are equally represented, the executive board must have at least one woman and one man as members if it has more than three members in total. The KION GROUP AG Executive Board meets this statutory minimum representation requirement. It comprised seven members for most of 2023. Ms. Valeria Jimena Gargiulo has held the newly created role of Chief People and Sustainability Officer (CPSO) since May 2023, which meant that the statutory minimum representation requirement was met in the year under review.

In October 2023, the Supervisory Board decided that the Executive Board of KION GROUP AG would be reduced to six members from 2024. On January 1, 2024, Ching Pong Quek took on an additional role, namely that of Chief Technology Officer. He took over this role from Dr. Henry Puhl, who has left the Company. Michael Larsson took over as President KION SCS from Hasan Dandashly, who has retired (further details can be found in the section 'Changes to the Executive Board; current composition'). As it now has one female member and five male members, the KION GROUP AG Executive Board therefore continues to meet the statutory requirement regarding gender representation on executive boards in 2024.

Long-term succession planning for the Executive Board

With support from the Executive Committee, the Supervisory Board ensures that long-term succession planning is in place for the Executive Board. The Executive Committee is responsible for the long-term succession planning for the Executive Board (section 7 (4) of the rules of procedure for the Supervisory Board), helping the Supervisory Board to find candidates for posts on the Executive Board. The Executive Committee holds four regular meetings per year. When required, long-term succession planning is included on the agenda for Executive Committee meetings. Under this agenda item, the committee discusses general parameters, such as the planning horizon, the identification of required skills and qualifications, and the internal talent pool. An external consultancy assists the Executive Committee with long-term succession planning where required.

Further details on the current composition of the Executive Board can be found in the section 'Changes to the Executive Board; current composition'.

Appointments to management positions below the level of the Executive Board of KION GROUP AG

When selecting candidates for senior management levels, the Executive Board generally considers that it is under an obligation to make such selections on the basis of capability, character, diversity, and experience. As regards the number of women appointed to senior management positions in the Company, the Executive Board is striving in its implementation of the KION 2027 strategy to increase the proportion of women in management positions. Going forward, the KION Group intends to fill more management positions with candidates with an international background in order to better match the Company's increasingly global focus and complexity.

Targets for the management levels below the Executive Board and current figures

In November 2021, the Executive Board set a target of 10.5 percent (equivalent to two female managers) for the first management level below the Executive Board of KION GROUP AG and of 29.2 percent (27 female managers) for the second management level, to be achieved by December 31, 2026.

At the end of 2023, three of the 21 executives at the first management level (equivalent to 14.3 percent; year-on-year increase of 4.3 percentage points) and 16 of the 84 executives at the second management level (equivalent to 19.1 percent; decrease of 1.8 percentage points) were female.

Action to increase the proportion of women

The Executive Board continues to believe in supporting the development of talented female employees in order to meet the targets set for December 31, 2026.

A range of instruments is used for the development of high-potential employees within the Group. The structure and supervision of these instruments prevent potential discrimination against female employees or systematically help women to build on their personal strengths. The main instruments in the first category are the annual Organization Capability Talent Review (OCTR) and structured employee development programs, such as the KION Transition to Management Program (KTMP). The latter include the Women's Mentoring Program, in which the Company's high-potential female employees are systematically coached by managers from the highest management level in the Company. A greater focus on the next generation of talented female employees is underpinned by the selection process for KION's management trainee program and the targeting of talented external female candidates in the recruitment process. The advancement of women within the KION Group also plays a key role in professional development for skilled workers and managers. In 2023, for example, an additional module was integrated into the 'Fundamentals of people management' program that is designed to raise managers' awareness of diversity and integration in day-to-day business, both on a general basis and specifically in relation to the advancement of women.

Efforts to strengthen diversity – including the advancement of women – have been underlined by the creation of the Diversity and Inclusion Council, a cross-functional, Company-wide committee whose job is to define and implement measures that support these goals and to monitor the progress of the measures.

One of the council's first activities was organizing and holding the first KION-wide diversity and integration awareness month in June 2023. The aim was to boost awareness of diversity, equality of opportunity, and integrity and to ensure mutual respect is embedded as a core aspect of this. Workshops, keynote talks and other events examined issues such as unconscious bias against women and other minorities, and how this can be minimized. The KION Group also supports the establishment of networking groups and employee resource groups, some of which are represented on the council. These groups are run by employees with similar characteristics or backgrounds and help to strengthen the perspectives and representation of these groups, which are often underrepresented. Some of the groups are specifically aimed at increasing the proportion of women at the management levels below the Executive Board, including the Ladies Power @KION group, which is made up of female managers at KION GROUP AG.

KION GROUP AG is also a member of the 'Chef:innensache' initiative, in which it is represented by Valeria Jimena Gargiulo. This network of companies and leaders from industry and science, the public sector, and the media advocates equal opportunities for women and men. By participating in this initiative, KION GROUP AG's ambition and objective is to promote the change of mindset that is required throughout society by exploring new concepts and approaches. KION GROUP AG underpinned these efforts by signing the Diversity Charter, in which it has publicly committed to championing a working environment that is free of prejudice and that supports the respect, appreciation and integration of the diversity that employees bring to the workplace.

Combined management report

Preliminary remarks

The combined management report published in the 2023 annual report includes the group management report and the management report of KION GROUP AG. Sections that only contain information on KION GROUP AG are indicated as such. The report on the economic position includes a separate section containing disclosures for KION GROUP AG in accordance with the German Commercial Code (HGB).

Where the combined management report makes reference to sources outside the combined management report or outside the consolidated financial statements (e.g. websites), the content of these sources constitutes unaudited, voluntary disclosures and does not form part of the combined management report. It serves solely to provide additional information.

Fundamentals of the KION Group

Profile of the KION Group

Organizational structure

The KION Group comprises the parent company KION GROUP AG, which is a public limited company under German law, and its subsidiaries. The KION Group's strategic management holding company, KION GROUP AG, is listed on the Frankfurt Stock Exchange and is part of the MDAX, MSCI World, MSCI Germany Small Cap, STOXX Europe 600, FTSE EuroMid, and other indices. It is also included in sustainability indices, namely the FTSE4Good Index Series, STOXX Europe Sustainability, and DAX 50 ESG.

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), a subsidiary of Weichai Power Co. Ltd., Weifang, People's Republic of China, which, to the knowledge of the Company, held 46.5 percent of the shares at the end of 2023. The free float accounted for 53.4 percent of the shares, while the remaining 0.1 percent were treasury shares. Details of treasury shares pursuant to section 160 (1) no. 2 of the German Stock Corporation Act (AktG) are disclosed in note 6 of the separate financial statements of KION GROUP AG for the year ended December 31, 2023.

Management and control

Corporate governance

The KION Group follows generally accepted standards of sound, responsible corporate governance. The German Corporate Governance Code (GCGC), as amended, provides the framework for management and control in the KION Group. The corporate governance standards that the Group applies, which go further than the legal requirements, are set out in the corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code (HGB). This statement also contains the declaration of conformity pursuant to section 161 AktG*, which was issued by the Executive Board and the Supervisory Board of KION GROUP AG on November 27 and December 12, 2023 respectively, and the corporate governance report pursuant to principle 23

* The declaration of conformity pursuant to § 161 AktG is not subject to a substantive audit by the auditor.

of the GCGC. The corporate governance statement can be viewed and downloaded on the Company's website. It also forms part of this annual report and is a component of the combined management report.
The essential features of the remuneration system are presented in KION GROUP AG's separate 2023 remuneration report, which is published on the KION Group website (www.kiongroup.com/remuneration). The total amounts for Executive Board remuneration and Supervisory Board remuneration are also reported in the notes to the consolidated financial statements (note [47]).

Non-financial Group report

The separately published non-financial report provides information on the sustainable management of the KION Group. It contains the KION Group's separate non-financial Group report as required under Germany's CSR Directive Implementation Act (CSR-RUG). The non-financial Group report focuses on targets, action steps, and due diligence processes relating to the key environmental, social, and employee-related aspects of the KION Group's business model, the observance of human rights, and the fight against corruption and bribery. The risks and opportunities for the KION Group associated with climate-related aspects and other social and environmental factors, as well as the environmental and social impact of the Company's activities, are recorded, assessed, and taken into account systematically and on an ongoing basis, including in the financial reporting.

In accordance with the statutory disclosure deadlines defined in section 325 HGB, the KION Group is publishing its annual non-financial report (which includes the non-financial Group report) simultaneously with this report on February 29, 2024 on its website (www.kiongroup.com/sustainability), where it will remain available for at least ten years.

Executive Board

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group. It maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board. The Executive Board as a whole is collectively responsible for key operational and strategic decisions and for the allocation of resources.

The Executive Board of KION GROUP AG had seven members as at the end of the reporting year. Dr. Richard Robinson Smith is Chief Executive Officer of KION GROUP AG. With effect from July 6, 2023, Christian Harm took over the role of Chief Financial Officer (CFO) from Marcus A. Wassenberg, who served as CFO from January 1, 2023 to July 6, 2023. Dr. Henry Puhl served as Chief Technology Officer (CTO) of KION GROUP AG until the end of the reporting year, when he left the Company at his own request in order to pursue new challenges elsewhere. The Operating Units are represented on the Executive Board by Hasan Dandashly, President KION Supply Chain Solutions, who retired at the end of the reporting year, Andreas Krinninger, President KION ITS EMEA, whose term of appointment was extended by a further five years, and Ching Pong Quek, President KION ITS Asia Pacific & Americas. In addition, Valeria Jimena Gargiulo joined the Executive Board of KION GROUP AG on May 1, 2023 in the newly created role of Chief People & Sustainability Officer (CPSO) and as Labor Relations Director. As a result, the schedule of responsibilities for the Executive Board of KION GROUP AG was updated in May 2023.

On January 1, 2024, Michael Larsson became President KION SCS & ITS Americas, taking on Executive Board responsibility for the Supply Chain Solutions (SCS) segment and for the Americas region in the Industrial Trucks & Services (ITS) segment. Also on January 1, 2024, Ching Pong Quek took on an additional role as the new CTO. The Executive Board member remains in his role as President KION ITS APAC but has handed over responsibility for the Americas region in the Industrial Trucks & Services segment to Michael Larsson. As a result of these personnel changes, the schedule of responsibilities was updated again with effect from January 1, 2024.

Supervisory Board

The Supervisory Board of KION GROUP AG, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. It has an oversight function and advises the Executive Board on its handling of significant matters and business transactions. This includes monitoring and providing advice on sustainability topics.

In the reporting period, the Supervisory Board was supported by five standing committees (Nomination Committee, Executive Committee, Audit Committee, Mediation Committee, and Remuneration Committee).

All of the shareholder representatives on the Supervisory Board have been elected for a term of five years. The Annual General Meeting on May 17, 2023 elected Dr. Nicolas Peter as a new member of the Supervisory Board of KION GROUP AG. He replaced Dr. Michael Macht, who stepped down from his roles as a member and the chairman of KION GROUP AG’s Supervisory Board with effect from the end of the Annual General Meeting on May 17, 2023. Hans Peter Ring, who has been a member of the Supervisory Board since June 2013, was elected as chairman of the Supervisory Board immediately after the Annual General Meeting. His previous role of chairman of the Audit Committee was taken over by Dr. Nicolas Peter.

Business model and organizational structure

The KION Group’s business model is designed so that customers of all sizes and from all sectors can obtain the full spectrum of material handling products and services from a single source. Thanks to its broad technology base, diversified product portfolio, and worldwide service network, the KION Group is able to bring a comprehensive portfolio of such products and services to the market.

For internal management purposes, the KION Group has divided its operating business into two operating segments that correspond to the operating segments as required by international financial reporting standards (IFRS 8). The Industrial Trucks & Services (ITS) segment encompasses the industrial truck business, including financial and logistics services that support sales, while the Supply Chain Solutions (SCS) segment comprises the activities focusing on end-to-end supply chain solutions. The two segments complement each other in terms of their respective market position and regional presence.

The KION Group's market activities were divided into four Operating Units in 2023: KION ITS EMEA, KION ITS APAC, KION ITS Americas, and KION SCS. The KION ITS EMEA Operating Unit focuses on the ITS business in Europe, the Middle East, and Africa and takes a cross-brand approach. KION ITS APAC and KION ITS Americas hold cross-brand responsibility for industrial truck business in the Asia-Pacific region and the Americas respectively. KION SCS, featuring the Dematic brand, is the global supply chain solutions business. While KION GROUP AG is the strategic management holding company and is responsible for the groupwide strategy, the allocation of resources, and groupwide business standards, the Operating Units have full commercial responsibility for their business.

The Corporate Services segment includes activities other than those of the operating business and the holding functions of the KION Group. These include service companies that provide services such as IT and general administration across all segments.

Industrial Trucks & Services segment

The KION Group's portfolio of industrial trucks and services makes it one of the world's leading providers of industrial trucks and the market leader in the EMEA region, based on the number of units sold in 2022 and backed by data from research institute Interact Analysis (Interact Analysis, November 2023). Based on its revenue in 2022, it is the world's second-largest supplier (Modern Material Handling, August 2023). In China, the KION Group is still the leading non-domestic manufacturer and number three overall in terms of revenue (China Forklift Network, February 2023).

The segment encompasses the activities of the international brand companies Linde, STILL and Baoli, the local brand companies Fenwick and OM, plus the financial services business.

- Linde is an international and technologically innovative premium brand that manufactures forklift and warehouse trucks and provides accompanying fleet management solutions, driver assistance systems, and service options, meeting demanding customer requirements in terms of technology, efficiency, functionality, and design. In France, Linde products are sold under the Fenwick brand.
- STILL, a provider of forklift trucks, warehouse trucks, and intralogistics systems, drives innovation in its field and has a particular focus on the European market and Brazil.
- Baoli is the international brand for the lower end of the volume segment and the economy segment.
- OM is the local brand company for the Indian market, through which the KION India Pvt. Ltd. subsidiary manufactures and sells electric and IC industrial trucks and warehouse trucks.
- KION Financial Services is an internal funding partner for the Industrial Trucks & Services segment, providing finance solutions to support sales.

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers the key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management, and financial services that support the core industrial truck business.

The segment generated nearly half of its revenue in 2023 from new industrial truck sales. The product portfolio includes counterbalance trucks powered by an electric drive or internal combustion engine, warehouse trucks (ride-on and hand-operated), automated guided vehicle systems (AGVs), and towing vehicles for industrial applications covering all load ranges. In this field, the KION Group operates more than 20 production facilities for industrial trucks and components in nine countries around the world. The segment's global research and development activities focus on automation solutions and sustainable, energy-efficient drive systems.

Some of the products in the multi-brand portfolio are built on a modular platform for diesel and electric forklift trucks, which is intended to ensure a high standard of quality at competitive costs. The segment has its own manufacturing facilities for key modular components, notably lift masts, axles, counterweights, safety equipment, and electronic components. This allows it to ensure security of supply for special customer requirements and to provide a reliable supply of major components for its spare parts business. Energy-efficient lithium-ion battery systems are manufactured by the joint venture KION Battery Systems GmbH (KBS). Other standard modules – such as hydraulic components, electronic components, conventional rechargeable batteries, engine components, and industrial tires – are purchased through the global procurement organization.

As at December 31, 2023, the segment had a sales and service network that comprised around 2,000 outlets in over 100 countries and was staffed by some 9,100 service employees and a large number of external service engineers. The worldwide vehicle fleet, which consisted of more than 1.8 million industrial trucks at the end of 2023, provides a broad base for the service business. This helps to smooth out fluctuations in the segment's revenue and is aimed at reducing dependency on market cycles and supporting new truck sales by maintaining long-term customer relationships. The service business has a broad range of offerings that even extends to digital fleet management. It also handles individual orders for repairs and maintenance work as well as for spare parts. In addition, the Operating Units have complementary used truck and rental truck businesses, allowing peaks in capacity requirements to be met and customers to be supported after their leases have expired.

Financial services support the sale of new trucks in many markets, forming another pillar of the service business. Its activities comprise the financing of long-term lease business for external customers and the internal financing of the short-term rental business, as well as the related risk management. In the large sales markets with a high volume of financing and lease activities, legally independent KION Financial Services companies handle this business. About half of all new trucks are financed via the KION Group itself or via external banks and financing partners. Offering financial services is therefore part of the truck sales process. Leases are generally linked to a service contract covering the term of the finance agreement.

Supply Chain Solutions segment

The Supply Chain Solutions segment, featuring the Dematic brand, is the world's leading provider in the market for warehouse automation, based on revenue figures for 2022 and data from Interact Analysis (Interact Analysis, November 2023). The data also shows that Dematic has achieved particularly strong market share in the general merchandise, grocery, and food and beverage sectors. In addition, KION was ranked as one of the leading vendors in the fast-growing autonomous mobile robots (AMR) segment in 2022 (Interact Analysis, November 2023).

Manual and automated solutions are provided for all functions that serve customers' material handling needs, from goods inward and Multishuttle warehouse systems to picking, automated palletizing, and automated guided vehicle systems. Picking equipment controlled by radio, voice, or light is available for nearly all goods and packaging types. Automated storage and retrieval systems

(ASRSs), robotic picking systems, and compact, split-case and pallet picking stations are designed to achieve throughput times and picking rates that are faster than manual processes. At the same time, cross-docking solutions serve to increase the efficiency of the system as a whole by eliminating unnecessary handling and storage of goods. The micro-fulfillment system was developed for the processing of online orders in retail and in distribution centers near urban areas. AGVs and AMRs help to improve the inhouse movement of goods on the factory floor, in warehouses, and in distribution centers.

Supply chain solutions are managed using Dematic's proprietary software, which can be integrated into the customer's existing application landscape. Dematic software enables material flow data to be visualized and order fulfillment processes to be optimized.

Customers can use Dematic solutions to boost efficiency, scale up sustainably, and maintain a clear overview of their machinery and equipment. Dematic continually deploys innovative technologies and integrates software into operating solutions in order to help customers to achieve their growth targets. The segment constantly enhances its integrated solutions through strategic partnerships, for example with Google Cloud.

The KION Group's SCS segment mainly caters for customer-specific, longer-term project business. The (new) project business (business solutions) covers every phase of a new installation. Automation solutions are planned and implemented worldwide by eleven production sites in North America, Europe, China and Australia and by teams of experts at regional level. The system components, which are specified for each customer project, such as automated guided vehicle systems, palletizers, storage and picking equipment including automated storage and retrieval systems, sorters, and conveyors, are manufactured mainly inhouse or, in some cases, by third parties. As at the end of 2023, modernization work and services (customer services) were being provided to customers at their sites by around 2,100 employees and other external staff in a total of around 30 countries.

Production sites of the KION Group

Industrial Trucks & Services

Brazil	
Indaiatuba/São Paulo	Counterbalance trucks with electric drive or IC engine, warehouse trucks
People's Republic of China	
Jinan	Counterbalance trucks with electric drive or IC engine
Jingjiang	Component production
Xiamen	Counterbalance trucks with electric drive or IC engine, heavy trucks, warehouse trucks
Zhangzhou	Warehouse trucks
Germany	
Aschaffenburg	Counterbalance trucks with electric drive or IC engine
Dinklage	Component production
Geisa	Component production
Hamburg	Counterbalance trucks with electric drive or IC engine, warehouse trucks, component production
Kahl am Main	Spare parts center, component production
Karlstein am Main	Lithium-ion batteries
Reutlingen	Very narrow aisle trucks
Weilbach	Component production
France	
Châtellerault	Warehouse trucks
India	
Pune	Counterbalance trucks with electric drive or IC engine, warehouse trucks
Italy	
Luzzara	Warehouse trucks
Poland	
Kołbaskowo	Counterbalance trucks with electric drive or IC engine
Czech Republic	
Český Krumlov	Component production
Stříbro	Warehouse trucks
United States	
Summerville	Counterbalance trucks with electric drive or IC engine, warehouse trucks

Supply Chain Solutions

Australia	
Sydney	Conveyor and sortation systems, automated guided vehicle systems, system components and racking
Belgium	
Zwijndrecht	Automated guided vehicle systems
People's Republic of China	
Suzhou	Sortation, storage and retrieval systems
Jinan	Conveyor systems
Germany	
Offenbach am Main	Conveyor, sortation, storage and retrieval systems
Kahl am Main	Conveyor systems
Italy	
Milan	Sortation systems
Mexico	
Monterrey	Conveyor, sortation, storage and retrieval systems, system components
Czech Republic	
Stříbro	Conveyor, sortation, storage and retrieval systems
United States	
Grand Rapids	Automated guided vehicle systems
Salt Lake City	Sortation, storage and retrieval systems, system components

Market and influencing factors

The material handling market comprises the market for industrial trucks and supply chain solutions including services. The KION Group estimates that around 60 percent of revenue in the relevant market is attributable to industrial trucks and related services. The remaining revenue is attributable to supply chain solutions and services.

In the past, the material handling market has been heavily influenced by macroeconomic factors. Economic conditions in the different regions and the rates of growth in global trade have a major effect on customers' willingness to invest. Regional differences in inflation trends and in the level of interest rates help to shape the market environment as well.

Volatility in the commodity markets and in exchange rates also affects conditions in the market. Increases in procurement prices for commodities and intermediate products and translation effects caused by fluctuations in exchange rates can have a significant impact on the financial performance of individual market participants. Economic trends within individual customer sectors are another influencing factor.

Influencing factors in the Industrial Trucks & Services segment

Historically, new business in the Industrial Trucks & Services market segment has shown a very strong correlation with the performance of broad economic indicators, such as the volume of global trade, gross domestic product, and industrial output. The service business, meanwhile, is more stable than the product business as it is linked to the installed base of trucks over their entire lifetime.

Measured in terms of units ordered, around 29 percent of the global market for industrial trucks was attributable to IC counterbalance trucks in the first ten months of 2023, while electric forklift trucks accounted for roughly 18 percent and warehouse technology 53 percent (World Industrial Truck Statistics, February 2024)[*].

Sustainability and electrification are among the main driving factors in the market for industrial trucks and services. Customers are increasingly demanding solutions, primarily in the form of electric trucks, for environmentally friendly supply chains. Consequently, the strongest growth in the new truck business in recent years, including in the first ten months of 2023 (2017 to October 2023), has been for forklift trucks and warehouse trucks powered by an electric drive. Alongside the growth in electric forklift trucks, much of the additional volume in the market for new industrial trucks is attributable to the electrification of hand pallet trucks, which are being replaced by entry-level electric trucks in the lower weight categories. It should be noted that, on average, the unit price for warehouse trucks is considerably lower than for counterbalance trucks. In the first ten months of 2023, IC counterbalance trucks continued to make up a comparatively high but falling proportion of the total unit volume in high-growth markets (World Industrial Truck Statistics, February 2024).

Stricter emissions standards, the range of new energy solutions available, and customers’ efforts to be more sustainable by using lithium-ion batteries and fuel cells are also boosting demand for counterbalance trucks with an electric drive and for warehouse facilities.

Furthermore, the increasing automation of warehouses is pushing up demand for industrial trucks with an electric drive. Customers are becoming more and more interested in hybrid solutions in which automation technology is added to standard industrial trucks to create automated guided vehicle systems. These products are aimed at reducing injuries to operators and damage to goods and infrastructure. They also help to improve transportation quality, reliability, and productivity.

Digitalization has led to greater demand for networked trucks, and, for example, for fleet management systems and for products that use big data to support predictive maintenance services (Hans Böckler Foundation, February 2022).

The industrial truck market is benefiting, among other things, from customers’ growing requirements regarding the quality, efficiency, and sustainability of industrial trucks and from higher expectations in terms of service, availability of spare parts, and flexible rental solutions. Customers are more focused on optimizing total cost of ownership and, increasingly, on the ability to integrate the trucks into fully automated intralogistics solutions. The degree of automation in the chosen solution, which ranges from manual or semi-automated to fully automated, is determined by the customer’s processes. Furthermore, the competitive pressure remains high around the world as some manufacturers in the economy and volume segments based in China have been pursuing an international expansion strategy for a number of years now. The large number of industrial trucks already in use in the market also provides a strong base for replacement business and rising demand for services.

[*] Data on the overall market is currently only available for the first ten months of the reporting year. This is because the relevant trade association has changed the publishing dates for market data on order intake for industrial trucks.

Influencing factors in the Supply Chain Solutions segment

According to the KION Group's estimates, the average annual growth rate in the market for supply chain solutions has been significantly higher than in the market for industrial trucks and services in recent years (2017–2023), owing to growing demand in the main customer industries. Both the project business (business solutions) and downstream services (customer services) have contributed to this expansion. The service business benefits from the growing number and the rising complexity of installed systems.

According to Interact Analysis, the significant customer sectors for the supply chain solutions market are the general merchandise and grocery wholesale and retail industry, manufacturing, parcel delivery services, and pure e-commerce (Interact Analysis, November 2023).

The Supply Chain Solutions market segment has longer project cycles, often extending over several years. Its service business is generally more stable than the product business as it is linked to the installed base of systems over their entire lifetime.

The growth of e-commerce in recent years has had a major influence on demand for supply chain solutions, including for warehouse automation, sortation systems, and automated goods transportation. Global online trade (B2C) has expanded at an average rate of 16 percent per annum in recent years (2017 to 2023) according to research institute eMarketer (eMarketer, June 2023). The KION Group believes that customers' desire for ever-faster delivery times coupled with the growing shortage of skilled workers has made companies more willing to invest in the automation and digitalization of their supply chains (Forbes, October 2023).

The combination of smaller order volumes and large numbers of orders requires efficient and automated solutions. This is driving demand for decentralized and smaller warehouse and logistics facilities in urban areas that speed up delivery times and, due to automated processes, reduces personnel expenses and floor space costs. Consequently, the research institute Interact Analysis is predicting above-average growth in the market for micro-fulfillment automation in the years ahead (Interact Analysis, March 2022). At the same time, the focus of technological progress is increasingly shifting toward software and robotics solutions. Interact Analysis anticipates that this will lead to disproportionately strong growth in the market for AMRs and AGVs (Interact Analysis, November 2023).

Strategy of the KION Group*

Objectives of the KION 2027 strategy

The KION 2027 strategy specifies groupwide targets for profitable growth and the fields of action through which the KION Group intends to meet these targets.

Under the strategy, the KION Group is systematically aligning its intralogistics portfolio with the specific requirements of the various industries in which its customers operate. The hardware (industrial trucks and automation solutions), software (from control center to vehicle control), and services (from repair to financing) are being integrated into a single offering as part of this strategy.

The following targets have been set as part of the KION 2027 strategy:

- **Growth:** The KION Group aims to grow at a faster rate than the global material handling market by offering integrated, automated, and end-to-end solutions for specific industries and customer requirements in both its operating segments.
- **Profitability:** The KION Group is taking firm action to bring the business back on course for profitable growth. Its ambition in this respect is to raise its adjusted EBIT margin above 10 percent on a permanent basis, both at Group level and at the level of the Industrial Trucks & Services and Supply Chain Solutions operating segments.
- **Efficient use of capital:** The KION Group continually strives to optimize the return on capital employed (ROCE). Besides increasing earnings, the focus here is on asset management and efficient use of capital.
- **Resilience and agility:** Profitability throughout the various market cycles is to be guaranteed by a robust business model. This will involve greater diversification in terms of regions and customer sectors alongside efforts to expand the service business and further optimize the production network and internal processes.
- **Sustainability:** Through innovation, ideas, and decisive action, the KION Group is helping to drive sustainability in logistics. We have put in place ambitious targets and a clear sustainability strategy. The KION Group contributes to climate change mitigation and enhances safety for its customers and its employees by means of its products, solutions, and services and by making logistics processes more sustainable.

Strategic fields of action and measures in 2023

The following six specific fields of action have been defined for the KION 2027 strategy and translated into strategic programs to implement the individual goals.

Multi-branded go-to-market

The KION Group is striving for a 360° approach to intralogistics, encompassing a network of well positioned and clearly differentiated brand companies, a comprehensive solution portfolio, and a tailored go-to-market strategy. The positioning of the KION Group's various brand companies is aimed at achieving broad coverage of heterogeneous markets and wide-ranging customer requirements. The distinct offerings and identities of the brand companies are designed to create a clear core value proposition for each brand company.

* The content of this chapter/section is disclosed voluntarily and is therefore unaudited.

By stepping up its focus on supplying integrated end-to-end systems from a single source, the KION Group is addressing the central customer demand for one-stop solutions that are simple, reliable, and flexible, as well as energy- and cost-efficient. The integration of the offering forms part of an overarching value proposition that taps into the potential of the individual brand companies and their successful positioning, targets the entire market, and sets the KION Group apart from its competitors.

For example, the reporting year saw the KION brand companies Dematic and STILL team up to implement multi-brand intralogistics solutions for customers that combined their respective product portfolios into a single, overarching system. Dematic and Linde also successfully supplied customers with combined solutions in 2023. In addition, the KION Group continued to drive forward the development of cross-brand software and hardware for use in applications such as networked trucks and AMRs.

Growth plans for specific regions

The KION Group's two operating segments are driving their growth by ensuring that they are fully aligned with the requirements of their regional and local markets. Because a high level of market penetration has already been achieved in Europe, the focus here is on the APAC and Americas regions. To ensure maximum proximity to its customers, the KION Group is concentrating its efforts to achieve this regional growth on increases in local production capacity and further expansion of the sales and service network. For example, the dealer network in North America was expanded through various partnerships.

In Jinan, China, at the site where the plant for counterbalance trucks was completed in 2022, the KION Group is making progress toward the completion of the new Supply Chain Solutions plant. Furthermore, the KION Group started construction of a state-of-the-art distribution center for spare parts in Kahl am Main in February 2023. This new site will raise the efficiency of parts delivery in Europe to the customers of both segments. The Supply Chain Solutions segment, meanwhile, is expanding its international presence with a site in the Gulf region.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group's focus on sustainability across the three strategic dimensions of people, products, and processes is reflected in its efforts to make products that are as eco-friendly and safe as possible, to use climate- and environmentally-friendly manufacturing and business processes, and to provide a safe and non-discriminatory working environment.

Further objectives and initiatives are specified in and pursued through eight fields of action that address the Company's employees and its focus on a sustainable product portfolio.

In the reporting year, verifiable ESG targets were incorporated into the Executive Board remuneration system, covering categories such as occupational health and safety, certification of environmental management systems, external evaluation of sustainability performance, and the KION Group's appeal as an employer. A revolving credit facility and a promissory note issued in 2023, both of which are linked to ESG criteria, underline this commitment.

At the start of July 2023, the KION Group signed up to the Science Based Targets initiative (SBTi), which provides an underlying methodology and scientific basis for KION's ongoing support of the United Nations' Paris Agreement and its goal of limiting global warming to 1.5°C. Through the SBTi, KION has enshrined its long-term goal of reaching net-zero greenhouse gas emissions along its value chain (scopes 1, 2, and 3) by 2050, and set related interim goals up to 2030.

In addition, KION continued to focus on developing and enhancing energy-efficient solutions in the reporting year. As a result of its efforts in this regard, the Company's proprietary fuel cell systems and AI-assisted energy management solutions were developed to market maturity. The KION Group also entered into a strategic partnership with Li-Cycle Holdings Corp. (Li-Cycle), a key player in resource recovery from lithium-ion batteries. The objective of the collaboration is to recover the most essential materials from the lithium-ion batteries that KION supplies itself.

Further information can be found in the 2023 sustainability report, which is published separately.

Automation and software

In the field of automation, the KION Group offers specific and scalable solutions for a wide range of customer requirements, from single forklifts to automated warehouse trucks and fully automated large-scale warehouses. These are helping customers move closer to the goal of a 'lights-out' warehouse. At the same time, the KION Group is embedding its solutions into customers' existing and increasingly digital processes. The digitalization of customer solutions is centered around the proprietary warehouse management system in conjunction with cloud innovations, artificial intelligence, and machine learning.

The ongoing development of AGVs and AMRs that can be easily integrated into customers' production and warehouse environments was a priority in the reporting year. The KION Group is involved in a number of important research and development partnerships as part of its efforts in this regard. An interface standard for communication between AGVs that was jointly developed by the KION Group has already undergone one round of trials. The implementation of these solutions is supported by cloud-based control software.

Work on cloud innovations was expanded again, including through the partnership with Google Cloud, with the aim of developing the next generation of warehouse management solutions. The KION Group's objective in this regard is to make the supply chain more resilient and to develop market-ready solutions by combining Dematic's expertise in supply chains with Google Cloud's technologies for cloud computing, artificial intelligence, and machine learning.

Performance and agility

The KION Group is making its business model more resilient by continually improving its efficiency and agility.

Through the Business Transformation initiative, the KION Group is working on harmonizing its landscape of processes, data, and systems across the Group and across all functions so that it can be even more effective in reaping economies of scale and scaling up new groupwide solutions.

The focus in the Industrial Trucks & Services segment is still on developing a global platform for the value segment. At the heart of this is a modular platform that will make it possible to manufacture more cost-effectively and thus be more competitive on price. Over 30 new trucks using the modular configuration concept were already brought to market in the reporting year. The Group plans to launch more than 20 models with a modular configuration by the end of 2024. The Supply Chain Solutions segment is also driving the scalability of products and solutions by refining its subsystems and standard modules.

The optimization of the production network is also helping to improve efficiency. The relocation of the manufacturing of STILL reach trucks from Hamburg to Stříbro in the Czech Republic was completed in 2023.

In procurement too, the KION Group is aiming to increase the resilience of supply chains and the supplier base in order to minimize disruptions to production and other areas, and to safeguard profitability. The steps taken to achieve this include the establishment of 360° risk and capacity management and the introduction of a second source supplier strategy that strengthens the supplier base. These and other measures enabled the KION Group to achieve net savings in its production and non-production procurement and to improve the rate of ‘on time, in full’ (OTIF) deliveries in all regions.

Values, people, and leadership

The KION Group’s corporate values of integrity, collaboration, courage, and excellence guide both individual and collective actions.

The HR strategy therefore focuses on recruiting and developing talented individuals from around the world for the intralogistics Group, on equipping internal teams with all necessary skills, and on further embedding a diverse, equitable, and inclusive culture that secures the commitment of employees and unlocks their long-term potential to the fullest possible extent.

The global Diversity & Inclusion Council, which was set up in 2022, aims to establish a culture of inclusion and diversity that puts people and their mental health first and gives opportunities for career progression. The council focuses on raising awareness of these issues among managers and employees around the world, on developing and coordinating relevant initiatives, and on monitoring the implementation of these.

Management system

Core key performance indicators

The KION Group's strategy, which centers on value and growth, is reflected in how the Company is managed. The performance targets of the Group and the segments are based on selected financial indicators, as is the performance-related remuneration paid to managers. The KION Group uses four core key performance indicators (KPIs) to continuously monitor growth, earnings power, profitability, financial strength, and liquidity. The KPIs used to manage the segments are revenue and adjusted EBIT. Free cash flow and ROCE are only used as KPIs for the Group as a whole. The KPIs are mainly measured and made available to the Executive Board on a monthly basis as part of the internal reporting process.

Core key performance indicators

in € million	2023	2022
Revenue	11,433.7	11,135.6
Adjusted EBIT[1]	790.5	292.4
Free cash flow	715.2	–715.6
ROCE	7.7%	2.9%

1 Adjusted for PPA items and non-recurring items

Revenue, adjusted EBIT, free cash flow, and return on capital employed (ROCE) have been defined as the core key performance indicators for managing the KION Group from the 2023 financial year onward. Order intake is no longer included in the core key performance indicators from the 2023 financial year onward.

Alternative performance measures

The KION Group's financial reports are prepared in line with International Financial Reporting Standards (IFRS). As well as reporting on the financial key performance indicators defined under IFRS, the KION Group also uses alternative performance measures (APMs). APMs are Company-specific indicators that are not directly based on any laws or accounting standards. Some are Company-specific adjustments of certain financial KPIs, for example the adjustment of financial KPIs for non-recurring items. APMs are used both internally for management purposes and externally for communicating and reporting to a range of stakeholders.

Order book

The order book provides a record of all legally binding customer orders as at the reporting date for which the revenue has not yet been recognized. In the Industrial Trucks & Services segment, this only includes orders for new trucks. For long-term construction contracts in the Supply Chain Solutions segment, services that have already been rendered are deducted from the total value of the contract with the customer.

Order intake

Order intake comprises all legally binding customer orders less any subsequent cancellations for the reporting period. Order intake is a leading indicator for future revenue. The length of time between receipt and invoicing of an order varies depending on the segment, region, and product category.

EBIT (earnings before interest and tax)

EBIT is earnings before net financial income/expenses and tax for the reporting period.

Adjusted EBIT

Adjusted EBIT for the reporting period is EBIT adjusted for Company-specific purchase price allocation effects and non-recurring items. Purchase price allocation effects result from the updating of the adjustments made to the fair value of the assets acquired and liabilities assumed as part of business acquisitions. Other non-recurring items in the adjustment of EBIT relate to one-off events in connection with restructuring and reorganization, M&A transactions, and other exceptional transactions. Adjusted EBIT is the key figure used for operational management and analysis of financial performance. A reconciliation of EBIT to adjusted EBIT is presented in the > table ‘EBIT’ (in the section ‘Financial position and financial performance of the KION Group’).

Adjusted EBIT margin

The adjusted EBIT margin is the ratio of adjusted EBIT to revenue for the reporting period.

EBITDA (earnings before interest, tax, depreciation, and amortization)

EBITDA is earnings before net financial income/expenses and tax plus amortization, depreciation, and impairment less reversals of impairment on leased and rental assets, other property, plant and equipment, and intangible assets for the reporting period.

Adjusted EBITDA

Adjusted EBITDA for the reporting period is EBITDA adjusted for Company-specific purchase price allocation effects and non-recurring items. Purchase price allocation effects mainly result from the disposal of assets acquired and liabilities assumed as part of business acquisitions. Other non-recurring items in the adjustment of EBITDA relate to one-off events in connection with restructuring and reorganization, M&A transactions, and other exceptional transactions. A reconciliation of EBITDA to adjusted EBITDA is presented in the > table ‘EBITDA’ (in the section ‘Financial position and financial performance of the KION Group’).

Adjusted EBITDA margin

The adjusted EBITDA margin for the reporting period is the ratio of adjusted EBITDA to revenue.

Earnings before tax

Earnings before tax for the reporting period is EBIT plus net financial income/expenses.

Net financial debt

Net financial debt as at the reporting date is the sum of non-current and current financial liabilities less cash and cash equivalents. It is an indicator of the Company's liquidity situation and capital structure. Net financial debt is presented in the > table 'Industrial net debt' (in the section 'Financial position and financial performance of the KION Group').

Leverage on net financial debt

Leverage on net financial debt is the ratio of net financial debt to adjusted EBITDA on an annualized basis.

Industrial net operating debt (INOD)

Industrial net operating debt as at the reporting date is defined as net financial debt plus liabilities from the short-term rental business and liabilities from procurement leases. It is an indicator of the liquidity situation and capital structure for the operating business excluding the liabilities from the lease business and the net obligation under defined benefit pension plans. A reconciliation of net financial debt to industrial net operating debt is presented in the > table 'Industrial net debt' (in the section 'Financial position and financial performance of the KION Group').

Leverage on industrial net operating debt

Leverage on industrial net operating debt is the ratio of industrial net operating debt to adjusted EBITDA on an annualized basis.

Industrial net debt (IND)

Industrial net debt as at the reporting date is defined as industrial net operating debt plus the net obligation under defined benefit pension plans. It is an indicator of the liquidity situation and capital structure for the operating business excluding the liabilities from the lease business. A reconciliation of industrial net operating debt to industrial net debt is presented in the > table 'Industrial net debt' (in the section 'Financial position and financial performance of the KION Group')).

Leverage on industrial net debt

Leverage on industrial net debt is the ratio of industrial net debt to adjusted EBITDA on an annualized basis.

Capital employed

Capital employed as at the reporting date is defined as total assets less (i) lease receivables, income tax assets, deferred tax assets, cash and cash equivalents, certain other financial assets and other assets, and fair value adjustments due to purchase price allocations and (ii) other provisions, trade payables, contract liabilities, and certain other financial liabilities and other liabilities. Capital employed is the capital that is required for operations.

ROCE (return on capital employed)

Return on capital employed (ROCE) is the ratio of adjusted EBIT to capital employed as at the reporting date. ROCE is a measure of the profitability and efficiency of the capital employed. The > table 'Return on capital employed (ROCE)' (in the section 'Financial position and financial performance of the KION Group') shows how the figure for ROCE is calculated.

Free cash flow

Free cash flow for the reporting period is the sum of cash flow from operating activities and cash flow from investing activities. It indicates financial strength and is the main KPI for managing the KION Group's liquidity and financing. Free cash flow describes the cash flow that is available to pay dividends and interest and to repay liabilities. Free cash flow is shown in the > table 'Core key performance indicators' in this section.

Capital expenditure

For the KION Group, this item covers spending on property, plant and equipment and spending on intangible assets, including capitalized development costs, during the reporting period (excluding right-of-use assets in each case).

Net working capital

Net working capital as at the reporting date is defined as the sum of inventories, trade receivables, and contract assets less trade payables and contract liabilities.

R&D spending

Spending on research and development (R&D) is the sum of the research and development expenditure recognized in the consolidated income statement and the capitalized development costs for the reporting period. It is presented in the > table 'Research and development (R&D)' (in the section 'Non-financial performance indicators').

R&D spending as a percentage of revenue

The item R&D spending as a percentage of revenue is the ratio of expenditure on R&D to revenue for the reporting period and is shown in the > table 'Research and development (R&D)' (in the section 'Non-financial performance indicators').

Currency-adjusted changes

Currency-adjusted changes shows the percentage change in a KPI (e.g. order intake, revenue) for the reporting period excluding the effects of changes in exchange rates.

Projected KPIs

The projected KPIs reflect the Company's expectations regarding future developments and are therefore forward-looking. They are calculated in the same way as the APMs that are described in this section.

Report on the economic position

Macroeconomic and sector-specific conditions

Macroeconomic conditions

Global economic growth slowed again in 2023. The International Monetary Fund (IMF), in its January outlook (IMF, January 2024), forecasts that global economic output fell from 3.5 percent in 2022 to 3.1 percent in 2023. The global economy achieved only a weak recovery because of factors such as the strain of the ongoing war in Ukraine, the fallout from the coronavirus pandemic, and the rise in the cost of living. Despite these negative factors, the IMF has determined that real gross domestic product (GDP) was higher than the figure that it had assumed in its October forecast (IMF, October 2023) thanks to stronger-than-expected economic growth in the second half of 2023 in the US and in several large emerging markets and developing economies. Another reason was fiscal support in China. A faster-than-anticipated reduction in inflation also had a positive impact. Rising economic momentum was not felt across the board, however. The eurozone's growth was particularly sluggish owing to subdued consumer sentiment, the lingering effects of high energy prices, and the phase of weakness in interest-rate-sensitive manufacturing and in general business investment.

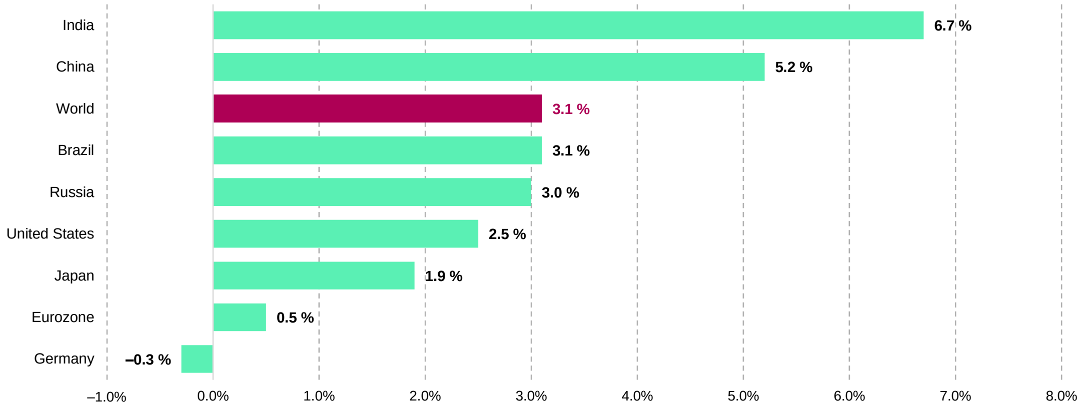
The central banks' sharp interest-rate hikes aimed at restoring price stability resulted in less favorable financing conditions, albeit with significant regional differences. The IMF estimates that the inflation rate in developed countries fell from 7.3 percent in 2022 to 4.6 percent in 2023. The effect was much less pronounced in the emerging markets and developing economies, where inflation was down from 9.8 percent in 2022 to 8.4 percent in the reporting year. Tight monetary policy also had an impact on growth, one of the reasons being companies' reluctance to invest due to the deterioration in lending conditions.

The developed countries increased their economic output by just 1.6 percent in 2023 (2022: 2.6 percent). The slowdown was particularly prominent in the eurozone, where growth fell from 3.4 percent to 0.5 percent. The US improved on the moderate growth rate achieved in 2022 (1.9 percent) with an increase of 2.5 percent in 2023.

The emerging markets and developing economies recorded growth of 4.1 percent, which was unchanged on their growth rate for 2022 of 4.1 percent. China saw its growth increase from 3.0 percent in 2022, when the effects of the coronavirus pandemic were still being felt, to 5.2 percent in 2023.

The volume of global trade, which had swelled by 5.2 percent in 2022, rose by only 0.4 percent and thus remained at virtually the same level as in the prior year.

Gross domestic product 2023 – real year-on-year change



Source: International Monetary Fund (as at January 31, 2024).

Sectoral conditions

According to the KION Group, and backed up by studies from research institute Interact Analysis, the markets for industrial trucks and supply chain solutions including services were affected by economic and political uncertainties, elevated interest rates, and the high level of inflation in 2023. These factors had a negative impact on customers' willingness to invest and therefore also on demand for industrial trucks and supply chain solutions. The challenging conditions in the market led to some planned investments being postponed or even halted (Interact Analysis, November 2023 and July 2023).

Industrial Trucks & Services

According to the KION Group, the global market for industrial trucks registered falls in order numbers (as measured by order intake) during the reporting period. Orders on hand were processed at an accelerated rate in 2023 due, in KION's view, to the easing of the supply chain disruption seen in the prior year. New orders slowed, however.

Based on the KION Group's estimates, the number of trucks ordered in the EMEA region fell sharply in 2023. The decline was even more pronounced in the Americas region, where, in the KION Group's assessment, market growth slowed again in the second half of the year. By contrast, the APAC region recorded solid growth, which was mainly driven by the expansion of new business in China.

Based on market data published by the relevant trade association on new industrial truck orders, the share of the global market attributable to electric forklift trucks and warehouse trucks stabilized at a high level in the first ten months of 2023, holding steady at 71 percent. IC counterbalance trucks therefore accounted for 29 percent of the global order volume (World Industrial Truck Statistics, February 2024).

Supply Chain Solutions

The global market for supply chain solutions, as measured by revenue, fell short of its prior-year level in 2023. This is borne out by research from Interact Analysis. The contraction, which was primarily attributable to the EMEA and Americas regions, was due to companies delaying decisions to invest in the construction of new warehouse space owing to the higher cost of capital, which in turn caused delays to investments in warehouse automation. A slowdown in the growth of e-commerce also adversely affected demand for warehouse automation in customer segments such as general merchandise, parcel delivery services, apparel, and grocery retail (Interact Analysis, November 2023).

Procurement markets

In the commodity markets, prices came back down somewhat from the lofty heights to which they had climbed in the previous year. The price of Brent crude oil, which had surged in 2022, normalized. On average, the US dollar was down sharply compared with the previous year. The average prices of copper and nickel also fell year on year.

Financial markets

Conditions in the financial markets generally deteriorated from the KION Group’s perspective because of the higher cost of borrowing. The European Central Bank (ECB) progressively raised the interest rate for its deposit facility to 4.0 percent over the course of 2023. The restrictive monetary policy helped to bring down inflation in the eurozone over the course of the year, and eurozone money supply growth turned negative for the first time ever. The banks responded to the increase in financing costs by raising interest rates on loans and tightening lending criteria, which reduced the supply of credit. Meanwhile, demand for credit in the corporate sector stagnated (Bundesbank, November 2023). The US central bank also maintained its tight monetary policy stance (Federal Reserve Bank of St. Louis, January 2024).

The KION Group generated 49.7 percent of its revenue outside the eurozone in 2023 (2022: 53.9 percent). The US dollar, pound sterling, and the Chinese renminbi were the most important foreign currencies, which had also been the case in 2022. On average, the euro appreciated against the US dollar, pound sterling, and the Chinese renminbi in the reporting year. Currency translation effects had a negative impact on the KION Group’s operating performance in 2023, whereas the prior-year figures had been strongly influenced by positive currency effects.

Financial position and financial performance of the KION Group

Business performance in the Group

Strong business performance amid muted sectoral conditions

Despite falling demand in the global markets for industrial trucks and supply chain solutions, the KION Group achieved a substantial recovery in earnings and margins and was able to deliver a successful overall business performance in 2023. The Group's profitability was boosted by measures – now largely implemented – to enhance operational and commercial agility in the supply chain and in production in both operating segments and by the previous year's price increases in the Industrial Trucks & Services segment.

In the Industrial Trucks & Services segment, the continual improvement in the availability of materials in 2023 helped make it possible to manufacture forklifts and warehouse trucks without major interruptions and therefore to reduce delivery times over the course of the year. The higher production output and the price adjustments carried out in 2022 resulted in a sharp year-on-year increase in revenue and adjusted EBIT that saw the segment's profitability return to the level of previous years following a weak performance in 2022. With regard to orders on hand, the decline in order volume was due mainly to customers' temporary reluctance to invest.

In the Supply Chain Solutions segment, the focus in the reporting period was on a more efficient management of project delivery across all phases of the project cycle. The measures initiated in the prior year were continued as well. Ongoing monitoring of project costs and expansion of the supplier base remained the focus of attention here. However, the project business (business solutions) fell behind schedule in working through lower-margin orders from the order book, the contracts for which do not yet include adequate price adjustment clauses. Moreover, the expected overall costs for some projects went up over the course of the year, partly due to delays in their completion. Amid the subdued sectoral conditions, customers were also noticeably reluctant to invest in long-term, big-ticket projects. The ongoing measures that had been initiated in 2022 and the slowly growing proportion of higher-margin customer projects contributed to the improvement in earnings achieved in 2023 as a whole.

On June 16, 2023, the KION Group signed an agreement for the sale of the Industrial Trucks & Services segment's business in Russia as part of a management buyout. As at the reporting date, the transaction was still waiting for approval from the Russian authorities.

Systematically strengthening the market position and technological position

The KION Group forged ahead with its efforts to strengthen its market position and technological position, and this was reflected in its capital expenditure of €442.8 million in 2023 (2022: €382.7 million). In Jinan, China, works to complete the new Supply Chain Solutions plant are progressing on schedule. The new plant will be used to manufacture Dematic brand items such as Multishuttle systems, components for automated guided vehicle systems, and conveyor belts and systems. Following the ramp-up phase in 2022, the industrial truck plant that is also located in Jinan was able to increase its capacity utilization substantially to around 14,000 trucks in 2023 (2022: around 5,000 trucks) thanks to high demand from customers. In Kahl am Main, Germany, the KION Group has been constructing an automated distribution center for the efficient delivery of spare parts to customers. Construction of the center started in February 2023 and it will serve both operating segments. This facility will be equipped with warehouse technology solutions from Dematic. It is scheduled to go into operation in the first half of 2025. In the Industrial Trucks & Services segment, investments were also made in expanding the industrial truck plant at the

Summerville site in the US with the aim of increasing production capacity and the degree of inhouse production.

Development of a global platform for the brand companies in the Industrial Trucks & Services segment was a further focus of efforts to boost the technological position. In the European market, for example, the KION Group launched its first trucks built with a modular configuration and designed for load capacities up to 3.5 tonnes.

The production facility for fuel cell systems for industrial trucks – initially warehouse trucks – that has been built at the Hamburg site went into operation on schedule in 2023, with the first systems introduced to the market in November.

The KION Group develops and produces its own lithium-ion batteries for its electric-powered industrial trucks at the site in Karlstein am Main. Since September 2023, a process has been in place to reuse up to 95 percent of the materials from these batteries. This is the result of the KION Group entering into a strategic partnership with Li-Cycle Holdings Corp., a leading North American recycler of lithium-ion batteries, in March 2023. The KION Group is planning for up to 5,000 tonnes of used battery material to have been professionally processed at the new Li-Cycle premises in Magdeburg by 2030.

At the start of July 2023, the KION Group signed up to the Science Based Targets initiative (SBTi) in order to provide transparency regarding its efforts to reduce greenhouse emissions. In line with the SBTi principles, the KION Group has set itself the goal of operating on a net-zero emissions basis along its entire value chain by 2050. The commitment to climate-neutral business practices is based on a fundamental scientific framework and is designed to help achieve the objective of the United Nations Paris climate agreement of limiting global warming to 1.5°C.

Significantly improved liquidity and solid financing situation

In 2023, the KION Group's free cash flow was well into positive territory at €715.2 million (2022: negative free cash flow of minus €715.6 million) thanks to the strong level of operating profit and improved management of working capital. The improved liquidity situation also allowed financial debt to be reduced year on year. In 2023, KION GROUP AG carried out a series of financing measures to extend the maturity profile of its financial debt, including the issue of a promissory note in multiple tranches with terms of up to seven years that is linked to the achievement of sustainability criteria. In addition, the syndicated revolving credit facility (RCF) with a variable interest rate was extended by one year to 2028. From the current perspective, the KION Group therefore believes that it remains on a solid footing in terms of its future funding capability.

Overall assessment of the economic situation

The Executive Board of the KION Group can look back on a very encouraging 2023. Over the course of the year, the KION Group exceeded its own expectations in terms of business performance thanks to strong growth in the Industrial Trucks & Services segment. At the same time, however, customers in both operating segments were reluctant to invest in view of uncertainty in the global markets, causing a sharp year-on-year fall in order intake.

Consolidated revenue for 2023 slightly exceeded the figure for the prior year by 2.7 percent to reach €11,433.7 million (2022: €11,135.6 million), but the underlying trend was very different in the two operating segments. In the Industrial Trucks & Services segment, revenue generated from external customers went up by a substantial 15.3 percent. This was predominantly due to higher production output and the segment working through the sizeable order book, but also to the price rises implemented in 2022, mainly in the EMEA region. Another factor was the growth of the service business across all categories. By contrast, revenue generated from external customers in the Supply Chain Solutions segment fell by 21.7 percent. Muted customer demand in the long-term project business (business solutions) in the preceding quarters was the main reason for the sharp decline in revenue in the year under review. The consistent and higher-margin service business (customer services) saw revenue rise markedly in 2023, however.

Adjusted EBIT improved significantly year on year to reach €790.5 million (2022: €292.4 million). There was a normalization of financial performance and a sharp rise in profitability during the reporting period. This was due to the price increases introduced in 2022 in respect of sales to customers and the general improvement in the supply chain situation and availability of materials in 2023, alongside an easing of the cost of materials, energy, and logistics. The KION Group's adjusted EBIT margin rose to 6.9 percent (2022: 2.6 percent).

The sharp increase in financial expenses that resulted from the higher level of interest rates reduced net income. However, this effect was easily offset by the very strong operating profit. Net income increased substantially year on year to €314.4 million (2022: €105.8 million). With the number of shares remaining unchanged, basic earnings per share therefore jumped to €2.33 (2022: €0.75). KION GROUP AG will propose a dividend of €0.70 per share to the 2024 Annual General Meeting (2023: €0.19).

The KION Group's free cash flow reached an outstanding €715.2 million thanks to the significant rise in operating profit and improved management of working capital (2022: minus €715.6 million). By contrast, the prior-year figure had been adversely affected, in particular, by the considerable growth of net working capital as a result of the extensive supply chain disruptions. Repayments of bank loans, in particular, brought net financial debt down by €460.0 million to €1,210.6 million as at the reporting date, compared with €1,670.5 million at the end of 2022. This equated to 0.7 times adjusted EBITDA (2022: 1.4 times).

Comparison between actual and forecast performance

As the earnings performance of the Industrial Trucks & Services segment was exceeding expectations, the Executive Board of KION GROUP AG updated its outlook for 2023 over the course of the year, doing so for the final time on October 13, 2023. It raised the projections that had been published in the outlook section of the 2022 annual report for revenue, adjusted EBIT, free cash flow, and return on capital employed (ROCE), which are the core key performance indicators for the Group. With regard to the operating segments, the figures forecast for revenue and adjusted EBIT in the Industrial Trucks & Services segment were adjusted upward, whereas the corresponding numbers for the Supply Chain Solutions segment were downgraded.

The Group achieved the projections made in the most recently updated outlook for 2023 as a whole across the board. At €11.4 billion, revenue came in higher than the projected minimum figure of €11.2 billion. Adjusted EBIT amounted to €790.5 million, exceeding the minimum of €780 million in the outlook. The free cash flow of €715.2 million was also higher than the target figure of at least €660 million. ROCE was 7.7 percent, compared with the projected minimum of 7.0 percent.

Comparison between actual and forecast business performance for 2023 – KION Group

	KION Group		
	Outlook annual report 2022	**Outlook adjusted**	**Actual business performance**
Revenue	minimum €11.0 billion	minimum €11.2 billion	€11.4 billion
Adjusted EBIT	minimum €550 million	minimum €780 million	€790.5 million
Free cash flow	minimum €500 million	minimum €660 million	€715.2 million
ROCE	minimum 5.0%	minimum 7.0%	7.7%

At €8.5 billion, revenue in the Industrial Trucks & Services segment slightly exceeded the minimum of €8.2 billion in the outlook. Adjusted EBIT was also higher than the target figure of at least €830 million, reaching €848.5 million.

The Supply Chain Solutions segment's revenue of €3.0 billion matched the projected minimum figure. However, its adjusted EBIT of €44.3 million was below the projected minimum of €55 million because the overall costs of certain customer projects were higher than expected.

Comparison between actual and forecast business performance by segment for 2023

	Industrial Trucks & Services			Supply Chain Solutions		
	Outlook annual report 2022	**Outlook adjusted**	**Actual business performance**	**Outlook annual report 2022**	**Outlook adjusted**	**Actual business performance**
Revenue[1]	minimum €7.8 billion	minimum €8.2 billion	€8.5 billion	minimum €3.2 billion	minimum €3.0 billion	€3.0 billion
Adjusted EBIT[1]	minimum €600 million	minimum €830 million	€848.5 million	minimum €65 million	minimum €55 million	€44.3 million

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

Business situation and financial performance of the KION Group

Level of orders

The KION Group's orders were down significantly in 2023 compared with the previous year. In 2022, the Industrial Trucks & Services segment had recorded a high level of order intake thanks to customers placing their orders earlier in response to longer delivery times in connection with the supply chain situation and to the announcement of increases in sales prices. The total value of the KION Group's order intake fell by 7.1 percent to €10,875.6 million (2022: €11,707.6 million).

The continued stabilization of the supply chain situation coupled with the improved availability of materials helped the Industrial Trucks & Services segment to work through the sizeable order book that had been built up in the prior year. In a weakening overall market environment in 2023, order numbers for new trucks in the EMEA and Americas regions were thus – as expected – unable to match the exceptionally high levels achieved in 2022. Over the year as a whole, the service business saw a healthy increase in orders.

In the Supply Chain Solutions segment, customer demand in the long-term project business (business solutions) was very muted, reflecting the situation in the global market for warehouse automation solutions. The segment generated an increase in order intake in its service business in 2023, benefiting from the maintenance, modernization, and upgrading of the solutions that it had installed for customers in previous years.

Although the KION Group managed to reduce the level of orders on hand over the twelve-month period, the order book was still at the high level of €6,362.1 million as at the reporting date (December 31, 2022: €7,077.8 million).

Revenue

Consolidated revenue for 2023 only slightly exceeded the figure for the prior year by 2.7 percent to reach €11,433.7 million (2022: €11,135.6 million), but the underlying trend was very different in the two operating segments.

Revenue generated from external customers in the Industrial Trucks & Services segment advanced by 15.3 percent to €8,464.2 million (2022: €7,344.2 million) as a result of higher production output. As the segment worked through its sizeable order book, the price rises that had been implemented in 2022 increasingly contributed to the positive impact on revenue growth, particularly in the EMEA region. In the service business, revenue increased across all categories.

In the Supply Chain Solutions segment, however, external revenue contracted by 21.7 percent overall to €2,968.4 million (2022: €3,789.4 million). This significant fall in revenue resulted from muted customer demand in the project business (business solutions) in the preceding quarters. Moreover, the projects secured in the reporting year were predominantly ones where the revenue will be recognized over an extended period. By contrast, the consistent and higher-margin service business (customer services) registered a sharp rise in revenue.

Overall, due to the decline in new business, the proportion of consolidated revenue attributable to the service business rose to 44.0 percent (2022: 42.1 percent).

Revenue with third parties by product category

in € million	2023	2022	Change
Industrial Trucks & Services	**8,464.2**	**7,344.2**	**15.3%**
New business	4,465.2	3,623.2	23.2%
Service business	3,999.0	3,721.0	7.5%
– Aftersales	2,089.7	1,940.7	7.7%
– Rental business	1,163.6	1,105.9	5.2%
– Used trucks	460.8	418.0	10.2%
– Other	284.9	256.3	11.2%
Supply Chain Solutions	**2,968.4**	**3,789.4**	**–21.7%**
Business solutions	1,930.9	2,827.6	–31.7%
Service business	1,037.4	961.8	7.9%
Corporate Services	**1.1**	**1.9**	**–41.8%**
Total revenue	**11,433.7**	**11,135.6**	**2.7%**

Revenue by sales region

In the Industrial Trucks & Services segment, the biggest contribution to revenue growth in terms of volume came from the main sales region (EMEA) in 2023. The segment saw a further large rise in revenue in the Americas region, but registered a moderate year-on-year decline in revenue in the APAC region.

The significant fall in revenue in the Supply Chain Solutions segment in 2023 was attributable to the reduction in the segment’s core market of North America (Americas region). Revenue generated in the EMEA region was also well below expectations and decreased substantially compared with the prior year. Meanwhile, the APAC region was unable to match the strong revenue growth that it had seen in 2022.

Revenue with third parties by customer location

in € million	2023	2022	Change
EMEA	**7,622.1**	**6,823.7**	**11.7%**
Western Europe	6,651.3	5,945.4	11.9%
Eastern Europe	846.2	759.3	11.5%
Middle East and Africa	124.6	119.0	4.7%
Americas	**2,582.5**	**3,014.6**	**–14.3%**
North America	2,250.8	2,732.2	–17.6%
Central and South America	331.8	282.4	17.5%
APAC	**1,229.1**	**1,297.3**	**–5.3%**
China	714.3	739.1	–3.4%
APAC excluding China	514.8	558.2	–7.8%
Total revenue	**11,433.7**	**11,135.6**	**2.7%**

Earnings and profitability

EBIT, EBITDA, and ROCE

Earnings before interest and tax (EBIT) improved by a substantial €492.3 million to €660.6 million in 2023 (2022: €168.3 million). The figure for the prior year had been affected by the disruptions to the global supply chain and by sharp increases in costs for materials, energy, and logistics. The Group's financial performance improved in 2023 due to the price rises introduced in 2022 in respect of sales to customers, to the combined effect of the general improvement in the availability of materials and the easing of the cost situation, and to the measures – now largely implemented – to enhance operational and commercial agility in the supply chain and in production in both operating segments.

EBIT included budgeted purchase price allocation effects amounting to an expense of €92.7 million in the reporting year (2022: expense of €92.7 million). There were also non-recurring items amounting to a total expense of €37.2 million (2022: expense of €31.5 million), of which an expense of €27.8 million related to the Supply Chain Solutions segment. As market demand is currently muted in the long-term project business of the Supply Chain Solutions segment, staffing capacity was adjusted in 2023 as a short-term countermeasure to reflect the prevailing order situation. The expense reported for non-recurring items in 2022 had predominantly related to impairment losses on assets in connection with the business in Russia.

EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) rose sharply to €790.5 million (2022: €292.4 million). The Group's adjusted EBIT margin improved to 6.9 percent as a result (2022: 2.6 percent). In the breakdown by segment, the Industrial Trucks & Services segment's adjusted EBIT margin of 10.0 percent put it back into double figures for this metric. The Supply Chain Solutions segment's adjusted EBIT margin, which had been negative in the prior year, returned to positive territory at 1.5 percent. A reconciliation of adjusted EBIT and adjusted EBITDA, broken down by functional costs, is provided in the following tables 'EBIT' and 'EBITDA'. In both tables, the 'other' item mainly comprises the share of profit (loss) of equity-accounted investments, along with other income and expenses in the income statement.

EBIT

in € million	2023	in % of revenue	2022	in % of revenue
EBIT	**660.6**	**5.8%**	**168.3**	**1.5%**
Adjustment by functional costs:				
+ Cost of sales	60.9	0.5%	50.0	0.4%
+ Selling expenses and administrative expenses	59.4	0.5%	60.6	0.5%
+ Research and development costs	0.2	0.0%	–1.0	–0.0%
+ Other costs	9.4	0.1%	14.5	0.1%
Adjusted EBIT	**790.5**	**6.9%**	**292.4**	**2.6%**
adjusted for non-recurring items	37.2	0.3%	31.5	0.3%
adjusted for PPA items	92.7	0.8%	92.7	0.8%

Earnings before interest, tax, depreciation, and amortization (EBITDA) increased to €1,713.6 million in 2023 (2022: €1,201.8 million). Adjusted EBITDA rose to €1,748.7 million (2022: €1,218.7 million), giving an adjusted EBITDA margin of 15.3 percent (2022: 10.9 percent). The non-recurring items included in EBITDA arose mainly in connection with the capacity adjustments initiated in the Supply Chain Solutions segment. The non-recurring items reported in the prior year had predominantly related to impairment losses on current assets in connection with the business in Russia.

EBITDA

in € million	2023	in % of revenue	2022	in % of revenue
EBITDA	**1,713.6**	**15.0%**	**1,201.8**	**10.8%**
Adjustment by functional costs:				
+ Cost of sales	23.0	0.2%	8.6	0.1%
+ Selling expenses and administrative expenses	10.1	0.1%	9.4	0.1%
+ Research and development costs	0.2	0.0%	–1.0	–0.0%
+ Other costs	1.9	0.0%	–0.1	–0.0%
Adjusted EBITDA	**1,748.7**	**15.3%**	**1,218.7**	**10.9%**
adjusted for non-recurring items	32.6	0.3%	16.9	0.2%
adjusted for PPA items	2.5	0.0%	0.0	0.0%

Return on capital employed (ROCE), which is the ratio of adjusted EBIT to capital employed, was up sharply year on year at 7.7 percent (December 31, 2022: 2.9 percent). This was because earnings rose while capital employed was virtually unchanged. The largely stable level of net working capital was also a factor. The following table 'Return on capital employed (ROCE)' shows how the figure for capital employed is calculated.

Return on capital employed (ROCE)

in € million	2023	2022
Total assets[1]	17,388.4	16,599.4
– less selected assets[2]	–3,142.2	–2,666.6
– less selected liabilities[1, 3]	–4,028.3	–3,746.8
Capital employed	**10,217.8**	**10,185.9**
Adjusted EBIT	**790.5**	**292.4**
ROCE	**7.7%**	**2.9%**

1 Prior year figures adjusted (see note [41] in the notes to the consolidated financial statements)

2 Lease receivables, income tax receivables, deferred tax assets, cash and cash equivalents, certain other financial assets and other assets and fair value adjustments identified as part of purchase price allocations

3 Sundry other provisions, trade payables, contract liabilities, certain other financial liabilities and other liabilities

Key influencing factors for earnings

The Group's revenue growth in 2023 was attributable mainly to the Industrial Trucks & Services segment working through the sizeable order book – facilitated by a stable supply chain situation and much improved availability of materials – and to the price rises introduced in 2022. The cost of sales, conversely, fell by 4.0 percent year on year to €8,652.5 million, as the figure for 2022 had been affected by sharp increases in costs for materials, energy, and logistics. The measures to enhance operational and commercial agility – now largely implemented in both operating segments – thus made a significant contribution to improving the Group's gross margin from 19.1 percent in 2022 to 24.3 percent.

The rise in other functional costs was mainly due to the increased volume of business and was stronger than the rate of revenue growth. Selling and administrative expenses went up by a total of €129.7 million compared with the previous year, with selling expenses rising by 2.2 percent and administrative expenses by 16.0 percent. In addition to an increase in personnel expenses, including variable remuneration components, the sharp rise in administrative expenses was due in particular to the strategic, groupwide Business Transformation project encompassing the rollout of the SAP S/4HANA system.

Research and development expenditure went up by 15.6 percent overall and contributed to the targeted implementation of the KION 2027 strategy in the core fields of action of 'automation and software' and 'sustainability'. Part of this implementation involved a targeted increase in staffing levels at the development sites.

At €92.7 million, the purchase price allocation effects in EBIT included in the cost of sales and in other functional costs were at the same level as in the previous year. The ‘other’ item in the following table ‘Condensed consolidated income statement’ 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 €12.8 million (2022: profit of €14.1 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	2023	2022	Change
Revenue	11,433.7	11,135.6	2.7%
Cost of sales	–8,652.5	–9,011.5	4.0%
Gross profit	**2,781.2**	**2,124.0**	**30.9%**
Selling expenses and administrative expenses	–1,904.3	–1,774.6	–7.3%
Research and development costs	–235.1	–203.3	–15.6%
Other	18.7	22.1	–15.5%
Earnings before interest and tax (EBIT)	**660.6**	**168.3**	**> 100%**
Net financial expenses	–200.8	–30.2	< –100%
Earnings before tax	**459.8**	**138.0**	**> 100%**
Income taxes	–145.4	–32.2	< –100%
Net income	**314.4**	**105.8**	**> 100%**

Net financial expenses

Net financial expenses, representing the balance of financial income and financial expenses, deteriorated considerably in the reporting period and came to €200.8 million (2022: €30.2 million). This was due mainly to the rise in the level of interest rates. Interest expense on financial debt increased to €67.8 million (2022: €31.4 million) owing to variable interest rates but also because of a year-on-year rise in average financial debt. Net interest income/expense from the lease and short-term rental business amounted to a net expense of €60.9 million (2022: net income of €10.6 million), whereas income of €39.9 million was realized on the interest-rate derivatives used for hedging purposes in the lease business during the reporting year (2022: expense of €0.4 million). In addition, changes in the fair values of interest-rate derivatives and adjustments to the valuation of lease receivables designated as part of a fair value hedge made a negative contribution of €24.7 million to net financial expenses (2022: positive contribution of €34.7 million).

Income taxes

Income tax expenses rose to €145.4 million (2022: €32.2 million) because of the higher level of earnings in 2023. Alongside the improvement in earnings, the tax expense was mainly increased by losses that are unlikely to be utilizable for tax purposes. By contrast, the tax expense for 2022 had been low relative to the level of earnings because of tax rebates for previous years recognized in profit or loss and the utilization of tax reliefs in connection with research and development projects. The Group’s effective tax rate stood at 31.6 percent for 2023 (2022: 23.3 percent).

Net income and appropriation of profit

Net income amounted to €314.4 million (2022: €105.8 million) and included net income attributable to non-controlling interests of €8.6 million (2022: €7.8 million). The net income attributable to the shareholders of KION GROUP AG was €305.8 million (2022: €98.0 million). Basic earnings per share attributable to the shareholders of KION GROUP AG came to €2.33 (2022: €0.75) based on 131.1 million (2022: 131.1 million) no-par-value shares. Diluted earnings per share, which is calculated by adding potentially dilutive no-par-value shares under the Employee Equity Program, also amounted to €2.33 (2022: €0.75) based on a weighted average number of shares of 131.1 million (2022: 131.1 million).

The distributable profit of KION GROUP AG for the 2023 financial year came to €189.1 million (2022: €111.0 million). The Executive Board and the Supervisory Board will propose to the Annual General Meeting in 2024 that an amount of €91.8 million be appropriated for the payment of a dividend of €0.70 per dividend-bearing share. This equates to a proposed dividend payout rate of around 30 percent of the net income attributable to the shareholders of KION GROUP AG.

Business situation and financial performance of the segments

Industrial Trucks & Services segment

Business performance and level of orders

Due to the subdued market, the number of new trucks ordered in the Industrial Trucks & Services segment fell by 9.9 percent to 242 thousand in the year under review. The EMEA and Americas regions were down overall year on year. During 2022, customers had brought orders forward in response to longer delivery times in connection with the supply chain situation. In addition, the Industrial Trucks & Services segment's order book had swelled in the prior year following the announcement of price rises in respect of sales to customers that resulted from sharp increases in the cost of materials, energy, and logistics. Meanwhile, the APAC region's unit sales returned to growth in 2023 following a market slump in the previous year.

The value of the segment's order intake decreased by 6.4 percent to €7,890.2 million in 2023 (2022: €8,425.6 million). In the new truck business, the decline in the number of units sold was partly offset by price increases. As expected, the order book of €3,197.4 million as at December 31, 2023 was smaller than at the end of the previous year (December 31, 2022: €3,817.6 million). This decrease of €620.2 million was due to the fall in order intake in new business and the accelerated delivery of trucks resulting from the improved availability of materials. The order book was still well filled, however. In the service business, the value of order intake rose across all categories, in some cases significantly.

Currency effects reduced order intake by a total of €109.5 million.

Key figures – Industrial Trucks & Services

in € million	2023	2022	Change
Total revenue	8,479.6	7,356.1	15.3%
EBITDA	1,688.4	1,213.5	39.1%
Adjusted EBITDA	1,700.9	1,241.7	37.0%
EBIT	831.4	376.0	> 100%
Adjusted EBIT	848.5	420.5	> 100%
Adjusted EBITDA margin	20.1%	16.9%	–
Adjusted EBIT margin	10.0%	5.7%	–
Order intake	7,890.2	8,425.6	–6.4%
Order book[1]	3,197.4	3,817.6	–16.2%

1 Figures as at balance sheet date Dec. 31

Revenue

Total revenue in the Industrial Trucks & Services segment advanced by 15.3 percent to €8,479.6 million (2022: €7,356.1 million). In terms of factors behind this revenue increase, the processing of the sizeable order book built up in 2022 had a positive impact, while the price rises introduced in the previous year also made a substantial contribution. Furthermore, the service business saw an increase in revenue across all categories.

All product categories recorded a year-on-year rise, with electric forklift trucks notching up the biggest increase by far. The service business generated encouraging growth of 7.5 percent, driven mainly by the aftersales and rental businesses. In the new business product category, revenue of €989.1 million was earned from the direct and indirect lease business (2022: €726.0 million). In the rental business product category, a sum of €574.8 million was attributable to direct and indirect lease business (2022: €560.2 million) and €588.8 million to the short-term rental business (2022: €545.7 million).

At 47.2 percent, the proportion of the segment's external revenue attributable to the service business was lower than in the prior year (2022: 50.7 percent). Currency effects reduced segment revenue by €108.8 million.

Earnings

The adjusted EBIT of the Industrial Trucks & Services segment rose sharply to €848.5 million (2022: €420.5 million). This was partly thanks to the impact on earnings of the revenue growth derived from increases in the volume of business and in prices, the efficiency gains achieved in production, and the stabilization of material prices on the supply side.

The segment's adjusted EBIT margin rose significantly to 10.0 percent (2022: 5.7 percent) and thus returned to double digits.

After taking into account non-recurring items amounting to an expense of €12.8 million (2022: expense of €42.8 million) and purchase price allocation effects amounting to an expense of €4.3 million (2022: expense of €1.7 million), the segment's EBIT rose to €831.4 million (2022: €376.0 million). In the prior year, EBIT had included an expense of €42.8 million for non-recurring items that mainly related to impairment losses on assets of the Russian subsidiaries.

Adjusted EBITDA came to €1,700.9 million in 2023 (2022: €1,241.7 million), giving an adjusted EBITDA margin of 20.1 percent (2022: 16.9 percent).

Supply Chain Solutions segment

Business performance and level of orders

In the Supply Chain Solutions segment, the value of order intake decreased by 9.8 percent in the reporting year to €3,032.4 million (2022: €3,361.9 million). As expected, the global market for warehouse automation solutions weakened after several years of robust growth. There was a significant downturn in demand from customers in the project business (business solutions) as a result. Against this backdrop, the long-term project business (business solutions) saw a marked decline in order intake in the Americas and EMEA regions. Order intake in the APAC region was up, however, in part due to a big-ticket order that was secured in the third quarter of 2023.

Overall demand was weakening in the customer segments general merchandise and apparel, a high proportion of orders was attributable to pure e-commerce providers and grocery retail. The maintenance, modernization, and upgrading that are required for the growing number of solutions installed for customers in previous years led to an increase in the segment's higher-margin service business (customer services). However, the improved level of orders on hand in the service business was only able to offset the reduction in the volume of orders in the project business to a small extent.

Currency effects reduced order intake by a total of €96.9 million.

As at December 31, 2023, the order book stood at €3,237.5 million and was thus virtually unchanged from its level at the end of the previous year (December 31, 2022: €3,327.5 million).

Key figures – Supply Chain Solutions

in € million	2023	2022	Change
Total revenue	2,997.0	3,806.9	–21.3%
EBITDA	98.5	22.2	> 100%
Adjusted EBITDA	124.5	32.2	> 100%
EBIT	–71.9	–146.6	51.0%
Adjusted EBIT	44.3	–45.6	> 100%
Adjusted EBITDA margin	4.2%	0.8%	–
Adjusted EBIT margin	1.5%	–1.2%	–
Order intake	3,032.4	3,361.9	–9.8%
Order book[1]	3,237.5	3,327.5	–2.7%

1 Figures as at balance sheet date Dec. 31

Revenue

The total revenue of the Supply Chain Solutions segment amounted to €2,997.0 million in the reporting period, which was down by 21.3 percent year on year (2022: €3,806.9 million). This fall in revenue was mainly due to project delays and, in particular, the decline in order intake in the project business (business solutions) from the second half of 2022 onward. The new orders secured in the reporting year, the revenue from which will be recognized over an extended period, will only begin to have a noticeable impact on revenue in subsequent years as they progress through the stages of completion. In contrast to the project business, revenue in the service business (customer services) rose by 7.9 percent year on year due to the maintenance, modernization, and upgrading of the solutions already installed for customers. At 34.9 percent, the contribution of the service business to the segment's external revenue was greater than in the prior year (2022: 25.4 percent).

Currency effects reduced the SCS segment's revenue by €84.0 million.

Earnings

Adjusted EBIT for the Supply Chain Solutions segment was comfortably back into positive territory at €44.3 million in 2023 (2022: minus €45.6 million). The adjusted EBIT margin improved to 1.5 percent (2022: minus 1.2 percent).

However, the project business fell behind schedule in working through lower-margin orders from the order book, the contracts for which do not yet include adequate price adjustment clauses. Moreover, the expected overall costs for some projects went up over the course of the year, partly due to delays in their completion. The ongoing measures that had been initiated in 2022 and the slowly growing proportion of higher-margin customer projects contributed to the improvement in earnings achieved in 2023 as a whole.

As market demand is currently muted in the long-term project business of the Supply Chain Solutions segment, staffing capacity was adjusted in 2023 as a short-term countermeasure to reflect the prevailing order situation. This resulted in non-recurring items amounting to an expense of €24.8 million. Total non-recurring items for the segment amounted to an expense of €27.8 million (2022: expense of €10.1 million). After taking into account these effects and an expense of €88.4 million for purchase price allocation effects (2022: expense of €90.9 million), EBIT came to minus €71.9 million overall (2022: minus €146.6 million).

Adjusted EBITDA increased to €124.5 million (2022: €32.2 million); the adjusted EBITDA margin stood at 4.2 percent (2022: 0.8 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 came to €259.2 million (2022: €214.6 million) and, as in previous years, mainly resulted from internal IT services.

The segment’s adjusted EBIT amounted to €544.7 million (2022: €308.1 million) and was largely attributable to higher internal income from equity investments on the back of an improved financial performance. Excluding internal income from equity investments, adjusted EBIT amounted to minus €100.7 million (2022: minus €82.9 million). The deterioration was mainly due to expenses for strategic projects and to personnel expenses in connection with variable remuneration components.

Adjusted EBITDA stood at €570.3 million (2022: €335.4 million) or minus €75.1 million (2022: minus €55.6 million) if intragroup income from equity investments is excluded.

Key figures – Corporate Services

in € million	2023	2022	Change
Total revenue	259.2	214.6	20.8%
EBITDA	573.7	356.7	60.8%
Adjusted EBITDA	570.3	335.4	70.1%
EBIT	548.1	329.4	66.4%
Adjusted EBIT	544.7	308.1	76.8%
Order intake	259.2	214.6	20.8%

Net assets

The condensed consolidated statement of financial position as at December 31, 2023 showing current and non-current assets and liabilities together with equity is presented below:

Condensed consolidated statement of financial position

in € million	Dec. 31, 2023	in %	Dec. 31, 2022	in %	Change
Non-current assets	12,165.1	70.0%	11,412.6	68.8%	6.6%
Current assets[1]	5,223.3	30.0%	5,186.7	31.2%	0.7%
Total assets	**17,388.4**	**100.0%**	**16,599.4**	**100.0%**	**4.8%**
Equity	5,772.7	33.2%	5,607.8	33.8%	2.9%
Non-current liabilities	6,642.9	38.2%	6,040.8	36.4%	10.0%
Current liabilities[1]	4,972.8	28.6%	4,950.8	29.8%	0.4%
Total equity and liabilities	**17,388.4**	**100.0%**	**16,599.4**	**100.0%**	**4.8%**

1 Prior year figures adjusted (see note [41] in the notes to the consolidated financial statements)

Non-current assets

Non-current assets increased year on year to €12,165.1 million (December 31, 2022: €11,412.6 million). The carrying amount of intangible assets was €5,665.0 million (December 31, 2022: €5,781.6 million). Of this sum, €3,558.0 million was attributable to goodwill (December 31, 2022: €3,619.4 million). Most of the decrease of €61.4 million in the carrying amount of goodwill was due to exchange rate movements. As a result of ongoing capital expenditure activities, other property, plant and equipment rose sharply to €1,749.9 million (December 31, 2022: €1,585.2 million). In addition to investment in the expansion of existing production and technology facilities, there was capital expenditure on projects such as the construction of a new Supply Chain Solutions plant in Jinan, China, and an automated distribution center in Kahl am Main. Other property, plant and equipment also included right-of-use assets related to procurement leases, which rose to €589.2 million as at the end of 2023 (December 31, 2022: €543.5 million). Of this figure, €470.7 million was attributable to land and buildings (December 31, 2022: €445.7 million) and €118.5 million to plant & machinery and office furniture & equipment (December 31, 2022: €97.9 million).

The rental assets from the short-term rental business recognized in the statement of financial position increased to €737.8 million as at December 31, 2023 (2022: €602.1 million). This was due to the expansion and progressive renewal of the short-term rental fleet in light of the improved availability of new trucks. Leased assets for direct and indirect leases with end customers that are classified as operating leases rose to €1,454.9 million (December 31, 2022: €1,367.7 million). Due to the healthy growth in new business, non-current lease receivables arising from leases with end customers that are classified as finance leases also increased, to €1,701.9 million (December 31, 2022: €1,370.5 million).

The amount of deferred tax assets recognized in the statement of financial position swelled to €443.2 million as at December 31, 2023 (December 31, 2022: €300.8 million).

Current assets

Totaling €5,223.3 million, current assets as at December 31, 2023 were virtually unchanged compared with the end of 2022 (December 31, 2022: €5,186.7 million), primarily thanks to the improved management of working capital compared with the previous year. In the fourth quarter of 2023, the Group was able to reduce the inventories that had built up over the course of the year as a result of high production output in the Industrial Trucks & Services segment. As at the end of 2023, the Group's inventories totaled €1,817.1 million (2022: €1,804.6 million).

Inventories

in € million	Dec. 31, 2023	Dec. 31, 2022	Change
Materials and supplies	465.8	512.2	–9.1%
Work in progress	318.1	340.1	–6.5%
Finished goods and merchandise	959.6	890.3	7.8%
Advances paid	73.7	62.0	18.8%
Total inventories	**1,817.1**	**1,804.6**	**0.7%**

Trade receivables rose to €1,755.8 million as a result of revenue growth (December 31, 2022: €1,667.3 million). Contract assets, which are mainly recognized in connection with the project business in the Supply Chain Solutions segment, fell sharply to €403.3 million due to continuous invoicing over the course of the projects (December 31, 2022: €528.8 million).

At €2,009.0 million, the KION Group's net working capital as at the end of 2023 was comparable to the level a year earlier (December 31, 2022: €2,050.2 million). Inventories remained more or less stable compared with the end of 2022, while receivables from customers increased but to a lesser extent than the combined impact of lower contract balances in the project business of the Supply Chain Solutions segment and a higher level of trade payables.

Current lease receivables from end customers increased as at December 31, 2023 as a result of the growth in new business.

Thanks to the significant level of positive free cash flow in the reporting period, it was possible to use some of the liquidity generated to progressively bring down the level of financial liabilities. Cash and cash equivalents amounted to €311.8 million as at the end of 2023, which was almost unchanged year on year (December 31, 2022: €318.1 million).

Assets classified as held for sale were recognized in the consolidated statement of financial position in an amount of €55.2 million (2022: €27.4 million). They relate to the pending sales of the Industrial Trucks & Services segment's business in Russia and two of its sales units, in Norway and Finland. The assets of the disposal groups mainly consist of inventories, leased and rental assets, and cash and cash equivalents.

Financial position

Principles and objectives of financial management

The KION Group pursues a sound financial policy of maintaining a strong credit profile with reliable access to capital markets. By pursuing an appropriate financial management strategy, the KION Group makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. As part of its financial management activities, the KION Group aims to optimize the funding structure and conditions. In addition, the KION Group manages its financial relationships with customers and suppliers and mitigates the financial risk to its enterprise value and profitability, notably currency risk, interest-rate risk, price risk, counterparty risk, and country risk. In this way, the KION Group creates a stable funding position for profitable growth.

Within the Group, KION GROUP AG manages intercompany cash pooling centrally. KION GROUP AG pools the liquidity of the Group companies and covers their funding requirements. The vast majority of the Group companies participate in KION GROUP AG's groupwide cash pool. This funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants. The Group occasionally arranges additional local credit lines for some Group companies with banks or leasing companies in order to comply with legal, tax, and other regulations.

The KION Group is a publicly listed corporate group and therefore ensures that its financial management takes into account the interests of shareholders, the banks providing its funding, and other lenders. For the sake of all stakeholders, the KION Group makes sure that it maintains an appropriate ratio of internal funding to borrowing. The KION Group's borrowing currently has a maturity structure extending until 2030.

Depending on requirements and the market situation, the KION Group also avails itself of the funding facilities offered by the capital markets. The KION Group therefore seeks to implement proactive risk management by rigorously pursuing its corporate strategy and to maintain an investment-grade credit rating in the capital and funding markets by ensuring a solid funding structure.

The KION Group's credit ratings remained more or less unchanged in the year under review. Standard & Poor's confirmed its BBB– rating in April 2023 and changed the outlook from CreditWatch negative to negative. Since October 2022, Fitch Ratings has awarded a long-term issuer default rating of BBB with a stable outlook and a short-term issuer default rating of F2.

KION GROUP AG generally issues guarantees to the banks for Group companies' existing payment obligations.

The KION Group maintains a liquidity reserve in the form of cash and a revolving credit facility in order to ensure long-term financial flexibility and solvency.

In addition, it uses derivatives to hedge currency risk. Interest-rate swaps are entered into in order to hedge interest-rate risk.

The revolving credit facility and a number of promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a maximum level of leverage (defined as the ratio of industrial net operating debt (INOD) to adjusted EBITDA). As at December 31, 2023, the actual level of leverage was well below the limit of the financial covenant. As contractually agreed, this calculation is currently suspended in respect of the revolving credit facility entered into in 2022, which was extended in 2023, because KION GROUP AG continues to have two investment-grade credit ratings.

Exceeding the agreed maximum level of leverage gives lenders a right of termination.

The contractually agreed interest terms for the revolving credit facility are linked not only to KION GROUP AG's credit rating but also to compliance with the Group's sustainability KPIs. A promissory note issued in October 2023 is also linked to the achievement of ESG targets.

Main corporate actions in the reporting period

KION GROUP AG further secured the funding requirements of the Group in the year under review, responding to the persistent uncertainties in the capital markets.

On October 10, 2023, KION GROUP AG carried out an important financing measure that involved issuing a promissory note in several tranches with a total nominal amount of €375.0 million, thereby extending the maturity profile of the Group's financial liabilities. The promissory note is linked to sustainability criteria (ESG-linked promissory note); its tranches predominantly have a variable rate and maturity periods of up to seven years. Five bilateral bank loans with a total volume of €475.0 million were repaid in 2023, in some cases ahead of schedule. Total borrowing of €1,147.5 million in the reporting year was offset by repayments of €1,621.7 million.

Analysis of capital structure

Non-current and current liabilities amounted to €11,615.7 million as at December 31, 2023, which was €624.1 million higher than the figure as at December 31, 2022 of €10,991.6 million. This rise was largely due to the increase in non-current and current liabilities from the lease and short-term rental business, which was partly offset in particular by a decrease in financial liabilities. Non-current liabilities included deferred tax liabilities of €448.9 million (December 31, 2022: €492.8 million).

Financial debt

Non-current and current financial liabilities fell to a total of €1,522.4 million (December 31, 2022: €1,988.6 million). Non-current financial liabilities stood at €1,285.6 million (December 31, 2022: €1,361.8 million). The carrying amount of the corporate bond issued, which is included in this line item, amounted to €498.0 million (December 31, 2022: €496.8 million). In addition to the non-current promissory notes, which had a total carrying amount of €626.5 million (December 31, 2022: €319.2 million) and included the ESG-linked promissory note issued in October 2023, non-current financial liabilities predominantly comprised liabilities to banks. The early repayment of bilateral bank loans in the fourth quarter of 2023 meant that non-current liabilities to banks fell to €143.2 million (December 31, 2022: €515.1 million).

Current financial liabilities decreased to €236.8 million as at December 31, 2023 (December 31, 2022: €626.7 million). Repayments in 2023 mainly related to paper issued under the commercial paper program, whose volume as at December 31, 2023 was €20.0 million (December 31, 2022: €305.0 million). Current liabilities to banks were also reduced, standing at €129.2 million as at the end of 2023 (December 31, 2022: €304.2 million). This included the amount of €21.0 million that was drawn down from the syndicated revolving credit facility (RCF) as at the reporting date. The unused portion of the RCF therefore stood at €1,364.7 million (December 31, 2022: €1,271.1 million). Current financial liabilities also included a tranche of the promissory note amounting to €69.5 million that is now recognized as current.

Net financial debt (non-current and current financial liabilities less cash and cash equivalents) stood at €1,210.6 million at the end of 2023, which was well below the prior-year figure (December 31, 2022: €1,670.5 million). This equated to 0.7 times adjusted EBITDA on an annualized basis (December 31, 2022: 1.4 times). To reconcile the net financial debt with the industrial net operating debt (INOD) of €2,566.2 million as at December 31, 2023 (December 31, 2022: €2,799.7 million), the liabilities from the short-term rental business of €716.6 million (December 31, 2022: €544.2 million) and the liabilities from procurement leases of €639.0 million (December 31, 2022: €584.9 million) are added to net financial debt.

Industrial net debt

in € million	Dec. 31, 2023	Dec. 31, 2022	Change
Promissory notes	696.0	319.2	> 100%
Bonds	498.0	496.8	0.2%
Liabilities to banks	272.4	819.3	–66.8%
Other financial debt	56.0	353.3	–84.2%
Financial debt	**1,522.4**	**1,988.6**	**–23.4%**
Less cash and cash equivalents	–311.8	–318.1	2.0%
Net financial debt	**1,210.6**	**1,670.5**	**–27.5%**
Liabilities from short-term rental business	716.6	544.2	31.7%
Liabilities from procurement leases	639.0	584.9	9.2%
Industrial net operating debt (INOD)	**2,566.2**	**2,799.7**	**–8.3%**
Net defined benefit obligation	674.8	618.9	9.0%
Industrial net debt (IND)	**3,241.0**	**3,418.5**	**–5.2%**
Adjusted EBITDA[1]	1,748.7	1,218.7	43.5%
Leverage on net financial debt	0.7	1.4	–49.5%
Leverage on INOD	1.5	2.3	–36.1%
Leverage on IND	1.9	2.8	–33.9%

1 Adjusted for PPA items and non-recurring items

Retirement benefit obligation and similar obligations

The KION Group maintains pension plans in many countries. These plans comply with legal requirements applicable to standard local practice and thus the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans, or multi-employer benefit plans. As at December 31, 2023, the retirement benefit obligation and similar obligations under defined benefit pension plans amounted to a total of €775.7 million, a year-on-year increase of €62.8 million that was due to lower discount rates (December 31, 2022: €712.8 million). The net obligation under defined benefit pension plans amounted to €674.8 million (December 31, 2022: €618.9 million). Changes in estimates relating to defined benefit pension entitlements resulted in a decrease in equity of €58.7 million (after deferred taxes).

Contributions to pension plans that are entirely or partly funded via funds are paid in as necessary to ensure sufficient assets are available and to be able to make future pension payments to pension plan participants. These contributions are determined by factors such as the funded status, legal and tax considerations, and local practice. Payments totaling €85.9 million (2022: €35.5 million) were made in 2023 for the main pension entitlements in the KION Group. They mostly comprised pension benefits of €26.1 million (2022: €22.3 million) granted directly by the Company and employer contributions to plan assets amounting to €59.7 million (2022: €13.2 million), which included the non-recurring addition of €50.0 million made in 2023 in order to increase the funding ratio of the pension plans.

Liabilities from lease and short-term rental business

The ongoing expansion of the lease business led to higher funding needs in the reporting period. Non-current and current liabilities from the lease business increased to €3,756.2 million as at December 31, 2023 (December 31, 2022: €3,214.6 million). Of this total, €3,620.5 million was attributable to financing of the direct lease business (December 31, 2022: €3,048.4 million) and €135.7 million to the repurchase obligations resulting from the indirect lease business (December 31, 2022: €166.3 million).

Non-current and current liabilities from the short-term rental business totaled €716.6 million (December 31, 2022: €544.2 million).

Other provisions

Non-current and current other provisions rose to €452.3 million as at December 31, 2023 (December 31, 2022: €370.2 million). In addition to provisions for product warranties and for personnel-related obligations, this includes provisions for onerous contracts mainly related to project business in the Supply Chain Solutions segment and other obligations.

Other financial liabilities

Non-current and current other financial liabilities rose to €884.5 million as at December 31, 2023 (December 31, 2022: €764.6 million). This item included liabilities from procurement leases amounting to €639.0 million (December 31, 2022: €584.9 million), for which right-of-use assets were recorded.

Contract liabilities

Contract liabilities, which mainly relate to prepayments received from customers in connection with the long-term project business in the Supply Chain Solutions segment, decreased to €773.3 million (December 31, 2022: €826.1 million).

Equity

Consolidated equity went up by €164.9 million to €5,772.7 million as at December 31, 2023 (December 31, 2022: €5,607.8 million). The net income of €314.4 million earned during the year under review contributed to the rise in equity. However, this was partly offset by the actuarial gains and losses arising from the measurement of pensions, which amounted to a net loss of €58.7 million (after deferred taxes), and currency translation losses of €79.0 million, both of which were recognized in other comprehensive income. KION GROUP AG's dividend payout reduced equity by €24.9 million. The equity ratio decreased only slightly to 33.2 percent as at the end of 2023 (December 31, 2022: 33.8 percent).

Analysis of capital expenditure

The KION Group's capital expenditure on property, plant and equipment and on intangible assets in the reporting year (excluding right-of-use assets from procurement leases) gave rise to cash payments of €442.8 million (2022: €382.7 million). The focus in the Industrial Trucks & Services segment was on product development and the expansion and modernization of production and technology facilities. Capital expenditure in the Supply Chain Solutions segment predominantly related to development costs and the construction of a new plant for supply chain solutions in the Chinese city of Jinan, Shandong province. Purchase commitments for capital expenditure on non-current assets amounted to €68.5 million as at the reporting date (December 31, 2022: €117.0 million); they are financed almost entirely from the KION Group's own resources.

Analysis of liquidity

Liquidity management is an important aspect of central financial management in the KION Group. The sources of liquidity are cash and cash equivalents, cash flow from operating activities, and amounts available under credit facilities. Using cash pools, liquidity is managed in such a way that the Group companies can always access the cash that they need.

Cash and cash equivalents declined to €311.8 million as at the reporting date (December 31, 2022: €318.1 million). In addition, cash of €8.9 million was recognized under assets classified as held for sale (December 31, 2022: €14.1 million).

Taking into account the credit facility of €1,364.7 million that was still freely available (December 31, 2022: €1,271.1 million), the unrestricted cash and cash equivalents available to the KION Group at the end of 2023 amounted to €1,674.4 million (December 31, 2022: €1,577.3 million).

In 2023, the KION Group's cash flow from operating activities amounted to a substantial net cash inflow of €1,144.0 million thanks to the significant increase in operating profit and the improved management of working capital. By contrast, the prior-year figure – amounting to a net cash outflow of minus €345.9 million – had been adversely affected, in particular, by the considerable growth of net working capital as a result of the extensive supply chain disruptions.

Net cash used for investing activities amounted to minus €428.8 million and was therefore higher than in the previous year (2022: minus €369.7 million). Within this total, cash payments for capital expenditure on production facilities, product development, and purchased property, plant and equipment rose to minus €442.8 million (2022: minus €382.7 million).

As a result, free cash flow – the sum of cash flow from operating activities and investing activities – improved significantly to €715.2 million in the reporting year (2022: minus €715.6 million).

Net cash used for financing activities amounted to minus €721.7 million in 2023 (2022: net cash provided of €562.8 million), largely due to the repayment of financial debt on the back of the very good level of free cash flow. Additions to and repayments of financial debt mainly related to current additions and repayments under the commercial paper program and the syndicated revolving credit facility (RCF) as well as the repayment of bank loans. Payments made for interest portions and principal portions under procurement leases totaled minus €157.9 million (2022: minus €151.7 million). Due to higher market interest rates and the higher average level of debt during the year, current interest payments went up substantially to minus €69.7 million (2022: minus €32.6 million). The payment of a dividend to the shareholders of KION GROUP AG resulted in an outflow of funds of minus €24.9 million, which equates to €0.19 per share.

Condensed consolidated statement of cash flows

in € million	2023	2022	Change
EBIT	**660.6**	**168.3**	**> 100%**
+ Amortization / depreciation[1] on non-current assets (without lease and rental assets)	485.5	469.7	3.4 %
+ Net changes from lease business (including depreciation[1] and release of deferred income)	–22.0	–27.6	20.3 %
+ Net changes from short-term rental business (including depreciation[1])	35.9	–7.4	> 100%
+ Changes in net working capital	27.5	–804.5	> 100%
+ Taxes paid	–180.0	–160.0	–12.5 %
+ Other	136.5	15.6	> 100%
= Cash flow from operating activities	**1,144.0**	**–345.9**	**> 100%**
+ Cash flow from investing activities	–428.8	–369.7	–16.0 %
thereof cash payments for capitalized development costs	–116.0	–118.0	1.7 %
thereof cash payments for purchase of other non-current assets	–326.9	–264.8	–23.5 %
thereof changes from acquisitions	–2.8	–4.9	42.1 %
thereof changes from other investing activities	16.8	17.9	–6.1 %
= Free cash flow	**715.2**	**–715.6**	**> 100%**
+ Cash flow from financing activities	–721.7	562.8	< –100%
+ Effect of exchange rate changes on cash	–5.0	2.1	< –100%
= Change in cash and cash equivalents	**–11.5**	**–150.8**	**92.4 %**

1 Including impairment and reversals of impairment

KION GROUP AG

Business activities

KION GROUP AG is the strategic management holding company in the KION Group. KION GROUP AG holds all the shares in Dematic Holdings GmbH, Frankfurt am Main, and thus directly holds all the shares in the subsidiaries in the Supply Chain Solutions segment. Furthermore, KION GROUP AG is the sole shareholder of Linde Material Handling GmbH, Aschaffenburg, which holds almost all the shares of the companies in the Industrial Trucks & Services segment. KION GROUP AG collects liquidity surpluses of the Group companies in a cash pool and, where possible, covers subsidiaries' funding requirements with intercompany loans. As a rule, the external financing of the Group's activities is handled by KION GROUP AG. Managerial holding company functions and the performance of other services, in return for a consideration, are also part of KION GROUP AG's remit.

The annual financial statements of KION GROUP AG are prepared in accordance with the provisions in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report is combined with the group management report. Pursuant to section 315e (1) HGB, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Differences between the accounting policies in accordance with HGB and those in accordance with IFRS arise primarily in connection with the accounting treatment of financial instruments, provisions, deferred taxes, and procurement leases.

Management system

The main key performance indicator for KION GROUP AG is adjusted EBIT (IFRS). It is defined as earnings before interest and tax adjusted for non-recurring items and is derived from KION GROUP AG's operating profit and net investment income. A reconciliation to adjusted EBIT (IFRS) is shown in a table in the following chapter.

Financial performance of KION GROUP AG

KION GROUP AG does not have any operating activities itself. The revenue of €112.1 million reported for 2023 (2022: €100.1 million) largely arose from the performance of services for affiliated companies.

Other operating income fell by €66.9 million to €18.3 million and included, in particular, gains on the measurement of bank accounts and cash pools in foreign currencies.

The cost of materials related to revenue from the provision of services and mostly consisted of expenses for consultancy services.

Personnel expenses amounted to €74.0 million, a year-on-year rise of €21.5 million. This growth was primarily attributable to an increase in variable, performance-related salary components, such as short-term incentives and share-based remuneration.

Other operating expenses fell by €83.2 million to €153.7 million. This decrease was mainly due to lower exchange rate losses resulting from the measurement of bank accounts and cash pools in foreign currencies amounting to €12.9 million (2022: €111.5 million). In a countervailing effect, KION GROUP AG saw its expenses for consultancy and other third-party services go up by €11.0 million to €109.7 million in 2023.

Impairment losses decreased by €12.5 million to €0.3 million. This reduction primarily related to the impairment losses of €12.4 million that had been recognized on financial receivables in the prior year due to the inability to recover financial receivables from Russian subsidiaries as a result of the war in Ukraine.

Net investment income rose by €236.9 million to €542.8 million in 2023. This increase was mainly due to the sharp rise in income from the profit-transfer agreement in place with Linde Material Handling GmbH, which amounted to €467.0 million (2022: €172.6 million). By contrast, income from the profit-transfer agreement with Dematic Holdings GmbH fell to €82.8 million (2022: €138.2 million).

Adjusted EBIT (IFRS), which is derived from operating profit and net investment income, increased in total by €220.9 million to €445.5 million.

The net financial income of €35.6 million (2022: €31.6 million) consisted of interest expense and similar charges totaling €140.6 million (2022: €52.5 million) and other interest and similar income amounting to €176.3 million (2022: €84.1 million). Interest expense and similar charges related to interest charged on intercompany liabilities in an amount of €74.3 million (2022: €18.3 million) and interest expense for external financial liabilities in an amount of €65.5 million (2022: €27.5 million). Other interest and similar income mainly comprised interest income of €169.5 million (2022: €82.2 million) arising from intercompany receivables. It also included income from cover assets of €3.2 million (2022: expense of €1.6 million).

KION GROUP AG recorded tax expenses of €107.6 million as a result of its role as the parent company of the tax group for nearly all domestic subsidiaries in 2023 (2022: tax income of €0.2 million). This change was due to the much improved earnings situation of the tax group last year.

Total net income of €373.0 million was generated in the year under review (2022: €220.6 million).

Financial performance

in € million	2023	2022	Change
Revenue	112.1	100.1	12.0%
Other operating income	18.3	85.2	–78.5%
Material expenses	–0.2	–0.2	0.0%
Personnel expenses	–74.0	–52.5	–41.0%
Other operating expenses	–153.7	–236.9	35.1%
Depreciation, amortization & impairment expense	–0.3	–12.8	97.7%
Operating loss	**–97.8**	**–117.1**	**16.5%**
Net income (loss) from participations	542.8	305.9	77.4%
Net interest income (loss)	35.6	31.6	12.7%
Income taxes	–107.6	0.2	< −100%
Net income	**373.0**	**220.6**	**69.1%**

Reconciliation to adjusted EBIT (IFRS)

in € million	2023	2022	Change
Operating loss	–97.8	–117.1	16.5%
Net income (loss) from participations	542.8	305.9	77.4%
Valuation effects local gaap / IFRS	–0.2	54.0	< −100%
Non-recurring items	0.7	–18.2	> 100%
Adjusted EBIT (IFRS)	**445.5**	**224.6**	**98.4%**

In the prior year, the differences between the accounting policies in accordance with HGB and those in accordance with IFRS had resulted mainly from the recognition, in adjusted EBIT (IFRS), of currency effects and of the impairment of financial receivables due from Russian subsidiaries. The prior year’s non-recurring items had related to the intragroup charging of costs to subsidiaries.

Net assets and financial position of KION GROUP AG

The total assets of KION GROUP AG decreased by approximately 0.5 percent to €8,124.2 million as at December 31, 2023.

At €4,239.1 million, financial assets were virtually unchanged and largely comprised the carrying amounts of the equity investments in Dematic Holdings GmbH (€2,862.2 million) and Linde Material Handling GmbH (€1,368.4 million).

Cash and cash equivalents increased by €39.3 million to €87.4 million as at the reporting date.

Receivables and other assets amounted to €3,793.3 million (December 31, 2022: €3,873.9 million). The bulk of this total, €3,746.7 million, consisted of loans and cash pool receivables due from other Group companies (December 31, 2022: €3,797.7 million). The total also included the Company's entitlement to the transfer of profits from Linde Material Handling GmbH in an amount of €467.0 million (December 31, 2022: €172.6 million) and to the transfer of profits from Dematic Holdings GmbH in an amount of €82.8 million (December 31, 2022: €138.3 million). There were long-term loans to Group companies of €49.7 million (December 31, 2022: €433.8 million).

Net assets

in € million	Dec. 31, 2023	Dec. 31, 2022	Change
Assets			
Property, plant and equipment	1.4	1.5	–7.9%
Financial assets	4,239.1	4,238.2	0.0%
Receivables and other assets	3,793.3	3,873.9	–2.1%
Cash and cash equivalents	87.4	48.1	81.7%
Deferred income	2.9	3.5	–17.1%
Total assets	**8,124.2**	**8,165.3**	**–0.5%**
Equity and liabilities			
Equity	5,161.2	4,813.1	7.2%
Retirement benefit obligation	68.3	73.0	–6.4%
Tax provisions	34.0	0.3	> 100%
Other provisions	52.6	25.7	> 100%
Liabilities	2,808.1	3,253.2	–13.7%
Total equity and liabilities	**8,124.2**	**8,165.3**	**–0.5%**

By pursuing an appropriate financial management strategy, the KION Group – through KION GROUP AG – makes sufficient cash and cash equivalents available at all times to meet the Group companies' operational and strategic funding requirements. KION GROUP AG is a publicly listed company and therefore ensures that its financial management takes into account the interests of shareholders and financing partners. For the sake of these stakeholders, KION GROUP AG strives for an appropriate ratio of internal funding to borrowing.

Equity increased by €348.1 million in the reporting year. After taking into account the dividend payment of €24.9 million and the net income for the year of €373.0 million, equity rose to €5,161.2 million (December 31, 2022: €4,813.1 million). The equity ratio was 63.5 percent as at the reporting date (December 31, 2022: 58.9 percent).

Provisions increased by €55.9 million to €154.9 million, mainly because provisions for taxes rose by €33.7 million to €34.0 million. This change was due to the much improved earnings situation of the tax group last year, which meant that the current tax expense exceeded the prepayments that had been made. In addition, personnel provisions for KION GROUP AG went up by €18.0 million to €39.0 million. This rise was primarily due to the increase in the provision for short-term incentives and share-based remuneration. By contrast, the retirement benefit obligation declined by €4.7 million to a total of €68.3 million.

Liabilities amounted to €2,808.1 million (December 31, 2022: €3,253.2 million) and predominantly consisted of loan liabilities and cash pool liabilities to other Group companies amounting to €1,443.0 million (December 31, 2022: €1,411.6 million), liabilities to banks of €829.8 million (December 31, 2022: €1,024.9 million), and the corporate bond of €500.0 million (December 31, 2022: €500.0 million). After deduction of cash and cash equivalents, the resulting net debt amounted to €1,242.4 million as at the reporting date (December 31, 2022: €1,467.8 million).

In 2020, KION GROUP AG launched a corporate bond program (EMTN program) with a total volume of €3 billion. The first bond was placed on the capital markets under this program in 2020 and had a nominal amount of €500.0 million, a maturity date in 2025, and a coupon of 1.625 percent. The bond is not collateralized.

Given the persistent uncertainties in the capital markets, KION GROUP AG took further steps to secure its funding requirements in the period under review.

The Company issued further promissory notes with a total nominal amount of €375.0 million in 2023. Nearly all of the new tranches have a variable interest rate (Euribor + margin) and mature between now and 2030.

In September 2023, the term of the variable-rate revolving credit facility (RCF) with a total volume of €1,385.7 million was extended by one year until October 2028. The contractually agreed interest terms are linked to KION GROUP AG's credit rating and to compliance with sustainability KPIs.

Five bilateral bank loans with a total volume of €475.0 million were repaid in 2023, in some cases ahead of schedule.

The commercial paper program was increased by €250.0 million to €750.0 million in April 2022. Of this amount, €20.0 million had been drawn down as at December 31, 2023.

The liabilities to banks and the promissory notes are not collateralized.

Employees

The average number of employees at KION GROUP AG in 2023 was 301 (2022: 286). KION GROUP AG employed 314 people as at December 31, 2023 (December 31, 2022: 289).

Future growth and risk situation

Outlook

The earnings performance of KION GROUP AG should continue to mirror that of the Group going forward. This is because it is the Group's parent company and therefore its net investment income will reflect the earnings of the subsidiaries. The outlook for the KION Group is therefore largely reflected in the expectations of KION GROUP AG.

The business performance and position of KION GROUP AG are largely determined by the business performance and success of the Group. Detailed reports in this regard are set out in the 'Business performance in the Group' and 'Financial position and financial performance of the KION Group' sections.

A significant year-on-year increase in adjusted EBIT (IFRS) is therefore anticipated for 2024.

Risks and opportunities

The business performance of KION GROUP AG is essentially subject to the same risks and opportunities as those of the Group because the Group participates directly in the performance of the global subsidiaries through their contributions to earnings.

KION GROUP AG also has guarantees and indemnities in place with affiliated companies and banks and insurance companies in an amount of €5,184.1 million. These relate mainly to lease obligations. In addition, KION GROUP AG is jointly and severally liable for a revolving credit facility of €1,400 million agreed in 2023 to finance the lease business of the subsidiaries. As at the reporting date, the existing contingent liabilities were reviewed with regard to their risk situation. The Executive Board of KION GROUP AG regards the risk of potential trigger events as not probable.

Concluding declaration on the report on relationships with affiliated entities (dependency report), section 312 (3) sentence 3 AktG

With respect to the legal transactions and other measures mentioned in the report on relationships with affiliated entities, we hereby declare that in each case the Company received appropriate consideration in accordance with the circumstances of which we were aware at the time when the legal transactions were concluded or the measures were taken or omitted and that it did not suffer any disadvantages as a result of such measures having been taken or omitted.

Frankfurt am Main, February 27, 2024

The Executive Board

Dr. Richard Robinson Smith

Christian Harm

Valeria Gargiulo

Andreas Krinninger

Michael Larsson

Ching Pong Quek

Non-financial performance indicators

The KION Group's enterprise value is determined not only by financial KPIs but also by non-financial factors. The KION Group believes that considering both sets of factors in the round will be instrumental to its success in achieving the objectives of the KION 2027 strategy. The Company's relations with its customers and employees, its technological position, and general sustainability considerations are described below.

Employees

HR strategy*

The KION Group's HR strategy was revised in 2023. The ultimate objective of the KION Group's HR strategy is to continue to provide the best possible support for the targeted implementation of the KION 2027 strategy, with which it has been aligned for a number of years. The KION Group's success in the implementation of KION 2027 is founded on the capabilities and motivation of its employees. In 2023, work continued on implementation of the refined HR strategy, which focuses on areas such as learning & development and talent acquisition.

To this end, the KION Group uses a wide range of instruments, measures, and processes to ensure that there is always a sufficient number of highly qualified, hard-working employees at all levels of its operations and in the various countries. Attractive working conditions and the opportunities for career progression afforded by working for an international group of companies play an important role in this and provide a solid basis for meeting the manifold challenges faced by our workforce and presented by demographic change, digitalization, and other factors in the various labor markets.

Our shared KION Group values*

The shared values and leadership principles of the KION Group were developed and introduced in 2017 as part of an international bottom-up and top-down process. Since then, the shared KION Group values of integrity, collaboration, courage, and excellence have been part of many HR instruments and are thus well embedded in the Company. For example, they are used along with the six core competencies as a basis for measuring performance in the annual staff appraisal interviews. The leadership principles are derived from and complement the values. They define the conduct expected of managers in the KION Group. They also feature in various manager programs and provide guidance for individual continuing professional development activities.

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Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 41,552 in 2023 (2022: 40,781).

Employees (full-time equivalents)[1]

Dec. 31, 2023	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**23,778**	**3,901**	**1,376**	**29,055**
Western Europe	20,013	3,491	733	**24,237**
Eastern Europe	3,746	402	643	**4,791**
Middle East and Africa	19	8	–	**27**
Americas	**1,052**	**5,304**	**–**	**6,356**
North America	437	4,456	–	**4,893**
Central and South America	615	848	–	**1,463**
APAC	**5,453**	**1,461**	**–**	**6,914**
China	4,646	487	–	**5,133**
APAC excluding China	807	974	–	**1,781**
Total	**30,283**	**10,666**	**1,376**	**42,325**
Dec. 31, 2022				
EMEA	**22,453**	**4,097**	**1,226**	**27,776**
Western Europe	18,955	3,599	672	23,226
Eastern Europe	3,469	491	554	4,514
Middle East and Africa	29	7	–	36
Americas	**962**	**5,660**	**–**	**6,622**
North America	357	4,664	–	5,021
Central and South America	605	996	–	1,601
APAC	**5,323**	**1,428**	**–**	**6,751**
China	4,560	491	–	5,051
APAC excluding China	763	937	–	1,700
Total	**28,738**	**11,185**	**1,226**	**41,149**

1 Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship

As at December 31, 2023, the KION Group companies employed 42,325 FTEs, 1,176 more than a year earlier.

Personnel expenses rose by 11.3 percent year on year to €3,169.6 million due to the growth in the average number of employees for the year and to general salary increases.

Personnel expenses

in € million	2023	2022	Change
Wages and salaries	2,534.1	2,274.9	11.4%
Social security contributions	565.0	500.1	13.0%
Post-employment benefit costs and other benefits	70.5	73.6	–4.3%
Total	**3,169.6**	**2,848.7**	**11.3%**

Diversity and inclusion*

The KION Group, which has a direct presence in around 40 countries, sees itself as a global company with intercultural awareness: As at December 31, 2023, people of more than 110 nationalities were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat program, which gives employees the opportunity to transfer to different countries where the KION Group is represented. International collaboration is also strengthened and put into practice on a daily basis by the many teams whose members are spread out across the globe, for example within the CTO organization or IT.

The KION Group is taking various steps to tackle the challenges of demographic change, for example by providing, as far as possible, age-appropriate working conditions and organizing healthy-living programs, so that it can continue to benefit from older employees' experience. As at December 31, 2023, 24.1 percent of employees were over the age of 50 (December 31, 2022: 23.8 percent).

The proportion of the KION Group's total workforce made up of women was slightly higher at 18.2 percent as at December 31, 2023, compared with 17.8 percent at the end of 2022. To help increase the proportion of management positions occupied by women, the Executive Board of KION GROUP AG has set targets that are published in the corporate governance statement. Going forward, the KION Group intends to fill more management positions internationally in order to better fulfill the continually growing requirements placed on the Company. Many KION Group companies offer flexible working-time models in order to promote a good work-life balance, and the option of remote working was significantly expanded after having being retained following the coronavirus pandemic. A Diversity & Inclusion Council was set up in 2022 with members drawn from the ranks of international managers and the objective of making the Company even more focused on the various aspects of diversity, inclusion, and equity.

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One of the council's first activities was organizing and holding the diversity and integration awareness month in June 2023. The aim was to boost awareness of diversity, equality of opportunity, and integrity and to ensure mutual respect is embedded as a core aspect of this. Unconscious bias, respect, diversity, and support were the four different topics that formed the focus of the month's activities. Workshops, training courses, keynote talks, and numerous diversity-related events gave employees a deeper understanding of the added value.

In addition, various initiatives were continued in 2023 that are aimed at reinforcing diversity in the Company. The Group launched the Women's Mentoring Program for its female managers in 2018, which continued to run in 2023. To further promote equality of opportunity for women and men, the KION Group has been a member of the 'Chef:innensache' initiative since 2019, in which it is represented by Valeria Jimena Gargiulo. By participating in this initiative, KION GROUP AG's ambition and objective is to promote the change of mindset that is required throughout society by exploring new concepts and approaches. KION GROUP AG underpinned these efforts in 2023 by signing the Diversity Charter, in which it has publicly committed to championing a working environment that is free of prejudice and that supports the respect, appreciation, and integration of the diversity that employees bring to the workplace. Finally, KION actively campaigns for a more diverse and integrated work environment through Dematic's participation in the US in MHI's Diversity, Equity and Inclusion Advisory Committee with the aim of sharing best practice across the industry.

Employee Resource Groups are an important element of diversity and inclusion at KION. These groups give employees who share similar diversity profiles or who have similar interests or backgrounds the opportunity to network, collaborate, and grow. The Company actively supports their work and since 2023 has invited representatives of the groups to join the aforementioned Diversity & Inclusion Council. The objective is to improve the prospects and representation of these often under-represented groups. Diversity and inclusion at KION also play a key role in professional development for skilled workers and managers. In 2023, for example, an additional module was integrated into the 'Fundamentals of people management' program that is designed to raise managers' awareness of diversity and inclusion in day-to-day business. Diversity and inclusion also feature at KION in the criteria used to select suitable candidates for the various talent development programs or in e-learning courses.

Development of specialist workers and executives*

In 2023, the global process introduced in 2017/2018 for performance management and succession planning was implemented once again and content was updated. Further improvements were made to performance management and succession management, for example, and special attention was paid to identifying high-potential candidates who will be put on targeted development programs. Since 2018, four cohorts of international high-potential candidates have successfully completed a training course to set them on the path to taking on an executive role. Some of them have already been promoted to an executive position. In winter 2023, the candidates for the fifth cohort were selected.

The first university graduates successfully completed their management trainee program in 2021. Further groups began the program in the autumn of 2021, in 2022, and in the reporting year.

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The KION Group remains committed to introducing new programs targeted at specific groups and to offering its employees interesting career opportunities and flexible, family-friendly working-time models. The Group companies also collaborate closely on areas such as talent management and training & development programs. This helps to systematically identify and support staff across the Group who have potential, who are high performers, or who are experts in key functions.

The KION ITS EMEA and KION SCS Operating Units also have academies that run subject-specific and interdisciplinary training courses to develop employees' skills, particularly in sales and service.

Training and professional development*

The companies in the KION Group currently offer training for 23 professions in Germany. Besides providing dual vocational training schemes, KION Group companies partner with various universities to offer work placements for students combining vocational training with a degree course. The total number of trainees and apprentices worldwide was 786 as at December 31, 2023 (December 31, 2022: 799).

Sharing in the Company's success*

Since 2014, the remuneration of the approximately 500 executives has included a remuneration component running over several years that is based on the long-term success of the Company and is granted annually.

Employee commitment*

All KION companies aim to ensure a high level of employee commitment, and so a third global employee survey was conducted in 2023. This survey was designed to collect input from all employees worldwide, strengthen employees' commitment and motivation, further embed the corporate culture, and thereby support the sustainable growth of the business. A total of 80 percent of the workforce completed the survey, a very encouraging increase in participation of 3 percentage points compared with the prior year. The engagement score (on a scale of 0 to 100) stood at 74 for the third year in succession. The results at Group and Operating Unit level were communicated transparently. Managers shared team results with their employees during team workshops and worked with them to develop ways of further strengthening employee commitment.

Constructive industrial relations should be a permanent feature of a corporate culture that promotes collaboration. KION GROUP AG has mechanisms in place – and not just those that are required by law – to allow employee representatives to directly address Group management and its representatives about matters that are of relevance for the workforce and that inform them of economic factors that are significant to the Company's most fundamental decisions.

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Health and safety in the workplace*

The KION Group attaches great importance to the health and safety of its employees. As a responsible employer, the KION Group endeavors to avoid all accidents and work-related illnesses wherever possible and to maintain each employee's work capacity in the long term. A comprehensive health, safety, and environment (HSE) management system is in place that covers the Group's entire workforce with regard to aspects of occupational health and safety and environmental protection. The KION Group's obligations under its current corporate policy include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

Occupational health and safety is also embedded as a key topic in KION's sustainability strategy. In connection with this, the KION Group has set itself the target of reducing the lost time injury frequency rate (upper limit) by 5 percent a year.

In 2023, activities continued to focus on rolling out the mandatory HSE standards at all sites. Numerous training courses and other advisory services in the area of occupational health and safety were provided at the individual sites in this context. Employees can access the HSE standards via the intranet.

The audit program continued in 2023 as a means of ensuring the ongoing systematic management of critical functions. It is based on the ISO 14001, ISO 45001, and other standards and covers the KION Group's production facilities as well as sales, service, and installations. Corporate HSE audits were also carried out at multiple sites, including in China, the Czech Republic, France, Germany, India, Italy, and the US. All sites are scheduled to be certified to ISO 14001 and ISO 45001 by the end of 2024. Continuous improvement will be aided by a self-assessment tool that was rolled out across the Group's facilities in 2022. The tool allows the degree to which the HSE standards have been applied to be evaluated at site level. In combination with the groupwide HSE risk assessment, this will provide a comprehensive picture of the HSE risks and the relevant risk management measures in place at the sites. Discussion and dialogue within the HSE expert network ensure that experience is shared and best practice is disseminated across the Group. This sharing of information is facilitated by meetings of HSE managers, regular conference calls, a groupwide HSE knowledge platform, and fixed appointments at the plants and sites.

Further information, including on HSE key performance indicators such as the lost time injury frequency rate (LTIFR) and the illness rate (average illness-related or accident-related absences from the workplace) and on the measures initiated and implemented in 2023, are included in the KION Group's separate non-financial report, which will be published simultaneously with this report on February 29, 2024 on the KION GROUP AG website (www.kiongroup.com/sustainability).

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Research and development*

Strategic focus of research and development

Under the KION 2027 strategy, research and development is set up so as to support the KION Group's position as a leading global supplier of industrial trucks (based on the number of units sold) and of integrated and sustainable supply chain solutions and mobile automation solutions (based on revenue). In addition to continuous innovation geared to the needs of customers, another objective of the R&D activities is to reduce the complexity and diversity of the product range and to shorten development times for new products. R&D activities are focused on the two strategic fields of action 'automation and software' and 'sustainability'.

R&D activities essentially take place on a cross-brand and cross-region basis, which makes it easier for research findings and technological know-how to be shared across the Group. The local product development teams, working for the individual brand companies and regions, develop customer-specific solutions based on the global platforms.

Key R&D figures

The KION Group increased its spending on R&D by 9.3 percent to €351.0 million in 2023 (2022: €321.3 million). This equates to 3.1 percent of revenue (2022: 2.9 percent). R&D costs totaling €235.1 million were expensed (2022: €203.3 million). There were also amortization charges on capitalized development costs of €117.6 million (2022: €112.6 million), which are reported under cost of sales (see note [8] in the notes to the consolidated financial statements).

Research and development (R&D)

in € million	2023	2022	Change
Research and development costs (P&L)	235.1	203.3	15.6%
Capitalized development costs	116.0	118.0	–1.7%
Total R&D spending	**351.0**	**321.3**	**9.3%**
R&D spending as percentage of revenue	3.1%	2.9%	–

The number of full-time equivalents in R&D teams had risen by 5.1 percent to 2,101 employees as at the end of 2023 (December 31, 2022: 2,000). The KION Group pursues a dedicated patent strategy to protect against imitations of its technology. As at the end of 2023, the companies of the KION Group together held a total of 2,937 patent applications and issued patents (December 31, 2022: 2,843). They applied for 89 new patents in 2023, compared with 94 in 2022.

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Focus of R&D in 2023

Automation and software

The KION Group is continuously refining brand-independent solutions built on the use of networked trucks and autonomous mobile robots (AMRs) and including shared software platforms and integrated services.

STILL worked on the further development of automated guided vehicle systems as a response to the growing need of customers for scalable automation solutions that are quick to implement and integrate well into existing production and warehouse structures. One of KION's areas of focus was the development of self-learning trucks and AMRs for environments in which both manual and automated vehicles are used side by side.

Partnerships are also used to drive forward research and development in the 'automation and software' field of action. STILL participated in the joint Canadian-German undertaking ARIBIC, for example, which was completed in November 2023. The project involved taking data from the sensors of industrial trucks in order to create a digital twin of a real-world warehouse. Further development of the prototype is planned for 2024. As part of the CampusOS project, STILL is conducting research into open 5G networks and developing the technologies required to use them in intralogistics. The KAnIS development project, in which a counterbalance truck was equipped for autonomous indoor and outdoor operation, was run in collaboration with the University of Applied Sciences in Aschaffenburg.

The European research project IMOCO4.E is being taken forward as well. The project aims to further develop mobile robots for use in warehouses and factories. Development of mobile robots is also the focus of the Bavarian research project KI.FABRIK, specifically in terms of them autonomously supplying assembly lines and thus automating the flow of materials along the entire production chain. Furthermore, as part of the GRASS project, Linde Material Handling is working with local research partners to explore the use of a mobile robotic arm in pallet picking.

Three further collaborative projects are focused on the use of artificial intelligence. As part of the AIGV project with the University of Edinburgh, Dematic is applying reinforcement learning methods to coordinate swarms of autonomous transport robots to pick objects in tandem with humans. In the AGENC project, STILL is working with research and industry partners to research fundamental ways in which AI can be used for machine-learning-based modeling of cyber-physical systems. In December 2023, STILL launched the LernFFZ project together with a consortium of universities and companies. The work involves using AI to analyze the behavior of forklift drivers in order to create steering models for autonomous industrial trucks.

Sustainability

The KION Group is forging ahead with the development and refinement of energy-efficient drive solutions, from internal combustion engines to various electric drive systems and fuel cells.

In the reporting year, the KION Group developed a proprietary 24-volt fuel cell system for warehouse trucks, launching it onto the market in November 2023. To begin with, the system is to be used in order pickers and tow tractors, with a view to adding it to pallet trucks and double stackers in future. The new production line at the Hamburg plant is able to manufacture up to 5,000 fuel cell systems a year. Capital expenditure on this project will amount to more than €11 million. Alongside vehicles and fuel cell systems, the offering also includes associated services. A 48-volt system is due to be added to the fuel cell portfolio in the next couple of years. The fuel cell trucks deployed at the plant in Aschaffenburg are supplied by a dedicated green hydrogen infrastructure. This investment project has been supported by funding from the German Federal Ministry for Digital and Transport.

In 2023, the KION Group also made progress in the development of sustainable solutions for the entire lithium-ion battery lifecycle, including charging management, reconditioning, and recycling. Since September 2023, KION has had lithium-ion batteries that have reached the end of their useful life sustainably recycled by strategic partner Li-Cycle Holding Corp. The KION Group is aiming for up to 5,000 tonnes of used battery material to have been professionally processed at the new Li-Cycle premises in Magdeburg by 2030. In April, Linde Material Handling expanded its range of X series models of electronic forklift trucks with lithium-ion batteries to include trucks with a load capacity of up to five tonnes. Linde Energy Manager is a new software solution that is designed to provide a comprehensive, transparent overview of a company's energy supply situation and thus facilitate AI-assisted forecasting. The aim is to avoid spikes in electricity usage while also reducing energy costs and carbon emissions.

A further objective is to create closed loop material cycles as far as possible. This includes refurbishing used industrial trucks and returning them to the value chain. In September 2023, in Türkiye, STILL opened what is already its fourth reconditioning center for used forklifts and other warehouse trucks. A total of around 8,000 old trucks can be refurbished and made available to the secondary market every year. The sustainability activities are also geared toward avoiding excessive noise. In July 2023, Dematic announced the global launch of a noise-reduction portfolio. The solution uses 3D noise mapping to recommend steps for reducing noise levels.

Customers*

The KION Group's business model is designed so that customers of all sizes and from all sectors can obtain the full spectrum of material handling products and services from a single source. Customer centricity and a firm focus on customer requirements are also enshrined in the KION Group's vision of being the best company in the world at understanding its customers' material handling needs and providing them the right, sustainable solutions.

The KION Group is a global player operating in many customer sectors and enjoys established relationships with its customers. It aims to extend these relationships through joint development projects and other initiatives. Another important lever is the sales organization that ensures the KION Group has the necessary proximity to its customers in all the key markets worldwide. It achieves this both through its own resources and through partnerships. In addition, cross-brand and cross-segment development and sales activities are intended to unlock the potential for cross-selling between individual product categories.

The Industrial Trucks & Services segment has a diversified customer base. Customers range from large key accounts with global operations to small and medium-sized enterprises.

The Supply Chain Solutions segment seeks to maintain long-standing customer relationships with major players in a range of sectors. Specific solutions are intended to help Dematic to further consolidate its position in key customer industries, most notably general merchandise, grocery retail, clothing, and food and beverage.

In the reporting year, the KION Group and its brand companies again used trade fairs and other industry events to maintain relationships with customers and present its various material flow solutions. The virtual formats and online events continued as well.

The KION Group's stand at the 2023 LogiMAT logistics trade fair in Stuttgart reflected its cross-brand approach. Dematic, STILL, and Linde Material Handling showcased various product innovations and demonstrated in a joint presentation how equipment such as pallet stackers, palletizers and depalletizers, and autonomous mobile robots (AMRs) can be integrated in one solution in order to manage and fully automate material flows. STILL also presented the KION Group's VDA 5050 control system for automated guided vehicle systems at the 2023 IFOY Test Days and at the automatica trade fair in Munich.

Last but not least, the KION Group brand companies won further accolades for their product quality and innovation. Dematic was named 'Voice Partner of the Year' for the Asia-Pacific region by Honeywell, while STILL's hand-operated pallet truck series EXH-14-20-Plus picked up an IFOY award in the 'warehouse trucks lowlifter' category in 2023.

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Outlook, risk report, and opportunity report

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the KION Group's current expectations and assessments up to the time of preparation of this combined management report. Consequently, they involve a number of risks and uncertainties. Many factors, some of which are beyond the control of the management, affect the Group's business activities and business performance as well as the earnings of the strategic management holding company, KION GROUP AG. Any unexpected changes, particularly in macroeconomic or industry-specific conditions, may lead to the results of the KION Group and its operating segments differing significantly from those forecast below.

The outlook for 2024 is subject to uncertainty in view of the still fraught macroeconomic and geopolitical climate at the time that this combined management report was being prepared. The risk factors described below may also have an adverse impact on the KION Group's procurement, production, and sales activities.

The KION Group does not undertake to update forward-looking statements to reflect subsequently occurring events or circumstances. Furthermore, the KION Group cannot guarantee that future performance and actual profits generated will be consistent with the stated assumptions and estimates and can accept no liability in this regard. Actual business performance may deviate from the KION Group's forecasts due, among other factors, to the opportunities and risks described here.

Assumptions

The forecasts in this section are derived from the KION Group's multi-year market, business, and financial planning, which is based on various assumptions. Market planning takes into account predicted macroeconomic and industry-specific performance, which is described below. Business planning and financial planning are based on expected market performance but also draw on other assumptions, such as those relating to changes in the cost of materials and labor costs, the sale prices achievable, and movements in interest rates and exchange rates.

Expected macroeconomic conditions

The IMF expects global economic output to increase by 3.1 percent in 2024 and thus to reach a similar level of growth as in 2023; the recent historical average stands at 3.8 percent (2000–2019). Economic growth will be adversely affected by restrictive monetary policy, the withdrawal of fiscal support measures, and low underlying productivity growth (IMF, January 2024).

Advanced economies will expand by 1.5 percent overall (2023: 1.6 percent), with growth picking up slightly in the eurozone at 0.9 percent but falling year on year in the US, to 2.1 percent.

In the emerging markets and developing economies, growth is anticipated to hold steady at its 2023 level of 4.1 percent. In China, the pace of growth is expected to slow to 4.6 percent.

The IMF believes that the global inflation rate will decrease to 5.8 percent in 2024 as a result of restrictive monetary policy, the associated weakening of the labor market, and falling energy prices. Inflation in the advanced economies is expected to drop significantly, to 2.6 percent, whereas it is likely to fall only slightly in the emerging markets and developing economies, to 8.1 percent.

According to the IMF, world trade will increase by 3.3 percent in 2024 after having largely stagnated in 2023. Nevertheless, the IMF does see significant risks within its macroeconomic outlook. For example, supply shocks caused by the conflict in the Middle East, the continued attacks in the Red Sea, and the war in Ukraine could lead to further spikes in food, energy, and transportation costs. A subsequent renewed rise in inflation would, at the same time, entrench the tight monetary policy that serves to constrain growth. A greater emphasis on tax hikes and spending cuts as a result of the necessary fiscal consolidation in many countries is also seen as a risk to global economic growth. In China, the still ailing real estate sector could continue to have a negative impact on domestic growth as well as on the country’s trade partners.

Expected sectoral conditions

Based on the macroeconomic environment described above, the KION Group expects the global material handling market to increasingly stabilize in 2024 following negative growth rates in the reporting year.

The KION Group is predicting slight growth in the market for new industrial trucks in 2024 based on order numbers. This will be driven mainly by an anticipated upturn in the APAC and EMEA regions, whereas demand is expected to decrease in the Americas region. In the long term, and based on its own analysis, the KION Group currently expects market growth in the new truck business to remain in the mid-single digit percentage range.

The size of the supply chain solutions market, as measured by revenue, will slightly increase in 2024 according to the KION Group and backed up by research from Interact Analysis. The continuing trend toward automation and the anticipated fall in the cost of capital over the course of the year are expected to make companies more likely to invest in warehouse automation. Meanwhile, the predicted sustained demand for mobile automation is set to boost the market for supply chain solutions. The KION Group believes that the positive medium- and long-term trends in the supply chain solutions market remain intact. Based on its own assessment and supported by data gathered by Interact Analysis (November 2023), the KION Group anticipates that long-term market growth will be in the high single-digit range.

Expected business situation and financial performance of the KION Group

The KION Group improved its resilience in 2023, and thus put itself on a solid footing for 2024, thanks to the measures – now largely implemented – to enhance operational and commercial agility in the supply chain and in production and to its pricing and contract arrangements in respect of customers.

The Industrial Trucks & Services segment is expected to see its revenue rise slightly in 2024, not only because it still had a healthy pipeline in the order book at the end of 2023, but also because of the anticipated market situation, with a modest rise in new truck orders. Moreover, the increasing number of industrial trucks in operation worldwide provides a sustainable customer base for further revenue growth in the service business. The KION Group predicts that the adjusted EBIT of the Industrial Trucks & Services segment will continue to grow. This reflects the expectation of a higher volume of business and continued positive effects from the price rises that have been introduced, while labor costs are projected to rise only moderately.

In the Supply Chain Solutions segment, the focus is still on continuing to strengthen operational resilience by structuring contracts for new projects in a way that minimizes risk, on improved processes in procurement, and on project delivery and project management. The Supply Chain Solutions segment is expected to see revenue fall year on year in 2024 because the order book as at the end of 2023 was smaller than at the end of 2022 and contained a higher proportion of long-term projects. A recovery in the market served by the project business is not expected until the second half of the year. Further revenue growth is projected for the high-margin service business due to the maintenance, modernization, and upgrading that will be required for the growing number of solutions already installed for customers. The KION Group expects profitability in the long-term project business (business solutions) to improve because the proportion of customer contracts that contain more flexible pricing arrangements is likely to be higher than in 2023 and because of process enhancements and adjustments to personnel capacity. However, work on legacy projects will have a negative impact on adjusted EBIT and profitability until at least the first half of 2024. Overall, the KION Group expects the Supply Chain Solutions segment's adjusted EBIT to improve substantially year on year.

The Executive Board expects the core key performance indicators of the KION Group and its operating segments to be within the following ranges in 2024:

Outlook 2024

	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
in € million	2023	Outlook 2024	2023	Outlook 2024	2023	Outlook 2024
Revenue[1]	11,433.7	11,200–12,000	8,479.6	8,500–9,000	2,997.0	2,700–3,000
Adjusted EBIT[1]	790.5	790–940	848.5	850–950	44.3	60–120
Free cash flow	715.2	550–670	–	–	–	–
ROCE	7.7%	7.4% – 8.8%	–	–	–	–

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

Overall statement on expected performance

For 2024, reflecting the midpoint of the performance range that has been projected, the Executive Board of KION GROUP AG expects the Group’s revenue to increase slightly and its adjusted EBIT to rise significantly compared with 2023. A small year-on-year rise is predicted for return on capital employed (ROCE). Free cash flow in 2024 is set to be in positive territory in line with the healthy financial performance that is anticipated, but fall short of the high level of free cash flow achieved in 2023. However, the aforementioned geopolitical and market-related risks continue to create uncertainty regarding the business performance of the Group and its operating segments.

Risk report

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while accepting controlled risks. The purpose of the KION Group's groupwide risk management system is to identify and assess risks that could prevent the KION Group from achieving its corporate goals and to implement suitable measures to manage them. It always seeks to avoid risks to the Company's ability to continue as a going concern.

Risk management is embedded in all of the KION Group's companies and functions and is overseen by a central function at Group level. The objective is to evaluate and manage risks to the business model and strategic goals and to the day-to-day running of the business. Risk management is integrated into the business processes and into the KION Group's planning and reporting process.

Principles of risk management and of the internal control system

Risk management system

Under its KION 2027 strategy, the KION Group is consciously taking on a limited amount of risk in order to achieve its business objectives. In doing so, it follows a well-balanced risk strategy that is conditional upon it always being able to secure external funding. Management decisions therefore take the risk perspective into consideration. Risk management is intended to ensure a clear view of the value at risk, the probability of occurrence, and the steps being taken to manage risk at the different levels of the organization.

Having a groupwide risk-bearing capacity plan requires the Group to define a level of risk appetite across the various risk types that will help it to achieve the objectives of the KION 2027 strategy. Risk-bearing capacity is defined as the maximum risk that can be sustained, while strictly avoiding any risks to the Group's survival as a going concern. It provides the framework for the risk appetite of the KION Group in respect of the different risk types. Risks need to be aggregated in order to determine whether the combined effects of individual risks have the potential to jeopardize the business as a going concern. Aggregation of risks is facilitated by a Monte Carlo simulation in which different scenarios are modeled. The results of the Monte Carlo simulation plus an additional risk cushion are used to evaluate risk-bearing capacity. The Monte Carlo simulation does not take into account risks where the financial impact has not been measured. These are instead used as a qualitative factor in the assessment of risk-bearing capacity. The KION Group's risk appetite is defined as the level of willingness to take on risk in respect of the individual risk types in order to achieve its strategic objectives and medium-term planning. The KION Group does not believe that its ability to continue as a going concern will be jeopardized either by risks where the financial impact has been measured or by other risks.

The procedures governing the KION Group's risk management activities are laid down in a groupwide risk management policy. For certain types of risk, such as financial risk, risks arising from the lease business, and compliance risk, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with risks specific to the business units. Risk management is organized in such a way that it directly reflects the structure of the Group itself. For each company and each Operating Unit, risk officers and their subordinate risk managers have been appointed who are responsible for identifying, assessing, and independently managing risk and reporting to the central risk management function.

In addition, selected risks at Group level are captured and managed by a central risk manager who is responsible for ensuring that proper procedure is followed in the execution of the risk management processes. His or her remit includes the validation and aggregation of the reported risks and the definition and implementation of standards to ensure that risks are uniformly captured and evaluated. He or she is also responsible for reporting to KION GROUP AG's Executive Board and to the Audit Committee of its Supervisory Board.

Like the organizational structure, the risk management process is also generally organized on a decentralized basis. Firstly, a groupwide risk catalog is used to capture the risks attaching to each individual company, segment, and department where the financial impact of the risk has been measured. Each risk must be captured individually. However, not all risks have their financial impact measured. Risks for which financial impact is not measured do not form part of the quantitative assessment but are taken into account qualitatively. Risks for which financial impact is measured are quantified on the basis of their likelihood of occurring and the extent of the losses that would be incurred were they to do so.

KION GROUP AG's Executive Board and the KION Group's central risk management function are notified immediately if a new risk is identified outside the regular reporting cycle for which the gross value of expected losses exceeds the defined limit. Each risk is documented in a reporting system designed specifically for the requirements of risk management. Risks affecting more than one Group company, such as market risks and competition risks, are captured and evaluated in aggregate at the level of operating segments.

Risk management is the responsibility of the individual companies and is therefore organized on a decentralized basis. A quarterly reporting process is used to keep the central risk management function up to date with the impact of the steps taken to manage risk, in particular changes to the expected losses and the probability of occurrence.

All subsidiaries that are included in the basis of consolidation are covered by a standardized risk reporting system, in which the risks reported by the individual companies are summarized in risk reports and discussed at quarterly risk management meetings. In addition, each of the main risks for current planning is analyzed and discussed at all levels as part of the regular business review meetings. At Group level, the KION Group's central risk management function compiles the aggregate risk portfolio on the basis of the individual risks reported by the Operating Units. Risks for which the financial impact is not measured are analyzed on a qualitative basis. The central risk management function produces a quarterly risk report that is presented to KION GROUP AG's Executive Board and to the Audit Committee of its Supervisory Board. To support this, the relevant departments of KION GROUP AG are consulted each quarter in order to identify and assess risk – particularly Company-wide risk – affecting areas such as corporate finance, procurement, legal affairs, compliance, tax, human resources, and the lease business.

The Internal Audit department audits the risk management system at regular intervals. In addition, the KION Group's external auditor examines the early-warning system for risk as part of its annual audit of the consolidated financial statements.

Internal control system*

The KION Group's internal control system, which is geared toward the specific needs of the Company, covers the entirety of the systematically defined controls and monitoring activities that are designed to ensure the efficiency of the Company's business operations, the reliability of its financial reporting, and compliance with key legal provisions and internal policies.

The elements of KION Group's internal control system are structured in line with the internationally recognized framework for internal control systems developed by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO framework'). The internal control system therefore features, as its main components, the control environment, risk assessment, control activities, information and communication, and ongoing monitoring.

All fully consolidated subsidiaries of the KION Group are covered by the internal control system. The scope of the control activities to be carried out is dependent on the specific risks and the materiality of the respective subsidiary for the consolidated financial statements of KION GROUP AG.

The system and the methods applied are refined on an ongoing basis and are regularly assessed to ensure they are functioning as intended. However, because of the limitations inherent in any control system it is not possible to provide complete assurance.

The Internal Audit department regularly evaluates the internal control system, thus helping to bring about continuous improvements. It focuses primarily on the following aspects:

- appropriateness and effectiveness of the internal control systems for avoiding financial losses
- compliance with legal requirements, directives from the Executive Board, other policies, and internal instructions
- correct performance of tasks and compliance with business principles

Please refer to the information provided in the corporate governance statement for an assessment of the appropriateness and effectiveness of the risk management system and internal control system.

Material features of the internal control and risk management system pertaining to the (Group) accounting process

The main objectives of the accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement, and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated and separate financial statements and the combined management report comply with the relevant accounting standards. For its (Group) accounting process, the KION Group has defined structures and processes within its internal control and risk management system and implemented them in the organization.

The Corporate Accounting group function coordinates the preparation of the consolidated and separate financial statements of KION GROUP AG. It specifies the requirements for the reporting content, which are mandatory for all subsidiaries, and manages and monitors the stipulated deadlines and processes. The reporting packages submitted by the subsidiaries for the consolidated financial statements of KION GROUP AG are combined at Group level using consolidation software.

* The content of this chapter/section is disclosed voluntarily and is therefore unaudited

The KION Group eliminates intercompany transactions during this consolidation process. A team is responsible for monitoring the system-based controls, which it supplements with manual checks. The relevant departments or specialists from outside the Company are brought in to handle particularly complex issues and questions.

Changes to the law, accounting standards, and other pronouncements are continually analyzed with regard to their relevance and effect on the consolidated financial statements and group management report; the relevant changes are then incorporated into the Group's internal policies and accounting processes.

All consolidated entities must follow the KION Group IFRS Accounting Manual when preparing their IFRS reporting packages. This contains the recognition, measurement, and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS and primarily explains the financial reporting principles specific to the KION Group's business.

The accounting-based internal control and risk management system is underpinned by written policies and procedures, compliance with the double-checking principle, and approval procedures. Another important aspect, the separation of functions, has been integrated into processes and systems. The employees involved in the (Group) accounting process receive regular training in this field.

Those in charge of the control functions and senior managers regularly conduct self-assessments to evaluate the appropriateness and operational effectiveness of the internal control system. The results are captured and documented in a central IT system. External reviews are also conducted for individual parts of the internal control system. The Internal Audit department regularly reviews the internal control system and accounting processes, including Group accounting. Any identified shortcomings to the controls are documented in the proper way and steps are taken to promptly resolve the issues. The Executive Board of KION GROUP AG and the Audit Committee of its Supervisory Board are informed of the results of the self-assessments for the internal control system once a year.

Risk

Aggregate risk

The outlook for 2024 is based on the assumptions made about the economy and the geopolitical situation. The further stabilization that is anticipated in the sales and procurement markets of the operating segments is subject to risks, however. For example, the predicted recovery in the main EMEA sales region will not materialize if geopolitical events cause the supply chain situation to deteriorate and materials to increase in price again. An escalation of the conflict in the Middle East could lead to a scarcity of supply in the oil market that might, in combination with the ongoing war in Ukraine, trigger a commodity crisis that would stunt global trade while also driving up inflation. This would entrench the restrictive monetary policy, and the associated constraints on growth, while increasing financing risk and financing costs. Customers in both operating segments would then become more reluctant to invest again. Equally, an escalation of the real estate crisis in China could lead to state interventions that would dent the outlook for growth not just in the APAC region but also in the export-driven European economy.

On the other hand, measures to enhance operational and commercial agility were introduced to make the KION Group's segments more resilient to risks such as sales and procurement risk.

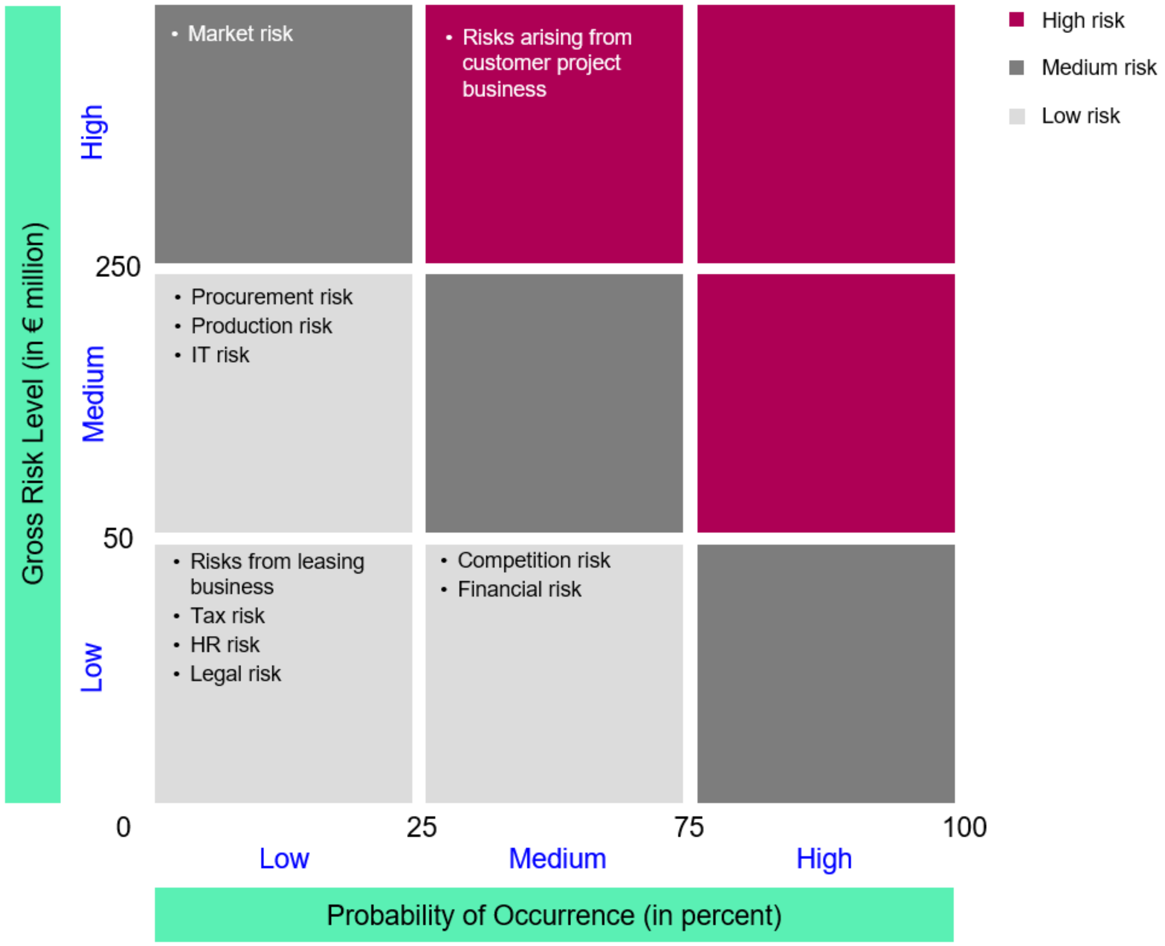
Currently, the KION Group still regards the overall risk to its ability to continue as a going concern as low. The risk limit specified in the risk-bearing capacity plan in 2024 is not expected to be exceeded. As things stand at present, there are no indications of any individual or aggregated risks that could jeopardize the Company's continuation as a going concern.

The risk matrix below, showing the gross risk levels and probabilities of occurrence of risks that are quantified and are considered relevant to the Group, changed as follows compared with the end of 2022. The probability of occurrence for procurement risk was downgraded from medium to low, with the risk level remaining the same. The probability of occurrence for financial risk was raised from low to medium. The gross risk level of the risks arising from the customer project business was raised from medium to high. The risk level of IT risks was raised from low to medium. The risk matrix does not include risks that are not quantified, in particular goodwill impairment risk, ESG risks, regulatory risks, and some financial risks.

The KION Group recognizes the importance of extreme risks and is aware that they could present a significant threat to the Company. Extreme risks are risks that lie outside the range of normal risk, that cannot be influenced or can be influenced only to a minor extent, and that would have severe consequences for the KION Group. Examples of extreme risks include natural disasters, terrorist attacks, pandemics, and political instability. These risks could lead to substantial losses that might severely restrict the Company's business activities or jeopardize its continuation as a going concern. The KION Group knows that although the occurrence of extreme risks is rare, the severity of the potential losses mean that they still pose a serious threat. Indeed, events such as the coronavirus pandemic, the war in Ukraine, and the conflict in the Middle East, not to mention the persistently high number of cyberattacks, illustrate that extreme risks very much can occur and how important it is for the KION Group to prepare for them. The KION Group has taken suitable precautionary measures in order to improve its resilience in the face of extreme risks. It is difficult to quantify the financial impact of extreme risks and so they do not form part of the risk aggregation.

While the risk report examines possible negative influences and variances from the scenario on which the outlook is based, potential positive influences are described in the opportunity report. At the time that this combined management report was prepared, all known risks were reflected in the outlook for 2024 with their gross risk level and expected probability of occurrence.

Risk matrix



The market risks and competition risks described, the risks along the value chain, the human resources risks, and the legal risks relate to the Industrial Trucks & Services and Supply Chain Solutions operating segments. Risks arising from the lease business mainly affect the Industrial Trucks & Services segment, while project risks primarily relate to the Supply Chain Solutions segment. However, financial risks resulting from the Company's general funding situation are relevant to the Group as a whole, as are IT risks, tax risks, and environmental risks.

In 2023, the existing risk catalog was revised in respect of sustainability-related risks and adapted in line with current ESG risks. This revised risk catalog will be integrated into the risk management system in future. The KION Group is currently in the process of capturing and analyzing these risks.

The risks applicable to KION GROUP AG generally correspond to the risks applicable to the KION Group due to dividend payments and profit-and-loss transfer agreements with key subsidiaries. There are also risks arising from potential impairment of investments in or loans to affiliated companies and from losses made by subsidiaries that directly affect KION GROUP AG because of a profit-and-loss transfer agreement.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or the relevant sector does not perform as well as had been anticipated in the outlook.

In the Industrial Trucks & Services segment, the outlook for 2024 with regard to new business assumes a moderate increase in order numbers, albeit with significant regional differences. Whereas the Americas is projected to see a sharp decline, the forecast is for a recovery in the EMEA market and growth in the APAC region. However, the KION Group does see a risk that order numbers could decline, contrary to expectations. And if economic conditions were to deteriorate further, investment demand could weaken and have a correspondingly negative impact on the financial performance of the Industrial Trucks & Services segment.

In Europe, there are significant sources of risk that could have an adverse impact on the market environment and, as a result, on the KION Group's business. These include supply chain issues (procurement risks related to supply chain problems are not yet fully resolved and could increase again as a result of geopolitical shocks), unexpected increases in material prices, and financial market risks, making it more difficult to finance capital expenditure. This has the potential to impact negatively on the KION Group's business.

In the Supply Chain Solutions segment, the KION Group is expecting investment in warehouse automation to pick up slightly. Cyclical fluctuations in macroeconomic activity affect both the market for industrial trucks and the market for supply chain solutions, although the latter generally has greater immunity to economic cycles because the capital expenditure decisions have a longer-term perspective. Customers' investment activity depends to a large degree on the macroeconomic situation and conditions in their particular sector. This means there is a risk of KION Group's revenue expectations for 2024 having been set too high.

As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent and with a delay, reductions in revenue impact on earnings. Despite the importance of the North American business (mainly in the Supply Chain Solutions segment) and the prospective growth of KION's business in China, the bulk of the KION Group's revenue continues to be generated in the EMEA region. As a result, the market conditions that prevail in Europe significantly influence the KION Group's financial performance. As detailed in the outlook, the KION Group is expecting order numbers in the Industrial Trucks & Services segment to increase in the EMEA region.

Risks in connection with trade disputes and geopolitical conflicts and tensions may also hinder some aspects of the global economy's recovery. As well as the war in Ukraine, the focus here is on a potential escalation of the conflict that broke out in the Middle East in October 2023. An escalation of the conflict in the Middle East could, for example, lead to a scarcity of supply in the oil market that might, in combination with the ongoing war in Ukraine, trigger a commodity crisis that would stunt global trade while also driving up inflation. In the medium term, new barriers to trade could significantly hamper sales channels and lead to renewed disruption to global supply chains that would have a knock-on effect on production.

All these factors could have a negative impact on customers' willingness to invest and thus on demand for the KION Group's products and result in a decline in revenue. However, it is not currently foreseeable whether such market risks will occur and then have a material effect on the business situation and financial performance.

Further developments in the geopolitical situation (e.g. Middle East conflict, war in Ukraine), including any knock-on effects that change the level of risk, are monitored closely. Measures have been taken in both operating segments to help contain the earnings risk arising from reductions in revenue as a result of economic conditions. Diversification of the customer base in terms of industry and region and the expansion of service activities also play a role in mitigating risk.

Moreover, the KION Group closely monitors the market and the competition so that it can identify market risks at an early stage and adjust its production capacities in good time. Besides global economic growth and other data, the KION Group also analyzes exchange rates, price stability, the consumer and investment climate, foreign trade activity, and political stability in its key sales markets, constantly monitoring the possible impact on its financial performance and financial position. The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions, and structuring contracts appropriately.

Given the high level of risk and low probability of occurrence, market risk is still regarded as medium overall.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share and thus cause its revenue and adjusted EBIT to fall short of expectations. The Industrial Trucks & Services segment risks losing market share to competitors and coming under increased price pressure, which could lead to it generating less revenue than expected. The KION Group currently expects the Supply Chain Solutions segment to gain market share. However, there is a risk that this target will not be achieved, and this would have a negative impact on revenue and adjusted EBIT.

The markets in which the KION Group operates are characterized by strong competition, often price-driven. Price competition is compounded by some manufacturers having cost advantages, in some cases due to the currency situation and in some cases because local labor costs are lower. This mainly affects the Industrial Trucks & Services segment, where competition is fierce, particularly in the economy and volume price segments. The KION Group mitigates this risk though a wide range of product variants made possible by modular concepts, along with good availability of services, mainly in the volume and premium segments.

Building on their local competitive strength, rivals from emerging markets are also seeking opportunities for expansion in regions outside their local markets, particularly in the Industrial Trucks & Services segment. Competition has continued to increase, especially from manufacturers in China, which can be seen from the changes in the competitive situation last year. The fact that customers in developed markets have sophisticated service needs and high expectations in terms of quality still presents a barrier to growth for some of these manufacturers, but the bar is getting lower. Competitive pressures are likely to continue to intensify in the future, however.

It is conceivable that competitors will join forces and their resulting stronger position will be detrimental to the KION Group’s sales opportunities. Moreover, predictions of higher volumes and margins may lead to overcapacity, which would put increased pressure on prices. Although the excellent customer benefits provided by its products and services have enabled the KION Group to charge appropriate prices until now, it is taking – and will continue to take – a variety of steps to contain competition risk. These include entering into joint ventures, strategic alliances, and partnerships, which are increasingly helping to make the KION Group more competitive in terms of resources, market access, and technology.

One of the risks of partnerships and acquisitions is that the expected benefits will materialize only partly or not at all. For example, the organizational integration of acquired companies may actually harm the Group's financial performance. It is also possible that a partner will collaborate with competitors if exclusivity agreements are not in place. The steps that the KION Group is taking to mitigate its competition risk, which could have a negative impact on revenue and earnings, also include improving its cost position and securing competitive, stable sources of supply.

For 2024, in terms of gross risk value, competition risks continue to be regarded as having a low level of risk and a medium probability of occurrence.

Risks along the value chain

Research and development (R&D) risks

The KION Group's market success and business performance depend to a large extent on its ability to tailor its portfolio to the specific needs of the various industries in which its customers operate. Key to this is the integration of the hardware (industrial trucks and automation solutions), software (from control center to warehouse management systems), and services (from repair to financing) into a single offering. The Group therefore needs to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions and has to quickly bring new products to market. If the Company fails to do this, there could be lasting damage to its technological and competitive position, leading to a decline in revenue over the medium to long term.

Many of the KION Group's innovations are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated or copied. There is also a risk that patent applications will be unsuccessful. The KION Group mitigates research and development risks by focusing firmly on customer benefit in its development of products and solutions. Customer needs are to be incorporated into the development process on an ongoing basis by ensuring close collaboration between sales and development units and taking account of all region-specific requirements. The KION Group mitigates potential research and development risks by systematically managing projects and processes. As at the reporting date, no R&D risks had been identified that would have required measurement and therefore inclusion in the risk matrix.

Procurement risks

Procurement activities constitute a potential risk for the KION Group in terms of the general availability of parts and components and the rising cost of raw materials, inputs and intermediate products, logistics services, and energy.

Although the cost of materials, energy, and logistics fell slightly in 2023, they remain key factors in the KION Group's cost structure. In addition, geopolitical developments can cause procurement prices, for example the price of energy commodities, to increase suddenly. Moreover, conditions in the commodity markets typically affect component prices after a delay of no more than three to six months.

Issues with disrupted supply chains and the resulting reduction in the availability of parts and materials eased in 2023 despite the ongoing war in Ukraine, but are still not fully resolved. Geopolitical shocks could at any time significantly restrict suppliers' capacity and therefore their ability to supply further raw materials and components to the KION Group. The KION Group obtains some of its key components from a limited number of core suppliers. Key components in the Industrial Trucks & Services segment include internal combustion engines, tires, and high-performance forged and electronic parts. Supply bottlenecks in respect of the KION Group's end customers as a result of this situation could lead to temporary decreases in revenue and liquidity as well as to inefficiencies in production.

The supply chain risks for 2024 are regarded as manageable based on the prevailing market conditions. The KION Group has initiated countermeasures in order to mitigate problems with suppliers and in respect of sales to customers. For example, the supplier base has been further diversified in order to mitigate disruption in the supply chains and suppliers are being closely monitored in the context of the global procurement function. Further steps to increase diversification will be taken in 2024. In addition, dedicated project teams are continually monitoring supply chains, the availability of materials, and suppliers' ability to fulfill orders. For critical materials, the KION Group has also increased its buffer of inventories.

Moreover, prudent contractual arrangements can be put in place to allow the continuing rise in material and energy costs to be passed on to customers through appropriate price increases and thus to reflect changing market circumstances.

In terms of probability of occurrence, procurement risk has reduced overall relative to the 2022 annual report. The probability of occurrence has thus been reduced from 'medium' to 'low', while the risk level remains unchanged at 'medium'.

Production risks

Production risks are largely caused by quality problems, possible disruptions to operational procedures, or production downtime at individual sites. They can also materialize as secondary risks resulting from the aforementioned procurement risks.

The KION Group's closely integrated production network presents a heightened risk to its ability to deliver goods on time to end customers. There is also a risk that structural measures and reorganization projects will not be implemented owing to ramp-up difficulties, disruption of production, or strikes. Delays in delivery or a rise in the number of quality defects could harm the KION Group's standing with its customers and, as a result, could harm its financial situation.

Contractual provisions and comprehensive project management are important elements of reorganization projects because they help to minimize this risk. The KION Group also carries out preventive maintenance, implements fire protection measures, and trains its staff. Insurance is taken out to limit the financial impact if potential loss events do occur. Quality assurance is a high priority throughout the value chain and reduces possible quality-related risks arising from the products and services provided. The KION Group mitigates its quality-related risks by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain, and maintaining close contact with customers and suppliers. In light of the measures that have been taken, the gross risk value is regarded as medium with a low probability of occurrence and is therefore unchanged from the prior year.

Risks arising from customer project business

In the customer project business of the Supply Chain Solutions segment, risks can arise from deviations from the schedule originally agreed with the customer, potentially leading to an increase in project costs, to revenue and profit being recognized in subsequent years or, in isolated cases, to the imposition of contractual penalties. Another possible risk is that the technology deviates from the promised specifications, which may result in additional completion costs and contractual penalties. This is influenced by the customized development of sometimes innovative technologies at customer sites, which can increase the risk of technology failures and contractual penalties having to be paid as a result. A high degree of complexity in the technical specification of customer solutions can lead to unexpected cost increases over the term of individual projects that were not anticipated in the project costing and cannot be (or cannot be fully) passed on to the customer. If these risks were to occur it would have a negative impact on the expected adjusted EBIT and adjusted EBIT margin.

The measures that were initiated in the prior year to improve internal processes in project delivery and project management and the inclusion of price adjustment clauses in customer contracts were continued in 2023 with a view to helping to mitigate risk in 2024. Project-specific risk management is carried out as well. This involves detailed evaluation of the risks when defining the technical solution. The aim is to provide for financial risk on the basis of individual project specifications when preparing tenders. A multi-stage approval process based on an extensive list of criteria is intended to ensure that technological, financial, country-specific, currency-specific, and contractual risks are mitigated to the greatest extent possible.

The potential risks that may arise in the project realization phase are monitored in every individual project using detailed continuous reviews based on the individual items of work that make up the project. This enables corrective measures to be taken at an early stage and thus keeps risks under control. In the customer project business, the aforementioned risks of disruptions to the supply of components would mainly manifest themselves in the form of isolated project delays and increased expenditure on project realization. Given this risk potential, the KION Group regards the probability of occurrence for this risk to be medium and has raised the gross risk value to high for 2024. In contrast with the evaluations of other types of risk, the risk-mitigating effects of the measures that have been taken are already factored in.

Sales risks

The main sales risks – besides a drop in demand caused by market conditions – result from dependence on individual customers and sectors. Even though the global material handling market is expected to stabilize, the KION Group believes that there is still a risk that customers in the Industrial Trucks & Services segment will cancel orders. This assessment is partly a reflection of the substantial regional differences, particularly in respect of industrial trucks. Once again, there were no significant cancellations or problems resulting from other changes to orders in 2023.

Because of its customer project business, the Supply Chain Solutions segment generally has a greater dependence on individual sectors and individual customers than the Industrial Trucks & Services segment, which is not dependent on individual customers. The KION Group’s presence in a wide range of customer industries and segments helps to minimize the overall risk.

The concentration risk for the KION Group as a whole is therefore still considered to be low. The business is highly diversified from a regional perspective. In addition, the KION Group supplies companies of all sizes and from a large number of industries.

As at the reporting date, no sales risks had been identified that would have required measurement and therefore inclusion in the risk matrix.

IT risk

A high degree of interconnectedness internally between sites and externally with customers and other companies means that the KION Group relies on its IT systems working flawlessly. The KION Group refines its IT system environment on an ongoing basis in order to counter migration risk when updating software as well as any IT-related risks that may arise from the failure of IT systems and IT infrastructure. Internal IT resources are pooled in the cross-segment KION Group IT function, which has well-established processes for project management. Independent external reviews are conducted to provide additional quality assurance.

Various technical and organizational measures have been implemented with the aim of protecting the KION Group's data against unauthorized access, misuse, and loss. These measures include, in particular, measures to protect and defend against cyberattacks on IT systems of the KION Group. For example, the KION Group has implemented a state-of-the-art cybersecurity tool stack to provide optimum protection against existing or future cyber threats. The Group's own Cyber Defense Center is available around the clock in the EMEA, APAC, and Americas regions to respond as quickly as possible to current threats and attacks. Other key countermeasures include continuous vulnerability scans of the entire IT infrastructure and regular penetration testing of critical systems.

The number of attacks on companies' global IT infrastructure that can be attributed to organized crime or industrial espionage has increased significantly. Failure of critical systems, disruption of production and the ability to deliver to customers, and the loss or release into the public domain of data are among the potential consequences of these attacks. Losses are possible because a successful cyberattack can result not only in financial losses and liability risk but also reputational damage. The KION Group's cyber defense strategy is aimed at providing continuous protection for all processes and systems, particularly those that are business-critical. For example, procedures are in place to validate and log access to the Group's infrastructure.

For 2024, IT risks are deemed to have a higher gross risk level than in the prior year and the risk position is therefore regarded as medium. However, the probability of occurrence remains unchanged at low.

Financial risks

Financial risk encompasses liquidity risk, currency risk, interest-rate risk, and counterparty risk. In the context of corporate finance, counterparty risk relates to credit risks attaching to financial institutions. Financial risk also includes the risk of impairment to the Group's goodwill and brand names and to investments in affiliated companies and loans made to these companies by KION GROUP AG. Loss-making subsidiaries also present a risk because the profit-and-loss transfer agreements that are in place mean these losses will be passed on to KION GROUP AG. Groupwide policies stipulate how to deal with the aforementioned risks.

Risk arising out of the bond, lending, and promissory note conditions that have been agreed relate, for example, to the restrictions in respect of compliance with financial covenants and upper limits and in respect of the obligation to submit special regular reports. There is a particular risk of exceeding the agreed maximum level of leverage as at a specific reference date, which would give lenders a right of termination. Exercise of a right of termination may also give rise to a cross-default situation that could trigger a right of termination in respect of the other contracts. If these funding instruments were to be terminated, the KION Group would need to agree new financing, probably on less favorable terms.

Some of the Group's financing takes the form of variable-rate or fixed-rate financial liabilities. Interest-rate swaps are used in some cases to reduce the interest-rate risk arising from the variable-rate financial liabilities. This mitigates the risk of rising finance costs in a risk scenario with higher than expected inflation and more restrictive than anticipated monetary policy.

The interest rate on the revolving credit facilities arranged in October 2021 and April 2022, each of which has a volume of around €1.4 billion, has – since 2023 – been based in part on the achievement of defined ESG performance indicators. This is also the case for the coupon on the promissory note with a nominal amount of €375.0 million that was issued in October 2023. There is a risk that the targets agreed in the credit facilities and the promissory note will not be achieved. This would result in a small increase in the interest rate payable to the lending banks or promissory note investors. Financial risk is regarded as low because of the agreed maximum number of interest rate rises in the event of ESG performance targets being missed and due to the KION Group's good ESG performance in 2023. The KION Group believes that it will have no issues accessing external financing or insurance services, including and beyond the aforementioned financial instruments.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution.

The KION Group uses derivatives only to hedge underlying operational and financial transactions; they are not used for speculative purposes. Because of the high proportion of its business conducted in currencies other than the euro, it is exposed to currency risk and opportunities. These result mainly from fluctuations in exchange rates in connection with future cash flows, both revenue and costs, that are denominated in foreign currencies. In the Industrial Trucks & Services segment, at least 75 percent of the currency risk related to the planned operating cash flows based on liquidity planning is normally hedged by currency forwards in accordance with the risk management policy. The Supply Chain Solutions segment hedges against currency risk on a project-by-project basis.

As a further natural hedge against currency risk, the KION Group endeavors, where possible, to make payments in the currencies in which cash inflows are generated.

Each Group company's liquidity planning is broken down by currency and incorporated into the KION Group's financial planning and reporting process. The liquidity planning is checked on an ongoing basis and used to determine the funding requirements of each company. The funding terms and conditions faced by the lenders themselves (manifested, for example, in the payment of liquidity premiums on interbank lending) may result in a future shortage of lines of credit and / or increased financing costs for companies. However, the Group currently does not expect any changes in its lines of credit or any excessive increases in margins.

The individual Group companies directly manage counterparty risks involving customers. They use a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures.

Goodwill and brand names with an indefinite useful life represented 25.9 percent of total assets as at December 31, 2023 (December 31, 2022: 27.5 percent). Pursuant to IFRS, these assets are not amortized and their measurement depends, above all, on expectations about the future financial performance of the KION Group. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognized on these assets. Any such impairment losses can have an adverse and substantial non-cash impact on earnings and affect the balance sheet ratios.

Regular monitoring of goodwill is important for identifying potential risks at an early stage and taking suitable steps to ensure the financial stability of the Company. This monitoring is carried out as part of the routine year-end processes and not as part of the risk management process, which is why both monitoring of goodwill and impairments of investments in and loans to affiliated companies do not form part of the risk matrix.

Overall, the assessment of the gross risk level of financial risk as low is unchanged from the 2022 annual report, whereas the probability of occurrence has been increased to medium.

Risks arising from lease business

The lease activities that are used to drive sales in the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks. The trucks are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are therefore constantly monitored and forecast on the basis of prices in these markets. The KION Group regularly assesses its aggregate risk position arising from the lease business.

Risks identified in relation to the existing contract portfolio are taken into account by prospectively adjusting the depreciation expense, impairment losses, or provisions. If there is a sustained decline in residual values, they will be adjusted in the costing of new leases. Groupwide standards to ensure that residual values are calculated appropriately, combined with an IT system for residual-value risk management, aim to reduce risk and provide the basis on which to create the transparency required.

Long-term leases with end customers are primarily arranged on a fixed-interest basis. If they are financed using variable-rate instruments, interest-rate derivatives are entered into in order to hedge the interest-rate risk, where it makes commercial sense to do so. Nevertheless, the lease business is still subject to interest-rate-volatility risk related to residual, non-matching maturities. The level of this risk depends in part on the relevant market interest rates.

As a rule, the KION Group finances its lease business in the same currency as the lease with the end customer in order to exclude currency risks.

The counterparty risk inherent in the lease business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed industrial trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis.

For 2024, the risk arising from the lease business is again regarded as low both in terms of probability of occurrence and gross risk value.

Human resources risks and legal risks

The KION Group relies on having highly qualified skilled workers and managers in key roles. If they left, it could have a long-term adverse impact on the Group’s prospects. That is why the KION Group actively engages in HR work aimed at identifying and developing young professionals with high potential who already work for the Company and retaining them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group also positions itself in the external labor market as an employer of choice. Firstly, this should enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise. Secondly, access to highly skilled workers helps to lay the foundations for future profitable growth.

Any efficiency enhancement measures, capacity adjustments, or restructuring necessary to secure the Company's long-term competitiveness may result in a risk of strikes and reactions of other kinds by the workforce. The KION Group is committed to doing all it can to limit the negative impact on the workforce of such measures and, if job losses are necessary, taking steps to ensure they are achieved with the minimum possible social impact. At sites where codetermination arrangements provide for the workforce to be involved in decision-making, the KION Group engages in constructive talks on these matters with the employee representatives.

Defined benefit obligations are subject to an annual actuarial valuation and the future payment obligations are discounted. A reduction in the discount rate increases the present value of the defined benefit obligations and therefore decreases equity. A further risk arises from the fact that if the return on the plan assets of the KION pension plan in Germany falls below the minimum guaranteed interest rate that exists in some cases, the KION Group is required to make up the difference. This may result in higher expenses for defined benefit obligations. The KION Group aims to limit this risk by adopting a suitable investment strategy.

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. These lawsuits relate, among other things, to liability risks, especially as a result of legal action brought by third parties because, for example, the Company's products were allegedly faulty or the Company allegedly failed to comply with contractual obligations. Overall, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance.

Further legal risk may arise as a result of the environmental restoration of decommissioned sites, for example because of work required due to contamination. Any damage to the environment may lead to legal disputes and give rise to reputational risk. There are also risks arising from the need to implement regulatory requirements intended to facilitate a circular economy and mitigate climate change and from the implementation of regulatory requirements restricting the use of certain pollutants. These risks are captured and assessed only on a qualitative basis. They continue to be regarded as low due to the KION Group's business model and to the standards that have already been achieved in the areas of energy-related emissions, occupational health and safety, and supply chain monitoring.

Further legal risks exist in connection with potential breaches of data privacy laws, including in relation to the processing of personal data and the documentation of such processing. For example, serious breaches of the European General Data Protection Regulation (GDPR) can lead to fines of up to 4 percent of the previous year's revenue. Given the compliance standards maintained by the KION Group, the probability of data protection laws being breached and the risk level continues to be regarded as low. Events in 2023 gave no grounds to assume otherwise.

The Company has taken measures to prevent it from incurring financial losses as a result of these risks. Although legal disputes with third parties have been insignificant both currently and in the past, the Company has a centralized reporting system to record and assist pending lawsuits. The Company applies high quality and safety standards to the use of its products and in product development and manufacturing, and it has also taken out the usual types of insurance to cover any third-party claims. In addition, interdisciplinary teams work on the avoidance of risks arising from inadequate contractual arrangements. A further objective of this cooperation across functions is to ensure compliance with mandatory laws, regulations, and contractual arrangements at all times.

Owing to the KION Group's export focus, legal risks arise due to the numerous international and local export controls that apply. The Company mitigates these risks with a variety of measures. Consequently, export controls are an important part of the compliance activities carried out by the Group companies.

Reputational risks are secondary risks that can arise from legal risks as well as other types of risk. Involvement in legal proceedings and investigations into non-compliance with laws could harm the reputation of the KION Group and of the individuals responsible. This could result in the loss of customers and have a negative impact on the positioning of the brand companies in the competitive arena. As they are qualitative in nature, reputational risks are not quantified and therefore do not form part of the risk matrix.

The KION Group's human resources risk and legal risk both continue to be regarded as low.

Tax risks

The KION Group also takes tax risks into account. Uncertainty regarding the interpretation and application of tax laws may lead to unexpected tax charges. In addition, changes in tax legislation or disputes with the tax authorities may lead to financial risks. Potential consequences include back payments and penalties.

To minimize these risks, the KION Group continuously monitors the tax rules and adjusts its tax strategy accordingly. Tax advisors or other external experts are consulted for particularly complex or specialist matters.

The tax risks have been newly added to the risk matrix and are regarded as low both in terms of their level of risk and probability of occurrence.

Environmental risks

The KION Group's business activities inevitably give rise to circumstances that may have a negative impact on the environment. This includes the use of polluting substances and the generation of harmful emissions. The KION Group is aware of these risks and has made it an objective to mitigate them and to find sustainable solutions. Nevertheless, unforeseeable events such as natural disasters or breaches of environmental law may result in environmental risks that could have an impact on the Company and its stakeholders.

The KION Group currently sees a ban on per- and polyfluoroalkyl substances (PFAS) in the EU as the biggest individual risk position. Although such a ban could have a wide-ranging impact on the KION Group's business activities, it is too uncertain at present to be assessed for the risk matrix. The KION Group is currently in the process of capturing and analyzing environmental risks.

Opportunity report

Principles of opportunity management

Opportunity management, like risk management, forms a central part of the Company's day-to-day management. Individual areas of opportunity are identified within the framework of the strategy process. Opportunities are determined and managed on a decentralized basis in line with the Group strategy.

There are monthly reports on the opportunity situation as part of the regular Group reporting process. As a result, the KION Group is in a position to ascertain at an early stage whether market trends, competitive trends, or events within the Group require individual areas of opportunity to be re-evaluated. This may lead to reallocation of the budgets earmarked for the realization of opportunities. Such decisions are made on the basis of the potential of the opportunity, drawing on previous experience. There is no management system for the evaluation of opportunities comparable to the system for risk management.

Categorization of opportunities

'Opportunities' are understood as positive deviations from the expectations set out in the outlook relating to the economic situation and the KION Group's business situation. Opportunities are divided into three categories:

- Market opportunities describe the potential resulting from trends in the market and competitive environment and from the regulatory situation.
- Strategic opportunities are based on implementation of the Group's strategy. They may lead to positive effects that exceed planning assumptions.
- Business-performance opportunities arise in connection with operational activities along the value chain, such as restructuring or cost-cutting measures.

Opportunity situation

Market opportunities

The economy as a whole may fare better in 2024 than has been assumed for the purposes of the outlook. In a positive macroeconomic scenario, order intake and revenue could exceed the target ranges, which would have a positive effect on earnings too.

In its outlook for 2024, the IMF notes the possibility of inflation decreasing even more quickly than anticipated, for example because of falling energy prices. This could lead to the restrictive monetary policy being eased and therefore improved funding conditions, which would in turn bolster investment demand. The recovery of domestic demand driven by consumers spending their excess savings or as a result of government support packages is also given as a potential positive scenario and could potentially have a favorable effect on demand for material handling solutions.

In addition, unforeseen circumstances may occur in the wider market at any time – such as quality problems at competitors or the effects of consolidation – that increase demand for products from the KION Group brands. New, unforeseen regulatory initiatives could be launched, for example the tightening of health and safety regulations or emissions standards, that would push up demand for products offered by the KION Group brands. There may also be positive currency effects that were not factored into the planning.

There are four overarching trends, in particular, that present medium- to long-term market opportunities for the KION Group:

- Commercial pressures and pressure from society and governments to forge ahead with the transition to a green economy mean that material handling solutions are increasingly required to be climate neutral. This is stimulating demand for industrial and warehouse trucks powered by electric drives, which is a particular area of strength for the KION Group, especially in regard to lithium-ion technology and fuel cell systems.
- The KION Group's main customer segments for supply chain solutions are predicted to expand, in some cases significantly, in the next few years, accelerated by the change in consumer behavior. The increasing trend toward online shopping is driving demand for warehouse automation solutions, including networked automated guided vehicle systems, mobile robotics applications, and industry-specific system solutions.
- The anticipated growth in the emerging markets, most notably China, is fueling increased demand for industrial trucks and related services in the APAC region. Particularly good opportunities are available in the fast-growing value segment, in which the KION Group is intending to outstrip the market's growth thanks to its multi-brand strategy, a modular platform for diesel and electric forklift trucks, and the expansion of local production facilities.
- Demographic change is resulting in a shortage of workers. This is pushing up demand for warehouse automation, mobile automation, and robotics solutions.

Strategic opportunities

The positive impact of the strategic activities under the KION 2027 strategy is already appropriately reflected in the expectations regarding the KION Group's financial performance in 2024. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that could not be anticipated and were therefore not part of the planning may arise over the course of the year, for example in the form of acquisitions and strategic partnerships.

- The KION Group's medium- to long-term strategic opportunities in the Industrial Trucks & Services operating segment arise, in particular, from
- achievement of a leading global market and technology position with regard to truck automation and innovative drive technologies as an integral element of automated warehouse solutions;
- a greater presence in the value price segment, particularly as a result of the systematic implementation of the segment-wide, modular platform strategy (global value platform);
- stronger involvement in the electrification of warehousing and logistics processes, including by ensuring availability of lithium-ion technology across the entire product range and expanding market share in the lightweight warehouse truck sector;
- further strengthening of the KION Group's market-leading position in the EMEA region (measured in terms of units) and achievement of a stronger position in the APAC and Americas regions, in particular by opening new production facilities and technology centers, boosting its technological expertise through focused research and development activities, developing new equipment geared to the specific needs of customers in the individual regions, making greater use of shared modules, and harnessing potential for cross-selling between the two operating segments; and
- expansion of the service and financial services portfolio at every stage of the product lifecycle, taking advantage of the high number of trucks in use.

The KION Group's medium- to long-term strategic opportunities in the Supply Chain Solutions segment arise, in particular, from:

- further expansion of the KION Group's position in the market for intralogistics solutions by focusing on fast-growing market segments with a balanced portfolio of short-term and long-term projects;
- continual development of intelligent and networked automation solutions, incorporating software, robotics, and mechatronics; and
- ongoing development of a high-margin, lifecycle-oriented service approach and continuous expansion of the installed base of supply chain solutions.

Business-performance opportunities

Business-performance opportunities arise firstly from ongoing activities to modernize and streamline the KION Group's production facilities and from the worldwide integration of the production network. By investing in new locations and expanding existing ones, products can be assembled nearer to the markets in which they are to be sold, economies of scale can be achieved across the Group, and synergies can be leveraged. Secondly, activities are carried out under the KION 2027 strategy aimed at improving operational excellence in research and development, production, and logistics, and at lowering material and quality costs, for example by reducing the complexity of the product range.

The following may lead to an increase in profitability in the short to medium term:

- Continued measures to improve the general cost structure and internal processes in procurement, production, logistics, and project management may help the KION Group to achieve growth more efficiently in the future.
- Ongoing efficiency increases in the production network, including through the integration of additional sites, automation projects, and the relocation of production, may boost sales and improve the gross margin.
- In the Supply Chain Solutions operating segment, increasing the scalability of products and solutions by refining subsystems and standard modules that integrate hardware, control units, and software may help to reduce costs and increase quality.
- Effective use and centralized coordination of global development capacities may create synergies and economies of scale.

Summary of opportunities

The outlined opportunities offer significant opportunities for the KION Group in the medium to long term beyond the underlying forecast period. In addition, new opportunities are actively sought, their implementation examined and, if necessary, substantiated. If opportunities arise in addition to the forecast developments or if they materialize more quickly than expected, this could have a positive impact on our net assets, financial position and financial performance. Overall, the KION Group's opportunities have not changed significantly compared with the previous year.

Compliance*

The Executive Board and Supervisory Board of KION GROUP AG consider that adhering rigorously to broad-ranging compliance standards is essential to the Company's sustained financial success. That is why a detailed compliance program that is framed with regard to the Company's risk situation has been set up for KION GROUP AG and its Group companies worldwide. The program is centered around the KION Group Code of Compliance.

The KION Group's compliance management system is closely integrated with the internal control system and risk management to ensure that compliance is, or will be, firmly embedded in every business process.

Responsibilities

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; departmental responsibility for compliance lies with the Chief Executive Officer of KION GROUP AG. The performance of compliance-related management duties has been delegated to the Chief Compliance Officer, who is responsible for the compliance organization that has been put in place. The presidents of the Operating Units are responsible for compliance within the operating business, while the functional managers are responsible for core administrative processes in the departments at the Group's headquarters. The KION compliance department, the KION compliance team, and the KION compliance committee provide operational support to the aforementioned functions. The KION compliance department focuses mainly on preventing compliance violations by providing policies, information, advice, and training. It manages the KION compliance team, in which local and regional compliance officers of the Group are represented.

As part of its work, KION's compliance department cooperates closely with the legal, internal audit, and human resources departments. The KION compliance committee, which is staffed by the heads of the legal and internal audit departments and chaired by the Chief Compliance Officer, operates as a cross-functional committee that primarily advises on and examines reported incidents of non-compliance and, if appropriate, imposes sanctions in the event of misconduct.

KION Group Code of Compliance

The KION Group Code of Compliance, which is available in all of the main languages relevant to the KION Group companies, and the more detailed internal policies provide all employees, managers, and executives with clear and practical guidance on how to conduct the KION Group's business in accordance with sound values and ethics and in compliance with the law. The principles of conduct laid down in the KION Group Code of Compliance are binding for all employees, managers, and executives worldwide. They form the basis of the KION Group's compliance program. The KION Group Code of Compliance can be found online at www.kiongroup.com/compliance.

In 2023, no violations of the KION Group Code of Compliance were found within the KION Group that revealed a relevant gap in the compliance management system.

* The content of this chapter/section is disclosed voluntarily and is therefore unaudited.

Compliance program

KION's compliance program is made up of systemic management and control measures, specifically:

- The KION Group Code of Compliance
- The KION anti-bribery and anti-corruption policy, supplemented by anti-bribery and anti-corruption rules in the KION donations and sponsorship policy, the KION procurement policies, and the KION policy on conflicts of interest
- The KION policy on compliance with antitrust law
- Instructions on conduct in specific circumstances (e.g. how to deal with invitations and gifts at Christmas, how to act in respect of current fraud cases)
- Training plans and training courses prepared for specific risk groups, training courses for specific circumstances, on-demand training courses
- E-learning courses on the content of the KION Group Code of Compliance and on anti-corruption, anti-discrimination, whistleblower protection, data protection, KION's values, and compliance with antitrust law
- Review of business partners
- Compliance due diligence in connection with M&A activities
- Request / help-desk management
- Descriptions for the reporting and handling of suspected infringements of the KION Group Code of Compliance; sanctions in the event of violations in the rules of procedure for the KION compliance committee

Compliance training

The training courses provide employees, managers, and executives with practical guidance on how to independently make professional decisions in compliance with internal and external rules and in line with the KION Group's fundamental ethical values. The compliance training courses are offered in many different languages to ensure that participants understand them properly.

The KION Group's compliance training concept takes a two-pronged approach consisting of e-learning and classroom-based training. As well as a general e-learning course on the content of the KION Group Code of Compliance, which is mandatory for every new employee, an e-learning course on the anti-bribery and anti-corruption policy was rolled out in 2020, followed by an e-learning course on respectful conduct in the workplace and anti-discrimination in 2021. An e-learning course on fraud prevention and anti-money laundering and one on conflicts of interest were rolled out in 2022, followed in 2023 by an e-learning course on unconscious bias in the workplace and one on whistleblower protection. The anti-corruption e-learning course is aimed at all employees with access to a PC, for whom it is mandatory. Other mandatory training courses cover data protection, managerial conduct, competition law, special fraud matters, and trade compliance.

Classroom-based training has a range of target groups: employees without access to a PC, who attend a general training course on the content of the KION Group Code of Compliance, and certain groups of employees who are exposed to particular objective compliance risk due to the nature of their work, for example those exposed to heightened corruption risk because they have a lot of contact with customers. Classroom-based training is offered to employees depending on their level of risk. The frequency of classroom-based training depends on the particular risk group.

Whistleblowing system

A key component of the KION Group's compliance management system is a whistleblowing system that employees and third parties can use to confidentially report actual or suspected cases of unlawful or inappropriate conduct. The KION Group offers a variety of reporting channels to internal and external whistleblowers in order to facilitate the identification of potential compliance breaches.

Actual or suspected incidents of non-compliance can therefore be reported anonymously or otherwise by contacting an external 24-hour compliance hotline, by completing an online form, by sending an email or letter, by calling an internal KION Group hotline, or by contacting a compliance officer directly. The precise contact details can be found online at www.kiongroup.com/whistleblowing.

Disclosures relevant to acquisitions

The following disclosures are made in accordance with section 315a HGB.

1. Composition of subscribed capital

The subscribed capital (share capital) of KION GROUP AG amounted to around €131.2 million as at December 31, 2023. It was divided into around 131.2 million no-par-value bearer shares. The share capital is fully paid up. All of the shares in the Company give rise to the same rights and obligations. Each share confers one vote and entitlement to an equal share of the profits. The rights and obligations arising out of the shares are defined by legal provisions.

As at December 31, 2023, the Company held 73,876 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Program (KEEP).

2. Restrictions on voting rights or the transfer of shares

The Company is not aware of any agreements entered into by shareholders of KION GROUP AG that restrict voting rights or the transfer of shares.

In respect of the KION GROUP AG shares that they hold and are required to purchase in accordance with their individual Executive Board service contract, the members of the Executive Board have committed to a lock-up obligation for the duration of the term of their individual Executive Board service contract. As at December 31, 2023, the Executive Board members in office as at that date together held 94,997 shares in KION GROUP AG that they are required to hold under the share ownership guidelines. This equates to around 0.07 percent of the shares issued by the Company. Further details of the share ownership guidelines for the Executive Board members in office as at December 31, 2023 can be found in the 2023 remuneration report, which is published on the KION GROUP AG website at www.kiongroup.com/remuneration.

KION GROUP AG has no rights arising from the treasury shares that it holds (section 71b AktG). By law, the voting rights attaching to the affected shares are generally disapplied in the cases set out in section 136 AktG.

3. Direct or indirect shareholdings in the Company that represent more than 10 percent of the voting rights

As far as the Company is aware, only Weichai Power (Luxembourg) Holding S.à r.l. (‘Weichai Power’), Luxembourg, directly held more than 10 percent of the voting rights in KION GROUP AG as at December 31, 2023 and its shareholding was 46.5 percent.

According to the voting-right notifications pursuant to the German Securities Trading Act (WpHG), the voting rights held by Weichai Power are deemed to belong to the following other companies and countries:

Companies and countries to which the voting rights of Weichai Power are deemed to belong

Company	Registered office
Shandong Heavy Industry Group Co., Ltd.	Jinan, People's Republic of China
Weichai Holding Group Co., Ltd.	Weifang, People's Republic of China
Weichai Power Co., Ltd.	Hong Kong, People's Republic of China
Weichai Power (Hong Kong) International Development Co., Ltd.	Hong Kong, People's Republic of China

Other	Registered office
People's Republic of China	Beijing, People's Republic of China

Since the reporting date, there may have been changes to the aforementioned shareholdings of which the Company is unaware. As the shares in the Company are bearer shares, the Company only learns about changes to the size of shareholdings if these changes are notifiable pursuant to the German Securities Trading Act or other regulations.

4. Shares with special rights that confer authority to exert control over the Company

There are no shares with special rights that confer the authority to exert control over the Company.

5. Type of voting right controls in cases where employees hold some of the Company's capital and do not exercise their control rights directly

There are no cases where employees hold some of the Company's capital and do not exercise their control rights directly themselves.

6. Appointment and removal of members of the Executive Board; amendments to the articles of association

Section 6 of the Company's articles of association stipulates that members of the Company's Executive Board must be appointed and removed in accordance with sections 84 and 85 AktG and section 31 MitbestG. Pursuant to article 6 (1) of the articles of association of the Company, the Executive Board must have a minimum of two members. The Supervisory Board determines the number of Executive Board members. Pursuant to section 84 AktG and section 6 (3) of the Company's articles of association, the Supervisory Board may appoint a Chief Executive Officer and a deputy.

Section 179 (1) sentence 1 AktG requires that amendments to the articles of association be passed by resolution of the Annual General Meeting. In accordance with article 23 of the articles of association in conjunction with section 179 (2) sentence 2 AktG, resolutions at the Annual General Meeting on amendments to the articles of association are passed by simple majority of the votes cast and by simple majority of the share capital represented in the voting unless a greater majority is specified as a mandatory requirement under statutory provisions. The option to stipulate a larger majority than a simple majority in any other cases has not been exercised in the articles of association.

The Supervisory Board is authorized in article 10 (3) of the Company's articles of association to amend the articles of association provided that such amendments relate solely to the wording.

7. Authority of the Executive Board to issue or buy back shares

The Company is authorized to issue shares, acquire shares for treasury, and use treasury shares as follows:

Acquisition of shares for treasury

In 2023, the Company was authorized as follows to purchase shares for treasury:

- The Annual General Meeting on May 11, 2021 authorized the Company, in the period up to and including May 10, 2026, to acquire for treasury up to 10 percent of all the shares in issue at the time of the resolution or in issue on the date the authorization is exercised, whichever is the lower. The shares acquired as a result of this authorization together with other shares of the Company that the Company has already acquired and still possesses or that are deemed to be in its possession pursuant to section 71a et seq. AktG must not exceed 10 percent of the share capital at any time. The Company may use the treasury shares acquired as a result of these and earlier authorizations for any permitted purpose. In particular, the Company may retire the treasury shares or sell them through a stock exchange or by means of an offer to all shareholders. It may also sell the shares in return for a non-cash consideration, in particular in connection with the acquisition of a business, parts of a business, or equity investments. The acquired treasury shares may also be used to settle conversion rights or warrants issued by the Company or one of its affiliated companies. In addition, the acquired treasury shares may be offered to persons having an employment or service relationship with the Company or one of its affiliated companies as part of an employee share ownership program. The Company's Supervisory Board was also authorized to offer the acquired treasury shares to members of the Company's Executive Board as part of their Executive Board remuneration. In particular, they may be offered, promised, and transferred to the members of the Company's Executive Board. The authorization may not be used for the purpose of trading treasury shares. The authorization may be exercised on one or more occasions, for the entire amount or for partial amounts, in pursuit of one or more aims, by the Company, by companies that are dependent on or majority-owned by the Company, or for the account of the Company or these companies. At the discretion of the Executive Board, the shares may be purchased through the stock exchange, by way of a public purchase offer made to all shareholders, or by way of a public invitation to shareholders to tender their shares.

The Company did not make use of this authorization in 2023.

Authorized capital

On the basis of a resolution of the Company's Annual General Meeting on May 11, 2017, the Executive Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €10.879 million by issuing up to 10.879 million new no-par-value bearer shares against cash and/or non-cash contributions up to and including May 10, 2022 ('2017 Authorized Capital'). The 2017 Authorized Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Wiesbaden local court (HRB 27060) on May 12, 2017.

On the basis of a resolution of the Company's Annual General Meeting on July 16, 2020, the Executive Board was also authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital by up to €11.809 million by issuing up to 11.809 million new no-par-value bearer shares against cash contributions on one or more occasions up to and including July 15, 2025 ('2020 Authorized Capital'). The 2020 Authorized Capital became effective when the corresponding change to the articles of association was entered in the commercial register at the Frankfurt am Main local court (HRB 112163) on August 5, 2020.

With the consent of the Supervisory Board's ad hoc transaction committee set up for this purpose, the Executive Board of KION GROUP AG resolved on May 22, 2017 to use part of the 2017 Authorized Capital and, disapplying shareholders' pre-emption rights, to increase the Company's share capital by a nominal €9.3 million to €118.090 million by issuing 9.3 million new no-par-value bearer shares in the Company. This equates to an 8.55 percent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorized Capital. The capital increase took effect when its implementation was entered in the commercial register at the Wiesbaden local court under HRB 27060 on May 23, 2017.

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG furthermore resolved on November 18, 2020 to use up the 2017 Authorized Capital and use part of the 2020 Authorized Capital and to increase the Company's share capital by a nominal €13.11 million to €131.199 million by issuing 13.11 million new no-par-value bearer shares in the Company. This equates to an 11.1 percent rise in the Company's share capital in existence on the effective date and at the time of use of the 2017 Authorized Capital and 2020 Authorized Capital. The capital increase took effect when its implementation was entered in the commercial register at the Frankfurt am Main local court under HRB 112163 on December 7, 2020.

The Executive Board's authorization from the Annual General Meeting relating to the fully exhausted 2017 Authorized Capital expired on May 10, 2022. Consequently, the Executive Board is currently authorized by the Annual General Meeting to use the 2020 Authorized Capital to increase the Company's share capital by up to €279,353 by issuing up to 279,353 new no-par-value bearer shares against cash contributions.

Debt instruments

On the basis of a resolution of the Annual General Meeting on July 16, 2020, the Executive Board was authorized, in the period up to and including July 15, 2025, to issue, on one or more occasions, bearer or registered convertible and/or warrant-linked bonds and/or profit-sharing rights and/or income bonds with conversion rights or warrants and/or mandatory conversion requirements or option obligations (or a combination of these instruments) for a total par value of up to €1 billion with or without a limited term (referred to jointly as ‘debt instruments’), and to grant conversion rights / warrants to – and/or to impose mandatory conversion requirements / option obligations on – the beneficial owners of debt instruments to acquire up to 11.81 million new no-par-value bearer shares of KION GROUP AG with a pro rata amount of the share capital of up to €11.81 million (‘2020 Authorization’). The 2020 Conditional Capital of €11.81 million was created to service the debt instruments. The 2020 Authorization has not been used so far.

The 2020 Authorized Capital will be reduced by the proportion of the share capital that is attributable to shares that may or must be issued in order to service bonds with conversion rights or warrants or with mandatory conversion requirements or option obligations, if the bonds are issued during the term of the 2020 Authorized Capital.

8. Material agreements that the Company has signed and that are conditional upon a change of control resulting from a takeover bid, and the consequent effects

In the event of a change of control resulting from a takeover bid, certain consequences are set out in the following significant contracts (still in force on December 31, 2023) concluded between KION GROUP AG or Group companies of KION GROUP AG and third parties:

KION GROUP AG

- Sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021 (as amended), concluded between KION GROUP AG and, among others, Landesbank Hessen-Thüringen Girozentrale (outstanding nominal amount as at December 31, 2023: around €1,386 million)

  In the event that a person, companies affiliated with this person, or persons acting in concert within the meaning of section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG) acquire(s) control over more than 50 percent of the Company’s voting shares, the lenders may demand that the loans drawn down be repaid and may cancel the loan facility under the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

- Sustainability-linked syndicated revolving credit facilities agreement dated April 20, 2022 (as amended), concluded between KION GROUP AG and, among others, Landesbank Baden-Württemberg (outstanding nominal amount as at December 31, 2023: around €1,123 million)

  The provisions in the sustainability-linked syndicated revolving credit facilities agreement dated April 20, 2022 that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

As at December 31, 2023, the Company had promissory note agreements with a nominal amount of around €699.5 million outstanding:

- Promissory note agreements (three tranches with different coupons and different maturities) dated February 13, 2017, concluded between KION GROUP AG and Landesbank Baden-Württemberg; the latter subsequently passed them on to its investors
- Promissory note agreements (two tranches with different coupons) dated June 26, 2018, concluded between KION GROUP AG and Landesbank Hessen-Thüringen; the latter subsequently passed them on to its investors
- Promissory note agreement dated April 10, 2019, concluded between KION GROUP AG and Landesbank Hessen-Thüringen; the latter subsequently passed part of it on to its investors
- Promissory note agreements (five tranches with different coupons and different maturities) dated September 27, 2023, concluded between KION GROUP AG and Landesbank Baden-Württemberg; the latter subsequently passed them on to its investors

  The provisions in the aforementioned promissory note agreements that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

As at December 31, 2023, the Company had access to a firmly pledged bilaterally agreed loan agreement totaling €100 million:

- Bilateral loan agreement dated June 14, 2022, concluded between KION GROUP AG and the Frankfurt branch of Bank of China Ltd.

  The provisions in the aforementioned bilateral loan agreement that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

- Euro medium term notes, issued under a medium-term note program dated September 10, 2020, arranged by KION GROUP AG with the dealers BNP Paribas, Goldman Sachs Bank Europe SE, Commerzbank Aktiengesellschaft, and UniCredit Bank AG (outstanding nominal amount as at December 31, 2023: €500 million)

  In the event that one person or multiple persons (the ‘relevant person[s]’), who are acting in concert within the meaning of section 34 (2) WpHG, or one or multiple third parties acting by order of the relevant person(s), at any time indirectly or directly hold(s) or has/have acquired (i) more than 50 percent of the outstanding share capital of the issuer or (ii) more than 50 percent of the shares of the issuer, to which more than 50 percent of the voting rights are assigned that can be exercised at an Annual General Meeting of the issuer under normal circumstances, and the credit rating is lowered due to a change of control within the change of control period, each beneficial owner has the right to demand repayment of their promissory note.

Group companies of KION GROUP AG

As at December 31, 2023, certain Group companies of KION GROUP AG also had finance totaling €1.503 billion outstanding in connection with the existing asset-backed securities documentation:

- Asset-backed securities documentation in the United Kingdom dated February 15, 2018 (as amended), concluded between KION Financial Services Ltd. and K-Lift Compartment 1; the noteholders are Skandinaviska Enskilda Banken AB (PUBL) and Commerzbank Aktiengesellschaft
- Asset-backed secured loan documentation in Sweden dated June 5, 2019 (as amended), concluded between KION Financial Services Sweden AB and the Frankfurt branch of Skandinaviska Enskilda Banken AB (PUBL)
- Asset-backed securities documentation in France dated July 17, 2019 (as amended), concluded between Fenwick Financial Services SAS, STILL Location Services SAS, and K-Lift S.A. Compartment 2; the noteholder is tes an Ice Greek3; UniCredit Bank AG was originally the noteholder
- Asset-backed securities documentation in Germany dated June 30, 2020 (as amended), concluded between STILL Financial Services GmbH and K-Lift Compartment 3; the noteholder is Weinberg Capital DAC; Weinberg Capital DAC issues asset-backed commercial paper (ABCP) to investors
- Asset-backed securities documentation in Italy dated October 6, 2021 (as amended), concluded between KION Rental Services S.p.A. and K-Lift Compartment 4; the noteholders are Helaba and Commerzbank Aktiengesellschaft

  The provisions in the aforementioned asset-backed securities documentation that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

- Asset-backed securities documentation in Spain dated December 19, 2019 (as amended), concluded between KION Rental Services S.A.U. and Landesbank Hessen-Thüringen Girozentrale

  In the event of changes to the ownership of KION GROUP AG (the guarantor) that Landesbank Hessen-Thüringen Girozentrale (the buyer) legitimately believes could significantly hamper the ability of KION GROUP AG to meet its obligations arising from the framework agreement dated December 19, 2019 regarding the purchase and administration of receivables, the buyer is entitled to terminate the framework agreement without notice.

9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Consolidated financial statements

Consolidated income statement

in € million	Note	2023	2022
Revenue	[7]	11,433.7	11,135.6
Cost of sales	[8]	–8,652.5	–9,011.5
Gross profit		**2,781.2**	**2,124.0**
Selling expenses	[8]	–1,143.3	–1,118.6
Research and development costs	[8]	–235.1	–203.3
Administrative expenses	[8]	–760.9	–656.0
Other income	[9]	136.0	138.9
Other expenses	[10]	–130.2	–130.9
Profit from equity-accounted investments	[11]	12.8	14.1
Earnings before interest and tax		**660.6**	**168.3**
Financial income	[12]	207.8	303.3
Financial expenses	[13]	–408.6	–333.5
Net financial expenses		**–200.8**	**–30.2**
Earnings before tax		**459.8**	**138.0**
Income taxes	**[14]**	**–145.4**	**–32.2**
Current taxes		–286.6	–107.2
Deferred taxes		141.2	75.0
Net income		**314.4**	**105.8**
Attributable to shareholders of KION GROUP AG		305.8	98.0
Attributable to non-controlling interests		8.6	7.8
Earnings per share	**[15]**		
Average number of shares (in million)		131.1	131.1
Basic earnings per share (in €)		2.33	0.75
Diluted earnings per share (in €)		2.33	0.75

Consolidated statement of comprehensive income

in € million	Note	2023	2022
Net income		**314.4**	**105.8**
Items that will not be reclassified subsequently to profit or loss		**–27.1**	**429.9**
Gains / losses on defined benefit obligation	[29]	–58.7	410.6
thereof changes in unrealized gains and losses		–84.7	587.7
thereof tax effect		26.0	–177.1
Changes in unrealized gains / losses on financial investments	[22]	31.2	14.4
Changes in unrealized gains and losses from equity-accounted investments		0.4	4.9
Items that may be reclassified subsequently to profit or loss		**–76.8**	**99.7**
Impact of exchange differences		–79.0	92.6
thereof changes in unrealized gains and losses		–79.0	92.6
thereof realized gains (–) and losses (+)		–0.0	–
Gains / losses on hedge reserves	[42]	1.9	7.0
thereof changes in unrealized gains and losses		0.8	–4.4
thereof realized gains (–) and losses (+)		2.2	12.8
thereof tax effect		–1.0	–1.3
Changes in unrealized gains / losses from equity-accounted investments		0.3	0.2
Other comprehensive loss / income		**–104.0**	**529.7**
Total comprehensive income		**210.4**	**635.5**
Attributable to shareholders of KION GROUP AG		202.1	627.9
Attributable to non-controlling interests		8.4	7.6

Consolidated statement of financial position – Assets

in € million	Note	Dec. 31, 2023	Dec. 31, 2022
Goodwill	[16]	3,558.0	3,619.4
Other intangible assets	[16]	2,106.9	2,162.1
Leased assets	[17]	1,454.9	1,367.7
Rental assets	[18]	737.8	602.1
Other property, plant and equipment	[19]	1,749.9	1,585.2
Equity-accounted investments	[20]	103.6	94.7
Lease receivables	[21]	1,701.9	1,370.5
Other financial assets	[22]	187.5	179.0
Other assets	[23]	121.3	131.1
Deferred taxes	[14]	443.2	300.8
Non-current assets		**12,165.1**	**11,412.6**
Inventories	[24]	1,817.1	1,804.6
Lease receivables	[21]	612.5	519.8
Contract assets	[34]	403.3	528.8
Trade receivables[1]	[25]	1,755.8	1,667.3
Income tax receivables	[14]	41.5	103.2
Other financial assets	[22]	65.5	80.3
Other assets	[23]	160.6	137.3
Cash and cash equivalents	[26]	311.8	318.1
Assets held for sale	[27]	55.2	27.4
Current assets		**5,223.3**	**5,186.7**
Total assets		**17,388.4**	**16,599.4**

1 Prior year figures adjusted (see note [41])

Consolidated statement of financial position – Equity and liabilities

in € million	Note	Dec. 31, 2023	Dec. 31, 2022
Subscribed capital		131.1	131.1
Capital reserve		3,826.7	3,826.7
Retained earnings		1,867.3	1,600.5
Accumulated other comprehensive loss / income		–58.3	50.3
Non-controlling interests		5.9	–0.9
Equity	**[28]**	**5,772.7**	**5,607.8**
Retirement benefit obligation and similar obligations	[29]	775.7	712.8
Financial liabilities	[30]	1,285.6	1,361.8
Liabilities from lease business	[31]	2,715.5	2,314.2
Liabilities from short-term rental business	[32]	509.9	354.1
Other provisions	[33]	173.7	140.8
Other financial liabilities	[36]	556.0	478.3
Other liabilities	[37]	177.7	185.9
Deferred taxes	[14]	448.9	492.8
Non-current liabilities		**6,642.9**	**6,040.8**
Financial liabilities	[30]	236.8	626.7
Liabilities from lease business	[31]	1,040.7	900.4
Liabilities from short-term rental business	[32]	206.7	190.1
Contract liabilities	[34]	773.3	826.1
Trade payables	[35]	1,194.0	1,124.3
Income tax liabilities	[14]	89.3	42.4
Other provisions	[33]	278.6	229.4
Other financial liabilities[1]	[36]	328.5	286.4
Other liabilities	[37]	779.8	697.8
Liabilities directly associated with assets held for sale	[27]	45.2	27.2
Current liabilities		**4,972.8**	**4,950.8**
Total equity and liabilities		**17,388.4**	**16,599.4**

1 Prior year figures adjusted (see note [41])

Consolidated statement of cash flows

in € million	Note	2023	2022
Earnings before interest and tax		**660.6**	**168.3**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets without lease and rental assets	[8], [10]	485.5	469.7
Depreciation and impairment minus reversals of impairment on lease and rental assets	[8]	567.5	563.8
Non-cash reversals of deferred revenue from lease business		–91.8	–115.3
Other non-cash income (–)/expenses (+)		16.6	26.7
Gains (–)/losses (+) on disposal of non-current assets	[9], [10]	–5.9	–4.9
Change in assets/liabilities from lease and short-term rental business		–461.8	–483.5
thereof change in leased assets (excluding depreciation and interest) and receivables/liabilities from lease business	[17], [21], [31]	–214.1	–272.1
thereof change in rental assets (excluding depreciation and interest) and liabilities from short-term rental business	[18], [32]	–186.8	–222.0
thereof interest received from lease business		102.0	80.6
thereof interest paid from lease and short-term rental business		–162.9	–69.9
Change in net working capital		27.5	–804.5
thereof inventories	[24]	–31.7	–163.2
thereof trade receivables and trade payables	[25], [35]	–22.3	–590.9
thereof contract assets and contract liabilities	[34]	81.4	–50.3
Cash payments for defined benefit obligations	[29]	–85.9	–35.5
Change in other provisions	[33]	81.1	30.9
Change in other operating assets/liabilities		130.5	–1.5
Taxes paid		–180.0	–160.0
Cash flow from operating activities	**[39]**	**1,144.0**	**–345.9**
Cash payments for purchase of non-current assets (excluding leased and rental assets)	[39]	–442.8	–382.7
Cash receipts from disposal of non-current assets (excluding leased and rental assets)		15.2	7.5
Dividends received		9.9	10.5
Acquisition of subsidiaries/other businesses (net of cash acquired)		–2.8	–4.9
Cash receipts/payments for sundry assets		–8.3	–0.1
Cash flow from investing activities	**[39]**	**–428.8**	**–369.7**

Consolidated statement of cash flows (continued)

in € million	Note	2023	2022
Dividend of KION GROUP AG	[28]	–24.9	–196.7
Dividends paid to non-controlling interests		–1.6	–2.5
Financing costs paid		–7.4	–3.2
Proceeds from borrowings	[39]	1,147.5	2,699.7
Repayment of borrowings	[39]	–1,621.7	–1,757.3
Interest received		9.7	4.5
Interest paid	[39]	–69.7	–32.6
Interest portion from procurement leases	[39]	–22.1	–16.1
Principal portion from procurement leases	[39]	–135.8	–135.6
Cash receipts/payments from other financing activities		4.2	2.5
Cash flow from financing activities	**[39]**	**–721.7**	**562.8**
Effect of exchange rate changes on cash and cash equivalents		–5.0	2.1
Change in cash and cash equivalents		**–11.5**	**–150.8**
Cash and cash equivalents at the beginning of the year	[39]	318.1	483.0
Cash and cash equivalents at the end of the year	[39]	306.6	332.2
In addition cash and cash equivalents included in assets held for sale at the beginning of the year	[27]	14.1	–
Less cash and cash equivalents included in assets held for sale at the end of the year	[27]	–8.9	–14.1
Cash and cash equivalents at the end of the year (Consolidated statement of financial position)	[39]	311.8	318.1

Consolidated statement of changes in equity

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
Balance as at Jan. 1, 2022		**131.1**	**3,826.4**	**1,699.2**
Net income				98.0
Other comprehensive income	[28]			
Comprehensive income		**0.0**	**0.0**	**98.0**
Dividend of KION GROUP AG	[28]			–196.7
Dividends paid to non-controlling interests	[28]			
Changes from employee share option program	[28]	0.0	0.3	
Effects from the acquisition / disposal of non-controlling interests	[28]			
Balance as at Dec. 31, 2022		**131.1**	**3,826.7**	**1,600.5**
Balance as at Jan. 1, 2023		**131.1**	**3,826.7**	**1,600.5**
Net income				305.8
Other comprehensive loss (before reclassifications)	[28]			
Reclassification to retained earnings	[28]			
Comprehensive income		**0.0**	**0.0**	**305.8**
Dividend of KION GROUP AG	[28]			–24.9
Dividends paid to non-controlling interests	[28]			
Reclassification from other comprehensive loss	[28]			–7.4
Changes in the scope of consolidation	[4]			–6.7
Gains / losses on hedge reserves reclassified to inventories	[42]			
Balance as at Dec. 31, 2023		**131.1**	**3,826.7**	**1,867.3**

	Accumulated other comprehensive (loss) income							
	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
	–121.8	**–354.0**	**–4.5**	**3.8**	**–3.2**	**5,177.1**	**–8.3**	**5,168.9**
						98.0	7.8	105.8
	92.8	410.6	7.0	14.4	5.1	529.9	–0.2	529.7
	92.8	**410.6**	**7.0**	**14.4**	**5.1**	**627.9**	**7.6**	**635.5**
						–196.7	0.0	–196.7
						0.0	–2.5	–2.5
						0.3	0.0	0.3
						0.0	2.2	2.2
	–29.1	**56.6**	**2.5**	**18.3**	**2.0**	**5,608.7**	**–0.9**	**5,607.8**
	–29.1	**56.6**	**2.5**	**18.3**	**2.0**	**5,608.7**	**–0.9**	**5,607.8**
						305.8	8.6	314.4
	–78.8	–64.6	1.9	29.6	0.6	–111.2	–0.2	–111.4
		5.8		1.6		7.4	0,0	7.4
	–78.8	**–58.7**	**1.9**	**31.2**	**0.6**	**202.1**	**8.4**	**210.4**
						–24.9	0.0	–24.9
						0.0	–1.6	–1.6
						–7.4	0,0	–7.4
						–6.7	0,0	–6.7
			–4.9			–4.9	0,0	–4.9
	–107.8	**–2.1**	**–0.5**	**49.5**	**2.6**	**5,766.8**	**5.9**	**5,772.7**

Notes to the consolidated financial statements

Basis of presentation

[1] General information on the Company

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

The KION Group is among the world's leading suppliers of industrial trucks and supply chain solutions. Its portfolio encompasses industrial trucks such as forklift trucks and warehouse trucks, as well as integrated automation technology and software solutions for the optimization of supply chains, including all related services. In 2023, the Group and its approximately 42,000 employees generated revenue of €11,433.7 million (2022: €11,135.6 million).

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), which holds 46.5 percent of the shares (2022: 46.5 percent).

Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, is the company that prepares the global consolidated financial statements for the largest number of affiliated companies. These consolidated financial statements are not publicly available.

Weichai Power Co., Ltd., Weifang, People's Republic of China, is the company that prepares the global consolidated financial statements for the smallest number of affiliated companies. These can be accessed in English from the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the company (www.weichaipower.com).

The consolidated financial statements and the combined group management report and management report of KION GROUP AG were prepared and approved for publication by the Executive Board on February 27, 2024.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended December 31, 2023 have been prepared in accordance with section 315e of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as at the reporting date as well as the associated interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) 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. All of the IFRSs and their interpretations that had been enacted by the reporting date and that were required to be applied in the 2023 financial year have been applied in preparing the consolidated financial statements.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group’s presentation currency. 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. All of the separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG. The comparative figures for the prior year were determined on the same basis.

Financial reporting standards to be adopted for the first time in the current financial year

The following financial reporting standards were required to be applied for the first time in 2023:

- Amendments to IAS 1 ‘Presentation of Financial Statements’: As a result of the amendments, the requirement to disclose significant accounting policies has been replaced with the requirement to disclose material accounting policies.
- Amendments to IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’: The amendments provide guidance on distinguishing between changes in accounting policies and changes in accounting estimates.
- Amendments to IAS 12 ‘Income Taxes’: The standard has been amended to restrict the scope of an exemption so that deferred taxes can now be recognized for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
- Amendments to IAS 12 ‘Income Taxes’: The amendments create a temporary, mandatory exception to the obligation to recognize deferred taxes resulting from the introduction of global minimum tax (OECD pillar two rules). In addition, specific disclosures about the extent to which the entity is affected by the minimum tax rules must be included in the notes to the financial statements (further information can be found in note [14]).
- IFRS 17 ‘Insurance Contracts’: The standard establishes the principles for the recognition, measurement, disclosure, and presentation of insurance contracts, superseding the previous standard on this subject, IFRS 4.
- Amendments to IFRS 17 ‘Insurance Contracts’: These amendments relate to the comparative information about financial assets to be presented by an entity that applies IFRS 17 and IFRS 9 for the first time simultaneously.

The initial application of these standards and interpretations has had no significant effect on the presentation of the financial position and financial performance of the KION Group. Furthermore, application of the amendments to IAS 1 has had no impact on the accounting policy disclosures included in the notes to the consolidated financial statements.

Financial reporting standards released but not yet adopted

The standards and interpretations that had been issued by the IASB as at December 31, 2023 but were not yet required to be adopted in 2023 will probably be applied by the subsidiaries in the basis of consolidation, and by KION GROUP AG, only from the time when they are required to be applied. Based on current assessments, the initial application of these financial reporting standards and interpretations will have no significant effect on the presentation of the financial position and financial performance of the KION Group.

[3] Principles of consolidation

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognized separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognized as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree, and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree's net assets. Any negative goodwill is recognized in profit or loss. KION GROUP AG recognizes non-controlling interests at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognized at their fair value at the acquisition date. The difference between the carrying amount of the interests and the fair value is recognized in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities, depending on the structure.

On first-time consolidation of an acquisition, all identifiable assets and liabilities are recognized at their fair value at the acquisition date. The fair values of identifiable assets are determined using appropriate valuation techniques. These measurements are based, for example, on estimates of future cash flows, expected growth rates, exchange rates, discount rates, and useful lives.

The consolidated financial statements cover KION GROUP AG and all material subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognized on the resulting temporary differences.

Transactions with non-controlling interests are treated as transactions with the Group's equity investors. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognized in equity. Gains and losses arising from the disposal of interests are also recognized in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] Basis of consolidation

KION GROUP AG's equity investments consist of subsidiaries, associates and joint ventures, and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making authority over the main activities of the entity and can use this authority to affect the amount of the variable returns to which it is exposed as a result of the equity investment. Material subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. In addition, equity investments previously classified as immaterial (non-consolidated subsidiaries) are included in the basis of consolidation as soon as the materiality criteria defined for the KION Group are satisfied. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

Associates are equity investments whose financial and operating policies may be significantly influenced, either directly or indirectly, by companies in the KION Group. Significant influence is assumed when companies in the KION Group hold between 20 percent and 50 percent of the voting rights.

Joint ventures are equity investments where the joint venture is jointly managed by companies in the KION Group together with one or more partners, and these parties have rights to the net assets of the joint venture.

Equity investments over which KION Group companies are unable to exercise control or a significant influence, or that are not jointly controlled by them, are classified as financial investments.

A total of 25 (2022: 27) German and 107 (2022: 109) foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at December 31, 2023.

In addition, eight associates (December 31, 2022: seven) and three joint ventures (December 31, 2022: three) were consolidated and accounted for using the equity method as at December 31, 2023. The last available annual financial statements or interim financial statements were generally used as the basis for measurement.

As at December 31, 2023, 47 (December 31, 2022: 53) companies were recognized at amortized cost or at fair value through other comprehensive income. The non-consolidated subsidiaries recognized at amortized cost and the associates and joint ventures that are not accounted for using the equity method were of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

The following table shows the number of equity investments broken down by category:

Shareholdings by categories

	Jan. 1, 2023	Additions	Disposals	Dec. 31, 2023
Consolidated subsidiaries	**136**	**3**	**7**	**132**
Domestic	27	–	2	25
Foreign	109	3	5	107
Equity-accounted associates and joint ventures	**10**	**1**	**–**	**11**
Domestic	5	1	–	6
Foreign	5	–	–	5
Non-consolidated subsidiaries and other investments	**53**	**2**	**8**	**47**
Domestic	14	–	3	11
Foreign	39	2	5	36

Where other requirements were met, the fully consolidated companies listed below were exempt from the obligation to disclose annual financial statements and to prepare notes to the (consolidated) financial statements and (group) management reports in accordance with sections 264 (3), 264b, and 291 (2) HGB on account of their inclusion in the consolidated financial statements.

German subsidiaries exempt from disclosure requirements

Subsidiary	Registered office
BlackForxx GmbH	Stuhr
Dematic Holdings GmbH	Frankfurt am Main
Eisengießerei Dinklage GmbH	Dinklage
Eisenwerk Weilbach Gesellschaft mit beschränkter Haftung	Frankfurt am Main
Fahrzeugbau GmbH Geisa	Geisa
Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg
KION Financial Services GmbH	Frankfurt am Main
KION Information Management Services GmbH	Frankfurt am Main
KION Warehouse Systems GmbH	Reutlingen
Linde Material Handling GmbH	Aschaffenburg
Linde Material Handling Rental Services GmbH	Aschaffenburg
Linde Material Handling Rhein-Ruhr GmbH & Co. KG	Essen
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg
LR Intralogistik GmbH	Wörth an der Isar
STILL Gesellschaft mit beschränkter Haftung	Hamburg
Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG can be found in note [48] (list of shareholdings).

[5] Currency translation

Financial statements in foreign currencies are translated in accordance with the functional currency concept. The functional currency is the currency of the primary economic environment in which a KION Group subsidiary operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognized as other comprehensive income, equity is translated at historical rates. The resulting translation differences are not taken to income and are recognized in accumulated other comprehensive income until subsidiaries are disposed of.

The financial statements of foreign equity-accounted investments are also translated using the method described above.

Transactions in foreign currencies of the subsidiaries included in the consolidated financial statements are translated into the relevant company's functional currency at the rate prevailing on the transaction date. On the reporting date, monetary items are translated at the closing rate and non-monetary items at the rate prevailing on the transaction date. Currency translation differences are recognized in net financial income/expenses if they relate to financing activities. They are recognized in other income/expenses if they relate to the operating business.

The following translation rates were used for currencies that are material to the consolidated financial statements:

Major foreign currency rates for the KION Group in €

	Average rate		Closing rate	
	2023	**2022**	**2023**	**2022**
China (CNY)	7.6584	7.0796	7.8473	7.3633
United Kingdom (GBP)	0.8697	0.8526	0.8669	0.8853
USA (USD)	1.0816	1.0533	1.1039	1.0705

Source: Bloomberg

[6] Accounting policies

Judgments and estimates

The preparation of the IFRS consolidated financial statements requires the use of judgments and estimates for certain line items that affect recognition and measurement in the consolidated statement of financial position and consolidated income statement. The actual amounts realized may differ from estimates. Judgments and estimates that are material to the financial statements are explained in the description of the specific accounting policies and principles of consolidation.

Material judgments are required when:

- determining the terms of leases in either the role of lessee or the role of lessor;
- classifying leases in the role of lessor;
- determining whether the transfer of an asset to a financing partner as part of a sale and leaseback transaction or in the indirect lease business constitutes a sale;
- assessing whether brand names have an indefinite useful life.

Material estimates are required when:

- measuring lease receivables on the basis of the determined lease term and the estimate of unguaranteed residual values at the end of the lease term;
- measuring the leased asset on the basis of the estimate of the residual value in order to calculate depreciation;
- determining the total estimated contract costs in order to evaluate the stage of completion of contracts and determining the estimated revenue from variable elements in the project business where the revenue is recognized over a period of time;
- determining the recoverable amount of goodwill and other intangible assets as part of an impairment test and determining the related assumptions;
- measuring defined benefit obligations with regard to material actuarial assumptions, such as discount rates and increases in pensions and salaries.

The impact of a change to judgments or estimates is recognized prospectively when it becomes known and assumptions are adjusted accordingly.

Revenue recognition

Revenue is the consideration that is expected to be received from the customer for the transfer of goods or services (transaction price). In addition to the contractually agreed consideration, the transaction price may also include variable elements. Variable elements are included in the transaction price only if it is highly unlikely that the revenue that has already been recognized will subsequently be reversed. Revenue is recognized when control over the promised goods or services passes to the customer. This is the case when the customer can direct how the goods or services are used and substantially obtain the remaining benefits from the goods or services.

Where a contract includes multiple distinct goods or services, the transaction price is allocated to the performance obligations on the basis of the relative selling prices. If stand-alone selling prices are not directly observable, they are estimated.

Other criteria may arise, depending on each individual transaction, as described below:

Sale of goods

Revenue from the sale of goods is primarily attributable to the sale of industrial trucks and the supply of spare parts. It is reduced by any deductions such as rebates, volume discounts, trade discounts, and bonuses and is recognized at the point in time when the contractual performance obligation is satisfied. This is generally the case when the KION Group delivers goods to a customer, the risks and rewards incidental to the ownership of the goods sold are substantially transferred to the customer, and there is a right to receive the contractually agreed consideration. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is recognized only when the goods are accepted. The point in time when the risks and rewards incidental to ownership of the goods sold are substantially transferred to the customer is determined by the underlying contract and the delivery terms specified therein or by international trade rules. Shipping services are not usually treated as separate performance obligations. Payment terms vary in accordance with the customary conditions in the respective countries and are generally between 30 and 90 days.

Rendering of services

Services rendered mainly consist of individual orders for repairs and maintenance work, plus multiple-year service contracts. Revenue from individual contracts is recognized at a point in time, upon performance of the service. Revenue from multiple-year service contracts is recognized on a straight-line basis over the period of performance or in accordance with the proportion of the overall service rendered by the reporting date. Payment terms vary in accordance with the customary conditions in the respective countries and are generally between 30 and 90 days.

Lease and short-term rental business

The Industrial Trucks & Services segment leases and rents industrial trucks and related items of equipment to its customers in its lease and short-term rental business. In the direct lease business, subsidiaries of the KION Group enter into leases with end customers, whereas in the indirect lease business, industrial trucks are sold to financing partners that enter into long-term leases with end customers.

The KION Group recognizes revenue from leases and the cost of sales relating to leases in accordance with the rules for lessors that are manufacturers or dealers. In the direct lease business, this means that if a lease is classified as a finance lease, revenue is recognized as at the commencement date at the fair value of the industrial truck. If the present value of the lease payments, discounted using a market interest rate, is lower than the fair value of the industrial truck, revenue is recognized in the amount of the present value of the lease payments. If a lease is classified as an operating lease, the revenue is recognized on a straight-line basis over the term of the lease, generally in the amount of the agreed lease installments.

In the indirect lease business, subsidiaries in the KION Group initially treat as deferred income the portion of the consideration received that exceeds the amount they expect to have to pay when the industrial truck is returned and subsequently recognize the revenue in installments over the term of the lease. If substantially all of the risks and rewards incidental to ownership of the industrial truck are transferred to the financing partner, the portion of the consideration received that exceeds the amount expected to be paid when the industrial truck is returned is recognized as revenue immediately.

Short-term rental business is generally classified as an operating lease.

Further information on leases where the KION Group is the lessor can be found in the section on the lease and short-term rental business in this note.

Project business contracts

The deliverables in the project business include integrated technology and software solutions. Manual and automated material handling solutions are provided for customers’ operational material flows, ranging from goods inward and Multishuttle warehouse systems through to order picking. The provision of this kind of integrated supply chain solution generally constitutes only one single performance obligation as defined by IFRS 15. The project business also involves the production of customer-specific assets for which the KION Group has no alternative use. As the KION Group has a legal right to payment for performance completed to date, plus a margin, control over the promised goods and services gradually passes to the customer over the course of the project. Revenue is therefore recognized over a period of time, i.e. the duration of the project, in line with the percentage of completion. The percentage of completion is the proportion of contract costs incurred up to the reporting date compared to the total estimated contract costs as at the reporting date (cost-to-cost method) and reflects the continuous transfer of control over the project to the customer.

In addition to the contractually agreed consideration, the transaction price may also include variable elements in the project business, primarily bonuses, penalties, and changes to the contractually agreed consideration as a result of price adjustment clauses. Variable elements are included in the transaction price only if it is highly unlikely that the revenue that has already been recognized will subsequently be reversed. This necessitates, in particular, an assessment regarding adherence to the contractually agreed completion dates for projects and regarding fulfillment of technical specifications. The assessment takes place continuously throughout the project. If an assessment changes, the impact on the transaction price is taken into account. Adjustments are also made to the revenue to be recognized based on the percentage of completion as at the reporting date and to the project's profit or loss.

Contract costs are recognized as an expense in the period in which they are incurred. The total estimated contract costs are reviewed on an ongoing basis throughout the project and, in the event of changes to the estimates, are adjusted accordingly. This means that the percentage of completion calculated as at the reporting date, the revenue to be recognized, and the project's profit or loss may change. An expected loss from a contract is immediately recognized as an expense in the period in which the loss becomes apparent.

Contract modifications and claims against customers are factored into the project costing provided that the parties to the contract have agreed to them and they do not give rise to any distinct performance obligation. If these lead to changes to the transaction price or to the percentage of completion calculated as at the reporting date, the difference between the resulting revenue and the revenue already recognized up to that point is recognized in profit or loss.

The duration of a project depends on the size and complexity of the supply chain solution and generally ranges from a few months to three years. During the project, invoices are issued to the customer when contractually agreed milestones are reached. The payment conditions typically specify payment terms of between 30 and 90 days after the invoice has been issued. If the revenue recognized exceeds the invoiced performance, the excess is recognized as a contract asset. If the payments received from the customer exceed the revenue recognized, the excess is recognized as a contract liability.

Cost of sales

The cost of sales comprises the cost of goods sold and services rendered, costs arising from project business contracts, and revenue-related costs from the lease and short-term rental business. As well as direct costs, these also include relevant overheads.

The main components of the cost of sales are cost of materials, personnel expenses, depreciation expenses on property, plant and equipment and amortization expenses on intangible assets in connection with purchase price allocations, and amortization expenses on capitalized development costs. This item also includes warranty costs.

Financial income and expenses

The interest income and expense included in net financial income/expenses are recognized in profit and loss in accordance with the effective interest method.

Goodwill

Goodwill has an indefinite useful life and is therefore not amortized. Instead, it is tested for impairment in accordance with IAS 36 at least once a year and whenever there is an indication that the asset might be impaired.

Goodwill is tested for impairment annually at the level of the cash-generating units (CGUs) to which goodwill is allocated.

The CGUs or groups of CGUs (simply referred to as CGUs below) identified for the purposes of testing goodwill and brand names for impairment equate to the KION ITS EMEA, KION ITS APAC, and KION ITS Americas Operating Units in the Industrial Trucks & Services (ITS) segment and to the KION SCS Operating Unit in the Supply Chain Solutions (SCS) segment.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The measurement draws on cash flows forecast for the next five years on the basis of the financial planning signed off by management that applies at the time the impairment test is carried out. This planning is based on assumptions derived from external economic research studies and sectoral studies relating to future conditions in the global economy and to future sector-specific conditions in the global material handling market. Supplemented by the internal departments' assessments, this planning is then used to produce specific market planning models for industrial trucks and supply chain solutions. These models provide the basis for revenue planning in the CGUs. Assumptions made about a likely increase in adjusted EBIT take account of anticipated future revenue growth and, in particular, management's expectations about economies of scale targeted in industrial truck production and increases in profitability in the long-term project business. In all CGUs, the planning for sale prices and cost structures incorporates the latest assumptions about macroeconomic trends (movements in exchange rates, interest rates, procurement prices, and labor costs).

Material measurement parameters for determining the recoverable amount are the long-term growth rate for the extrapolation of cash flows beyond the five-year planning period and the weighted average cost of capital (WACC) used to discount the cash flows, which reflects current market assessments of the specific risks to individual CGUs. These are shown in the following table for 2022 and 2023:

Significant parameters for impairment testing

	Long-term growth rate		WACC after tax		WACC before tax	
	2023	2022	2023	2022	2023	2022
Industrial Trucks & Services						
KION ITS EMEA	1.0%	1.0%	8.8%	8.2%	12.8%	11.6%
KION ITS Americas	1.0%	1.0%	9.4%	9.9%	12.2%	12.9%
KION ITS APAC	1.0%	1.0%	9.2%	8.2%	12.1%	10.7%
Supply Chain Solutions						
KION SCS	1.3%	1.3%	10.5%	9.7%	13.6%	12.6%

Another material measurement parameter relates to the long-term outlook for adjusted EBIT and thus the CGUs' expected profitability. In the planning period, a continual rise in adjusted EBIT is anticipated in the KION ITS EMEA and KION SCS CGUs, whose combined goodwill makes up more than 95 percent of the total goodwill recognized by the Group. In the final year of the planning prior to the transition to perpetuity, the adjusted EBIT margin expected for each of these two CGUs corresponds to the profitability target defined in the KION 2027 strategy; that target is to raise the adjusted EBIT margin above 10 percent on a permanent basis. For KION SCS, a sharp increase compared with the adjusted EBIT margin achieved in 2023 is therefore expected.

The impairment test carried out in the fourth quarter of 2023 did not reveal any need to recognize impairment losses for the goodwill allocated to the KION ITS EMEA, KION ITS APAC, KION ITS Americas, and KION SCS CGUs. For the KION SCS CGU, whose recoverable amount exceeds its carrying amount by approximately €681 million, a lowering of the adjusted EBIT margin expected in the final year of the planning (as the basis for perpetuity) by more than around 2 percentage points could potentially reduce the recoverable amount to less than the carrying amount.

Further information on goodwill can be found in note [16].

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at historical cost less all accumulated amortization and accumulated impairment losses. If events or market developments suggest impairment has occurred, impairment tests are carried out on the carrying amount of items classified as other intangible assets with a finite useful life. The carrying amount of an asset is compared with its recoverable amount. If the reasons for recognizing impairment losses in prior periods no longer apply, the relevant impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortized cost.

Development costs are capitalized if the capitalization criteria in IAS 38 are met. Capitalized development costs include all costs and overheads directly attributable to the development process. Once they have been initially capitalized, these costs and other internally generated intangible assets – particularly internally generated software – are carried at cost less accumulated amortization and accumulated impairment losses. All non-qualifying development costs are expensed as incurred and immediately reported in the consolidated income statement under research and development costs together with research costs.

Amortization of intangible assets with a finite useful life is recognized on a straight-line basis and predominantly reported under cost of sales. The impairment losses on intangible assets are reported under other expenses.

The following useful life ranges are applied in determining the carrying amounts of other intangible assets:

Useful life of other intangible assets

	Years
Customer relationships	4–15
Technologies	10–15
Development costs	5–7
Patents and licenses	3–15
Software	2–10

Other intangible assets with an indefinite useful life are carried at cost and currently comprise only brand names. Brand names, which have been established in the market for a number of years, have an indefinite useful life because they are used and maintained on a long-term basis. As there is no foreseeable end to their useful life, the brand names are not amortized. In accordance with IAS 36, they are instead tested for impairment at least once a year and whenever there is an indication that they might be impaired. The impairment test applies an income-oriented method in which fundamentally the same assumptions are used as in the impairment test for goodwill, and it did not reveal any need to recognize impairment losses. Assessments of indefinite useful life are carried out at every reporting date.

Lease and short-term rental business

The Industrial Trucks & Services segment leases and rents industrial trucks and related items of equipment to its customers in its lease and short-term rental business.

The classification and accounting treatment of these leases depends on which party has beneficial ownership of the industrial trucks. In line with IFRS 16, contracts are therefore classified as finance leases if substantially all of the risks and rewards incidental to ownership of the industrial truck are transferred to the customer. All other leases and short-term rentals are classified as operating leases, again in accordance with IFRS 16.

The classification of leases requires assessments to be made regarding the transferred and retained risks and rewards in connection with ownership of the industrial truck. Judgments are required, in particular, when determining the term of a lease. When making its assessment, the KION Group takes into consideration all facts and circumstances that offer an economic incentive to exercise extension options or to not exercise termination options.

Further information on the lease and short-term rental business can be found in notes [17] Leased assets, [18] Rental assets, and [21] Lease receivables. Information on procurement leases in which the KION Group is the lessee can be found in the disclosures on other property, plant and equipment.

Lease business

If the beneficial ownership of the industrial trucks remains with a KION Group subsidiary as the lessor under an operating lease, the industrial trucks are reported as leased assets under non-current assets in the consolidated statement of financial position. The industrial trucks are carried at cost and depreciated on a straight-line basis over the term of the underlying leases until the expected residual value is reached. Changes to the expected residual values are recognized by prospectively adjusting the depreciation over the remaining term of the lease. If the recoverable amount is lower than the amortized cost, an impairment loss is recognized. When the lease ends, the industrial trucks are transferred to inventories and recognized at the remaining carrying amount of the leased assets. The KION Group makes estimates regarding future residual values. These estimates are primarily based on empirical values and prices in used truck markets.

If a KION Group subsidiary enters into a finance lease as the lessor, a lease receivable is recognized at an amount equal to the net investment. The net investment comprises the present value of the customer's lease payments and any unguaranteed residual value. To calculate the lease payments, the KION Group determines the term of the lease, which thus affects the net investment amount. In subsequent measurement, the lease installments paid are divided into payments of principal and payments of interest. The interest income is recognized under financial income and is spread over the term of the lease in order to ensure a constant return on the outstanding net investment in the lease. The simplified impairment model in accordance with IFRS 9 is applied to the lease receivables. Furthermore, the unguaranteed residual values of the industrial trucks are regularly reviewed and, in the event of a reduction, adjusted. The KION Group makes estimates regarding future unguaranteed residual values. These estimates are primarily based on empirical values and prices in used truck markets.

To finance the direct lease business, the KION Group uses sale and leaseback transactions, securitizations through a special-purpose entity, and lease facilities. In sale and leaseback transactions, industrial trucks are sold to financing partners in accordance with civil law, immediately leased back, and then provided for use to end customers. The KION Group assesses whether the sale to the financing partner in accordance with civil law also results in the transfer of control over the industrial truck and thus to a sale in accordance with the criteria of IFRS 15. Where financing agreements contain a call option for the KION Group or provide for the automatic transfer of ownership of the industrial truck to the KION Group at the end of the term of the financing, a sale pursuant to IFRS 15 is not deemed to take place as a rule. Where agreements contain a put option for the financing partner, the KION Group generally assumes – based on past experience – that exercising the put option is advantageous for the financing partner. This also applies where there is no contractually agreed provision to take back the industrial trucks, but the KION Group has raised a valid expectation that it will repurchase them. As these scenarios generally do not involve a sale as defined by IFRS 15 either, the industrial trucks continue to be recognized as leased assets in the case of operating leases; in the case of finance leases, a lease receivable is recognized. The liabilities resulting from sale and leaseback transactions, securitizations, and lease facilities are recognized under liabilities from lease business.

In the indirect lease business, industrial trucks are sold to financing partners that enter into long-term leases with end customers. As the KION Group usually repurchases the industrial truck, the financing partner does not obtain control over the industrial truck and a sale pursuant to IFRS 15 is not deemed to take place (see the information on the financing of the direct lease business). The industrial truck is therefore recognized as a leased asset in the KION Group's consolidated statement of financial position and carried at cost. In the period before the industrial truck is returned, it is depreciated on a straight-line basis until the amount expected to be paid upon return is reached. The KION Group recognizes an obligation equivalent to the amount that it expects to have to pay when the industrial truck is returned (repurchase obligation) under liabilities from lease business. In addition, the consideration received that exceeds the amount that is expected to be paid when the industrial truck is returned is initially treated as deferred income and the revenue is subsequently recognized in installments over the term of the lease.

Short-term rental business

Subsidiaries in the KION Group rent industrial trucks directly to end customers under short-term rental agreements. Short-term rental agreements usually have a term ranging from a few hours to a year. Beneficial ownership of the assets in the short-term rental business remains with a KION Group subsidiary under an operating lease and the industrial trucks are reported as rental assets under non-current assets in the consolidated statement of financial position. They are carried at cost and usually depreciated on a straight-line basis over the normal useful life of between five and eight years, depending on the product group.

To finance its short-term rental business, the KION Group uses sale and leaseback transactions and rental facilities. In sale and leaseback transactions, industrial trucks are sold to financing partners, immediately leased back, and then provided for use to end customers. In this case too, the financing partner usually does not obtain control over the industrial truck (see the information on the financing of the direct lease business), so the industrial truck continues to be recognized as a rental asset in the consolidated statement of financial position. The liabilities resulting from finance transactions are recognized under liabilities from short-term rental business.

Other property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment losses. The cost of internally generated machinery and equipment includes all costs directly attributable to the production process and an appropriate portion of production overheads.

Depreciation of property, plant and equipment is recognized on a straight-line basis and reported under functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The following useful life ranges are applied in determining the carrying amounts of items of other property, plant and equipment:

Useful life of other property, plant and equipment

	Years
Buildings	10–50
Plant and machinery	3–15
Office furniture and equipment	2–15

KION Group companies also lease property, plant and equipment for their own use through procurement leases, which are recognized as right-of-use assets under other property, plant and equipment. As a rule, the leases are entered into for defined periods, although they may contain extension and/or termination options. For this reason, when defining the lease term, the KION Group takes into consideration all facts and circumstances that offer an economic incentive to exercise extension options or to not exercise termination options. Examples include the importance of the leased asset to the KION Group's operations – and the availability of suitable alternatives – and costs relating to the termination of the lease. Particularly in the case of leases for land and buildings, the assessment of whether extension and termination options will be exercised or not affects the measurement of the liabilities from procurement leases (further information can be found in note [36]) and the measurement of the right-of-use assets related to procurement leases (further information can be found in note [19]).

The right-of-use assets are depreciated over the shorter of their useful life or the term of the lease, unless title to the leased assets passes to the lessee when the lease expires, in which case the right-of-use asset is depreciated over the useful life of the leased asset.

When liabilities from procurement leases are initially measured, the lease payments not yet made are discounted at an interest rate implicit in the lease. If this cannot be readily defined, a term-specific and currency-specific incremental borrowing rate of interest is essentially determined and used for the calculation. The interest expense resulting from unwinding the discount on liabilities upon subsequent measurement is recognized in financial expenses. The interest portion and the principal portion of lease payments are recognized in cash flow from financing activities in the consolidated statement of cash flows.

Lease installments for procurement leases with a term of no more than twelve months and for procurement leases relating to low-value assets are immediately recognized as an expense under functional costs.

If there are certain indications of impairment of the property, plant and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognized for an asset. The impairment losses on property, plant and equipment are reported under other expenses.

If an impairment test for an item of property, plant and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognized in prior years no longer applies, the relevant pro rata impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortized cost. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognized in income. Other changes in the equity of associates and joint ventures are recognized in other comprehensive income in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses incurred by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognized. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the equity investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognized for the equity investment. If the reasons for the recognition of the impairment loss on the equity investment no longer apply, the impairment loss is reversed.

Financial instruments

Financial assets

In accordance with IFRS 9, the KION Group categorizes financial assets as debt instruments measured at amortized cost (AC category), debt instruments recognized at fair value through profit or loss (FVPL category), or equity instruments recognized at fair value through other comprehensive income (FVOCI category). Financial assets are subject to settlement date accounting, i.e. they are recognized on the day they are received and derecognized on the day of delivery. Details of how they are assigned to the respective categories can be found in note [40].

Debt instruments are measured at amortized cost if they are held as part of a business model whose objective is to collect the contractual cash flows, and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Upon initial recognition, financial assets in the AC category are carried at fair value including directly attributable transaction costs. In subsequent periods, they are measured at amortized cost using the effective interest method. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value. Upon initial recognition, trade receivables that do not contain a significant financing component are measured at their transaction price.

In line with the general impairment approach for debt instruments in the AC category, the KION Group recognizes the expected credit loss in profit or loss by recognizing valuation allowances, both upon initial recognition and subsequently. These valuation allowances amount to the twelve-month expected losses, provided no significant increase in credit risk (for example as a result of material changes to external or internal credit ratings) is observable at the reporting date. Otherwise, the lifetime expected loss is recognized. The expected loss is calculated using the probability of default, the amount at risk, and, taking into account any collateral, the estimated loss given default. The calculation draws on observable historical loss data, information on current conditions, and the economic outlook. A default is defined as the occurrence of a loss event, such as a borrower being in considerable financial difficulties or a contract being breached. A financial asset is considered to be credit-impaired if there are no reasonable prospects of recovering the underlying cash flows in full or partly. The recoverability is assessed on the basis of different indicators – for example, failure to adhere to payment terms or the opening of insolvency proceedings over the borrower's assets – that take the relevant country-specific factors into account. The reversal of an impairment loss must not result in a carrying amount greater than the amortized cost that would have arisen if the impairment loss had not been recognized. The general impairment approach is currently not material in the KION Group.

Upon measurement of trade receivables, lease receivables, and contract assets subsequent to initial recognition, the KION Group applies the simplified impairment approach of IFRS 9. For purposes of the valuation allowance, average loss rates on a collective basis are used to determine the expected lifetime losses. In the case of trade receivables, this depends on the past due status of the receivable. The loss rates are calculated on the basis of observable historical loss data, taking into account current conditions and economic assessments, for example on the basis of expected probability of default for significant countries. The amount of the valuation allowances already recognized is adjusted through profit or loss if there is a change in the assessment of the underlying inputs.

Financial assets assigned to the FVPL category are initially recognized at fair value; directly attributable transaction costs have to be taken directly to profit or loss. In subsequent periods, financial assets in the FVPL category are recognized at fair value through profit or loss.

The KION Group uses factoring programs as a way of managing working capital. In these programs, the underlying receivables are sold to the factor in return for payment. If, under a factoring program, the default risk and the other material risks and opportunities remain with the KION Group, the receivables continue to be recognized in full in the statement of financial position. If some of the material risks and opportunities are passed to the factor, the receivables are accounted for as a continuing involvement. The KION Group has assigned the portfolio of receivables under the factoring programs that are still recognized in its statement of financial position to the ‘sell’ business model in accordance with IFRS 9, which means that the receivables continue to be recognized at fair value through profit or loss until they are derecognized.

Equity instruments in the FVOCI category are recognized at fair value through other comprehensive income. Upon initial recognition at fair value, directly attributable transaction costs are included. Gains and losses recognized in accumulated other comprehensive income are not reclassified to profit or loss upon derecognition of these financial assets but instead remain in equity.

Financial liabilities

In accordance with IFRS 9, the KION Group differentiates between financial liabilities that are not held for trading and are thus recognized at amortized cost using the effective interest method (AC category) and financial liabilities that are held for trading and recognized at fair value through profit or loss (FVPL category). Financial liabilities are subject to settlement date accounting, i.e. they are recognized on the day they are received and derecognized on the day of delivery. Details of how they are assigned to the respective categories can be found in note [40].

Upon initial recognition, financial liabilities in the AC category are carried at fair value, including any directly attributable transaction costs. Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value. Subsequently, financial liabilities are recognized at amortized cost using the effective interest method. The corresponding interest expenses and interest payments are recognized in the consolidated income statement under financial expenses and in the consolidated statement of cash flows in the cash flow from financing activities.

Financial liabilities assigned to the FVPL category are initially recognized at fair value; directly attributable transaction costs have to be taken directly to profit or loss. In subsequent periods, financial liabilities in the FVPL category are recognized at fair value through profit or loss.

Hedge accounting

Derivative financial instruments that are part of a formally documented hedge with a hedged item are not assigned to any of the IFRS 9 measurement categories and are therefore recognized in accordance with the hedge accounting rules described below.

In the case of cash flow hedges for hedging currency risk, derivatives are used to hedge future cash flow risks from highly probable future transactions and firm commitments not reported in the statement of financial position. The effective portion of changes in the fair value of derivatives is initially recognized in equity in the hedge reserve (accumulated other comprehensive income). The amounts previously recognized in the hedge reserve are subsequently reclassified to the income statement – or recognized under inventories – when the gain or loss on the corresponding hedged item is recognized. The ineffective portion of the changes in fair value is recognized immediately in the income statement.

In addition, the KION Group uses an interest-rate swap to hedge the fair value of a fixed-rate financial liability.

The critical-terms-match method is used to measure the prospective effectiveness of the hedges. Ineffective portions can arise if the critical terms of the hedged item and hedge no longer match; this is determined using the dollar-offset method.

In addition, the KION Group uses amortizing interest-rate swaps to hedge the fair value of certain lease receivables at portfolio level in accordance with IAS 39. The effective portion of changes in the fair value of the interest-rate swaps is recognized in net financial income/expenses. These are offset by gains and losses on the change in the fair value of the hedged lease receivables, which result in an adjustment in profit or loss of the carrying amount of the hedged item in net financial income/expenses. The ineffective portion of the hedge is also recognized in net financial income/expenses.

The prospective and retrospective effectiveness of hedges is measured using a regression analysis with historical data. Ineffectiveness may arise in the hedged item in the event of default.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognized on the basis of the tax legislation of the jurisdictions involved. Deferred taxes are recognized in other comprehensive income if they relate to transactions also recognized in other comprehensive income.

Deferred tax assets and liabilities are recognized in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise in subsequent years from the expected utilization of existing tax loss carryforwards and interest carryforwards and from tax credits and whose utilization is reasonably certain according to current forecasts.

Deferred taxes are determined on the basis of the tax rates that will apply at the recovery date, or have been announced, in accordance with the current legal situation in each country concerned. Deferred tax assets are offset against deferred tax liabilities to the extent that they relate to the same taxation authority and there is an intention to settle them on a net basis.

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [14]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognized on the basis of an assessment of the future recoverability of the tax benefit, i.e. an assumption as to whether sufficient taxable income or tax relief will be available against which the carryforwards can be utilized. The actual amount of taxable income in future periods – and hence the actual utilization of tax loss carryforwards and interest carryforwards – may be different from the assessments made when the corresponding deferred tax assets were recognized.

The companies in the KION Group operate in many different countries and are therefore subject to different tax rules. The tax expense can increase due to changes to tax laws – or due to changes in how they are applied or interpreted – and as a result of current or future tax audits. Changes to tax laws, tax rules, and tax agreements – or changes in the relevant tax authorities' legal opinions with regard to how tax laws are applied, managed, and interpreted – may potentially lead to higher tax expenses and higher tax payments that would have an impact on both past and future years. Such changes can also have an effect on the tax assets and tax liabilities that have been or will be recognized in the statement of financial position and on any deferred tax assets and deferred tax liabilities to be recognized. Furthermore, the uncertain legal situation in some regions may make it difficult or impossible to enforce legal rights. Consequently, the companies in the KION Group continually review the presence of tax risks and the amounts at which they have been measured. Where appropriate under IFRIC 23, provisions are recognized in the statement of financial position in respect of possible risks resulting from uncertain tax items. The most likely amount or the expected value is used for measurement purposes, depending on which reflects expectations most closely.

Inventories

Inventories are carried at the lower of cost and net realizable value. The acquisition costs of raw materials and merchandise are calculated using the weighted average cost method. The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overheads and production-related depreciation directly attributable to the production process. Administrative costs and social insurance/employee benefits are included to the extent that they are attributable to the production process. The amount recognized is an average value or a value determined in accordance with the FIFO method (FIFO = first in, first out).

Net realizable value is the selling price that can be realized less the estimated costs of completion and the estimated necessary selling costs.

Impairment losses are recognized for inventory risks resulting from duration of storage, impaired recoverability, or other reasons. If the reasons for the recognition of the impairment losses on the inventories no longer apply, they are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its cost.

Contract balances

Contract assets mainly relate to goods and services provided in the project business that have not yet been billed. Subsequent to initial recognition, contract assets are measured using the simplified impairment approach in accordance with IFRS 9. The average loss rates calculated for trade receivables are used as an approximation of the expected losses from contract assets.

A contract liability is a company's obligation to transfer goods or services to a customer for which the company has received consideration. Project business contracts with a net debit balance due to customers are reported under contract liabilities, as are advances received from customers. Contract liabilities are recognized as revenue as soon as the contractual goods and services have been provided. Further information on contract balances can be found in note [34].

Assets classified as held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For such classification, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable.

Such assets or disposal groups are measured at the lower of their net carrying amount and fair value less costs of disposal. Amortization on intangible assets and depreciation on property, plant and equipment cease to be recognized as soon as the assets are classified as held for sale.

Retirement benefit obligation and similar obligations

The retirement benefit obligation and similar obligations are calculated in accordance with the projected unit credit method, taking account of future increases in remuneration and pensions. Pension provisions are reduced by the fair value of the plan assets used to cover the Group’s benefit obligations, taking account – if applicable – of the rules on limiting the surplus of plan assets over the obligation (asset ceiling).

Remeasurements and changes in the effect of the asset ceiling are recognized in other comprehensive income, factoring in deferred taxes. The service cost and the net interest cost on the net liability under defined benefit plans are recognized in profit or loss.

Defined benefit pension entitlements are calculated on the basis of actuarial parameters, although the fair value for certain plan assets is derived from inputs that are not observable in the market. Further information on sensitivity analysis in relation to the impact of the discount rate and details of measurement can be found in the information on the retirement benefit obligation and similar obligations in note [29].

Liabilities from lease business

In accordance with IFRS 9, liabilities from the lease business are recognized at amortized cost using the effective interest method (AC category). Upon initial recognition, they are carried at fair value, including any relevant directly attributable transaction costs.

Liabilities from the lease business comprise all liabilities from financing the direct lease business and the repurchase obligations resulting from the indirect lease business.

Liabilities from short-term rental business

In accordance with IFRS 9, liabilities from the short-term rental business are recognized at amortized cost using the effective interest method (AC category). Upon initial recognition, they are carried at fair value, including any relevant directly attributable transaction costs.

Other provisions

In accordance with IAS 37, other provisions are recognized when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, the provision is recognized in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and uncertain liabilities are recognized in the amount that represents the best estimate of the cost required to settle the obligations. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax interest rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability.

Provisions for statutory and contractual warranties and for goodwill cases are recognized on the basis of past or estimated future claim statistics and for known individual claims. In the case of product sales, the corresponding expense is recognized in cost of sales at the date on which the revenue is recognized. In the project business, the corresponding expense is recognized in cost of sales upon acceptance by the customer.

Provisions for onerous contracts and other business obligations are measured on the basis of the contractual obligations that are currently still to be fulfilled. In the case of contracts in the project business, a provision for onerous contracts is recognized if the total contract costs exceed the contract revenue. The expected loss is immediately recognized as an expense in the period in which the loss becomes apparent.

A restructuring provision is recognized when a KION Group subsidiary has prepared a detailed, formal restructuring plan and this plan has raised the valid expectation in those affected that the subsidiary will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

The recognition and measurement of other provisions are based on an assessment of the probability of the future outflow of resources, supplemented by past experience and the circumstances known to the Group at the reporting date. Accordingly, the actual outflow of resources for a given event may be different from the amount of the provision recognized. Further details can be found in note [33].

Share-based payments

IFRS 2 distinguishes between equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognized at their fair value at the date of grant. The fair value of the obligation is recognized as an expense under functional costs over the vesting period and added to capital reserves.

The portion of the fair value of cash-settled share-based payments that is attributable to service provided up to the valuation date is recognized as an expense under functional costs and is also reported as a liability. The fair value is recalculated on each reporting date until the end of the performance period. Any change in the fair value of the obligation must be recognized (pro rata) under expenses.

Notes to the consolidated income statement

[7] Revenue

The following table contains the product categories identified as material to the KION Group's financial performance and the timing of revenue recognition for each of these categories.

Timing of revenue recognition with third parties

Product category	Business model	Timing of revenue recognition
Industrial Trucks & Services		
New business	Sale of industrial trucks	At a point in time
	Direct and indirect lease business (in both cases where classified as finance lease)	At a point in time
Service business		
– Aftersales	Supply of spare parts	At a point in time
	Individual orders for repairs and maintenance work	At a point in time
	(Full) service contracts	Over a period of time
– Rental business	Direct and indirect lease business (in both cases where classified as operating lease)	Over a period of time
	Short-term rental business	Over a period of time
	Fleet management	Over a period of time
– Used trucks	Sale of used industrial trucks	At a point in time
– Other	Various business models, currently categorized as not material to the financial performance of the KION Group in the ITS segment	Mainly at a point in time
Supply Chain Solutions		
Business solutions	Project business	Over a period of time
Service business	Modernization work and upgrades	Over a period of time
	Supply of spare parts	At a point in time
	Service contracts	Over a period of time
	Various business models, currently categorized as not material to the financial performance of the KION Group in the SCS segment	Mainly over a period of time
Corporate Services		
	Services	Over a period of time

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

	2023				
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total	Thereof IFRS 15[1]
EMEA	**6,917.9**	**703.1**	**1.0**	**7,622.1**	**5,661.4**
Western Europe	6,036.4	613.9	1.0	6,651.3	4,906.0
Eastern Europe	779.2	66.9	0.1	846.2	631.6
Middle East and Africa	102.2	22.3	–	124.6	123.8
Americas	**669.3**	**1,913.2**	**–**	**2,582.5**	**2,561.0**
North America	360.6	1,890.1	–	2,250.8	2,249.7
Central and South America	308.7	23.1	–	331.8	311.3
APAC	**877.0**	**352.0**	**0.1**	**1,229.1**	**1,058.5**
China	608.2	106.0	–	714.3	623.4
APAC excluding China	268.7	246.0	0.1	514.8	435.2
Total revenue	**8,464.2**	**2,968.4**	**1.1**	**11,433.7**	**9,281.0**
New business	4,465.2			4,465.2	3,476.1
Service business	3,999.0			3,999.0	2,835.4
– Aftersales	2,089.7			2,089.7	2,089.7
– Rental business	1,163.6			1,163.6	–
– Used trucks	460.8			460.8	460.8
– Other	284.9			284.9	284.9
Business solutions		1,930.9		1,930.9	1,930.9
Service business		1,037.4		1,037.4	1,037.4
Corporate Services			1.1	1.1	1.1
Total revenue	**8,464.2**	**2,968.4**	**1.1**	**11,433.7**	**9,281.0**
Timing of revenue recognition					
Products and services transferred at a point in time	6,636.1	460.9	–	7,097.0	6,107.8
Products and services transferred over a period of time	1,828.1	2,507.5	1.1	4,336.7	3,173.1

[1] Excluding revenue from the Industrial Trucks & Services segment's leasing and short-term rental business, as these are subject to the provisions of IFRS 16

Disaggregation of revenue with third parties

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total	Thereof IFRS 15[1]
	2022				
EMEA	**5,920.7**	**901.1**	**1.8**	**6,823.7**	**5,192.2**
Western Europe	5,128.0	815.6	1.8	5,945.4	4,498.7
Eastern Europe	695.4	63.9	–	759.3	575.3
Middle East and Africa	97.4	21.6	–	119.0	118.1
Americas	**518.2**	**2,496.4**	**–**	**3,014.6**	**2,995.2**
North America	270.8	2,461.4	–	2,732.2	2,731.2
Central and South America	247.4	35.0	–	282.4	264.0
APAC	**905.3**	**392.0**	**0.1**	**1,297.3**	**1,116.2**
China	637.7	101.4	–	739.1	640.0
APAC excluding China	267.6	290.6	0.1	558.2	476.2
Total revenue	**7,344.2**	**3,789.4**	**1.9**	**11,135.6**	**9,303.6**
New business	3,623.2			3,623.2	2,897.2
Service business	3,721.0			3,721.0	2,615.0
– Aftersales	1,940.7			1,940.7	1,940.7
– Rental business	1,105.9			1,105.9	–
– Used trucks	418.0			418.0	418.0
– Other	256.3			256.3	256.3
Business solutions		2,827.6		2,827.6	2,827.6
Service business		961.8		961.8	961.8
Corporate Services			1.9	1.9	1.9
Total revenue	**7,344.2**	**3,789.4**	**1.9**	**11,135.6**	**9,303.6**
Timing of revenue recognition					
Products and services transferred at a point in time	5,612.5	432.8	–	6,045.3	5,319.3
Products and services transferred over a period of time	1,731.7	3,356.6	1.9	5,090.2	3,984.3

[1] Excluding revenue from the Industrial Trucks & Services segment's leasing and short-term rental business, as these are subject to the provisions of IFRS 16

The table below shows the revenue that is expected as a result of performance obligations in existence at the reporting date. This consists only of revenue from contracts with customers as defined by IFRS 15. In the Supply Chain Solutions segment, this revenue is generated by the project and service business. In the Industrial Trucks & Services segment, it is generated through (full-)service contracts, each with an expected original term of more than one year.

Expected future revenue from existing performance obligations

in € million	2023	2022
Total of expected future revenue from existing performance obligations	**3,988.9**	**4,141.3**
due within one year	1,584.7	2,577.7
due in one to three years	2,002.1	1,310.8
due in more than three years	402.2	252.8

[8] Cost of sales and other functional costs

The total cost of materials recognized under functional costs in the consolidated income statement went down by €535.9 million to €5,181.5 million in 2023 (2022: €5,717.5 million), mainly due to the easing of material prices.

The total personnel expenses recognized under functional costs rose by €320.9 million to €3,169.6 million (2022: €2,848.7 million). This rise can be explained by the growth in the average number of employees for the year and general salary increases.

Personnel expenses included wages and salaries of €2,534.1 million (2022: €2,274.9 million), social security contributions of €565.0 million (2022: €500.1 million), and post-employment benefit costs and other benefits of €70.5 million (2022: €73.6 million). Post-employment benefit costs and other benefits comprised a current service cost from defined benefit pension plans of €26.5 million (2022: €47.7 million). The interest cost from the unwinding of the discount on estimated pension obligations is not recognized under personnel expenses and is instead reported under financial expenses as a component of interest expense.

Depreciation expenses on property, plant and equipment together with amortization expenses on intangible assets totaled €1,046.6 million in the reporting year (2022: €1,013.4 million); these expenses are recognized under functional costs.

In 2022, the cost of sales and selling expenses had included impairment losses of €10.9 million on inventories and impairment losses of €3.4 million on trade receivables and lease receivables of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold. Further information can be found in note [27].

[9] Other income

Other income breaks down as follows:

Other income

in € million	2023	2022
Foreign currency exchange rate gains	93.0	96.0
Income from reversal of provisions	8.2	8.7
Gains on disposal of non-current assets	10.1	5.9
Sundry income	24.8	28.2
Total other income	**136.0**	**138.9**

In 2023, other income went down by €2.8 million year on year to stand at €136.0 million.

Foreign currency exchange rate gains are largely attributable to the translation of trade receivables, trade payables, lease receivables, and liabilities from the lease and short-term rental business that are denominated in a foreign currency. Such gains also include gains on hedges that are entered into in order to hedge currency risk arising from the operating business and are not part of a formally documented hedge (details of the countervailing other expenses from foreign currency exchange rate losses can be found in note [10]).

[10] Other expenses

Other expenses break down as follows:

Other expenses

in € million	2023	2022
Foreign currency exchange rate losses	101.1	95.9
Impairment of non-current assets	6.7	20.2
Accounting loss from disposal of non-current assets	4.1	1.0
Sundry expenses	18.3	13.7
Total other expenses	**130.2**	**130.9**

In 2023, other expenses fell by €0.7 million year on year to stand at €130.2 million.

Foreign currency exchange rate losses are largely attributable to the translation of trade receivables, trade payables, lease receivables, and liabilities from the lease and short-term rental business that are denominated in a foreign currency. Such losses also include losses on hedges that are entered into in order to hedge currency risk arising from the operating business and are not part of a formally documented hedge (details of the countervailing other income from foreign currency exchange rate gains can be found in note [9]).

Of the impairment losses that had been recognized on non-current assets in 2022, €15.1 million had essentially related to assets of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold. Further information can be found in note [27].

[11] Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments amounted to a profit of €12.8 million in the reporting period (2022: profit of €14.1 million).

Further details on equity-accounted investments can be found in note [20].

[12] Financial income

Financial income breaks down as follows:

Financial income

in € million	2023	2022
Interest income from lease business	102.0	80.6
Foreign currency exchange rate gains (financing)	6.2	98.1
Net interest income from defined benefit plans and similar obligations	4.8	1.4
Changes in fair value of derivatives without hedge relationship	0.3	31.7
Income from fair value hedges	38.2	69.3
Realised gain of interest rate derivatives	44.8	2.4
Other interest and similar income	11.6	19.9
Total financial income	**207.8**	**303.3**

The main reasons for the €95.5 million decrease in financial income to €207.8 million were a reduction in foreign currency exchange rate gains, lower income from fair value hedges, and changes in the fair value of derivatives without a hedge relationship. The decrease was partly offset by higher realized gains on interest-rate derivatives and a rise in interest income from the lease business (details of the countervailing interest expense from the lease business can be found in note [13]). The interest income from the lease business relates to the interest portion of lease payments in which KION Group subsidiaries operate as lessors and the arrangements are classified as a finance lease relationship. In such relationships, the KION Group enters into leases with end customers that are based on fixed interest rates. It hedges most of them using interest-rate derivatives.

Foreign currency exchange rate gains predominantly arise in connection with foreign currency positions in internal financing and the related hedging transactions that are not part of a formally documented hedge.

Furthermore, adjustments to the measurement of lease receivables designated as hedged items in fair value hedges had an impact on the income from fair value hedges in 2023 owing to falling long-term interest rates. There was a countervailing impact from decreases in the fair value of the interest-rate derivatives that are used to hedge the lease portfolio, which are recognized in the expense from fair value hedges. The rise in short-term interest rates led to higher realized gains on interest-rate derivatives over the course of the year.

[13] Financial expenses

Financial expenses

in € million	2023	2022
Interest expense from loans	30.0	14.4
Interest expense from promissory notes	16.5	5.0
Interest expense from bonds	9.3	9.3
Interest expense from the commercial paper program	12.0	2.7
Interest expense from lease and short-term rental business	162.9	69.9
Interest expense from procurement leases	22.1	16.1
Net interest expense from defined benefit plans and similar obligations	28.3	15.1
Foreign currency exchange rate losses (financing)	36.0	120.5
Changes in fair value of derivatives without hedge relationship	28.6	9.9
Expense from fair value hedges	34.5	56.3
Realised loss of interest rate derivatives	4.9	2.7
Other interest expenses and similar charges	23.5	11.6
Total financial expenses	**408.6**	**333.5**

In 2023, financial expenses swelled by €75.1 million year on year to reach €408.6 million.

Interest expense from loans, promissory notes, bonds, and the commercial paper program increased by €36.4 million to €67.8 million (2022: €31.4 million). The main reasons for this were the further rise in interest rates and the rise in average debt in the reporting year.

Interest expense from the lease and short-term rental business totaling €162.9 million (2022: €69.9 million) arose from primarily variable-rate liabilities from financing the lease and short-term rental business. Leases entered into with customers in connection with these financing transactions and that constitute an operating lease relationship, together with the financing of the short-term rental fleet, resulted in interest expense of €74.1 million (2022: €35.3 million). The income from corresponding customer leases and short-term rental agreements is a component of the lease and rental payments received and is therefore reported within revenue rather than as interest income.

The growth of net interest expense from defined benefit plans and similar obligations is attributable to the higher discount rate compared with the previous year.

Foreign currency exchange rate losses predominantly arise in connection with foreign currency positions in internal financing and the related hedging transactions that are not part of a formally documented hedge.

Furthermore, financial income was reduced by changes in the fair value of interest-rate derivatives that are used to hedge the lease portfolio and are designated as part of a fair value hedge or are accounted for separately. The reason for this was the fall in long-term interest rates over the course of the year. Positive changes in the measurement of lease receivables designated as hedged items in fair value hedges had a countervailing impact.

[14] Income taxes

Current taxes

The income tax expense of €145.4 million (2022: €32.2 million) consisted of €286.6 million in current tax expense (2022: €107.2 million) and €141.2 million in deferred tax income (2022: €75.0 million). The current tax expense included expenses of €11.9 million (2022: tax income of €17.5 million) relating to previous financial years. Of the deferred tax income, €99.6 million was attributable to the change in deferred taxes recognized on temporary differences (2022: €68.0 million).

The current corporate income tax rate in Germany is 15.0 percent plus a solidarity surcharge (5.5 percent of corporate income tax). Taking into account the average trade tax rate of 14.9 percent, the combined nominal tax rate for entities in Germany was 30.7 percent (2022: 30.7 percent).

Deferred tax assets and liabilities

The nominal income tax rates for foreign companies used in the calculation of deferred taxes were between 9.0 percent and 34.0 percent, as had also been the case in 2022.

Deferred taxes were allocated to the following items in the statement of financial position:

Deferred taxes

in € million	2022 Deferred tax assets	2022 Deferred tax liabilities	2022 Deferred taxes balance sheet (net)	Change 2023 Deferred taxes recognized in profit or loss	Change 2023 Deferred taxes not recognized in profit or loss	2023 Deferred tax assets	2023 Deferred tax liabilities	2023 Deferred taxes balance sheet (net)
Intangible assets and property, plant and equipment	377.3	–951.4	**–574.0**	70.7	20.0	480.9	–964.3	**–483.4**
Other assets	224.5	–461.1	**–236.6**	–102.1	–0.4	199.0	–538.2	**–339.1**
Provisions	127.0	–45.6	**81.3**	29.2	26.5	196.7	–59.7	**137.0**
Liabilities	597.9	–145.3	**452.6**	91.9	–0.8	658.1	–114.5	**543.6**
Deferred income	65.4	–12.6	**52.8**	–4.7	–0.2	61.5	–13.6	**47.9**
Tax loss carry forwards and interest carry forwards	32.0	–	**32.0**	56.3	–	88.3	–	**88.3**
Offsetting	–1,123.3	1,123.3	**–**	–	–	–1,241.4	1,241.4	**–**
Total deferred taxes	**300.8**	**–492.8**	**–192.0**	**141.2**	**45.1**	**443.2**	**–448.9**	**–5.7**

The amount of deferred tax assets recognized in the statement of financial position rose to €443.2 million as at December 31, 2023 (December 31, 2022: €300.8 million). Deferred taxes are recognized on deductible temporary differences and on tax loss carryforwards and interest carryforwards to the extent that taxable temporary differences exist or that it is probable that sufficient taxable income will be available in the future. In 2023, KION GROUP AG and the consolidated subsidiaries that reported losses for 2023 or 2022 recognized net deferred tax assets on temporary differences, loss carryforwards, and tax credits totaling €59.3 million (2022: €18.5 million). The assets were considered to be recoverable because the companies in question are expected to generate taxable income in the future.

No deferred tax assets have been recognized on tax loss carryforwards of €581.3 million (2022: €773.3 million) – of which €202.0 million (2022: €191.6 million) can only be carried forward on a restricted basis – or on interest carryforwards of €292.9 million (2022: €292.9 million) or on temporary differences of €19.9 million (2022: €11.3 million).

Corporation-tax loss carryforwards amounting to €24.1 million (2022: €22.3 million) on which no deferred tax assets have been recognized will expire within the next five years. Corporation-tax loss carryforwards amounting to €14.5 million (2022: €14.9 million) on which no deferred tax assets have been recognized will expire within the next six to nine years. Corporation-tax loss carryforwards amounting to €163.8 million (2022: €154.4 million) on which no deferred tax assets have been recognized will expire after nine years.

Consequently, the total amount of unrecognized deferred tax assets relating to loss carryforwards was €135.2 million (December 31, 2022: €157.1 million), of which €84.6 million (December 31, 2022: €109.4 million) concerned tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at December 31, 2023 amounted to €214.4 million (December 31, 2022: €163.6 million), while trade-tax loss carryforwards stood at €198.2 million (December 31, 2022: €150.7 million). There were also tax loss carryforwards outside Germany totaling €579.9 million (December 31, 2022: €569.6 million).

The recognition of deferred tax assets on tax loss carryforwards that had not been recognized in 2022 gave rise to deferred tax income of €27.6 million (2022: €4.5 million). Utilization of tax loss carryforwards on which no deferred tax assets had been recognized in 2022 led to a reduction in the current tax expense of €4.4 million (2022: €6.4 million).

The interest that can be carried forward indefinitely in Germany amounted to €292.9 million as at December 31, 2023 (December 31, 2022: €292.9 million).

As had also been the case in 2022, the deferred tax liabilities essentially related to the purchase price allocation carried out in connection with the acquisition of Dematic, particularly for intangible assets and property, plant and equipment.

The currency translation of deferred tax assets and deferred tax liabilities gave rise to a net asset totaling €2.9 million as at the reporting date that was recognized in other comprehensive income (loss) under cumulative translation adjustment, resulting in an increase in equity (2022: decrease in equity of €13.4 million).

No deferred taxes have been recognized on temporary differences of €206.7 million (2022: €199.1 million) between the net assets reported in the consolidated financial statements for the Group companies and the tax base for the shares in these Group companies (outside basis differences) because the KION Group is in a position to manage the timing of the reversal of the temporary differences and there are no plans to dispose of equity investments in the foreseeable future.

Based on Directive (EU) 2022/2523 of December 14, 2022, German lawmakers adopted the Act to Ensure Global Minimum Taxation for Corporate Groups (Minimum Tax Act, MinStG). The new act applies to Germany-based KION GROUP AG from 2024 as it qualifies as a partially owned parent company. The KION Group carried out an impact analysis in order to ascertain whether the introduction of the global minimum tax rules will have an adverse impact on its tax situation. Based on this analysis, which was limited to data of KION Group companies, there would have been no notable additional tax expense in the relevant countries if MinStG had been required to be applied in respect of the 2023 financial year. For the impact analysis to be carried out conclusively, it would need to include not only the KION Group companies but also Weichai Power Co., Ltd. and its other subsidiaries. It is therefore not currently possible to rule out that the inclusion of Weichai Power Co., Ltd. and its other subsidiaries would have had an effect on the tax expense, with financial implications for the KION Group, if the global minimum tax rules had been required to be applied for financial years ended December 31, 2023.

The KION Group will update its assessment regarding the future financial implications of the global minimum tax rules on an ongoing basis.

The KION Group has applied the temporary, mandatory exception to the obligation to recognize deferred taxes resulting from the introduction of global minimum tax.

Reconciliation of effective income taxes

The table below shows the reconciliation of expected income tax expenses to effective income tax expenses. Expected income taxes are calculated using the combined nominal income tax rate of 30.7 percent (2022: 30.7 percent), which is the rate applicable to the German tax group of the Group parent company KION GROUP AG. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognized in income.

Income taxes

in € million	2023	2022
Earnings before tax	**459.8**	**138.0**
Anticipated income taxes	–141.2	–42.4
Deviations due to the trade tax base	–6.5	–3.6
Deviations from the anticipated tax rate	24.0	13.9
Losses for which deferred taxes have not been recognized	–21.9	–28.2
Change in tax rates and tax legislation	3.6	–0.0
Non-deductible expenses	–23.8	–27.9
Non-taxable income/tax-exempt income/tax incentives	18.2	28.4
Taxes relating to other periods	–11.9	17.5
Deferred taxes relating to prior periods	19.0	11.5
Non-creditable withholding tax on dividends	–3.0	–1.5
Other	–1.9	0.2
Effective income taxes (current and deferred taxes)	**–145.4**	**–32.2**

[15] Earnings per share

Basic earnings per share (€2.33; 2022: €0.75) is calculated by dividing the net income accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting year (2023: 131.1 million no-par-value shares; 2022: 131.1 million no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €305.8 million in 2023 (2022: €98.0 million).

Diluted earnings per share (€2.33; 2022: €0.75) is calculated by adding potentially dilutive no-par-value shares to the weighted average number of shares outstanding during the reporting year; there were no such shares in 2023. The calculation of diluted earnings per share was based on a weighted average of 131.1 million no-par-value shares issued (2022: 131.1 million no-par-value shares).

Notes to the consolidated statement of financial position

[16] Goodwill and other intangible assets

Goodwill breaks down by Operating Unit (the Operating Units equate to the CGUs or groups of CGUs) as follows:

Goodwill broken down by Operating Unit

in € million	Dec. 31, 2023	Dec. 31, 2022
Industrial Trucks & Services	**1,505.4**	**1,513.2**
KION ITS EMEA	1,371.8	1,371.9
KION ITS Americas	22.0	22.6
KION ITS APAC	111.6	118.7
Supply Chain Solutions	**2,052.7**	**2,106.2**
KION SCS	2,052.7	2,106.2
Total goodwill	**3,558.0**	**3,619.4**

The change in goodwill was largely due to negative exchange rate effects of €60.9 million in 2023.

The total carrying amount for brand names as at December 31, 2023 was €938.9 million (December 31, 2022: €939.4 million). Of this figure, €465.0 million (December 31, 2022: €465.0 million) was attributable to the Linde brand name and €107.0 million (December 31, 2022: €107.0 million) to the STILL brand name within the KION ITS EMEA Operating Unit and €349.7 million (December 31, 2022: €349.7 million) to the Dematic brand name within the KION SCS Operating Unit.

The annual impairment test of goodwill and brand names with an indefinite useful life carried out in the fourth quarter of 2023 revealed no need to recognize impairment losses as at the reporting date (see also the information provided in note [6]).

The overall changes in intangible assets in 2023 and 2022 were as follows:

Intangible assets

in € million	Goodwill	Brand names	Techno-logies and develop-ments	Sundry intangible assets	Total
Balance as at Jan. 1, 2022	**3,544.8**	**939.7**	**680.6**	**545.7**	**5,710.7**
Gross carrying amount as at Jan. 1	3,544.8	946.6	1,173.4	1,052.4	6,717.2
Accumulated depreciation as at Jan. 1	–	–7.0	–492.8	–506.7	–1,006.5
Currency translation adjustments	74.8	–0.2	20.8	22.5	117.9
Additions	–	–	118.0	26.8	144.7
Disposals	–	–	–0.3	–0.1	–0.4
Amortization	–	–0.0	–112.6	–76.3	–189.0
Impairment	–0.2	–	–0.2	–2.0	–2.4
Balance as at Dec. 31, 2022	**3,619.4**	**939.4**	**706.3**	**516.5**	**5,781.6**
Gross carrying amount as at Dec. 31	3,619.6	946.4	1,301.6	1,111.7	6,979.3
Accumulated amortization as at Dec. 31	–0.2	–7.0	–595.4	–595.2	–1,197.7
Balance as at Jan. 1, 2023	**3,619.4**	**939.4**	**706.3**	**516.5**	**5,781.6**
Group changes	2.2	–	–	–	2.2
Currency translation adjustments	–60.9	–0.5	–10.9	–10.1	–82.5
Additions	–	–	116.0	43.8	159.8
Disposals	–2.7	–	–	–0.2	–2.9
Amortization	–	–	–117.6	–74.6	–192.2
Impairment	–	–	–1.1	–0.1	–1.1
Balance as at Dec. 31, 2023	**3,558.0**	**938.9**	**692.6**	**475.4**	**5,665.0**
Gross carrying amount as at Dec. 31	3,558.2	945.8	1,363.7	1,121.7	6,989.4
Accumulated amortization as at Dec. 31	–0.1	–6.9	–671.1	–646.3	–1,324.4

The total carrying amount for technology and development assets as at December 31, 2023 was €692.6 million (December 31, 2022: €706.3 million). Development costs of €116.0 million were capitalized in the reporting year (2022: €118.0 million).

Sundry intangible assets relate in particular to customer relationships amounting to €376.7 million (December 31, 2022: €436.9 million).

[17] Leased assets

Leased assets

in € million	2023	2022
Balance as at Jan. 1	**1,367.7**	**1,391.5**
Gross carrying amount as at Jan. 1	2,004.4	2,052.3
Accumulated depreciation as at Jan. 1	–636.6	–660.7
Group changes	6.7	–
Currency translation adjustments	6.6	–13.2
Additions	608.9	514.7
Disposals[1]	–190.3	–176.0
Depreciation	–344.4	–340.6
Impairment	–0.4	–8.7
Balance as at Dec. 31	**1,454.9**	**1,367.7**
Gross carrying amount as at Dec. 31	2,075.1	2,004.4
Accumulated depreciation as at Dec. 31	–620.3	–636.6

1 Contains reclassifications to assets held for sale

Leased assets are attributable exclusively to the Industrial Trucks & Services segment and mainly relate to industrial trucks that are provided for use to external customers under operating leases in the direct lease business or as part of the indirect lease business.

In the direct lease business, industrial trucks with a carrying amount of €1,199.4 million (December 31, 2022: €1,077.3 million) were provided to customers for their use. The indirect lease business resulted in assets with a carrying amount of €255.5 million (December 31, 2022: €290.4 million).

As at December 31, 2023, leased assets of €499.3 million (December 31, 2022: €492.0 million) were available as collateral in connection with the financing of the lease business. The liabilities resulting from the related finance transactions are recognized under liabilities from lease business (securitizations).

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €1,179.7 million (December 31, 2022: €1,035.2 million). The maturity structure of these expected future payments in the lease business is shown in the following table:

Expected future payments from lease business

in € million	2023	2022
Payments from lease business	**1,179.7**	**1,035.2**
due within one year	443.0	397.5
due in one to two years	312.1	287.1
due in two to three years	212.3	186.4
due in three to four years	133.2	107.9
due in four to five years	66.4	45.6
due in more than five years	12.6	10.7

[18] Rental assets

Rental assets

in € million	2023	2022
Balance as at Jan. 1	**602.1**	**542.8**
Gross carrying amount as at Jan. 1	1,171.1	1,043.4
Accumulated depreciation as at Jan. 1	–569.0	–500.6
Group changes	11.7	–
Currency translation adjustments	3.1	–4.1
Additions	448.2	358.1
Disposals[1]	–104.6	–80.1
Depreciation	–220.4	–207.9
Impairment	–2.3	–6.7
Balance as at Dec. 31	**737.8**	**602.1**
Gross carrying amount as at Dec. 31	1,315.0	1,171.1
Accumulated depreciation as at Dec. 31	–577.2	–569.0

1 Contains reclassifications to assets held for sale

Rental assets are allocated solely to the Industrial Trucks & Services segment and comprise assets in the short-term rental fleet.

[19] Other property, plant and equipment

Other property, plant and equipment

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Advances paid and assets under construction	Total
Balance as at Jan. 1, 2022	**786.9**	**539.0**	**121.7**	**1,447.5**
Gross carrying amount as at Jan. 1	1,557.7	1,570.9	121.7	3,250.3
Accumulated depreciation as at Jan. 1	–770.9	–1,032.0	–	–1,802.8
Group changes	1.9	0.1	–	2.0
Currency translation adjustments	2.9	0.3	1.3	4.6
Additions	177.7	163.7	116.4	457.8
Disposals	–40.6	–7.1	–0.6	–48.4
Depreciation	–108.1	–167.8	–	–275.9
Impairment	–0.7	–1.7	–	–2.4
Reclassification	32.4	63.0	–95.4	–
Balance as at Dec. 31, 2022	**852.5**	**589.3**	**143.3**	**1,585.2**
Gross carrying amount as at Dec. 31	1,720.3	1,716.7	143.3	3,580.3
Accumulated depreciation as at Dec. 31	–867.8	–1,127.4	–	–1,995.1
Balance as at Jan. 1, 2023	**852.5**	**589.3**	**143.3**	**1,585.2**
Group changes	1.0	0.6	–	1.6
Currency translation adjustments	–8.7	–2.6	–1.7	–12.9
Additions	150.9	210.8	139.8	501.5
Disposals	–23.6	–7.8	–1.9	–33.3
Depreciation	–107.9	–181.6	–	–289.5
Impairment	–1.8	–0.8	–	–2.6
Reclassification	25.4	65.5	–90.9	–
Balance as at Dec. 31, 2023	**887.8**	**673.5**	**188.6**	**1,749.9**
Gross carrying amount as at Dec. 31	1,791.5	1,861.9	188.6	3,842.0
Accumulated depreciation as at Dec. 31	–903.7	–1,188.4	–	–2,092.1

Land and buildings in the amount of €18.3 million (December 31, 2022: €18.3 million) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

Other property, plant and equipment included a figure of €589.2 million for right-of-use assets related to procurement leases (December 31, 2022: €543.5 million). Of this figure, €470.7 million was attributable to land and buildings (December 31, 2022: €445.7 million) and €118.5 million to plant & machinery and office furniture & equipment (December 31, 2022: €97.9 million).

Other property, plant and equipment: thereof right-of-use assets

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Total
Balance as at Jan. 1, 2022	**401.6**	**112.0**	**513.6**
Gross carrying amount as at Jan. 1	726.0	251.2	977.2
Accumulated depreciation as at Jan. 1	–324.4	–139.2	–463.6
Currency translation adjustments	3.8	–0.5	3.4
Additions	163.3	49.2	212.5
Disposals	–39.1	–6.2	–45.3
Depreciation	–83.2	–55.4	–138.6
Impairment	–0.7	–1.3	–2.0
Balance as at Dec. 31, 2022	**445.7**	**97.9**	**543.5**
Gross carrying amount as at Dec. 31	847.6	248.0	1,095.6
Accumulated depreciation as at Dec. 31	–401.9	–150.1	–552.0
Balance as at Jan. 1, 2023	**445.7**	**97.9**	**543.5**
Group changes	0.8	0.4	1.2
Currency translation adjustments	–4.6	0.5	–4.1
Additions	134.5	83.1	217.6
Disposals	–19.8	–5.3	–25.0
Depreciation	–84.0	–57.3	–141.3
Impairment	–1.8	–0.8	–2.6
Balance as at Dec. 31, 2023	**470.7**	**118.5**	**589.2**
Gross carrying amount as at Dec. 31	895.9	257.3	1,153.2
Accumulated depreciation as at Dec. 31	–425.2	–138.8	–564.0

The expense recognized in 2023 for procurement leases with a term of up to twelve months came to €30.2 million (2022: €40.4 million); the expense for procurement leases that relate to low-value assets was €12.1 million (2022: €10.3 million).

[20] Equity-accounted investments

The KION Group reported equity-accounted investments with a total carrying amount of €103.6 million as at December 31, 2023 (December 31, 2022: €94.7 million).

The carrying amount of the equity-accounted investments as at the reporting date mainly resulted from the shares (45.0 percent) in Linde Leasing GmbH, the shares (50.0 percent) in JULI Motorenwerk s.r.o., the shares (45.0 percent) in Linde High Lift Chile S.A., and the shares (34.0 percent) in Normandie Manutention SAS. The associates and joint ventures can be seen in the list of shareholdings (see note [48]). Their financial information is summarized below:

Summarized financial information on associates

in € million	2023	2022
Total carrying amount	57.2	49.3
Profit (+)/loss (–) from continuing operations	7.4	8.2
Other comprehensive (loss) income	–0.6	5.0
Total comprehensive income	**6.8**	**13.2**

Summarized financial information on joint ventures

in € million	2023	2022
Total carrying amount	46.4	45.4
Profit (+)/loss (–) from continuing operations	5.4	5.9
Other comprehensive income	0.3	0.5
Total comprehensive income	**5.8**	**6.4**

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

[21] Lease receivables

Maturity analysis of lease receivables

in € million	Dec. 31, 2023	Dec. 31, 2022
Nominal value of outstanding lease payments	**2,242.3**	**1,818.7**
due within one year	668.0	556.4
due in one to two years	539.0	463.0
due in two to three years	413.2	351.7
due in three to four years	298.7	233.1
due in four to five years	193.9	133.8
due in more than five years	129.6	80.7
Plus unguaranteed residual values	377.9	302.5
Less unearned financial income	–283.2	–174.8
Present value of outstanding lease payments	**2,337.0**	**1,946.4**
Valuation allowances for lease receivables	–11.0	–8.3
Adjustment from hedge accounting	–11.7	–47.8
Total lease receivables	**2,314.4**	**1,890.3**

The average loss rates used for the recognition of valuation allowances for lease receivables in accordance with the simplified impairment approach under IFRS 9 vary depending on the country. They ranged from 0.04 percent to 0.3 percent as at December 31, 2023 (December 31, 2022: 0.1 percent to 0.3 percent).

As at December 31, 2023, outstanding lease payments with a present value of €887.7 million (December 31, 2022: €754.4 million) were available as collateral in connection with the financing of the lease business. The liabilities resulting from the related finance transactions are recognized under liabilities from lease business (securitizations).

Further information on hedge accounting adjustments can be found in note [42].

[22] Other financial assets

Other financial assets break down as follows:

Other financial assets

in € million	Dec. 31, 2023	Dec. 31, 2022
Financial investments	79.2	56.6
Financial receivables	14.5	17.5
Other financial investments	27.3	25.9
Derivative financial instruments	36.9	78.1
Sundry financial assets	29.7	0.8
Other non-current financial assets	**187.5**	**179.0**
Derivative financial instruments	10.2	20.5
Financial receivables	10.5	10.1
Sundry financial assets	44.8	49.7
Other current financial assets	**65.5**	**80.3**
Total other financial assets	**253.0**	**259.3**

Financial investments comprise the equity investments in Shanghai Quicktron Intelligent Technology Co., Ltd (fair value of €45.1 million; December 31, 2022: €25.9 million) and Zhejiang EP Equipment Co., Ltd. (fair value of €34.1 million; December 31, 2022: €30.0 million). These equity investments, which have been assigned to the FVOCI category under IFRS 9 owing to the strategic partnerships with the companies, are recognized at fair value through other comprehensive income without recycling to profit or loss upon disposal. The shares in Balyo SA that had been included in the financial investments in 2022 were sold in November 2023.

Finance receivables largely relate to loans to equity-accounted investments and loans to non-consolidated subsidiaries.

Other financial investments comprise long-term investments that are held in order to cover the defined benefit obligation and do not qualify as plan assets.

Derivative financial instruments comprise currency forwards and interest-rate swaps with a positive fair value that are used to reduce currency risk and interest-rate risk. Some of these derivative financial instruments are part of a formally documented hedge with a hedged item and are recognized in accordance with the hedge accounting rules. The decrease in derivative financial instruments was primarily attributable to interest-rate swaps and to falls in the yield curves used for measurement in the currency areas relevant to the KION Group (see note [42]).

[23] Other assets

Other assets break down as follows:

Other assets

in € million	Dec. 31, 2023	Dec. 31, 2022
Investments in non-consolidated subsidiaries and other investments	16.8	23.8
Pension assets	100.9	94.0
Sundry tax receivables	3.6	13.3
Other non-current assets	**121.3**	**131.1**
Deferred charges and prepaid expenses	60.4	48.2
Sundry tax receivables	100.2	88.0
Sundry other assets	–	1.2
Other current assets	**160.6**	**137.3**
Total other assets	**281.9**	**268.4**

Pension assets related to asset surpluses from three defined benefit plans (2022: three) in the United Kingdom in which plan assets exceed the present value of the defined benefit obligation (see note [29]).

[24] Inventories

The reported inventories break down as follows:

Inventories

in € million	Dec. 31, 2023	Dec. 31, 2022
Materials and supplies	465.8	512.2
Work in progress	318.1	340.1
Finished goods and merchandise	959.6	890.3
Advances paid	73.7	62.0
Total inventories	**1,817.1**	**1,804.6**

In 2023, impairment losses of €50.0 million were recognized on inventories (2022: €50.2 million). Of the impairment losses recognized in 2022, €10.9 million had related to inventories of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold (further information can be found in note [27]). Reversals of impairment losses were recognized in an amount of €11.1 million (2022: €13.3 million) because the reasons for the impairment losses no longer existed.

[25] Trade receivables

Trade receivables break down as follows:

Trade receivables

in € million	Dec. 31, 2023	Dec. 31, 2022
Receivables from third parties	1,672.7	1,598.1
thereof receivables not due and overdue ≤ 90 days	1,492.9	1,429.9
thereof receivables overdue > 90 days ≤ 180 days	65.5	59.2
thereof receivables overdue > 180 days	37.7	31.9
thereof receivables adjusted for individual valuation allowances	76.7	77.1
Receivables from third parties measured at fair value through profit or loss (FVPL)[1]	104.9	88.8
Trade receivables from non-consolidated subsidiaries, equity-accounted investments, other investments and other related parties	59.2	55.1
Valuation allowances for trade receivables	–81.0	–74.7
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–6.5	–6.1
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–2.3	–1.5
thereof valuation allowances for receivables overdue > 180 days	–3.9	–3.1
thereof individual valuation allowances	–68.3	–64.0
Total trade receivables	**1,755.8**	**1,667.3**

1 Prior year figures adjusted (see note [41])

The change in valuation allowances for trade receivables was as follows:

Change in valuation allowances for trade receivables

in € million	2023	2022
Valuation allowances as at Jan. 1	**74.7**	**57.3**
Additions	21.6	31.5
Reversals	–4.5	–5.5
Utilizations	–9.9	–8.1
Currency translation adjustments	–0.8	–0.5
Valuation allowances as at Dec. 31	**81.0**	**74.7**

The average loss rates used for the recognition of valuation allowances for trade receivables in accordance with the simplified impairment approach under IFRS 9 vary depending on the Operating Unit and the period by which the receivable is past due. They ranged from 0.04 percent to 31.9 percent as at December 31, 2023 (December 31, 2022: 0.02 percent to 32.5 percent).

[26] Cash and cash equivalents

Cash and cash equivalents break down as follows:

Cash and cash equivalents

in € million	Dec. 31, 2023	Dec. 31, 2022
Balances with banks, cash and checks	309.7	306.2
Pledged cash	2.1	11.9
Total cash and cash equivalents	**311.8**	**318.1**

The change in cash and cash equivalents is shown in the > table ‘Consolidated statement of cash flows’. Further information can be found in note [39].

[27] Assets held for sale

In October 2022, the Executive Board of KION GROUP AG decided to withdraw from all business in Russia. An agreement with a buyer has been reached for the two subsidiaries OOO 'Linde Material Handling Rus' and OOO 'STILL Forklifttrucks' in the Industrial Trucks & Services segment, although completion of the transactions is still subject to approval by the authorities. Provided they have been approved by the authorities, the transactions are expected to be completed in 2024.

The assets and liabilities held for sale also relate to the Norwegian subsidiary STILL Norge AS, which is for sale, and the Finnish subsidiary of STILL Sverige AB, which are both assigned to the Industrial Trucks & Services segment. Both sale transactions have already been signed and are expected to be implemented in the first half of 2024.

Impairment losses of €7.3 million were recognized in 2023, primarily on the leased assets and rental assets of the disposal groups (2022: €29.4 million).

The disposal groups were measured at fair value less costs to sell, on the basis of the agreed purchase prices. They were classified as Level 2 of the fair value hierarchy. As at December 31, 2023, the disposal groups contained the following assets and liabilities:

Assets and liabilities of the disposal groups

in € million	Dec. 31, 2023	Dec. 31, 2022
Leased assets	7.8	1.5
Rental assets	7.2	2.2
Inventories	12.6	5.0
Cash and cash equivalents[1]	8.9	14.1
Other assets	18.7	4.6
Assets held for sale	**55.2**	**27.4**
Liabilities from lease business	15.7	9.0
Liabilities from short-term rental business	13.1	8.1
Contract liabilities	4.7	5.9
Other liabilities	11.7	4.2
Liabilities directly associated with assets held for sale	**45.2**	**27.2**

1 Due to the international sanctions against Russia and the associated restrictions on payment transactions, €7.2 million (December 31, 2022: €14.1 million) was classified as restricted cash

A cumulative translation adjustment of minus €2.0 million (2022: minus €2.2 million) for the disposal groups was included in accumulated other comprehensive income (loss).

[28] Equity

Subscribed capital and capital reserves

As at December 31, 2023, the Company's share capital amounted to €131.2 million, which was unchanged on the figure a year earlier and was fully paid up. It was divided into 131,198,647 no-par-value shares. Each share confers one vote at the Annual General Meeting of KION GROUP AG and an equal share of the profit in accordance with the Annual General Meeting's decision on a dividend distribution.

The Executive Board is authorized by the Annual General Meeting held on July 16, 2020 to increase the Company's share capital by up to €0.3 million by issuing up to 279,353 new no-par-value bearer shares for cash (2020 Authorized Capital).

The total number of shares outstanding as at December 31, 2023 was 131,124,771 no-par-value shares (December 31, 2022: 131,124,771 no-par-value shares). KION GROUP AG held 73,876 treasury shares as at the reporting date (December 31, 2022: 73,876). These treasury shares are not dividend-bearing and do not confer any voting rights.

Retained earnings

The changes in retained earnings are shown in the > table 'Consolidated statement of changes in equity'. The retained earnings comprise the net income (loss) for the current period and past contributions to earnings by the consolidated entities, provided they have not been distributed.

The distribution of a dividend of €0.19 per share (2022: €1.50 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €24.9 million in May 2023 (2022: €196.7 million).

Appropriation of profit

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 29, 2024 that the distributable profit of KION GROUP AG for the 2023 financial year amounting to €189.1 million be used for the distribution of a dividend of €91.8 million. This equates to €0.70 per dividend-bearing share. This gives a dividend payout rate of around 30 percent of the net income attributable to the shareholders of KION GROUP AG. It is also proposed that a further sum of €97.0 million be transferred to other retained earnings and that €0.3 million be carried forward to the next accounting period.

Accumulated other comprehensive income (loss) and non-controlling interests

The overall composition of, and changes in, equity are shown in the > table 'Consolidated statement of changes in equity'.

The currency translation adjustment contains the exchange differences arising from the financial statements prepared in a foreign currency of foreign subsidiaries, associates, and joint ventures.

The gains/losses on the defined benefit obligation are the result of remeasuring defined benefit pension obligations (see also note [29]).

The gains/losses on hedge reserves are the effective portion of the changes in the fair value of hedging instruments in formally documented hedges. The gains/losses on financial investments relate to the remeasurement of the equity investments Shanghai Quicktron Intelligent Technology Co., Ltd, Zhejiang EP Equipment Co., Ltd., and – until it was sold – Balyo SA at fair value (FVOCI category under IFRS 9).

The unrealized gains/losses from equity-accounted investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

[29] Retirement benefit obligation and similar obligations

Defined contribution plans

In the case of defined contribution pension plans, entities in the KION Group pay contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The total expense arising from defined contribution plans amounted to €170.6 million in 2023 (2022: €152.7 million). Of this total, contributions paid by employers into government-run schemes came to €125.7 million (2022: €116.8 million).

Defined benefit plans

The KION Group grants pensions to almost all employees in Germany and a number of foreign employees. These pensions consist of fixed benefit entitlements and are therefore reported as defined benefit plans in accordance with IFRS. As at December 31, 2023, the KION Group had set up defined benefit plans in 16 countries (December 31, 2022: 16 countries). For all of the significant defined benefit plans within the Group, the benefits granted to employees are determined on the basis of their individual income, i.e. either directly or by way of intermediate benefit arrangements. The largest of the KION Group's defined benefit plans – together accounting for 81.5 percent of the global defined benefit obligation (December 31, 2022: 78.6 percent) and 70.2 percent of the corresponding plan assets (December 31, 2022: 65.5 percent) – are in Germany and the United Kingdom.

Germany

In Germany, the pension benefits granted comprise Company-funded pension entitlements and employees' payment of part of their salary into the pension scheme. The contributions to the new pension plans are invested in investment funds under contractual trust arrangements (CTAs); resulting returns on plan assets are passed on to the pension beneficiaries when an insured event occurs. Members of the Executive Board and other executives are predominantly covered by individual pension plans. The amount of the benefits paid to executives depends on the type of entitlement. A very small proportion of pension benefits are granted in the form of final-salary-linked benefit obligations. The overwhelming majority of the existing pension entitlements are a combination of a defined benefit obligation and a defined contribution component. Executives who joined the Company or were promoted after 2017 are covered by fund-based individual pension plans.

In cases where entitlements are not securities-linked, some of the KION Group's pension obligations in Germany under closed plans are financed by way of CTAs. The assets transferred to the trustee qualify as plan assets within the meaning of IAS 19. The trustees are required to follow a defined investment strategy and investment guidelines. There are no statutory minimum funding requirements. In the event of the Company's insolvency, the company pension scheme in Germany is to a large extent protected by law by the insolvency protection scheme (Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, PSVaG).

United Kingdom

In the United Kingdom, defined benefit pension obligations predominantly relate to two plans. The defined benefits include not only a life-long retirement pension but also surviving dependants' benefits. The amount of the pension depends on employees' length of service and final salary.

The two plans are closed to new employees. Each plan is monitored by its own board of trustees, which oversees the running of the plan as well as its funded status and the investment strategy. The members of the board of trustees are independent of the KION Group.

Under UK law, the board of trustees is obliged to have a valuation of the plan carried out at least every three years. In addition, KION GROUP AG has given default guarantees to the trustees of four pension plans, under which, if any of the companies concerned default, KION GROUP AG will assume all obligations of these companies up to a maximum guaranteed amount. As at December 31, 2023, the guaranteed amount totaled €80.1 million (December 31, 2022: €102.8 million).

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in the US and Switzerland. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. They also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

Measurement assumptions

The defined benefit obligation is calculated on the basis of the following significant weighted-average assumptions as at the reporting date:

Assumptions underlying provisions for pensions and other post-employment benefits

	Germany		UK		Other	
	2023	2022	2023	2022	2023	2022
Discount rate	3.58%	4.20%	4.76%	5.04%	3.86%	4.42%
Salary increase rate	3.05%	3.05%	4.25%	4.25%	0.78%	0.71%
Pension increase rate	2.34%	2.34%	2.94%	2.97%	0.05%	0.06%

The assumed discount rate was determined on the basis of the yields as at the reporting date on AA-rated, fixed-interest senior corporate bonds with maturities that match the expected maturities of the pension obligations.

Future increases in salaries are re-estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The biometric mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 2018, the Heubeck 'Richttafeln 2018 G' mortality tables have been used as the biometric basis in Germany. The S2PA tables (standard mortality tables for self-administered pension schemes (SAPS) based on normal health) are applied to the two defined benefit plans in the United Kingdom.

The actuarial assumptions not listed in the table above, such as employee turnover and invalidity, were determined in accordance with recognized forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

The following significant weighted-average assumptions were applied to the calculation of the net interest cost and the current service cost:

Assumptions underlying pensions expenses

	Germany		UK		Other	
	2023	2022	2023	2022	2023	2022
Discount rate	4.20%	1.20%	5.04%	1.80%	4.42%	1.97%
Salary increase rate	3.05%	2.75%	4.25%	3.58%	0.71%	0.66%
Pension increase rate	2.34%	2.00%	2.97%	3.70%	0.06%	0.07%

Statement of financial position

The change in the present value of the defined benefit obligation is shown in the following table:

Changes in defined benefit obligation

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Present value of defined benefit obligation as at Jan. 1	**803.3**	**1,346.5**	**250.8**	**414.0**	**287.5**	**353.7**	**1,341.6**	**2,114.2**
Exchange differences	–	0.0	5.3	–15.1	–0.9	16.7	4.4	1.6
Current service cost	22.8	42.8	0.3	0.7	3.4	4.3	26.5	47.7
Past service cost (+) and income (–)	0.5	–12.3	0.3	–	–0.4	–	0.4	–12.3
Interest expense	33.2	16.1	12.5	7.2	11.0	7.1	56.7	30.4
Employee contributions	3.7	3.7	–	–	1.4	1.3	5.1	5.0
Pension benefits directly paid by company	–23.4	–19.8	–	–	–2.7	–2.5	–26.1	–22.3
Pension benefits paid by funds	–4.0	–2.6	–16.6	–18.5	–10.8	–11.2	–31.4	–32.3
Liability transfer in (+)/out (–) to third parties	–0.5	–0.5	–	–	–31.1	0.0	–31.6	–0.5
Remeasurements								
Actuarial gains (-) and losses (+) arising from the change in demographic assumptions	–	–	–5.3	–5.7	–	3.3	–5.3	–2.4
Actuarial gains (-) and losses (+) arising from the change in financial assumptions	84.6	–517.2	6.6	–139.5	13.7	–87.8	104.9	–744.4
Experience adjustments	15.4	–53.3	3.3	7.7	–0.3	2.6	18.4	–42.9
Present value of defined benefit obligation as at Dec. 31	**935.6**	**803.3**	**257.2**	**250.8**	**270.8**	**287.5**	**1,463.6**	**1,341.6**

A defined benefit plan was reclassified as a defined contribution plan in 2023. This change is shown in the > tables 'Changes in defined benefit obligation' and 'Changes in plan assets' under Liability transfer out to third parties.

The defined benefit obligation in the other countries was predominantly attributable to subsidiaries in the US (€165.7 million; December 31, 2022: €165.5 million) and Switzerland (€71.8 million; December 31, 2022: €59.5 million).

The change in the fair value of the plan assets is shown in the following table:

Changes in plan assets

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Fair value of plan assets as at Jan. 1	**130.6**	**137.7**	**344.7**	**491.7**	**250.9**	**300.1**	**726.2**	**929.6**
Exchange differences	–	–0.0	7.3	–19.7	–0.6	15.8	6.7	–3.9
Interest income on plan assets	6.6	1.9	17.3	8.6	9.3	6.3	33.2	16.8
Employee contributions	3.7	3.7	–	–	1.4	1.3	5.1	5.0
Employer contributions	55.8	4.7	1.1	1.2	2.8	7.3	59.7	13.2
Pension benefits paid by funds	–4.0	–2.6	–16.6	–18.5	–10.8	–11.2	–31.4	–32.3
Liability transfer in (+)/out (–) to third parties	–	–0.0	–	–	–31.1	–	–31.1	–0.0
Remeasurements								
Gains (+) and losses (-) on plan assets excluding amounts already included in net financial expenses	7.6	–14.8	3.3	–117.2	14.4	–68.3	25.3	–200.4
Other changes	–	–	–1.3	–1.3	–0.4	–0.4	–1.7	–1.7
Fair value of plan assets as at Dec. 31	**200.3**	**130.6**	**355.8**	**344.7**	**235.9**	**250.9**	**792.0**	**726.2**

Employees in Germany paid a total of €3.7 million from their salaries into the KION pension plan in 2023 (2022: €3.7 million).

The payments expected for 2024 amount to €92.0 million (in 2022: €40.5 million for 2023), which includes direct payments of pension benefits amounting to €34.1 million (in 2022: €27.5 million for 2023) that are not covered by corresponding reimbursements from plan assets. In 2023, the employer contributions included a non-recurring addition of €50.0 million in Germany in order to increase the funding ratio of the pension plans.

The reconciliation of funded status and net defined benefit obligation to the amounts reported in the consolidated statement of financial position as at December 31, 2023 is shown in the following table:

Funded status and net defined benefit obligation

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Present value of defined benefit obligations	–935.6	–803.3	–257.2	–250.8	–270.8	–287.5	–1,463.6	–1,341.6
Fair value of plan assets	200.3	130.6	355.8	344.7	235.9	250.9	792.0	726.2
Effect of the asset ceiling	–	–	–	–	–3.2	–3.4	–3.2	–3.4
Net liability (–) / net asset (+) as at Dec. 31	**–735.3**	**–672.7**	**98.6**	**93.9**	**–38.1**	**–40.0**	**–674.8**	**–618.9**
Reported as ‘Retirement benefit obligation and similiar obligations’	–735.3	–676.7	–	–0.0	–40.4	–36.1	–775.7	–712.8
Reported as ‘Other non-current assets’	–	4.0	98.6	93.9	2.3	–3.9	100.9	94.0

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 54.1 percent (December 31, 2022: 54.1 percent).

The changes in the retirement benefit obligation and similar obligations reported in the statement of financial position are shown in the following table:

Changes in retirement benefit obligation and similar obligations

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Balance as at Jan. 1	**676.7**	**1,208.7**	**–**	**2.0**	**36.1**	**54.6**	**712.8**	**1,265.3**
Exchange differences	–	0.0	–	–0.0	–0.3	0.9	–0.3	0.9
Total service cost	23.3	30.5	–	–	3.0	4.3	26.3	34.7
Net interest expense	26.6	14.2	–	–	1.7	0.8	28.3	15.0
Pension benefits directly paid by company	–23.4	–19.8	–	–	–2.7	–2.5	–26.1	–22.3
Employer contributions to plan assets	–55.8	–4.7	–	–	–2.8	–7.3	–58.6	–12.1
Liability transfer out to third parties	–0.5	–	–	–	–	0.0	–0.5	0.0
Remeasurements	92.4	–555.6	–	0.0	–1.0	–14.7	91.4	–570.3
Effect of the asset ceiling	–	–	–	–	3.2	3.4	3.2	3.4
Other changes	–4.0	3.5	–	–2.0	3.2	–3.5	–0.8	–2.0
Balance as at Dec. 31	**735.3**	**676.7**	**–**	**0.0**	**40.4**	**36.1**	**775.7**	**712.8**

Statement of cash flows

Payments totaling €85.9 million (2022: €35.5 million) were made in 2023 for the main pension entitlements in the KION Group. They mostly comprised pension benefits of €26.1 million (2022: €22.3 million) granted directly by the Company and employer contributions to plan assets amounting to €59.7 million (2022: €13.2 million), which included the non-recurring addition of €50.0 million made in 2023 in order to increase the funding ratio of the pension plans. In addition, pension benefits of €31.4 million (2022: €32.3 million) were paid from plan assets.

Income statement

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognized in the income statement for 2023 is as follows:

Cost of defined benefit obligation

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Current service cost	22.8	42.8	0.3	0.7	3.4	4.3	26.5	47.7
Past service cost (+) and income (–)	0.5	–12.3	0.3	–	–0.4	–	0.4	–12.3
Total service cost	**23.3**	**30.5**	**0.6**	**0.7**	**3.0**	**4.3**	**26.9**	**35.4**
Interest expense	33.2	16.1	12.5	7.2	11.0	7.1	56.7	30.4
Interest income on plan assets	–6.6	–1.9	–17.3	–8.6	–9.3	–6.3	–33.2	–16.8
Net interest expense (+) / income (–)	**26.6**	**14.2**	**–4.8**	**–1.4**	**1.7**	**0.8**	**23.5**	**13.7**
Total cost of defined benefit obligation	**49.9**	**44.7**	**–4.2**	**–0.7**	**4.7**	**5.1**	**50.4**	**49.1**

The total service cost of €26.9 million was recognized in functional costs (December 31, 2022: €35.4 million). The net interest cost of €23.5 million was recognized in net financial expenses (December 31, 2022: €13.7 million).

The actual return on plan assets in 2023, including the remeasurement recognized in other comprehensive income, was €56.8 million (2022: minus €185.3 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognized in the consolidated statement of comprehensive income in 2023 is presented in the following table:

Accumulated other comprehensive income (loss)

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Accumulated other comprehensive income / loss as at Jan. 1	**40.8**	**–514.8**	**29.2**	**10.2**	**11.7**	**–1.5**	**81.7**	**–506.1**
Exchange differences	–	0.0	0.6	–1.3	–0.7	1.0	–0.1	–0.3
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	–100.0	570.4	–4.6	137.5	–13.4	81.9	–118.0	789.8
Gains (+) and losses (–) arising from remeasurements of plan assets	7.6	–14.8	3.3	–117.2	14.4	–68.3	25.3	–200.4
Change in the effect of the asset ceiling	–	–	–	–	0.3	–2.3	0.3	–2.3
Other changes	–	–	–	–	7.8	1.0	7.8	1.0
Accumulated other comprehensive income / loss as at Dec. 31	**–51.6**	**40.8**	**28.5**	**29.2**	**20.1**	**11.7**	**–3.0**	**81.7**

The components of the remeasurements of the defined benefit obligation are listed in the > table ‘Changes in defined benefit obligation’. The Other changes line under other comprehensive income (loss) includes the derecognition of a defined benefit plan that has been reclassified as a defined contribution plan. This consists of the reclassification of the accumulated gains and losses on remeasurement to Retained earnings within equity.

The gains and losses on the remeasurement of plan assets were attributable entirely to experience adjustments. As at December 31, 2023, the changes in estimates relating to defined benefit pension entitlements resulted in a €58.7 million decrease in equity after deduction of deferred taxes (December 31, 2022: increase of €410.6 million).

Composition of plan assets

The plan assets of the main pension plans consisted of the following components:

Fair value of plan assets

	Germany		UK		Other		Total	
in € million	2023	2022	2023	2022	2023	2022	2023	2022
Shares	65.9	43.2	2.3	12.3	22.2	67.0	90.4	122.4
Fixed-income securities	89.6	52.9	342.6	321.2	182.0	121.9	614.2	496.0
Real estate	5.7	3.8	–	1.0	16.8	15.2	22.5	20.1
Insurance policies	–	2.5	–	–	0.3	31.7	0.3	34.2
Other	39.2	28.2	10.9	10.2	14.5	15.0	64.6	53.4
Total plan assets	**200.4**	**130.6**	**355.8**	**344.7**	**235.8**	**250.9**	**792.0**	**726.2**
thereof total assets that do not have a quoted price in active markets	**14.3**	**2.5**	**36.5**	**1.2**	**2.8**	**33.3**	**53.6**	**37.0**
Insurance policies	–	2.5	–	–	0.3	31.7	0.3	34.2
Other	14.3	–0,0	36.5	1.2	2.5	1.6	53.3	2.8

Sensitivity analysis

The sensitivities shown in the following table were based on detailed analysis carried out by specialist actuaries following the same approach that was taken to calculate the present value of the defined benefit obligation:

Sensitivity of the defined benefit obligation

in € million		2023	2022
Discount rate	Increase by 1.0 percentage point	–178.5	–159.4
	Reduction by 1.0 percentage point	228.8	202.4
Salary increase rate	Increase by 0.5 percentage point	2.3	4.4
	Reduction by 0.5 percentage point	–7.0	–4.0
Pension increase rate	Increase by 0.25 percentage point	29.4	24.8
	Reduction by 0.25 percentage point	–27.3	–23.0
Life expectancy	Increase by 1 year	44.6	38.9

The changes shown in the sensitivity analysis are not representative of an actual change in the present value of the defined benefit obligation because variations in the significant assumptions are unlikely to occur in isolation as, to some extent, the assumptions are interrelated.

Future pension benefit payments

The pension benefit payments are forecast for the next ten years for the defined benefit pension entitlements in existence as at December 31, 2023.

Expected payments for pension benefits

in € million	Germany	UK	Other	Total
2024	36.1	18.1	15.2	69.4
2025	33.9	18.1	15.1	67.1
2026	35.9	18.1	14.7	68.7
2027	37.7	18.1	16.4	72.2
2028	43.1	18.0	16.5	77.6
2029 to 2033	238.8	90.1	86.3	415.2

The expected pension benefits break down into future benefits to be paid directly by the employer (for 2024: €34.1 million) and future benefits to be paid from existing plan assets (for 2024: €35.4 million).

As at the reporting date, the average duration of the defined benefit obligation, weighted on the basis of the present value of the defined benefit obligation, was 16.2 years in Germany (December 31, 2022: 15.4 years), 10.8 years in the United Kingdom (December 31, 2022: 10.2 years), and 11.2 years in the other countries (December 31, 2022: 11.5 years).

Risks

The funding ratio, the defined benefit obligation, and the associated costs depend on the performance of financial markets. The return on plan assets was assumed to equal the discount rate, which was determined on the basis of the yield earned on AA-rated, fixed-interest senior corporate bonds. If the actual return on plan assets falls below the discount rates applied, the net obligation arising out of the pension plans increases. The amount of the net obligation is also particularly affected by the discount rates, and the lower level of interest rates in all relevant currency areas is resulting in a larger net obligation. For the new pension plans in Germany, a gross obligation is recognized in the amount of the fair value of the corresponding plan assets, taking the promised guarantee payment into consideration.

The plan assets are predominantly invested in corporate bonds and inflation-linked UK government bonds, particularly in the United Kingdom. The market risk attaching to plan assets – above all in the case of equities – is mitigated by defining an investment strategy and investment guidelines and continually monitoring the assets' performance. Moreover, a downward trend in financial markets could have a significant effect on minimum funding requirements, some of which apply outside Germany. However, the broad-ranging investment strategy for the KION Group's plan assets helps to diversify capital market risk.

Investment committees use performance reports to regularly review the structure of the plan assets. The investment strategy for the securities-related plans in Germany is based on a lifecycle model in which the plan assets are reallocated to lower-risk asset classes as the beneficiaries get older. Asset/liability studies are produced for the defined benefit plans with plan assets in Germany, the United Kingdom, and the US at regular intervals. These studies are used as the basis for the investment policy, which also takes local legal requirements into account.

The KION Group also bears the full risk of possible future pension adjustments resulting from changes in longevity and inflation.

Payroll-based contributions to the KION pension plan made by employees in Germany are invested in fund units. If the actual returns on these fund units fall below the minimum rate of return that has been guaranteed to participating employees, the KION Group's personnel expenses rise.

[30] Financial liabilities

Non-current and current financial liabilities related to the Company's general funding and essentially comprised promissory notes, the corporate bond, and liabilities to banks as at December 31, 2023. Financial liabilities as at the reporting date break down as follows:

Maturity structure of financial liabilities

in € million	Dec. 31, 2023	Dec. 31, 2022
Promissory notes	**696.0**	**319.2**
due within one year	69.5	–
due in one to five years	585.0	319.2
due in more than five years	41.5	–
Bonds	**498.0**	**496.8**
due within one year	–	–
due in one to five years	498.0	496.8
due in more than five years	–	–
Liabilities to banks	**272.4**	**819.3**
due within one year	129.2	304.2
due in one to five years	143.2	515.1
due in more than five years	–	–
Other financial liabilities	**56.0**	**353.3**
due within one year	38.1	322.6
due in one to five years	17.9	30.7
due in more than five years	–	–
Total current financial liabilities	**236.8**	**626.7**
Total non-current financial liabilities	**1,285.6**	**1,361.8**

Promissory notes

As at December 31, 2023, the total nominal amount of the issued promissory notes was €699.5 million (December 31, 2022: €324.5 million). The increase was due to the issue of multiple tranches of promissory notes with a total nominal amount of €375.0 million in October 2023. Nearly all of the new tranches have a variable interest rate (Euribor + margin) and mature between now and 2030.

The following table shows the nominal amounts and interest-rate types of the promissory notes issued by KION GROUP AG. The fixed-rate promissory notes have fixed coupons of between 1.5 percent and 5.1 percent.

Promissory notes

in € million	Maturity date	Dec. 31, 2023	Dec. 31, 2022
Variable interest rate			
Promissory note (7-year term)	June 2025	100.0	100.0
Promissory note (7-year term)	April 2026	48.0	48.0
Promissory note (3-year term)	October 2026	25.0	–
Promissory note (10-year term)	April 2027	11.5	11.5
Promissory note (5-year term)	October 2028	256.0	–
Promissory note (7-year term)	October 2030	29.5	–
Fixed interest rate			
Promissory note (7-year term)	April 2024	69.5	69.5
Promissory note (7-year term)	June 2025	79.5	79.5
Promissory note (10-year term)	April 2027	16.0	16.0
Promissory note (5-year term)	October 2028	52.5	–
Promissory note (7-year term)	October 2030	12.0	–
Promissory notes		**699.5**	**324.5**

KION GROUP AG has entered into an interest-rate swap in order to hedge the fair value risk resulting from a fixed-rate tranche. The interest-rate swap is recognized as a fair value hedge in accordance with IFRS 9 (see note [42]).

The promissory notes are not collateralized.

Corporate bond

In 2020, KION GROUP AG launched a corporate bond program (EMTN program) with a total volume of €3 billion. The first bond was placed on the capital markets under this program in 2020 and had a nominal amount of €500.0 million, a maturity date in 2025, and a coupon of 1.625 percent. The bond is not collateralized.

Liabilities to banks

As at December 31, 2023, liabilities to banks related to drawdowns of credit lines and to loans from banks at central and local level.

KION GROUP AG has a syndicated revolving credit facility (RCF) with a total volume of €1,385.7 million. In September 2023, the term of the RCF was extended by one year until October 2028. The facility has a variable interest rate; the contractually agreed interest terms are linked to KION GROUP AG's credit rating and to compliance with sustainability KPIs.

The amount drawn down from the revolving credit facility was €21.0 million as at December 31, 2023 (December 31, 2022: €114.6 million). The unused portion of the RCF therefore stood at €1,364.7 million (December 31, 2022: €1,271.1 million).

As at December 31, 2023, there was only one remaining bilateral bank loan that had been taken out centrally by KION GROUP AG. It has a total volume of €100.0 million (December 31, 2022: €575.0 million). The bilateral bank loan has a variable rate and matures in 2026. Five bilateral bank loans with a total volume of €475.0 million were repaid in 2023, in some cases ahead of schedule. In addition, Group companies had drawn down bank loans of €151.4 million (December 31, 2022: €129.7 million). KION GROUP AG generally issues guarantees to the banks for Group companies' existing payment obligations. The liabilities to banks are not collateralized.

Other financial liabilities

KION GROUP AG launched a commercial paper program in November 2019 that currently has a maximum program volume of €750.0 million. The commercial paper is issued with a discount but without a coupon and has a term of up to one year. As at December 31, 2023, €20.0 million of commercial paper had been issued (December 31, 2022: €305.0 million).

Covenants

The revolving credit facility and a number of promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a maximum level of leverage (defined as the ratio of industrial net operating debt (INOD) to adjusted EBITDA). As at December 31, 2023, the actual level of leverage was well below the limit of the financial covenant. As contractually agreed, this calculation is suspended in respect of the revolving credit facility because KION GROUP AG has two investment-grade credit ratings.

Exceeding the agreed maximum level of leverage as at a particular reference date gives lenders a right of termination.

[31] Liabilities from lease business

Non-current and current liabilities from the lease business totaled €3,756.2 million (December 31, 2022: €3,214.6 million) and could be broken down into a sum of €3,620.5 million (December 31, 2022: €3,048.4 million) that relates to the financing of the direct lease business and a sum of €135.7 million (December 31, 2022: €166.3 million) that relates to repurchase obligations resulting from the indirect lease business.

Liabilities from lease business

in € million	Dec. 31, 2023	Dec. 31, 2022
Non-current liabilities from lease business	**2,715.5**	**2,314.2**
thereof from sale and leaseback transactions	828.2	727.0
thereof from lease facilities	726.4	482.2
thereof from securitizations	1,067.5	994.1
thereof from repurchase obligations (indirect lease business)	93.5	111.0
Current liabilities from lease business	**1,040.7**	**900.4**
thereof from sale and leaseback transactions	343.4	324.8
thereof from lease facilities	219.3	152.4
thereof from securitizations	435.8	368.0
thereof from repurchase obligations (indirect lease business)	42.2	55.3

Liabilities from the financing of the direct lease business encompassed liabilities arising from sale and leaseback transactions with leasing companies in an amount of €1,171.6 million (December 31, 2022: €1,051.7 million).

Furthermore, liabilities from the financing of the direct lease business included liabilities from lease facilities in an amount of €945.7 million (December 31, 2022: €634.5 million) and liabilities from the issuance of notes (securitization) in an amount of €1,503.3 million (December 31, 2022: €1,362.1 million).

The liabilities from the lease business had the following maturities:

Maturity analysis of liabilities from lease business

in € million	Dec. 31, 2023	Dec. 31, 2022
Total future payments from lease business (gross)	**4,093.5**	**3,473.6**
due within one year	1,180.5	996.5
due in one to two years	944.5	864.7
due in two to three years	751.2	671.1
due in three to four years	556.5	481.3
due in four to five years	521.0	355.3
due in more than five years	139.9	104.7

[32] Liabilities from short-term rental business

Non-current and current liabilities from the short-term rental business totaled €716.6 million (December 31, 2022: €544.2 million) and related to the financing of industrial trucks for the short-term rental fleet.

Liabilities from short-term rental business

in € million	Dec. 31, 2023	Dec. 31, 2022
Non-current liabilities from short-term rental business	**509.9**	**354.1**
thereof from sale and leaseback transactions	362.8	295.1
thereof from rental facilities	147.0	59.0
Current liabilities from short-term rental business	**206.7**	**190.1**
thereof from sale and leaseback transactions	138.5	152.0
thereof from rental facilities	68.3	38.2

Liabilities from the financing of the short-term rental business encompassed liabilities arising from sale and leaseback transactions with leasing companies in an amount of €501.3 million (December 31, 2022: €447.1 million).

Furthermore, liabilities from the financing of the short-term rental business included liabilities from rental facilities in an amount of €215.3 million (December 31, 2022: €97.1 million).

The liabilities from the short-term rental business had the following maturities:

Maturity analysis of liabilities from short-term rental business

in € million	Dec. 31, 2023	Dec. 31, 2022
Total future payments from short-term rental business (gross)	**797.2**	**584.2**
due within one year	235.5	205.0
due in one to two years	167.6	134.4
due in two to three years	143.4	99.3
due in three to four years	105.0	69.7
due in four to five years	114.2	54.0
due in more than five years	31.6	21.7

[33] Other provisions

Other provisions related to the following items:

Other provisions

in € million	Provisions for product warranties	Provisions for personnel	Provisions for onerous contracts	Other obligations	Total other provisions
Balance as at Jan. 1, 2023	**119.7**	**104.7**	**84.9**	**60.9**	**370.2**
thereof non-current	30.1	60.3	24.6	25.8	140.8
thereof current	89.6	44.4	60.2	35.2	229.4
Group changes	0.5	–	–	–	0.5
Additions	103.0	63.4	32.9	47.0	246.2
Utilizations	–31.8	–25.9	–30.6	–15.0	–103.3
Reversals	–19.3	–4.3	–14.0	–22.6	–60.3
Additions to accrued interest	0.3	0.4	–	–0.3	0.4
Currency translation adjustments	–1.1	–0.9	0.5	0.5	–0.9
Other adjustments	–	–0.0	–2.9	2.5	–0.4
Balance as at Dec. 31, 2023	**171.3**	**137.2**	**70.9**	**72.9**	**452.3**
thereof non-current	48.7	80.1	7.2	37.6	173.7
thereof current	122.5	57.1	63.7	35.3	278.6

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks, spare parts, and automation solutions. It is expected that the bulk of the cash payments will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for long-service awards, partial retirement obligations, share-based remuneration obligations, severance pay, and obligations under social plans. The provisions for partial retirement obligations were recognized on the basis of individual contractual arrangements and agreements under collective bargaining law. As market demand is currently muted in the long-term project business of the Supply Chain Solutions segment, staffing capacity was adjusted in 2023 as a short-term countermeasure to reflect the prevailing order situation. This resulted in an amount of €20.6 million being added to provisions for personnel in the reporting year.

Share-based remuneration obligations rose by €19.2 million to €24.1 million in the year under review owing to the higher valuation of the performance shares compared with the previous year (see note [46]).

The provisions for onerous contracts as at December 31, 2023 mainly related to project business contracts in the Supply Chain Solutions segment; the payments expected in this context will be incurred within the next two years after the reporting date.

Other obligations included provisions for risks arising from lease business, for waste disposal and recycling obligations, and for litigation. It is expected that the bulk of the cash payments for the other obligations will be incurred within the next two years after the reporting date.

[34] Contract balances

Contract assets stood at €403.3 million (December 31, 2022: €528.8 million); most of this amount, €390.6 million (December 31, 2022: €508.0 million), was attributable to goods and services provided in the project business that have not yet been billed.

Of the contract liabilities, €582.7 million was attributable to project business contracts with a net debit balance due to customers (December 31, 2022: €640.3 million) and €190.6 million to prepayments received from customers (December 31, 2022: €185.8 million). The revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €721.1 million (2022: €814.7 million).

[35] Trade payables

As at December 31, 2023, trade payables of €1,194.0 million (December 31, 2022: €1,124.3 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments, and other equity investments of €28.6 million (December 31, 2022: €31.7 million).

[36] Other financial liabilities

Non-current and current other financial liabilities comprised the following items:

Other financial liabilities

in € million	Dec. 31, 2023	Dec. 31, 2022
Liabilities from procurement leases	515.9	467.0
Derivative financial instruments	33.6	5.4
Sundry financial liabilities	6.5	5.8
Other non-current financial liabilities	**556.0**	**478.3**
Liabilities from procurement leases	123.2	117.9
Derivative financial instruments	21.2	11.5
Liabilities from accrued interest	11.7	6.8
Sundry financial liabilities[1]	172.5	150.2
Other current financial liabilities	**328.5**	**286.4**
Total other financial liabilities	**884.5**	**764.6**

1 Prior year figures adjusted (see note [41])

Liabilities from procurement leases had the following underlying maturities:

Maturity analysis of procurement leases

in € million	Dec. 31, 2023	Dec. 31, 2022
Total future payments (gross)	**780.9**	**696.5**
due within one year	144.7	135.6
due in one to two years	115.9	106.5
due in two to three years	91.1	81.3
due in three to four years	69.0	61.6
due in four to five years	53.4	46.8
due in more than five years	306.9	264.8

When entering into procurement leases for land and buildings, the KION Group strives to ensure that extension and termination options are included in the lease in order to maximize its operational flexibility. If, in the KION Group's assessment, it is reasonably certain that extension options will be exercised, or that termination options will not be exercised, the lease payments for these periods are included in the measurement of the liabilities from procurement leases. Extension and termination options for which the assessment is not reasonably certain could potentially result in future undiscounted lease payments of €155.9 million as at December 31, 2023 (December 31, 2022: €130.7 million) in the event that, contrary to current expectations, the KION Group does exercise its contractual options.

As at December 31, 2023, there were also obligations of €10.6 million resulting from procurement leases that already existed but had not yet started (December 31, 2022: €14.9 million).

Derivative financial instruments comprise currency forwards and interest-rate swaps with a negative fair value that are used to reduce currency risk and interest-rate risk. Some of these derivative financial instruments are part of a formally documented hedge with a hedged item and are recognized in accordance with the hedge accounting rules (see note [42]).

[37] Other liabilities

Other liabilities comprised the following items:

Other liabilities

in € million	Dec. 31, 2023	Dec. 31, 2022
Deferred income	173.4	180.6
Personnel liabilities	4.3	5.4
Other non-current liabilities	**177.7**	**185.9**
Deferred income	142.1	149.3
Personnel liabilities	433.4	352.1
Social security liabilities	73.1	57.5
Tax liabilities	131.2	138.9
Other current liabilities	**779.8**	**697.8**
Total other liabilities	**957.5**	**883.7**

Deferred income included deferred revenue of €168.5 million (December 31, 2022: €189.0 million) resulting from the indirect sales lease business.

Personnel liabilities primarily consist of liabilities for one-year variable remuneration, outstanding annual leave, flexitime and overtime credit, and wages and salaries not yet paid.

Other disclosures

[38] Contingent liabilities and other financial commitments

Contingent liabilities

Contingent liabilities break down as follows:

Contingent liabilities

in € million	Dec. 31, 2023	Dec. 31, 2022
Guarantees and indemnities	**267.2**	**297.9**

Of the total amount of guarantees and indemnities, €166.5 million related to guarantees for down payments, contract performance, and warranty obligations (December 31, 2022: €171.7 million). These guarantees had been issued by banks, predominantly in connection with the project business of the Supply Chain Solutions segment. The guarantees and indemnities also included default guarantees for pension plans in the United Kingdom (further information can be found in note [29]).

Litigation

The legal risks arising from the KION Group's operating business are typical of those faced by any company in this sector. The Group companies are a party in a number of pending lawsuits in various countries. The individual companies cannot assume with any degree of certainty that they will win any of the lawsuits or that the existing risk provision in the form of insurance or provisions will be sufficient in each individual case. However, the KION Group believes it is unlikely that these ongoing lawsuits will require funds to be utilized that exceed the provisions recognized.

Other financial commitments

Other financial commitments break down as follows:

Other financial commitments

in € million	Dec. 31, 2023	Dec. 31, 2022
Commitments under long-term license and support agreements	181.3	231.1
Capital expenditure commitments in fixed assets	68.5	117.0
Sundry other financial commitments	8.7	6.3
Total other financial commitments	**258.5**	**354.4**

Sundry other financial commitments included possible future payment obligations to related parties amounting to €4.6 million (December 31, 2022: €2.1 million).

[39] Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing, and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method.

Cash and cash equivalents declined to €311.8 million as at the reporting date (December 31, 2022: €318.1 million). In addition, cash of €8.9 million was recognized under assets classified as held for sale (December 31, 2022: €14.1 million).

Taking into account the credit facility of €1,364.7 million that was still freely available (December 31, 2022: €1,271.1 million), the unrestricted cash and cash equivalents available to the KION Group at the end of 2023 amounted to €1,674.4 million (December 31, 2022: €1,577.3 million).

In 2023, the KION Group's cash flow from operating activities amounted to a substantial net cash inflow of €1,144.0 million thanks to the significant increase in operating profit and the improved management of working capital. By contrast, the prior-year figure – amounting to a net cash outflow of minus €345.9 million – had been adversely affected, in particular, by the considerable growth of net working capital as a result of the extensive supply chain disruptions. Interest received and interest paid resulting from the lease and short-term rental businesses are also recognized in cash flow from operating activities.

Net cash used for investing activities amounted to minus €428.8 million and was therefore higher than in the previous year (2022: minus €369.7 million). Within this total, cash payments for capital expenditure on production facilities, product development, and purchased property, plant and equipment rose to minus €442.8 million (2022: minus €382.7 million).

As a result, free cash flow – the sum of cash flow from operating activities and investing activities – improved significantly to €715.2 million in the reporting year (2022: minus €715.6 million).

Net cash used for financing activities amounted to minus €721.7 million in 2023 (2022: net cash provided of €562.8 million), largely due to the repayment of financial debt on the back of the very good level of free cash flow. Additions to and repayments of financial debt mainly related to current additions and repayments under the commercial paper program and the syndicated revolving credit facility (RCF) as well as the repayment of bank loans. Payments made for interest portions and principal portions under procurement leases totaled minus €157.9 million (2022: minus €151.7 million). Due to higher market interest rates and the higher average level of debt during the year, current interest payments went up substantially to minus €69.7 million (2022: minus €32.6 million). The payment of a dividend to the shareholders of KION GROUP AG resulted in an outflow of funds of minus €24.9 million, which equates to €0.19 per share.

Currency effects in relation to cash and cash equivalents amounted to minus €5.0 million (2022: €2.1 million).

Additional information on the changes to liabilities arising from financing activities can be found in the following tables:

Reconciliation of liabilities arising from financing activities 2023

			Non-cash changes		
in € million	Jan. 1, 2023	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2023
Non-current financial liabilities	1,361.8	–4.8	–2.3	–69.2	1,285.6
Current financial liabilities	626.7	–469.4	–2.6	82.1	236.8
Liabilities from accrued interest	6.8	–69.6	–0.2	74.7	11.7
Derivative financial instruments for hedging purposes	4.7	–0.0	–	–2.7	1.9
Liabilities from procurement leases	584.9	–157.9	–4.9	216.9	639.0
Total liabilities from financing activities	**2,584.9**	**–701.7**	**–10.0**	**301.8**	**2,175.0**

Reconciliation of liabilities arising from financing activities 2022

in € million	Jan. 1, 2022	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	Dec. 31, 2022
Non-current financial liabilities	898.7	485.9	1.6	–24.3	1,361.8
Current financial liabilities	151.9	456.5	–3.0	21.4	626.7
Liabilities from accrued interest	5.4	–32.7	0.0	34.1	6.8
Derivative financial instruments for hedging purposes	–	0.1	0.1	4.4	4.7
Liabilities from procurement leases	543.6	–151.7	3.2	189.7	584.9
Total liabilities from financing activities	**1,599.5**	**758.0**	**1.9**	**225.4**	**2,584.9**

[40] Information on financial instruments

The measurement categories used in accordance with IFRS 9 are presented in the tables below. In line with IFRS 7, the tables show the carrying amounts and fair values of the financial assets and liabilities. Derivative financial instruments that are part of a formally documented hedge are not assigned to any of the IFRS 9 measurement categories. Lease receivables and liabilities from procurement leases fall within the scope of IFRS 16 and are therefore also not assigned to any of the IFRS 9 measurement categories.

Carrying amounts and fair values broken down by class 2023

Classes:	Carrying amount	Categories: FVPL	AC	FVOCI	Derivatives, which are part of a hedging relationship	Fair Value
in € million						
Financial assets						
Lease receivables[1]	2,314.4					2,245.9
Trade receivables	1,755.8	104.9	1,650.9			1,755.8
Other financial assets	253.0					253.0
thereof financial investments	79.2			79.2		79.2
thereof financial receivables	25.0		25.0			25.0
thereof other financial investments	27.3	27.3				27.3
thereof sundry financial assets	74.4		74.4			74.4
thereof derivative financial instruments	47.1	22.3			24.8	47.1
Cash and cash equivalents	311.8		311.8			311.8
Financial liabilities						
Financial liabilities	1,522.4					1,513.3
thereof promissory notes	696.0		696.0			705.4
thereof bonds	498.0		498.0			478.9
thereof liabilities to banks	272.4		272.4			273.0
thereof sundry financial liabilities	56.0		56.0			56.0
Liabilities from lease business	3,756.2		3,756.2			3,713.9
Liabilities from short-term rental business	716.6		716.6			699.7
Trade payables	1,194.0		1,194.0			1,194.0
Other financial liabilities	884.5					857.0
thereof liabilities from procurement leases[1]	639.0					611.5
thereof sundry other financial liabilities and liabilities from accrued interest	190.6		190.6			190.6
thereof derivative financial instruments	54.8	35.3			19.5	54.8

1 as defined by IFRS 16

Carrying amounts and fair values broken down by class 2022

		Categories				
Classes:	Carrying amount	FVPL	AC	FVOCI	Derivatives, which are part of a hedging relationship	Fair Value
in € million						
Financial assets						
Lease receivables[1]	1,890.3					1,903.0
Trade receivables[2]	1,667.3	88.8	1,578.6			1,667.3
Other financial assets	259.3					259.3
thereof financial investments	56.6			56.6		56.6
thereof financial receivables	27.6		27.6			27.6
thereof other financial investments	25.9	25.9				25.9
thereof sundry financial assets	50.5		50.5			50.5
thereof derivative financial instruments	98.7	10.8			87.9	98.7
Cash and cash equivalents	318.1		318.1			318.1
Financial liabilities						
Financial liabilities	1,988.6					1,940.2
thereof promissory notes	319.2		319.2			317.2
thereof bonds	496.8		496.8			447.1
thereof liabilities to banks	819.3		819.3			822.7
thereof sundry financial liabilities	353.3		353.3			353.3
Liabilities from lease business	3,214.6		3,214.6			3,188.7
Liabilities from short-term rental business	544.2		544.2			534.7
Trade payables	1,124.3		1,124.3			1,124.3
Other financial liabilities	764.6					737.7
thereof liabilities from procurement leases[1]	584.9					558.0
thereof sundry financial liabilities and liabilities from accrued interest[2]	162.8		162.8			162.8
thereof derivative financial instruments	16.9	5.3			11.6	16.9

1 as defined by IFRS 16

2 Prior year figures adjusted (see note [41])

The net gains and losses on financial instruments are broken down by IFRS 9 category as shown in the table below. Net gains and losses on financial instruments do not include gains/losses arising on hedging transactions that are part of a formally documented hedge (see note [42]).

Net gains and losses on financial instruments broken down by category

in € million	2023	2022
Financial assets measured at amortized cost (AC)	–2.1	–15.0
Equity instruments measured at fair value through other comprehensive income (FVOCI)	29.9	18.3
Financial instruments measured at fair value through profit or loss (FVPL)	–74.1	19.1
Financial liabilities measured at amortized cost (AC)	–241.7	–135.8

In 2023, the net gains and losses included interest income of €11.5 million (2022: €10.1 million) and interest expense of €241.0 million (2022: €109.8 million) that resulted from financial instruments measured at amortized cost (AC category) and are recognized within net financial income/expenses. Currency translation gains and losses, dividends, valuation allowances for expected and incurred losses, the marking-to-market of derivatives that are not part of a formally documented hedge, and other measurement effects were also included in the net gains and losses.

Fair value measurement

The majority of the cash and cash equivalents, financial receivables, trade receivables and trade payables recognized at amortized cost, sundry financial assets and liabilities, and liabilities from accrued interest have short remaining terms to maturity. The carrying amounts of these financial instruments are therefore roughly equal to their fair values.

For financial liabilities and for liabilities from the lease and short-term rental business, the fair value in each case corresponds to the present value of the outstanding payments, taking account of the current interest-rate curve and the Group's own default risk. This fair value, calculated for the purposes of disclosure in the notes to the financial statements, is classified as Level 2 of the fair value hierarchy.

For lease receivables and liabilities from procurement leases, the fair value in each case corresponds to the present value of the net lease payments, taking account of the current market interest rate for similar leases.

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 2023

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	Dec. 31, 2023
Financial assets				**258.5**
thereof financial investments			79.2	79.2
thereof other financial investments		27.3		27.3
thereof trade receivables		104.9		104.9
thereof derivative financial instruments		47.1		47.1
Financial liabilities				**54.8**
thereof derivative financial instruments		54.8		54.8

Financial instruments measured at fair value 2022

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	Dec. 31, 2022
Financial assets				**269.9**
thereof financial investments	0.7		55.9	56.6
thereof other financial investments		25.9		25.9
thereof trade receivables[1]		88.8		88.8
thereof derivative financial instruments		98.7		98.7
Financial liabilities				**16.9**
thereof derivative financial instruments		16.9		16.9

1 Prior year figures adjusted (see note [41])

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

Trade receivables recognized at fair value through profit or loss were assigned to Level 2. Their fair value was calculated using the transaction price. The biggest influence on the transaction price is the default risk of the counterparty.

Derivatives (currency forwards and interest-rate swaps) were also classified as Level 2. Their fair value was 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 was taken into account on the basis of gross figures. The fair value of the currency forwards was calculated using the present value method based on forward rates. The fair value of interest-rate swaps was calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates were used to calculate the cash flows, which were then discounted on the basis of a yield curve that is observable in the market. 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 comprised the financial investments in Shanghai Quicktron Intelligent Technology Co., Ltd. and Zhejiang EP Equipment Co., Ltd. The fair value was determined using the discounted cash flow method. The changes in fair value that occurred are attributable to the subsequent measurement of these financial investments and are reported under other financial assets. The material measurement parameters included a WACC after taxes of 9.2 percent (2022: 8.2 percent) and a long-term growth factor of 1.0 percent (2022: 1.0 percent). The following table shows the effects of changes in these material measurement parameters on fair value.

Sensitivity of Level 3 Financial Instruments as at Dec. 31, 2023

	Change in long-term growth rate		
in € million	**–0.25%**	**unchanged**	**0.25%**
Change in WACC after tax			
–1%	8.8	11.2	13.8
unchanged	–1.8	–	1.9
+1%	–10.1	–8.7	–7.3

Sensitivity of Level 3 Financial Instruments as at Dec. 31, 2022

	Change in long-term growth rate		
in € million	**–0.25%**	**unchanged**	**0.25%**
Change in WACC after tax			
–1%	7.5	9.6	11.9
unchanged	–1.5	–	1.7
+1%	–8.4	–7.2	–6.0

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.

[41] Financial risk reporting

Capital management

One of the prime objectives of capital management is to ensure liquidity at all times. Measures aimed at achieving these objectives include the optimization of the capital structure and ongoing Group cash flow planning and management. Close cooperation between the individual companies and the Corporate Finance division ensures that the local legal and regulatory requirements faced by foreign Group companies are taken into account in capital management (see also the descriptions of financial covenants).

Net financial debt – defined as the difference between financial liabilities and cash and cash equivalents – is a key performance measure used in liquidity planning at Group level and amounted to €1,210.6 million as at December 31, 2023 (December 31, 2022: €1,670.5 million).

Default risk

In certain operating and finance activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount. Default risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. The potential default risk attaching to financial assets is also mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements.

Counterparty risks involving our customers are managed by the individual Group companies. To reflect the default risk, valuation allowances are recognized for defaults that have occurred and for expected defaults (see note [25]).

Financial transactions are only entered into with selected business partners that have an investment-grade credit rating. The KION Group's default risk remains insignificant.

The KION Group enters into derivatives in accordance with German master agreements and the global netting agreements (master agreement) of the International Swaps and Derivatives Association (ISDA). The amounts that, in accordance with such agreements, are owed by each counterparty on a single day in respect of all outstanding transactions in the same currency are aggregated to achieve a single net amount that one party has to pay to the other. In certain cases (e.g. if a credit event such as default occurs), all outstanding transactions under the agreement are terminated, the value upon termination is calculated, and only a single net amount to settle all transactions has to be paid.

The ISDA agreements do not satisfy the criteria for offsetting in the statement of financial position. This is because the KION Group currently does not have a legal right to offset the recognized amounts. The right to offset is only enforceable when future events occur, such as a credit event.

The following table shows the carrying amounts of the recognized derivatives covered by the master agreements.

Netting potential of derivative financial instruments at Dec. 31, 2023

in € million	Gross amount in balance sheet	Related financial instruments without netting	Potential net amount
Financial assets			
Interest-rate swaps	37.9	–18,9	19.0
Foreign-currency forwards	10.1	–8,0	2.1
Total	**48.0**	**–26,9**	**21.1**
Financial liabilities			
Interest-rate swaps	–19.6	18.9	–0,7
Foreign-currency forwards	–20.6	8.0	–12,6
Total	**–40.1**	**26.9**	**–13,3**

Netting potential of derivative financial instruments at Dec. 31, 2022

in € million	Gross amount in balance sheet	Related financial instruments without netting	Potential net amount
Financial assets			
Interest-rate swaps	78.5	–1.1	77.3
Foreign-currency forwards	19.2	–6.9	12.3
Total	**97.7**	**–8.0**	**89.6**
Financial liabilities			
Interest-rate swaps	–1.1	1.1	–
Foreign-currency forwards	–10.4	6.9	–3.5
Total	**–11.5**	**8.0**	**–3.5**

Liquidity risk

The KION Group maintains a liquidity reserve in the form of a revolving credit facility and cash in order to ensure financial flexibility and solvency. Taking into account the credit facility that was still freely available, the unrestricted cash and cash equivalents available to the KION Group as at the reporting date amounted to €1,674.4 million (December 31, 2022: €1,577.3 million). The age structure of financial liabilities is reviewed and optimized continually.

The credit ratings awarded to the KION Group by the two rating agencies remained essentially unchanged in the year under review. Fitch Ratings continued to award the Group a long-term issuer default rating of BBB with a stable outlook. The short-term issuer default rating remained at F2. Standard & Poor's kept the issuer rating at BBB– but raised the outlook from CreditWatch negative to negative in April 2023.

As at the reporting date, the KION Group had sold trade receivables with a total volume of €111.9 million (December 31, 2022: €102.9 million) in factoring transactions. Of these factoring transactions, trade receivables of €69.5 million continued to be recognized in full in the consolidated statement of financial position as at December 31, 2023 (December 31, 2022: €66.9 million) because the KION Group retained the material risks and opportunities. A liability in the same amount was recognized under other current financial liabilities. For trade receivables of €36.3 million (December 31, 2022: €30.8 million), the material risks and opportunities were neither fully transferred nor fully retained. In this case, the amount of the maximum downside risk arising on the trade receivables that were sold was recognized (as a continuing involvement). As at December 31, 2023, this figure was €4.0 million (December 31, 2022: €4.0 million). A liability in the amount of the continuing involvement was recognized under other current financial liabilities; the fair value of the liability corresponded to the carrying amount. To improve comparability, the figures as at the end of 2022 for trade receivables were adjusted by €70.9 million, from €1,596.4 million to €1,667.3 million, and other current financial liabilities were adjusted by the same amount, from €215.4 million to €286.4 million, in accordance with IAS 8.42. This is because new information about the transfer of material risks and opportunities has come to light. As at January 1, 2022, there was the adjustment of € 60.8 million in each of the aforementioned items.

The following tables show all of the contractually agreed undiscounted payments under recognized financial liabilities as at December 31, 2023 and 2022, including derivative financial instruments with negative fair values. The future interest payments for variable-rate promissory notes and liabilities to banks may change if market interest rates change. In addition, future cash flows may vary due to changes to the underlying interest rates or exchange rates. With regard to the other line items, the cash flows included in the maturity analysis are not expected to arise significantly earlier or in a materially different amount.

Liquidity analysis of financial liabilities and derivatives 2023

in € million	Carrying amount Dec. 31, 2023	Cash flow 2024	Cash flow 2025–2028	Cash flow from 2029
Primary financial liabilities				
Promissory notes	696.0	–97.5	–659.1	–45.3
Bonds	498.0	–8.3	–508.2	–
Liabilities to banks	272.4	–154.4	–146.7	–
Other financial liabilities	56.0	–39.4	–18.5	–
Liabilities from lease business	3,756.2	–1,180.5	–2,773.1	–139.9
Liabilities from short-term rental business	716.6	–235.5	–530.1	–31.6
Trade payables	1,194.0	–1,194.0	–	–
Other financial liabilities (excluding derivatives)	829.6	–313.1	–330.1	–306.9
Derivative financial liabilities				
Derivatives with negative fair value	54.8			
+ Cash in		770.8	150.3	1.3
– Cash out		–792.5	–176.9	–1.9

Liquidity analysis of financial liabilities and derivatives 2022

in € million	Carrying amount Dec. 31, 2022	Cash flow 2023	Cash flow 2024–2027	Cash flow from 2028
Primary financial liabilities				
Promissory notes	319.2	–9.3	–343.8	–
Bonds	496.8	–8.2	–516.5	–
Liabilities to banks	819.3	–332.5	–562.3	–
Other financial liabilities	353.3	–324.8	–31.2	–
Liabilities from lease business	3,214.6	–996.5	–2,372.4	–104.7
Liabilities from short-term rental business	544.2	–205.0	–357.4	–21.7
Trade payables	1,124.3	–1,124.3	–	–
Other financial liabilities (excluding derivatives)[1]	747.7	–285.8	–302.0	–264.8
Derivative financial liabilities				
Derivatives with negative fair value	16.9			
+ Cash in		554.6	28.9	0.1
– Cash out		–567.5	–33.4	–0.2

1 Prior year figures adjusted (see note [41])

Currency risk

The KION Group hedges currency risk both locally at the level of the individual companies and centrally via KION GROUP AG using prescribed hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

In the Industrial Trucks & Services segment, hedges are entered into at individual company level for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm commitments not reported in the statement of financial position. Currency risk arising from customer-specific project business contracts in the Supply Chain Solutions segment is hedged on a project-specific basis at individual company level. As a result, these hedges are classified as cash flow hedges for accounting purposes in accordance with IFRS 9 (see note [42]). In addition, foreign-currency forwards are employed to hedge the currency risks arising in the course of internal financing.

Significant currency risk arising from financial instruments is measured using a currency sensitivity method. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating currency sensitivity if the financial instruments are denominated in a currency other than the functional currency of the Group company concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group presentation currency, i.e. currency translation risks, are not included.

Currency risk relevant to currency sensitivity in the KION Group arises mainly in connection with derivative financial instruments, trade receivables, and trade payables. It is assumed that the portfolio of financial instruments as at the reporting date is representative of the portfolio over the whole of the year. The sensitivity analysis for the relevant currencies (after tax) is shown in the following table. Sensitivity was based on a net currency exposure of €353.8 million as at December 31, 2023 (December 31, 2022: €220.9 million).

Foreign-currency sensitivity

		Impact on net income		Impact on other comprehensive loss	
		Increase in the value of the euro of +10%	Fall in the value of the euro of –10%	Increase in the value of the euro of +10%	Fall in the value of the euro of –10%
in € million	**2023**				
GBP		0.3	–0.4	10.2	–17.8
USD		2.5	–3.2	5.6	–10.4
in € million	**2022**				
GBP		–0.5	0.5	6.3	–11.2
USD		2.2	–3.0	3.4	–6.0

Interest-rate risk

Interest-rate risk within the KION Group is managed centrally. The basis for decision-making includes sensitivity analyses of interest-rate risk exposures in key currencies.

The Group's financing takes the form of variable-rate and fixed-rate financial liabilities. The risk of a change in the fair value of a fixed-rate financial liability is hedged using an interest-rate swap. In addition, the fair value of certain lease receivables is hedged at portfolio level using amortizing payer interest-rate swaps. Overall, this results in a variable interest rate for the lease portfolio that is in line with the benchmark rate for the currency area in question; the variable interest rate thus equates to the variable rate used for the financing of the lease portfolio from an economic perspective. These hedges are accounted for as portfolio fair value hedges in accordance with IAS 39 (see note [42]).

The shift in the relevant yield curves was simulated to assess interest-rate risk. The effects after tax shown below resulted from the marking-to-market of interest-rate swaps and from variable-rate financial debt. Sensitivity was based on a net interest-rate exposure of €829.4 million as at December 31, 2023 (December 31, 2022: €1,296.8 million).

Interest-rate sensitivity

	+50 bps		–50 bps	
in € million	**2023**	**2022**	**2023**	**2022**
Net income	4.3	–21.4	–4.6	21.5
Other comprehensive loss	–	–	–	–

Risks arising from lease business

The lease activities that are used to promote sales in the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks. The trucks are returned by the lessee at the end of a long-term lease and subsequently sold or re-rented. Residual values in the markets for used trucks are constantly monitored and forecast on the basis of prices in these markets. The KION Group regularly assesses its aggregate risk exposure arising from the lease business.

Risks identified in relation to the existing contract portfolio are taken into account by prospectively adjusting the depreciation expense, impairment losses, or provisions. If there is a sustained decline in residual values, they will be adjusted in the costing of new leases. Groupwide standards to ensure that residual values are calculated appropriately, combined with an IT system for residual-value risk management, aim to reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk in the lease business through a funding strategy that seeks to ensure that most of its transactions and loans have matching maturities. Nevertheless, the lease business is still subject to interest-rate-volatility risk related to residual, non-matching maturities. The level of this risk depends in part on the relevant market interest rates. The KION Group also seeks to mitigate risk by continuously updating its liquidity planning. Long-term leases are primarily arranged on a fixed-interest basis. If they are financed using variable-rate instruments, interest-rate derivatives are entered into in order to hedge the interest-rate risk, where it makes commercial sense to do so.

As a rule, the KION Group finances its lease business in the same currency as the lease with the end customer in order to exclude currency risks.

The counterparty risk inherent in the lease business continues to be insignificant. The Group also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed industrial trucks. Furthermore, receivables management and credit risk management are refined on an ongoing basis.

[42] Hedge accounting

Hedging currency risk

The KION Group applies cash flow hedge accounting in hedging the exchange rate risks arising (in various currencies) from highly probable future transactions and firm commitments not reported in the statement of financial position. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges. The critical terms of the hedging instruments and the hedged items are therefore matched with each other. The hedge ratio, which is derived from the volume of hedged items and the hedging instruments used, is 1:1 for these hedges. Because the hedges are highly effective, the change in the fair value of the cash flows from the hedged items corresponds to the change in the fair value of the hedging instruments. The spot and forward elements are designated as the hedging instrument, whereas the cross-currency basis spread is recognized as an undesignated element.

The main currency hedges relate to pound sterling and the US dollar. The foreign-currency forwards in existence as at December 31, 2023 were entered into at average hedging rates of £0.8764 to €1 (2022: £0.8607 to €1) and US$ 1.1040 to €1 (2022: US$ 1.1004 to €1).

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement – or recognition under inventories – of fair value changes previously recognized in equity in the hedge reserve and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognized when goods are dispatched or received. Until the corresponding payment is received, changes in the fair value of the derivative are recognized in the income statement such that they largely offset the effect of the measurement of the foreign-currency receivable or liability at the reporting date.

The foreign-currency forwards used as hedges will mature in 2025 at the latest. In total, foreign-currency cash flows of €575.5 million (2022: €414.0 million) were hedged and designated as hedged items, of which €513.1 million is expected by December 31, 2024 (2022: €365.0 million expected by December 31, 2023). The remaining cash flows designated as hedged items, which amounted to €62.4 million (2022: €49.0 million), fall due in more than one year's time.

The following table provides an overview of the foreign-currency forwards entered into by the KION Group. They are recognized under other financial assets and other financial liabilities in the consolidated statement of financial position.

Foreign-currency forwards

in € million		Fair value Dec. 31, 2023	Fair value Dec. 31, 2022	Notional amount Dec. 31, 2023	Notional amount Dec. 31, 2022
Foreign-currency forwards (assets)	Cash flow hedge	4.6	10.9	251.3	282.4
	FVPL	5.4	8.5	933.3	733.9
Foreign-currency forwards (liabilities)	Cash flow hedge	6.7	6.2	324.2	131.6
	FVPL	14.5	5.3	517.9	447.0

The table below shows the change in the currency forwards used for hedging purposes in 2023.

Derivatives used for hedging - cash flow hedges at Dec. 31, 2023

in € million	Change in fair value of hedging instrument	Change in fair value of hedged item	OCI – hedge reserve	Ineffective portion of hedges
Foreign-currency risk from operating activities – foreign-currency forwards	–4.3	4.3	–4.3	–
Total	**–4.3**	**4.3**	**–4.3**	**–**

Derivatives used for hedging - cash flow hedges at Dec. 31, 2022

in € million	Change in fair value of hedging instrument	Change in fair value of hedged item	OCI – hedge reserve	Ineffective portion of hedges
Foreign-currency risk from operating activities – foreign-currency forwards	8.3	–8.3	8.3	–
Total	**8.3**	**–8.3**	**8.3**	**–**

Hedging interest-rate risk

The KION Group has issued variable-rate and fixed-rate promissory notes as part of its financing (see note [30]). It hedges the risk of a change in the fair value of a fixed-rate tranche of the promissory note that was issued in 2018 and will mature in 2025 using an interest-rate swap, thereby creating a Euribor-based variable-rate obligation. This is accounted for as a fair value hedge. The hedge ratio, which is derived from the volume of hedged items and the hedging instruments used, is 1:1. The critical terms of the hedging instrument and the hedged item are matched with each other. The interest-rate swap used as a hedge reflects the maturity profile of the hedged item and will mature in 2025. Because the hedge is highly effective, the change in the fair value of the hedged item (fair value hedge) corresponds to the change in the fair value of the hedging instrument.

In addition, the KION Group uses amortizing payer interest-rate swaps in the same currency to hedge the risk of a change in the fair value of certain lease receivables. These hedges are accounted for as portfolio fair value hedges in accordance with IAS 39. The interest-rate swaps used as hedges reflect the notional amount and the maturity profile of the hedged portfolio and will mature in 2030. Overall, this results in a variable interest rate for the lease portfolio that is in line with the benchmark rate for the currency area in question; the variable interest rate thus equates to the variable rate used for the financing of the lease portfolio from an economic perspective. The portfolio fair value hedge is ended and redesignated monthly due to the fast-changing and open lease portfolio.

The following table provides an overview of the interest-rate derivatives used by the KION Group. They are recognized under other financial assets and other financial liabilities in the consolidated statement of financial position.

Interest-rate swaps

		Fair value		**Notional amount**	
in € million		**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
Interest-rate swaps (assets)	Fair value hedge	20.2	77.0	541.4	1,498.6
	FVPL	16.9	2.3	468.0	151.9
Interest-rate swaps (liabilities)	Fair value hedge	12.9	5.4	645.1	113.5
	FVPL	8.8	–	483.6	–

The table below shows the change in the interest-rate derivatives used for hedging purposes in 2023. Furthermore, the gain/loss on the undesignated portion of interest-rate derivatives used to hedge leases in 2023 amounted to a net loss of €28.3 million (2022: net gain of €21.7 million) that arose because there was no opportunity to designate operating leases as hedged items in portfolio fair value hedges in accordance with IAS 39.

Interest-rate derivatives used for hedging - fair value hedges at Dec. 31, 2023

in € million	Change in fair value of hedging instrument	Change in fair value of hedged item	Ineffective portion of hedges	Carrying amount asset (+) / liability (-)	Change in fair value of hedged item – cumulative
Promissory note - interest-rate swap	2.8	–2.8	–	–79.5	2.3
Lease receivables - interest-rate swaps	–32.8	36.5	3.7	2,314.4	–11.7
Total	**–30.0**	**33.7**	**3.7**	**2,234.9**	**–9.4**

Interest-rate derivatives used for hedging - fair value hedges at Dec. 31, 2022

in € million	Change in fair value of hedging instrument	Change in fair value of hedged item	Ineffective portion of hedges	Carrying amount asset (+) / liability (-)	Change in fair value of hedged item – cumulative
Promissory note - interest-rate swap	–7.0	7.0	–	–79.5	5.1
Lease receivables - interest-rate swaps	55.7	–42.8	12.9	1,890.3	–47.8
Total	**48.7**	**–35.8**	**12.9**	**1,810.8**	**–42.7**

Change in the hedge reserves

The change in the hedge reserves within accumulated other comprehensive income (loss) is presented in the following tables.

Reconciliation of hedge reserves resulting from hedges of currency risks 2023

in € million	Currency risk	Total
Balance as at Jan. 1, 2023	**2.5**	**2.5**
Changes in unrealized gains and losses	0.8	0.8
Changes in gains (–) and losses (+) to revenue	2.2	2.2
Changes in gains (–) and losses (+) to inventories	–7.2	–7.2
Tax effect of changes in reserves	1.3	1.3
Balance as at Dec. 31, 2023	**–0.5**	**–0.5**

Reconciliation of hedge reserves resulting from hedges of currency risks 2022

in € million	Currency risk	Total
Balance as at Jan. 1, 2022	**–4.5**	**–4.5**
Changes in unrealized gains and losses	–4.4	–4.4
Changes in gains (–) and losses (+) to revenue	9.0	9.0
Changes in gains (–) and losses (+) to inventories	3.8	3.8
Tax effect of changes in reserves	–1.4	–1.4
Balance as at Dec. 31, 2022	**2.5**	**2.5**

[43] Segment report

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the two operating segments: Industrial Trucks & Services and Supply Chain Solutions. The segments have been defined in accordance with the KION Group's organizational and strategic focus.

Description of the segments

Industrial Trucks & Services

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management, and financial services that support the core industrial truck business. The segment operates a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the two regional brands Fenwick and OM.

Supply Chain Solutions

The Supply Chain Solutions segment, featuring its KION SCS Operating Unit, is a strategic partner to customers in a variety of industries, supplying them with integrated technology and software solutions with which to optimize their supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and Multishuttle warehouse systems to picking, automated palletizing, and automated guided vehicle systems. Featuring the Dematic brand, this segment is primarily involved in customer-specific project business. With global resources, eleven production facilities worldwide, and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity anywhere in the world.

Corporate Services

Corporate Services comprises holding companies and service companies that provide services such as IT and general administration across all segments. The bulk of the total revenue is generated by internal IT services.

Segment management

The KPIs used to manage the segments are 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 (‘adjusted EBIT’). Intragroup transactions are generally conducted on an arm’s-length basis. Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [6].

The following tables show information on the KION Group’s operating segments for 2023 and 2022:

Segment report 2023

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation	Total
Revenue from external customers	8,464.2	2,968.4	1.1	–	11,433.7
Intersegment revenue	15.4	28.6	258.1	–302.0	–
Total revenue	8,479.6	2,997.0	259.2	–302.0	11,433.7
Earnings before tax	**723.1**	**–107.6**	**491.3**	**–647.1**	**459.8**
Net financial expenses	–108.3	–35.7	–56.8	–	–200.8
EBIT	**831.4**	**–71.9**	**548.1**	**–647.1**	**660.6**
+ Non-recurring items	12.8	27.8	–3.4	–	37.2
+ PPA items	4.3	88.4	–	–	92.7
= Adjusted EBIT	**848.5**	**44.3**	**544.7**	**–647.1**	**790.5**
Segment assets	13,507.1	5,588.2	2,914.9	–4,621.9	17,388.4
Segment liabilities	9,620.2	2,893.8	3,725.2	–4,623.5	11,615.7
Capital expenditure[1]	292.6	104.8	45.4	–	442.8
Amortization and depreciation[2]	179.7	51.1	19.4	–	250.2
Order intake	7,890.2	3,032.4	259.2	–306.2	10,875.6
Order book	3,197.4	3,237.5	–	–72.9	6,362.1
Number of employees[3]	30,283	10,666	1,376	–	42,325

1 Capital expenditure in property, plant and equipment and intangible assets, including capitalized development costs
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 Dec. 31, 2023; allocation according to the contractual relationships

Segment report 2022

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consolidation	Total
Revenue from external customers	7,344.2	3,789.4	1.9	–	11,135.6
Intersegment revenue	11.9	17.4	212.7	–242.0	–
Total revenue	7,356.1	3,806.9	214.6	–242.0	11,135.6
Earnings before tax	**388.8**	**–174.4**	**314.2**	**–390.6**	**138.0**
Net financial income / expenses	12.8	–27.8	–15.3	–	–30.2
EBIT	**376.0**	**–146.6**	**329.4**	**–390.6**	**168.3**
+ Non-recurring items	42.8	10.1	–21.3	–	31.5
+ PPA items	1.7	90.9	–	–	92.7
= Adjusted EBIT	**420.5**	**–45.6**	**308.1**	**–390.6**	**292.4**
Segment assets[1]	12,275.8	5,787.7	2,728.2	–4,192.4	16,599.4
Segment liabilities[1]	8,494.5	2,877.9	3,811.1	–4,191.9	10,991.6
Capital expenditure[2]	267.5	87.3	28.0	–	382.7
Amortization and depreciation[3]	167.5	49.0	17.1	–	233.6
Order intake	8,425.6	3,361.9	214.6	–294.5	11,707.6
Order book	3,817.6	3,327.5	–	–67.3	7,077.8
Number of employees[4]	28,738	11,185	1,226	–	41,149

1 Prior year figures adjusted (see note [41])
2 Capital expenditure in property, plant and equipment and intangible assets, including capitalized development costs
3 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
4 Number of employees (full-time equivalents) as at Dec. 31, 2022; allocation according to the contractual relationships

External revenue is allocated to the different regions on the basis of the customer’s location. The breakdown of external revenue by region is presented in the > tables ‘Disaggregation of revenue with third parties’. In 2023, revenue in the most significant countries was as follows: €2,036.1 million in Germany (2022: €1,770.6 million), €2,083.1 million in the US (2022: €2,343.7 million), and €1,219.6 million in France (2022: €1,041.6 million).

In 2023, revenue of €525.9 million (2022: €1,366.2 million) was generated from one single external customer and predominantly in the Supply Chain Solutions segment.

Net financial income and expenses, including all interest income and interest expense, are described in notes [12] and [13].

The non-recurring items recorded in the reporting year across the Group amounted to a total of €37.2 million. In the Supply Chain Solutions segment, an amount of €24.8 million related to staffing capacity adjustments to reflect the prevailing order situation. These adjustments were initiated as a short-term countermeasure as market demand is currently muted in the long-term project business.

In 2022, the non-recurring items had amounted to a total of €31.5 million. In the Industrial Trucks & Services segment, an amount of €32.4 million had essentially related to impairment losses on assets of the Russian subsidiaries. The negative non-recurring items in the Industrial Trucks & Services segment had been partly offset by a boost to earnings of €12.3 million from plan adjustments that affected defined benefit obligations. In the Supply Chain Solutions segment, non-recurring items had resulted from impairment losses on assets in connection with business in Russia. In addition, the intragroup allocation of costs of KION GROUP AG to subsidiaries had resulted in negative non-recurring items amounting to an expense of €17.5 million in the ITS and SCS segments.

The effects from purchase price allocations comprised net write-downs and other expenses in relation to the step-ups and charges identified as part of the acquisition processes.

The regional breakdown of non-current assets, excluding financial instruments, deferred tax assets, and assets relating to defined benefit pension plans, is as follows:

Non-current assets broken down by company location

in € million	Dec. 31, 2023	Dec. 31, 2022
EMEA	**6,392.6**	**6,055.5**
Western Europe	5,733.8	5,481.3
Eastern Europe	658.5	573.5
Middle East and Africa	0.3	0.7
Americas	**2,418.4**	**2,494.5**
North America	2,304.3	2,393.4
Central and South America	114.0	101.1
APAC	**796.5**	**786.6**
China	475.7	478.1
APAC excluding China	320.8	308.5
Total non-current assets (IFRS 8)	**9,607.5**	**9,336.6**

As at December 31, 2023, non-current assets attributable to Germany amounted to €3,545.4 million (December 31, 2022: €3,446.4 million) and to the US €2,227.6 million (December 31, 2022: €2,314.0 million).

[44] Employees

The KION Group employed an average of 41,552 full-time equivalents (including trainees and apprentices) in the reporting year (2022: 40,781). The number of employees (part-time staff included on a pro rata basis) by region is as follows:

Employees (average)

	2023	2022
EMEA	**28,292**	**27,326**
Western Europe	23,590	22,843
Eastern Europe	4,674	4,444
Middle East and Africa	28	39
Americas	**6,512**	**6,830**
North America	4,994	4,986
Central and South America	1,518	1,844
APAC	**6,748**	**6,625**
China	5,009	5,009
APAC excluding China	1,739	1,616
Total	**41,552**	**40,781**

The KION Group employed an average of 731 trainees and apprentices in 2023 (2022: 692).

[45] Related party disclosures

In addition to its relationship with subsidiaries included in the consolidated financial statements, the KION Group has direct or indirect business relationships with a number of non-consolidated subsidiaries, associates and 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, 2023 (see note [48]).

Weichai Power Co., Ltd., Weifang, People's Republic of China, indirectly held a 46.5 percent stake in KION GROUP AG via Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power', direct parent company) as at December 31, 2023 (December 31, 2022: 46.5 percent) and, in the assessment of the Executive Board of KION GROUP AG on the basis of IFRS as adopted by the EU, is the ultimate parent company. Without prejudice to this, Weichai Power Co., Ltd. states in its consolidated financial statements, which are published on the website of the Hong Kong Stock Exchange, that its ultimate parent company is Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China. The latter is owned by the State-owned Assets Supervision and Administration Commission of Shandong People's Government of the People's Republic of China, Jinan, People’s Republic of China. There were no transactions that were significant, either individually or taken together, with the Shandong Heavy Industry Group Co., Ltd. or with its consolidated entities above the level of Weichai Power Co., Ltd.

The revenue that the KION Group generated in 2023 and 2022 from selling goods and services to related parties is shown in the table below 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	Dec. 31, 2023	Dec. 31, 2022	2023	2022
Non-consolidated subsidiaries	17.1	21.4	23.9	32.8
Associates (equity-accounted)[1]	48.8	37.0	198.1	145.3
Joint ventures (equity-accounted)	11.5	19.4	64.9	75.2
Other related parties[1]	8.0	4.7	30.9	18.2
Total	**85.4**	**82.6**	**317.8**	**271.5**

1 The figures for ‘associates’ and ‘other related parties’ include transactions with Weichai Power Co., Ltd. and its affiliated companies

The figures for other related parties include transactions with Weichai Power and its affiliated companies; these comprise receivables of €5.8 million (December 31, 2022: €3.8 million) and sales of goods and services amounting to €20.3 million (2022: €11.1 million). The receivables from associates include a variable-rate loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. This involved a maximum commitment of €9.3 million (December 31, 2022: €9.3 million), from which the KION Group had a loan receivable with a nominal amount of €8.0 million as at December 31, 2023 (December 31, 2022 €8.0 million).

The KION Group has also made a commitment to the joint venture Schwerter Profile GmbH, Schwerte, to provide a shareholder loan with a maximum amount of €10.0 million, from which the KION Group had a loan receivable with a nominal amount of €6.8 million as at December 31, 2023 (December 31, 2022 €9.3 million).

The goods and services obtained from related parties in 2023 and 2022 are shown in the table below 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	Dec. 31, 2023	Dec. 31, 2022	2023	2022
Non-consolidated subsidiaries	15.1	10.6	40.5	30.2
Associates (equity-accounted)[1]	7.5	8.1	123.3	104.4
Joint ventures (equity-accounted)	99.8	105.0	123.6	92.3
Other related parties[1]	16.1	17.3	0.5	5.7
Total	**138.5**	**141.0**	**288.0**	**232.5**

1 The figures for 'associates' and 'other related parties' include transactions with Weichai Power Co., Ltd. and its affiliated companies

The figures for other related parties include transactions with Weichai Power and its affiliated companies; these comprise liabilities of €13.6 million (December 31, 2022: €16.0 million) and purchases of goods and services amounting to €0.0 million (2022: €5.3 million).

The distribution of a dividend of €0.19 per share for the 2022 financial year (dividend for financial year 2021: €1.50 per share) to Weichai Power resulted in a pro rata outflow of funds from KION GROUP AG of €11.6 million in 2023 (2022: outflow of €89.0 million).

The members of the Executive Board and Supervisory Board of KION GROUP AG, and their family members, are also related parties. Further related parties are the members of the Boards of Directors of Weichai Power Co., Ltd., Weifang, People's Republic of China (ultimate parent company of KION GROUP AG), Weichai Power (Hong Kong) International Development Co., Ltd., People's Republic of China (intermediate holding company), and Weichai Power Holding S.à r.l., Luxembourg (direct parent company), and their family members. Details of the remuneration of the Executive Board and Supervisory Board of KION GROUP AG can be found in note [47].

[46] Variable remuneration

KION performance share plan (PSP) for managers

The 2023 tranche of the long-term, variable remuneration component for the managers in the KION Group (LTI 2023) was granted with effect from January 1, 2023 and has a term of three years. For the 2023 tranche, 50 percent of the remuneration component (2021 and 2022 tranches: also 50 percent) measured over the long term is based on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index (market-oriented measure of performance) and 30 percent (2021 tranche: 50 percent; 2022 tranche: 30 percent) is based on return on capital employed (ROCE) (internal measure of performance). For the 2022 and 2023 tranches, 20 percent of the performance share plan is linked to the achievement of ESG targets.

The performance period for the 2023 tranche ends on December 31, 2025 (2022 tranche: December 31, 2024). The 2021 tranche expired on December 31, 2023 and will be paid out in the first quarter of 2024.

At the beginning of the performance period on January 1, 2023 (2022 tranche: January 1, 2022; 2021 tranche: January 1, 2021), the managers were allocated a total of 1,074,813 phantom shares for this tranche (2022 tranche: 266,172 phantom shares; 2021 tranche: 191,733 phantom shares). The allocation was based on a particular percentage of each manager's individual gross annual remuneration at the time of grant. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The KION Group has the right to adjust the amount payable at the end of the performance period in the event of exceptional occurrences or developments. For the 2022 and 2023 tranches, the maximum amount payable is limited to 250 percent of the value of the shares allotted to an individual at the grant date.

The pro rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters used to value the phantom shares on the reporting date were as follows:

Significant measurement parameters of the KION Performance Share Plans

Measurement parameters	Valuation date Dec. 31, 2023 Tranche 2023	Valuation date Dec. 31, 2023 Tranche 2022
Expected volatility of the KION share	55.0%	45.0%
Expected volatility of the MDAX	20.0%	15.0%
Risk-free interest rate	2.43%	3.05 %
Expected dividend	€1.03	€0.95
Price of the KION share at valuation date	€39.42	€39.42
Price of the MDAX at valuation date	27,353.02 pts.	27,353.02 pts.
Initial value of the KION share (60-days average)	€25.39	€94.32
Initial value of the MDAX (60-days average)	24,662.39 pts.	34,820.06 pts.

Taking account of the remaining term of two years (2023 tranche) and one year (2022 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. The provision as at December 31 and the income or expense in the financial year resulting from each tranche of the performance share plans break down as follows:

Provisions and results of the KION performance share plans for managers as at Dec. 31, 2023

	Fair value per phantom share in €	Phantom shares total	Pro rata liability in € million	Pro rata loss (–) / gain (+) in € million
2021 tranche	17.18	164,028	2.8	–1.5
2022 tranche	21.52	254,496	3.7	–2.4
2023 tranche	35.65	1,138,544	13.5	–13.5
Total			**20.0**	**–17.4**

Provisions and results of the KION performance share plans for managers as at Dec. 31, 2022

	Fair value per phantom share in €	Phantom shares total	Pro rata liability in € million	Pro rata loss (–) / gain (+) in € million
2020 tranche	4.41	220,576	1.0	14.0
2021 tranche	10.41	194,255	1.3	3.9
2022 tranche	12.51	302,100	1.3	–1.3
Total			**3.6**	**16.6**

KION performance share plan (PSP) for the Executive Board

The members of the Executive Board have been promised a multiple-year variable remuneration component during their term of office. This component takes the form of a performance share plan with a three-year term in each case. The financial performance targets for the 2023 tranche are the relative total shareholder return (TSR) for the shares of KION GROUP AG compared with the MDAX (market-oriented measure of financial performance), with a weighting of 40 percent (2021 and 2022 tranches: also 40 percent), and return on capital employed (ROCE) (internal measure of financial performance), with a weighting of 40 percent (2021 and 2022 tranches: also 40 percent). For all tranches, 20 percent of the performance share plan is linked to the achievement of ESG targets.

The performance period for the 2023 tranche ends on December 31, 2025 (2022 tranche: December 31, 2024).

At the beginning of the performance period on January 1, 2023 (2022 tranche: January 1, 2022; 2021 tranche: January 1, 2021), the Executive Board members were allocated a total of 245,373 phantom shares for this tranche (2022 tranche: 61,222 phantom shares; 2021 tranche: 96,785 phantom shares) 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. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary individual performance multiple to adjust the final payment at the end of the performance period by +/– 30 percent. The maximum amount payable is limited to 200 percent of the value of the shares allotted to an individual at the grant date.

The pro rata expense calculation based on the fair value of the phantom shares on each valuation date is carried out using Monte Carlo simulation. The measurement parameters used to value the phantom shares on the reporting date are shown in the > table 'Significant measurement parameters of the KION Performance Share Plans'.

Taking account of the remaining term of two years (2023 tranche) and one year (2022 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. The provision as at December 31 and the income or expense in the financial year resulting from each tranche of the performance share plans break down as follows:

Provisions and results of the KION performance share plans for the Executive Board as at Dec. 31, 2023

	Fair value per phantom share in €	Phantom shares total	Pro rata liability in € million	Pro rata loss (–) / gain (+) in € million
2021 tranche	5.01	68,539	0.5	0.3
2022 tranche	24.06	56,333	1.0	–0.7
2023 tranche	30.14	254,124	2.6	–2.6
Total			**4.1**	**–3.0**

Provisions and results of the KION performance share plans for the Executive Board as at Dec. 31, 2022

	Fair value per phantom share in €	Phantom shares total	Pro rata liability in € million	Pro rata loss (–) / gain (+) in € million
2020 tranche	–	54,449	0.2	4.4
2021 tranche	13.45	68,539	0.8	1.6
2022 tranche	13.07	56,333	0.3	–0.3
Total			**1.3**	**5.7**

The total carrying amount for liabilities in connection with share-based remuneration was €24.1 million as at December 31, 2023 (December 31, 2022: €4.9 million). For 2023, a total expense of €20.4 million for twelve months was recognized for share-based remuneration (2022: total income of €22.1 million).

[47] Remuneration of the Executive Board and Supervisory Board

Executive Board

Responsibilities

The responsibilities of the members of the Executive Board are disclosed in the corporate governance statement (see the section 'Working methods of the Executive Board and Supervisory Board; shareholders and Annual General Meeting').

Remuneration

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements, and performance-related components. The variable performance-related components comprise an annually recurring component linked to business performance and a multi-year performance-related component in the form of the KION performance share plan (see also note [46]). The pension entitlements consist of retirement, invalidity, and surviving dependants' benefits.

The total remuneration, pursuant to IFRS, of the members of the Executive Board who were in post in 2023 is as follows:

Remuneration of the Executive Board (IFRS)

in € million	2023	2022
Non-performance-related components	7.1	5.1
Performance-related components	4.7	1.7
Termination benefits	4.2	3.4
Total short-term remuneration components	**16.0**	**10.2**
Change in fair value of share-based payments	3.4	–3.2
Post-employment benefits	1.5	0.6
Total long-term remuneration components	**4.9**	**–2.6**
Total remuneration (IFRS)	**20.9**	**7.6**

Under section 314 HGB, disclosure of the expense for share-based payments is not required. Rather, the payments must be included in the Executive Board members' remuneration for the year in which they are paid on the basis of the fair value at the individual grant dates. The fair value of the share-based payments at their individual grant dates, including Mr. Quek's tax equalization agreement, amounted to €7.2 million (2022: €5.6 million) based on 273,817 phantom shares. Furthermore, disclosure of the current service cost (€1.5 million; 2022: €0.6 million) is not required, nor is disclosure of the termination benefits (€4.2 million; 2022: €3.4 million) and the remuneration under conditions precedent (€0.7 million; 2022: €0.0 million). On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 (1) no. 6a HGB came to €18.3 million (2022: €12.5 million).

As at December 31, 2023, no loans or advances had been extended to members of the Executive Board. This had also been the case as at December 31, 2022.

The total remuneration paid to former members of the Executive Board of KION GROUP AG and its legal predecessors amounted to €8.4 million (2022: €3.6 million)*. Pension entitlements of former members of the Executive Board or their surviving dependants amounting to €19.6 million (December 31, 2022: €20.5 million) were recognized in accordance with IFRS.

Further details of Executive Board remuneration, including the individual amounts for each member, are presented in KION GROUP AG's separate 2023 remuneration report, which is available on the KION Group website (www.kiongroup.com/remuneration).

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2023 amounted to €1.5 million (2022: €1.5 million) excluding VAT and consisted entirely of short-term benefits. There were no loans or advances to members of the Supervisory Board in 2023. Members of the Supervisory Board also received short-term employee benefits of €0.8 million for employee services (2022: €0.8 million), including the employer's share of the social-security contribution.

Further details of Supervisory Board remuneration, including the individual amounts for each member, are presented in KION GROUP AG's separate 2023 remuneration report, which is available on the KION Group website (www.kiongroup.com/remuneration).

The total remuneration of the members of the Executive Board and Supervisory Board came to €22.4 million (2022: €9.0 million).

* Prior year figure adjusted

[48] List of the shareholdings of KION GROUP AG, Frankfurt am Main

The shareholdings of the KION Group as at December 31, 2023 are listed below.

List of shareholdings as at December 31, 2023

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
1	KION GROUP AG	Frankfurt am Main	Germany	EMEA			
Consolidated subsidiaries							
2	Actil Warehouse Trucks AB	Linköping	Sweden	EMEA	100.00%	79	
3	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	EMEA	100.00%	122	
4	Baoli EMEA S.p.A.	Lainate	Italy	EMEA	100.00%	114	
5	BARTHELEMY MANUTENTION SAS	Vitrolles	France	EMEA	100.00%	45	
6	Bastide Manutention SAS	Bruguières	France	EMEA	100.00%	45	
7	BlackForxx GmbH	Stuhr	Germany	EMEA	100.00%	114	
8	Bretagne Manutention SAS	Pacé	France	EMEA	100.00%	45	
9	DAI Software Technology (Shanghai) Co. Ltd.	Shanghai	People's Republic of China	APAC	100.00%	37	
10	Dematic (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	28	
11	Dematic Corp.	Grand Rapids	United States	Americas	100.00%	14	
12	Dematic GmbH	Heusenstamm	Germany	EMEA	100.00%	17	
13	Dematic Group Ltd.	Banbury	United Kingdom	EMEA	100.00%	14	
14	Dematic Group S.à r.l.	Luxembourg	Luxembourg	EMEA	100.00%	15	
15	Dematic Holdings GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
16	Dematic Holdings Pty. Ltd.	Belrose	Australia	APAC	100.00%	17	
17	Dematic Holdings UK Ltd.	Banbury	United Kingdom	EMEA	100.00%	14	
18	Dematic International Trading Ltd.	Shanghai	People's Republic of China	APAC	100.00%	14	
19	Dematic Korea Ltd.	Seoul	South Korea	APAC	100.00%	17	
20	Dematic Logistic Systems S.A.U.	Coslada	Spain	EMEA	100.00%	17	
21	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	20 & 24	
22	Dematic Logistics GmbH	Heusenstamm	Germany	EMEA	100.00%	17	
23	Dematic Logistics Systems Ltd.	Suzhou	People's Republic of China	APAC	100.00%	14	
24	Dematic Ltd.	Banbury	United Kingdom	EMEA	100.00%	17	
25	Dematic Ltd.	Mississauga	Canada	Americas	100.00%	17	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
26	Dematic NV	Antwerpen	Belgium	EMEA	100.00%	12 & 17	
27	Dematic Poland Sp. z o.o.	Poznań	Poland	EMEA	100.00%	12	
28	Dematic Pte. Ltd.	Singapore	Singapore	APAC	100.00%	17	
29	Dematic Pty. Ltd.	Belrose	Australia	APAC	100.00%	16	
30	Dematic S.r.l.	Cernusco sul Naviglio	Italy	EMEA	100.00%	17	
31	Dematic SAS	Bussy-Saint-Georges	France	EMEA	100.00%	17	
32	Dematic Services GmbH	Heusenstamm	Germany	EMEA	100.00%	12	
33	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	Indaiatuba/São Paulo	Brazil	Americas	100.00%	12 & 14	
34	Dematic Suisse Sagl	Lugano	Switzerland	EMEA	100.00%	17	
35	Dematic Trading de Mexico S. de R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	20 & 24	
36	Digital Applications GmbH	Basel	Switzerland	EMEA	100.00%	37	
37	Digital Applications International Ltd.	Stockport	United Kingdom	EMEA	100.00%	17	
38	DMTC Technology Services, S. de R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	20 & 24	
39	Eisengießerei Dinklage GmbH	Dinklage	Germany	EMEA	100.00%	114	
40	Eisenwerk Weilbach Gesellschaft mit beschränkter Haftung	Frankfurt am Main	Germany	EMEA	100.00%	83	
41	Emhilia Material Handling S.p.A.	Modena	Italy	EMEA	100.00%	86	
42	Fahrzeugbau GmbH Geisa	Geisa	Germany	EMEA	100.00%	114	
43	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	EMEA	100.00%	56	
44	FENWICK-LINDE OPERATIONS SAS	Cenon-sur-Vienne	France	EMEA	100.00%	45	
45	FENWICK-LINDE SAS	Elancourt	France	EMEA	100.00%	56	
46	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	EMEA	100.00%	83	
47	KION (Jinan) Forklift Co., Ltd.	Jinan	People's Republic of China	APAC	95.00%	83	
48	KION ASIA (HONG KONG) Ltd.	Kwai Chung – Hong Kong	People's Republic of China	APAC	100.00%	83	
49	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jingjiang	People's Republic of China	APAC	100.00%	48	
50	KION Battery Systems GmbH	Karlstein am Main	Germany	EMEA	50.00%	1	[1]
51	KION Business Services Polska Sp. z o.o.	Kraków	Poland	EMEA	100.00%	1	
52	KION Financial Services GmbH	Frankfurt am Main	Germany	EMEA	100.00%	83	
53	KION FINANCIAL SERVICES Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	83	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
54	KION Financial Services Polska Sp. z o.o.	Warsaw	Poland	EMEA	100.00%	83	
55	KION Financial Services Sweden AB	Örebro	Sweden	EMEA	100.00%	79	
56	KION France SERVICES SAS	Elancourt	France	EMEA	100.00%	83	
57	KION India Pvt. Ltd.	Pune	India	APAC	100.00%	80 & 83	
58	KION Information Management Services GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
59	KION Intralogistic Solutions Benelux NV (formerly: STILL NV)	Wijnegem	Belgium	EMEA	100.00%	114 & 115	
60	KION North America Corp.	Summerville	United States	Americas	100.00%	83	
61	KION Polska Sp. z o.o.	Kołbaskowo	Poland	EMEA	100.00%	83	
62	KION Regional Distribution Center EEU, s.r.o.	Český Krumlov	Czech Republic	EMEA	100.00%	83 & 114	
63	KION Regional Distribution Center Nordics AB	Jonköping	Sweden	EMEA	100.00%	83	
64	KION Rental Services S.A.U.	Barcelona	Spain	EMEA	100.00%	85	
65	KION Rental Services S.p.A.	Milan	Italy	EMEA	100.00%	4, 86 & 122	
66	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba/São Paulo	Brazil	Americas	100.00%	114	
67	KION South Asia Pte. Ltd.	Singapore	Singapore	APAC	100.00%	83	
68	KION Supply Chain Solutions Czech, s.r.o.	Kostelec (Stříbro)	Czech Republic	EMEA	100.00%	17	
69	KION Warehouse Systems GmbH	Reutlingen	Germany	EMEA	100.00%	114	
70	K-LIFT S.A.	Luxembourg	Luxembourg	EMEA	–	–	[1]
71	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	APAC	100.00%	83	
72	Linde Holdings Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	83	
73	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	EMEA	100.00%	83	
74	Linde Material Handling (Ireland) Ltd.	Ballymount (Dublin)	Ireland	EMEA	100.00%	72	
75	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	80	
76	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	EMEA	100.00%	83	
77	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	APAC	100.00%	80	
78	Linde Material Handling (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	72	
79	Linde Material Handling AB	Örebro	Sweden	EMEA	100.00%	83	
80	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	APAC	100.00%	83	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
81	Linde Material Handling Austria GmbH	Linz	Austria	EMEA	100.00%	3 & 83	
82	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	EMEA	100.00%	83 & 114	
83	Linde Material Handling GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
84	Linde Material Handling Hong Kong Ltd.	Kwai Chung – Hong Kong	People's Republic of China	APAC	100.00%	83	
85	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	EMEA	100.00%	83	
86	Linde Material Handling Italia S.p.A.	Lainate	Italy	EMEA	100.00%	83	
87	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	EMEA	100.00%	83	
88	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	83	
89	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	EMEA	100.00%	83	
90	Linde Material Handling Rhein-Ruhr GmbH & Co. KG	Essen	Germany	EMEA	100.00%	83	
91	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	EMEA	100.00%	83	
92	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	EMEA	100.00%	82 & 83	
93	Linde MH UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	
94	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	EMEA	100.00%	83	
95	Linde Viličar d.o.o.	Celje	Slovenia	EMEA	100.00%	83	
96	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	EMEA	99.64%	83 & 97	
97	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	EMEA	94.00%	83	
98	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	83	
99	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	83	
100	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	EMEA	100.00%	45	
101	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	EMEA	100.00%	114	
102	Nordtruck AB	Örnsköldsvik	Sweden	EMEA	100.00%	79	
103	OOO “Dematic”	Moscow	Russian Federation	EMEA	100.00%	12 & 32	
104	OOO “Linde Material Handling Rus”	Moscow	Russian Federation	EMEA	100.00%	40 & 83	
105	OOO “STILL Forklifttrucks”	Moscow	Russian Federation	EMEA	100.00%	83 & 114	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
106	SM Rental SAS	Tremblet-en-France	France	EMEA	100.00%	45	
107	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	EMEA	100.00%	123	
108	STILL AG	Otelfingen	Switzerland	EMEA	100.00%	114	
109	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Türkiye	EMEA	51.00%	114	
110	STILL ČR spol. s.r.o.	Prague	Czech Republic	EMEA	100.00%	83 & 114	
111	STILL DANMARK A/S	Kolding	Denmark	EMEA	100.00%	114	
112	STILL Financial Services GmbH	Hamburg	Germany	EMEA	100.00%	52	
113	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	EMEA	100.00%	114	
114	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	EMEA	100.00%	83	
115	STILL Intern Transport B.V.	Hendrik-Ido-Ambacht	Netherlands	EMEA	100.00%	114	
116	STILL Kft.	Tatabánya	Hungary	EMEA	100.00%	114	
117	STILL Location Services SAS	Serris (Marne-la-Vallée)	France	EMEA	100.00%	56	
118	STILL MATERIAL HANDLING ROMANIA SRL	Ilfov	Romania	EMEA	100.00%	83 & 114	
119	STILL Materials Handling Ltd.	Exeter	United Kingdom	EMEA	100.00%	83	
120	STILL Norge AS	Trondheim	Norway	EMEA	100.00%	114	
121	STILL POLSKA Sp. z o.o.	Gądki	Poland	EMEA	100.00%	114	
122	STILL S.p.A.	Lainate	Italy	EMEA	100.00%	4 & 83	
123	STILL SAS	Serris (Marne-la-Vallée)	France	EMEA	100.00%	56	
124	STILL SR, spol. s.r.o.	Nitra	Slovakia	EMEA	100.00%	110 & 114	
125	STILL Sverige AB	Malmö	Sweden	EMEA	100.00%	114	
126	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	EMEA	100.00%	85	
127	Superlift UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	83	
128	Truckcenter Gösta Larsson AB	Örebro	Sweden	EMEA	100.00%	125	
129	URBAN LOGISTICA S.R.L.	Lainate	Italy	EMEA	100.00%	132	
130	URBAN LOGISTIQUE SAS	Elancourt	France	EMEA	100.00%	132	
131	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	EMEA	100.00%	132	
132	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	EMEA	100.00%	83	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
133	Willenbrock Fördertechnik GmbH (formerly: Willenbrock Fördertechnik Holding GmbH)	Bremen	Germany	EMEA	74.00%	83	
Non-consolidated subsidiaries							
134	Castle Lift Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
135	Comnovo GmbH	Dortmund	Germany	EMEA	100.00%	83	
136	Creighton Materials Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
137	D.B.S. Brand Factors Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	157	[D]
138	Dematic Logistics Services, LLC	Riyadh	Saudi Arabia	EMEA	100.00%	17	
139	Fork Truck Rentals Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
140	Fork Truck Training Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
141	IBER-MICAR S.L.U.	Gavà	Spain	EMEA	100.00%	83	
142	JETSCHKE GmbH	Hamburg	Germany	EMEA	100.00%	83	
143	KION IoT Systems GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
144	Lancashire (Fork Truck) Services Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	157	[D]
145	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	78 & 83	[D]
146	Lansing Linde Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
147	Lansing Linde Trifik Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
148	Linde Castle Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
149	Linde Creighton Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
150	Linde Heavy Truck Division Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	
151	Linde Jewsbury's Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
152	Linde Material Handling East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
153	Linde Material Handling Rhein-Ruhr Verwaltungs-GmbH	Essen	Germany	EMEA	100.00%	83	
154	Linde Material Handling Scotland Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
155	Linde Material Handling South East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
156	Linde Severnside Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
157	Linde Sterling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
158	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	United Kingdom	EMEA	100.00%	149	[D]
159	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	EMEA	100.00%	122	[D]
160	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
161	QUALIFT S.p.A.	Verona	Italy	EMEA	100.00%	86	
162	Regentruck Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
163	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	EMEA	100.00%	83	
164	SCI Champ Lagarde	Elancourt	France	EMEA	100.00%	45	
165	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	157	[D]
166	Sterling Mechanical Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	[D]
167	Urban Logistics (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	132	
168	Urban Logistyka Polska Sp. z o.o.	Kołbaskowo	Poland	EMEA	100.00%	132	
169	WHO Real Estate UAB	Vilnius	Lithuania	EMEA	74.00%	133	
Associates (equity-accounted investments)							
170	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	EMEA	25.00%	83	
171	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	EMEA	38.54%	85	
172	ifesca GmbH	Ilmenau	Germany	EMEA	22.86%	83	
173	Labrosse Equipement SAS	Saint-Péray	France	EMEA	34.00%	45	
174	Linde High Lift Chile S.A.	Santiago de Chile	Chile	Americas	45.00%	83	
175	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	EMEA	10.00%	83	[2]
176	Normandie Manutention SAS	Saint-Etienne-du-Rouvray	France	EMEA	34.00%	45	
177	Pelzer Fördertechnik GmbH	Kerpen	Germany	EMEA	24.96%	83	

List of shareholdings as at December 31, 2023 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2023	Parent com-pany	Note
Joint Ventures (equity-accounted investments)							
178	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	EMEA	50.00%	83 & 114	
179	Linde Leasing GmbH	Wiesbaden	Germany	EMEA	45.00%	83	
180	Schwerter Profile GmbH	Schwerte	Germany	EMEA	50.00%	1	
Associates (at cost)							
181	Anhui Haiyuan X Drive Tech Co., Ltd.	Hefei	People's Republic of China	APAC	20.00%	71	
182	Chadwick Materials Handling Ltd.	Corsham	United Kingdom	EMEA	48.00%	78	
183	DEMATIC ELECTROMECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	EMEA	49.00%	12	
184	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	EMEA	10.00%	83	[2]
185	MV Fördertechnik GmbH	Blankenhain	Germany	EMEA	25.00%	83	
186	Shaanxi KION Intelligent Warehousing Equipment Co., Ltd.	Xi'an	People's Republic of China	APAC	20.00%	71	
187	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Frankfurt am Main	Germany	EMEA	50.00%	83	
188	Supralift GmbH & Co. KG	Frankfurt am Main	Germany	EMEA	50.00%	83	
189	ZA Logistics Equipment (Deqing) Co., Ltd.	Deqing (Huzhou)	People's Republic of China	APAC	60.00%	71	
Financial investments							
190	Shanghai Quicktron Intelligent Technology Co., Ltd.	Shanghai	People's Republic of China	APAC	7.08%	71	[3]
191	Zhejiang EP Equipment Co., Ltd.	Anji (Huzhou)	People's Republic of China	APAC	4.67%	71	[3]

[1] Control without majority of voting rights due to contractual agreements to direct the relevant activities or legal provisions

[2] Material influence due to economic dependence

[3] No material influence

[D] Dormant company

[49] Auditors’ fees

In 2023, the audit of the financial statements was conducted by KPMG AG Wirtschaftsprüfungsgesellschaft for the first time. The fees recognized as an expense in 2023 amounted to €2.8 million for the audit of the financial statements, €0.4 million for other attestation services, and €1.1 million for other services. The other attestation services mainly related to services in connection with financing measures. The other services were primarily provided in connection with audit support for the implementation of a new enterprise resource planning (ERP) system based on SAP S/4HANA.

The auditor that had been engaged to audit the consolidated financial statements in 2022 was Deloitte GmbH Wirtschaftsprüfungsgesellschaft. The amounts that had been recognized as an expense were €2.2 million for the audit of the financial statements, €0.4 million for other attestation services, €0.0 million for tax consultancy services, and €0.0 million for other services.

[50] Events after the reporting date

Between the end of the financial year and February 27, 2024, 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 December 31, 2023 or that it would be necessary to disclose.

[51] Information on preparation and approval

The Executive Board of KION GROUP AG prepared the consolidated financial statements on February 27, 2024 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of examining and deciding whether to approve the consolidated financial statements.

Frankfurt am Main, February 27, 2024

The Executive Board

Dr. Richard Robinson Smith | Christian Harm | Valeria Gargiulo

Andreas Krinninger | Michael Larsson | Ching Pong Quek

Independent auditor’s report

To KION GROUP AG, Frankfurt am Main/Germany

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of KION GROUP AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of KION GROUP AG for the financial year from 1 January to 31 December 2023.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [*Institute of Public Auditors in Germany*] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recognition and classification of lessor relationships in sales

Please refer to Note 6 of section "Revenue recognition" subsection "Lease and short-term rental business" and section "Lease business and short-term rental business" of the notes to the consolidated financial statements for more information on the accounting policies applied and the assumptions used.

THE FINANCIAL STATEMENT RISK

As at 31 December 2023, KION GROUP AG reported leased assets of EUR 1,454.9 million, rental assets of EUR 737.8 million and non-current and current lease receivables of EUR 2,314.4 million in the consolidated statement of financial position. The non-current and current liabilities from the lease business amount to EUR 3,756.2 million and the non-current and current liabilities from the short-term rental business amount to EUR 716.6 million. The share of assets and of liabilities compared to total assets amount in total to 26.0% and 25.8%, respectively, and thus has a material impact on the financial position of the Group.

To promote sales in the Industrial Trucks & Services segment, the Group leases forklift trucks and related equipment components to customers by way of the lease and short-term rental business. The underlying contractual arrangements are complex. First, there are contractual arrangements in which subsidiaries of KION GROUP AG conclude short-term rental and lease agreements directly with end customers (direct lease business), which are refinanced, in part, via external financing partners by way of sale & leaseback transactions and, in part, via credit facilities and securitised transactions. Second, there are contractual arrangements in which the Group sells leased assets to external leasing companies (financing partners), which then conclude their lease agreements with end customers (indirect lease business).

Owing to the high transaction volume and the complex contractual arrangements, KION GROUP AG implemented IT applications across the Group that are to ensure the correct recognition of contractual arrangements and the classification of leases linked with an entry routine for recognition of transactions. Setting up, updating, programming and managing the classification and entry routines are carried out centrally by KION GROUP AG. Recording the relevant contract data and actual entry in the accounting-related IT systems is carried out locally at the subsidiaries of KION GROUP AG.

There is the particular risk for the financial statements that the relevant data are not correctly recorded and the concluded contracts are not appropriately evaluated in the entry routines as well as in the IT applications in respect of classification as "finance leases" or "operating leases" according to IFRS 16 and that the recognition at the subsidiaries is not appropriately undertaken. Further, there is the risk of inaccurate recognition of contractual arrangements. This would result in assets and liabilities not being recognised and measured in the correct amount.

OUR AUDIT APPROACH

First, we gained an understanding of the process used to record and recognise contracts in the sales lease business. We evaluated the accounting policies used by the Group for the recognition of different contractual arrangements and leases for their compliance with the requirements of IFRS. In particular, we analysed contracts selected on the basis of risk for the evaluation of the recognition of different contractual arrangements and satisfied ourselves of their proper recognition.

Based on our understanding of the process, we then evaluated the design and establishment of the internal controls for the recognition of different contractual arrangements and the classification of the leases.

With regard to the IT applications in place, we evaluated whether the defined criteria and data for recognition and classification of leases and the automated entry routines are suitable to ensure compliant recognition with the relevant IFRSs. Further, we evaluated the appropriateness of the classification and entry routines.

In the course of our tests of details of contracts, we evaluated the correctness of the data entries in the IT applications for contracts selected on the basis of a non-statistical sampling technique. For this purpose, we compared the data entries with the underlying original contracts. Further, we obtained third-party confirmations for refinancing transactions with external financing partners based on sampling selected on the basis of risk and satisfied ourselves of the completeness and accuracy of data entry in the IT applications on the basis of this. Based on the data entered, for each sample element a check was also made to whether the results of the IT applications in respect of classification and entry of contracts were in compliance with the IFRSs.

Finally, we evaluated whether the findings of the IT applications were complete and accurately taken over in the financial accounting of the Group.

OUR OBSERVATIONS

The KION GROUP AG has suitable procedures for recognising contractual relationships as well as the recognition and classification of lease arrangements in the sales lease business.

Recognition of revenue from customer-specific construction contracts as well as the determination of provisions for onerous contracts in the project business of the Supply Chain Solutions segment.

Please refer to Note 6, section "Revenue recognition" subsection "Project business contracts" of the notes to the consolidated financial statements for more information on the accounting policies applied and the assumptions used.

THE FINANCIAL STATEMENT RISK

As at 31 December 2023, KION GROUP AG reported contract assets of EUR 403.3 million (PY: EUR 528.8 million) and contract liabilities of EUR 773.3 million (PY: EUR 826.1 million) in the consolidated statement of financial position. For contract assets, this corresponds to a share of 2.3% of total assets; contract liabilities correspond to 4.5% of total equity and liabilities.

Revenue from project business in the Supply Chain Solutions segment amounts to EUR 1,930.9 million (PY: EUR 2,827.6 million), which corresponds to 65.6% of the total revenue of the Supply Chain Solutions segment (PY: 74.6%).

Revenue in the project business of the Supply Chain Solutions segment is recognised over time based on the stage of completion. The stage of completion is determined using the proportion of contract costs incurred compared with the estimated total contract costs (cost to cost method).

Provisions for onerous contracts are recognised for contracts for which the estimated total costs exceed the expected contract revenue.

Determining the revenue to be recognised from the project business in the Supply Chain Solutions segment is complex and based on estimates requiring judgement. This relates in particular to the total costs of the orders estimated as at the reporting date which determine both the stage of completion and the loss expected from the contract.

There is the risk for the financial statements that the revenue from not yet completed construction contracts is not stated in the correct amount and losses from these are not recognised as an onerous contract provision in an appropriate amount.

OUR AUDIT APPROACH

Based on our understanding of the process, we assessed the design and setup of the internal controls regarding the estimate of the total contract costs over the project term and the determination of provisions for onerous contracts, particularly in respect of estimates requiring judgement.

In addition, we examined the accuracy of the Company's previous forecasts by comparing the cost estimates for contracts already completed with the costs actually incurred for these contracts and analysed deviations.

We performed the following audit procedures (among others) for contracts specifically selected on the basis of risk:

- Analysis of the underlying contracts for projects newly completed in the reporting year
- Inspection of current cost calculations and internal reporting on the contract
- Inquiries of employees involved with the project based on the internal reporting on project controlling, including estimates of total contract costs, current opportunities and risks, the status of projects, unexpected cost trends and potential contractual penalties and expected losses
- Inspection of selected projects on site to confirm the information obtained from the project inquiries, especially regarding project progress

In addition, we performed the following audit procedures for a representative sample:

- Reconciliation of the actual cost allocated to the contracts with internal cost schedules and external documents
- Assessment of the computational accuracy of the stage of completion determined and the revenue recognised as well as any anticipated losses and the proper determination of provisions for onerous contracts.

OUR OBSERVATIONS

The approach for recognising revenue and for determining provisions for onerous contracts for construction contracts that are not yet complete is appropriate. The assumptions and methods underlying the accounting are overall appropriate.

Impairment testing of goodwill in the Supply Chain Solutions segment
Explanatory notes on impairment testing can be found in Notes 6 and 16 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

As at 31 December 2023, goodwill amounted to EUR 3,558.0 million and, at 20.5% of total assets, accounts for a substantial share of assets. An amount of EUR 2,053.7 million of goodwill is attributable to the Supply Chain Solutions operating segment.

Goodwill is tested for impairment annually at the level of the operating segments. If impairment triggers arise during the financial year, an event-driven goodwill impairment test is also carried out during the year. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective operating segment. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the operating segment. For the impairment test, the Company primarily determines the value in use as the higher amount and compares this with the respective carrying amount. If the carrying amount exceeds the value in use, an impairment loss is recognised. The reporting date for impairment testing is 31 December 2023.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the operating segment for the next five years, the assumed long-term growth rate and the discount rate used.

As a result of the impairment test performed, the Company did not identify any impairment. However, the Company's sensitivity analysis indicated a reasonably possible change in the profit margin or the long-term growth rate would lead to the value in use of the Supply Chain Solutions operating segment being impaired.

There is the risk for the consolidated financial statements that an existing need to recognise impairment losses is not identified. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the Company's calculation model. For this purpose we discussed the expected business and earnings performance and the assumed long-term growth rates for the Supply Chain Solutions operating segment with those responsible for planning. We also reconciled this information with other internally available forecasts and the budget prepared by management and approved by the Supervisory Board as well as the medium-term planning approved by management. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also evaluated the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. We compared the assumptions and data underlying the discount rate – in particular the risk-free rate, the market risk premium and the beta factor – with own assumptions and publicly available information.

To assess the methodically and mathematically correct implementation of the valuation method, we verified the Company's valuation using our own calculations and analysed deviations.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate, the earnings performance and the long-term growth rate on the value in use by calculating alternative scenarios and comparing these with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding impairment testing of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes according to IAS 36.134(f) on sensitivity in the event of a reasonably possible change in the key assumptions for the Supply Chain Solutions operating segment used for measurement.

OUR OBSERVATIONS

The calculation model used for the impairment test of the goodwill for the Supply Chain Solutions operating segment is appropriate and consistent with the applicable measurement principles. The Company’s assumptions and data underlying the valuation are overall appropriate. The related disclosures in the notes are appropriate.

Other information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the Group's separate non-financial report, which is referred to in the combined management report,
- the combined corporate governance statement for the Company and the Group referred to in the combined management report, and
- information extraneous to combined management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file, which has the SHA-256 value d069833535aece7ff5c59948c7b4d8387f67f0b48365b32d722b8a2da9c8de55 made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2023, contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for such internal control that they considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 17 May 2023. We were engaged by the Supervisory Board on 11 December 2023. We have been the group auditor of KION GROUP AG without interruption since financial year 2023.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or its controlled entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- Review of quarterly reporting as at 31 March 2023 and 30 September 2023
- Review of the half-year financial reporting as at 30 June 2023
- Audit of the reporting package of Weichai Power Ltd.
- Formal examination of the remuneration report in accordance with Section 162 (3) of the German Stock Corporation Act [AktG]
- Project-based audits in conjunction with migration to S/4 HANA
- Assurance work on sustainability reports (ISAE 3000)
- Issuance of comfort letters
- Assessment of EU taxonomy
- Access to data bases

Other Matter – Use of the Auditor’s Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr Stephanie Dietz.

Frankfurt am Main, 28 February 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Dietz Wirtschaftsprüferin (German Public Auditor)	Dr Röhricht Wirtschaftsprüferin (German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial reporting, the consolidated financial statements give a true and fair view of the financial performance and financial position of the Group, and the group management report, which is combined with the Company's management report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, February 27, 2024

The Executive Board

Dr. Richard Robinson Smith	Christian Harm	Valeria Gargiulo
Andreas Krinninger	Michael Larsson	Ching Pong Quek

Additional information

KION Group quarterly information[1]

in € million	Q4 2023	Q4 2022	Q3 2023	Q3 2022	Q2 2023	Q2 2022	Q1 2023	Q1 2022	2023	2022
Total revenue	**3,086.4**	**2,892.5**	**2,729.9**	**2,706.4**	**2,836.4**	**2,802.2**	**2,781.0**	**2,734.5**	**11,433.7**	**11,135.6**
ITS	2,319.8	2,067.8	2,025.1	1,838.9	2,129.9	1,731.0	2,004.8	1,718.4	8,479.6	7,356.1
SCS	780.7	836.5	719.3	874.4	714.5	1,076.2	782.5	1,019.8	2,997.0	3,806.9
Gross profit (adjusted)	**766.5**	**565.4**	**732.6**	**390.1**	**689.8**	**597.0**	**653.2**	**621.7**	**2,842.1**	**2,174.1**
ITS	644.1	478.6	621.8	451.7	581.6	415.9	544.0	440.5	2,391.5	1,786.7
SCS	124.6	98.6	119.1	–52.2	107.9	187.1	113.2	173.2	464.8	406.6
Selling- and administrative expenses (adjusted)	**–482.3**	**–445.0**	**–450.0**	**–438.3**	**–460.1**	**–417.4**	**–452.3**	**–413.3**	**–1,844.8**	**–1,714.0**
ITS	–362.2	–337.0	–344.7	–319.0	–355.1	–312.0	–338.4	–303.4	–1,400.4	–1,271.4
SCS	–95.4	–97.8	–87.5	–106.3	–88.7	–94.6	–92.7	–84.9	–364.3	–383.7
Research and development costs (adjusted)	**–67.9**	**–58.0**	**–56.9**	**–49.9**	**–55.4**	**–49.4**	**–54.7**	**–47.0**	**–234.9**	**–204.3**
ITS	–48.0	–40.2	–42.0	–31.5	–42.9	–30.4	–39.1	–30.0	–172.0	–132.1
SCS	–17.0	–16.7	–11.8	–16.7	–10.1	–17.5	–13.9	–15.1	–52.8	–66.0
Other income / expenses (adjusted)	**2.2**	**19.4**	**–2.0**	**–2.9**	**18.1**	**11.2**	**9.8**	**8.9**	**28.1**	**36.6**
ITS	1.0	18.6	–0.4	1.4	18.7	10.2	10.0	7.1	29.4	37.4
SCS	1.4	2.6	–3.9	–6.8	–1.4	0.8	0.6	0.8	–3.3	–2.6
Adjusted EBIT	**218.6**	**81.8**	**223.6**	**–101.1**	**192.3**	**141.4**	**156.0**	**170.3**	**790.5**	**292.4**
ITS	234.9	120.0	234.7	102.6	202.3	83.6	176.6	114.2	848.5	420.5
SCS	13.7	–13.4	15.8	–182.0	7.7	75.8	7.1	74.0	44.3	–45.6
Adjusted EBIT margin	**7.1%**	**2.8%**	**8.2%**	**–3.7%**	**6.8%**	**5.0%**	**5.6%**	**6.2%**	**6.9%**	**2.6%**
ITS	10.1%	5.8%	11.6%	5.6%	9.5%	4.8%	8.8%	6.6%	10.0%	5.7%
SCS	1.7%	–1.6%	2.2%	–20.8%	1.1%	7.0%	0.9%	7.3%	1.5%	–1.2%
Adjusted EBITDA	**459.7**	**324.9**	**462.9**	**134.6**	**436.5**	**368.2**	**389.6**	**391.0**	**1,748.7**	**1,218.7**
ITS	449.7	336.6	447.8	309.8	419.9	285.2	383.5	310.1	1,700.9	1,241.7
SCS	33.2	6.9	35.8	–162.1	27.9	94.8	27.7	92.7	124.5	32.2
Adjusted EBITDA margin	**14.9%**	**11.2%**	**17.0%**	**5.0%**	**15.4%**	**13.1%**	**14.0%**	**14.3%**	**15.3%**	**10.9%**
ITS	19.4%	16.3%	22.1%	16.8%	19.7%	16.5%	19.1%	18.0%	20.1%	16.9%
SCS	4.2%	0.8%	5.0%	–18.5%	3.9%	8.8%	3.5%	9.1%	4.2%	0.8%
Earnings / Loss per share										
Basic earnings / loss per share (in €)	0.63	0.27	0.61	–0.73	0.54	0.60	0.55	0.61	2.33	0.75
Order intake	**2,946.8**	**2,535.6**	**2,620.7**	**2,517.3**	**2,863.8**	**3,754.6**	**2,444.3**	**2,900.1**	**10,875.6**	**11,707.6**
ITS	2,176.3	1,693.5	1,756.6	1,904.9	2,000.8	2,745.1	1,956.5	2,082.1	7,890.2	8,425.6
SCS	789.5	882.3	872.3	614.4	873.2	1,022.0	497.5	843.2	3,032.4	3,361.9

1 Adjusted figures include adjustments for PPA items and non-recurring items

Multi-year overview from KION Group

in € million	2023	2022	2021	2020	2019
Revenue and financial performance					
Revenue	11,433.7	11,135.6	10,294.3	8,341.6	8,806.5
EBITDA	1,713.6	1,201.8	1,735.7	1,327.7	1,614.6
Adjusted EBITDA[1]	1,748.7	1,218.7	1,696.9	1,383.5	1,657.5
Adjusted EBITDA margin[1]	15.3%	10.9%	16.5%	16.6%	18.8%
EBIT	660.6	168.3	794.8	389.9	716.6
Adjusted EBIT[1]	790.5	292.4	841.8	546.9	850.5
Adjusted EBIT margin[1]	6.9%	2.6%	8.2%	6.6%	9.7%
Net income	314.4	105.8	568.0	210.9	444.8
Basic earnings per share (in €)	2.33	0.75	4.34	1.81	3.86
Dividends per Share (in €)[2]	0.70	0.19	1.50	0.41	0.04
Financial position[3]					
Total assets	17,388.4	16,599.4	15,850.9	14,055.7	13,765.2
Equity	5,772.7	5,607.8	5,168.9	4,270.8	3,558.4
Net working capital[4]	2,009.0	2,050.2	1,192.0	984.5	828.9
Net financial debt[5]	1,210.6	1,670.5	567.6	880.0	1,609.3
ROCE[6]	7.7%	2.9%	9.1%	6.2%	9.7%
Cash flow					
Free cash flow[7]	715.2	–715.6	543.8	120.9	568.4
Capital expenditure[8]	442.8	382.7	333.8	283.8	287.4
Orders					
Order intake	10,875.6	11,707.6	12,481.6	9,442.5	9,111.7
Order book[3]	6,362.1	7,077.8	6,658.5	4,441.3	3,631.7
Employees[9]	42,325	41,149	39,602	36,207	34,604

1 Adjusted for PPA items and non-recurring items

2 For 2023: Proposed dividend for the fiscal year 2023

3 Figures as at balance sheet date Dec. 31;
Prior year figures for total assets and net working capital adjusted (see note [41] in the notes to the consolidated financial statements)

4 Net working capital comprises inventories, trade receivables and contract assets less trade payables and contract liabilities

5 Key Figure comprises financial liabilities less cash and cash equivalents

6 ROCE is defined as the proportion of adjusted EBIT to capital employed

7 Free cash flow is defined as cash flow from operating activities plus cash flow from investing activities

8 Capital expenditure in property, plant and equipment and intangible assets, including capitalized development costs

9 Number of employees (full-time equivalents) as at balance sheet date Dec. 31

Disclaimer

Forward-looking statements

This annual 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 that this annual 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 and industry-specific conditions, the competitive situation, and the political environment, changes in national and international 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 2023 group management report, which has been combined with the Company’s management 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 annual report.

Rounding

Certain numbers in this annual 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 annual report. All percentage changes and key figures were calculated using the underlying data in thousands of euros (€ thousand).

Financial calendar

February 29, 2024
Publication of 2023 annual report, financial statements press conference, and conference call for analysts

April 25, 2024
Quarterly statement for the period ended
March 31, 2024 (Q1 2024), conference call for analysts

May 29, 2024
Annual General Meeting

July 31, 2024
Interim report for the period ended June 30, 2024
(Q2 2024), conference call for analysts

October 30, 2024
Quarterly statement for the period ended
September 30, 2024 (Q3 2024), conference call for analysts

Subject to change without notice

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The content of the German version is authoritative.

kiongroup.com/ir

We keep

the world moving.

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