2021

Annual report

KION Group Key figures for 2021

KION Group overview

in € million	2021	2020	2019	Change 2021/2020
Order intake	12,481.6	9,442.5	9,111.7	32.2%
Revenue	10,294.3	8,341.6	8,806.5	23.4%
Order book[1]	6,658.5	4,441.3	3,631.7	49.9%
Financial performance				
EBITDA	1,735.7	1,327.7	1,614.6	30.7%
Adjusted EBITDA[2]	1,696.9	1,383.5	1,657.5	22.7%
Adjusted EBITDA margin[2]	16.5%	16.6%	18.8%	–
EBIT	794.8	389.9	716.6	> 100%
Adjusted EBIT[2]	841.8	546.9	850.5	53.9%
Adjusted EBIT margin[2]	8.2%	6.6%	9.7%	–
Net income	568.0	210.9	444.8	> 100%
Basic earnings per share (in €)	4.34	1.81	3.86	> 100%
Dividends per Share (in €)[3]	1.50	0.41	0.04	> 100%
Financial position[1]				
Total assets	15,850.9	14,055.7	13,765.2	12.8%
Equity	5,168.9	4,270.8	3,558.4	21.0%
Net Working Capital[4]	1,192.0	984.5	828.9	21.1%
Net financial debt[5]	567.6	880.0	1,609.3	–35.5%
ROCE[6]	9.1%	6.2%	9.7%	–
Cash flow				
Free cash flow[7]	543.8	120.9	568.4	> 100%
Capital expenditure[8]	333.8	283.8	287.4	17.6%
Employees[9]	39,602	36,207	34,604	9.4%

1 Figures as at balance sheet date Dec. 31

2 Adjusted for PPA items and non-recurring items

3 For 2021: Proposed dividend for the fiscal year 2021

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 including capitalized development costs, excluding right-of-use assets

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. 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 Europe in terms of units sold in 2021. In China, it is the leading foreign manufacturer (as measured by revenue in 2020).

The KION Group's world-renowned brands are well established. Measured by revenue in 2020, 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. In 2021, the regional industrial truck brand Fenwick was 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 1.6 million industrial trucks and over 8,000 systems installed worldwide as at December 31, 2021, the KION Group counts companies of various sizes in numerous industries on six continents among its customers.

We keep the world moving.

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.

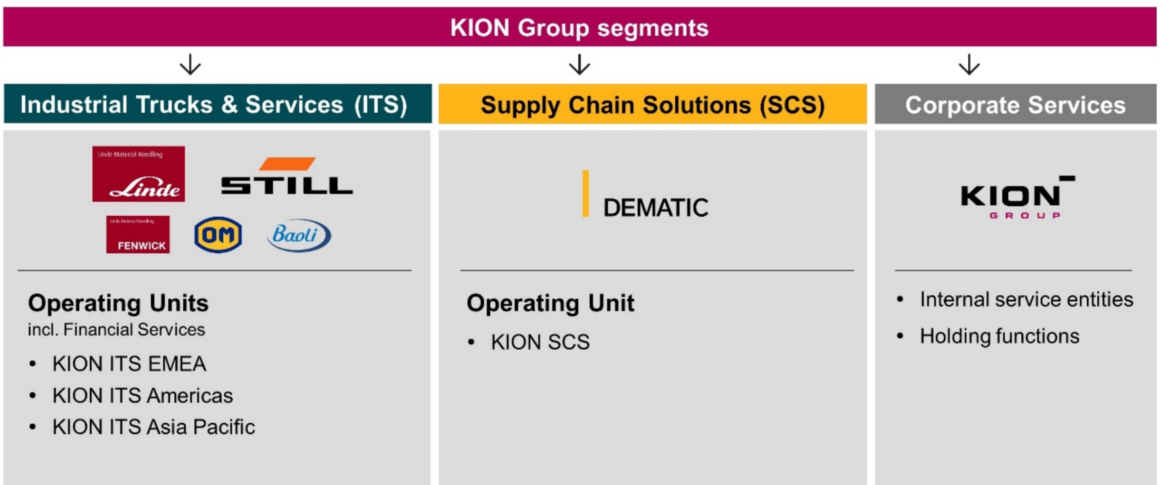
Since January 1, 2021, Industrial Trucks & Services has consisted of three Operating Units: KION ITS EMEA, which concentrates on Europe, the Middle East, and Africa, plus KION ITS APAC and KION ITS Americas, which are responsible for the Asia-Pacific region and for North and South America respectively.

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

The Corporate Services segment 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,

KION's story is one of success, even during the ongoing coronavirus crisis. We managed to steer the Group very successfully through the pandemic in 2021. Indeed we achieved the best ever order intake and revenue results in our Company's history and are performing at a significantly higher level than before the crisis. In terms of profitability too, the KION Group is among the best in its field. Once again, we have proven ourselves to be an industry leader. And even better, all signs are pointing to further growth. The boom in e-commerce and continued strong demand for automated warehouse logistics technologies are creating new growth opportunities for our supply chain solutions, and they are also boosting our industrial truck business, which features growing numbers of driverless and digitally networked trucks.

The foundation for this outstanding success is our KION 2027 strategy, which we raised to a new level in 2021 through an additional field of action on sustainability. And if the strategy is our foundation, then our employees, of which there are now nearly 40,000 doing great things all over the world, are the most important building blocks. Our employees made 2021 a hugely successful year for the KION Group, demonstrating talent and experience, immense commitment, and a great deal of passion in their work and in their efforts on behalf of our customers. I would like to offer my heartfelt thanks – and those of the entire Executive Board, the Supervisory Board, and our Company's owners – to our employees for these achievements. Our global teams have showed our customers that they can continue to move forward with KION!

As you know, I took over as the new CEO of KION GROUP AG a little more than two months ago. The KION Executive Board oversaw this exceptionally successful year under the stewardship of Gordon Riske, who will be retiring this summer. We owe him great gratitude. He hands over the reins of the KION Group having seen it record the best set of results in its history. In his 14 years at the Company, he transformed it from a truck manufacturer focused on Europe to a leading global provider of intralogistics solutions with tremendous prospects for the future. Since the KION Group floated on the stock market in 2013, its share price has risen by more than 250 percent (as of December 31, 2021) – outperforming both the DAX and the MDAX indices during this period.

Together with my colleagues on the Executive Board and the entire workforce, I will do everything in my power over the coming years to continue this remarkable story of success. As an innovative full-service provider of intralogistics solutions, we have all the ingredients in place to do this. We offer our customers around the globe everything they need – from simple hand pallet trucks and racking to digitally networked, electric-powered forklifts and fully automated warehouses – as well as the support of one of the most extensive production, sales, and service networks in our industry.

2021: A hugely successful year amid considerable uncertainty

The strong results achieved during the pandemic illustrate how successfully we have managed to improve the Group’s resilience in recent years. We are maintaining our course, even in choppy waters. Despite the ongoing coronavirus crisis and its effects, our order intake in 2021 was 32.2 percent higher than in 2020. The consolidated revenue generated between January and December 2021 jumped by 23.4 percent year on year. Adjusted EBIT was also higher than in 2020, increasing by 53.9 percent to €841.8 million. Net income amounted to €568.0 million, more than double compared to the year 2020. Indeed, we hit our targets for all of our corporate key performance indicators. In addition, Standard & Poor’s followed the lead of its fellow rating agency Fitch by awarding the KION Group an investment-grade rating for the first time last year – a testament to our outstanding financial profile.

Given this positive overall picture, we raised our medium-term target for annual consolidated revenue from its previous level of over €11 billion to more than €12 billion by 2023. At the same time, we reaffirmed our target for 2023 of achieving a double-digit adjusted EBIT margin of between 10 and 12 percent. We are expecting to see significant growth in our core markets in the medium term. In the market for supply chain solutions, we anticipate an annual growth rate along the long-term trend of more than 10 percent, driven primarily by growth in e-commerce. For the new business in the industrial trucks market, we expect a decline in 2022 in the single-digit percentage range following the very strong year 2021 and thus below the long-term growth trend of around 4 percent.

Our roadmap for sustained profitable growth

Advancing digitalization and automation

The digital transformation – one of the defining megatrends of our time – is changing the way that we live and work. The flow of goods within warehouses and the distribution of these goods are a case in point. At the KION Group, we are looking to drive forward automation in the material handling sector and thus play a pivotal role in shaping the Industry 4.0 revolution by providing intelligently networked and flexible intralogistics solutions – from simple software systems to autonomous and fully digital warehouses. Around the globe, be it in Europe, Asia-Pacific, or North and South America, the KION Group has teams of software specialists working on the development of innovative digital technologies for the intralogistics sector.

Rob Smith

Chief Executive Officer

This is exemplified by the integration of UK software company Digital Applications International Limited (DAI), which specializes in logistics applications. DAI has significantly expanded KION subsidiary Dematic's portfolio of digital offerings that support the transportation, storage, and distribution of goods. It has brought together leading hardware and software to generate significant competitive advantages for our customers. The industry-leading logistics automation software developed by DAI complements Dematic's existing warehouse management system.

Sensors, software, big data, cloud solutions, and much more besides: KION is combining engineering expertise with state-of-the-art information technology, gradually transforming itself from a hardware into a software business in the process. On the intralogistics front, this development will eventually lead to what is known as a 'dark warehouse', a fully automated warehouse whose interconnected, automated guided vehicles and storage and retrieval systems mean that in theory it will not need any lighting, because all of its processes will run perfectly smoothly without any physical human intervention. The distribution centers of the future will be triumphs of high technology. They will be the realm of robots, with humans merely supervising from control centers.

We are also very proud to have completed the construction of a very large automated distribution center for the Landmark Group in Dubai with Dematic. Landmark is one of the biggest retailers in the Middle East and in India. From its new distribution center, the Landmark Group stores and distributes garments, furniture, toys, small goods, and much more to nearly 1,400 of its retail outlets. The new center covers an area the size of 40 soccer pitches, making it the biggest warehouse Dematic has ever installed. It is also the fastest, and so means that the KION subsidiary has set a logistics benchmark for the entire Middle East.

Energy systems of the future

Energy – and how we use it sustainably, manage it, and save it – is the topic of the decade, including in logistics. The KION Group is a leader in the material handling industry when it comes to the development of resource- and energy-efficient systems. More than 87 percent of new industrial trucks made by the KION Group now run on electricity. This demonstrates how firmly electric-powered intralogistics is embedded into our day-to-day business. We offer our customers the full range of current drive technologies – from conventional internal combustion engines to engines that run on liquid petroleum gas, and from lead-acid and lithium-ion batteries to hydrogen fuel cells.

The use of lithium-ion batteries in drive technology is at the heart of our research and development activities. KION Battery Systems GmbH (KBS), a joint venture between KION GROUP AG and BMZ Holding GmbH, develops and manufactures lithium-ion batteries for use in the KION Group's forklift trucks and warehouse trucks. The key advantage of our electric forklift trucks is that they offer zero-emission operation but with a performance that is comparable to diesel trucks and much lower maintenance costs. Last year, KION subsidiary Linde Material Handling GmbH unveiled its new generation of electric forklift truck models (Linde X20–X35) with a load capacity of 2.5 to 3 tonnes, whose power output is comparable with trucks driven by internal combustion engines. The electric forklift trucks made by STILL GmbH are also extremely powerful. The drive technology of this KION subsidiary is grounded in nearly 100 years of expertise in electrical engineering.

But making our brand companies' high-performance forklift trucks compatible with batteries is just one facet of our research and development work. We also focus on energy management and smart interfaces to enable our customers to reduce energy use in their warehouses. Last year, for example, the KION Group took a stake in the company ifesca GmbH. Using their software, which is built around artificial intelligence (AI), we are now able to offer customers a fully integrated energy management solution. The ultra-precise forecasts of this AI-based platform allow our customers to plan the optimum charging times for their fleets of industrial trucks, to avoid peaks in charging and uncharging, and in doing so to significantly reduce their energy costs and the demands they put on electricity grids. By continually improving our products and our software and supplying integrated energy solutions for individual logistics requirements, we are helping our customers to achieve their own sustainability goals – and accompanying them on the journey toward the zero-carbon warehouses of the future.

Future-focused innovations

Strength in innovation and a pioneering spirit will be key if we are to help shape the future of intralogistics. The KION Group is a technology leader in its industry. Around 1,900 researchers and developers worldwide (information correct as at 2021) are dedicated to increasing the speed and efficiency at which new technologies, products, structures, and processes are developed – and they all work tirelessly to find new and innovative solutions. In the past five years, we at the KION Group invested an average of nearly 3 percent of our revenue in research and development, primarily in the fields of new energy, automation, and digitalization, with a particular focus on connectivity.

For example, we are currently working with the Fraunhofer Institute for Material Flow and Logistics (IML) to develop swarm robots for the warehouses of the future. Our shared objective is to pave the way for a new generation of automated guided vehicles that will revolutionize intralogistics using AI. These will be both faster and smarter than any autonomous vehicles that we have seen before. They will be able to coordinate their actions in an intelligent, swarm-like way using distributed AI. This makes them ideal for the kinds of sorting tasks that are carried out in parcel depots, for example. But it is not just perfect coordination that they offer, they are also designed to collaborate. If required, multiple vehicles and trailers will be able to link together magnetically to transport large and bulky items. Swarm robots will soon be finding their way into warehouses, and KION will be an exclusive partner for this exciting new technology.

Today's growing demand for rapid delivery times – with same-day delivery the gold standard – calls for new solutions. The KION Group is responding to this trend with the concept of micro-fulfillment, in which small urban distribution centers facilitate more rapid fulfillment of e-commerce orders in densely populated cities. Micro-fulfillment facilities from Dematic can be located at the back of supermarkets, for example, where they seamlessly integrate with the customer area. The system can be set up in only twelve weeks and can pick up to 600 orders a day. This increases the availability of goods, allows them to be delivered more quickly, and thus leads to greater customer satisfaction.

Global investment for sustained growth

Strategic capital expenditure is helping us to achieve our growth targets. Only in November of last year, we announced plans to build a new plant in Jinan, China, that will make equipment for warehouses and distribution hubs. It will be located right next door to our new plant for counterbalance trucks, which we officially opened in December 2021. The two new plants represent a further milestone in our growth strategy in China and will allow us to expand our product range across both our operating segments – Industrial Trucks & Services (ITS) and Supply Chain Solutions (SCS) – in one of the world's biggest and fastest-growing markets for material handling. Capital expenditure on this future-focused project is expected to amount to approximately €140 million. The KION Group plans to create more than 1,000 new jobs in Jinan in the medium term. More than 4,600 of our almost 40,000-strong workforce are already based in China.

2021 also saw us bring on stream our new state-of-the-art industrial truck plant in Kołbaskowo near Szczecin in Poland. The site will produce counterbalance trucks, including model series previously produced at sites in western Europe. The new plant in Poland adds to our existing European-wide production network and will produce for customers in the EMEA region. The Group invests a total of around €80 million in the new plant. Our plan is to create up to 400 jobs at the Polish site by the end of 2023.

As well as adding new products and capacities, we are also forging ahead with the expansion of our global sales and service network, particularly in Asia. And in doing so we are continually strengthening our market position.

But we are also looking closer to home in our expansion efforts. For example, we are investing in the mid double-digit million range to create a new premium facility in Kahl am Main, located between Frankfurt and Aschaffenburg in Germany. Known as the Regional Distribution Center Kahl, this ultra-modern parts warehouse with high-bay storage facilities and automated, digitalized, and intelligently net-worked processes will occupy a total area of around 31,000 square meters. It is currently scheduled to commence operations in spring 2024. As well as securing the existing 300 jobs at the site, we also hope to create new ones.

Sustainability firmly enshrined in the Group

A forward-looking and values-based approach to business is a central pillar of our corporate culture. The KION Group aligns its actions with environmental, social, and economic objectives. We embrace the tenets of sustainability in all that we do. Acting responsibly as a business and recognizing our responsibility to society are key principles by which we operate. That is why we have now positioned sustainability in our KION 2027 corporate strategy. Our focus on sustainability is reflected in our eco-friendly and safe products, in our resource-efficient manufacturing processes, and in the safe and non-discriminatory working environment that we provide.

This has been recognized not just by customers but also by investors, banks, and rating agencies. For 2020, the KION Group received a B rating from global environmental non-profit organization CDP and was awarded an industry-specific prime status rating (B-) from ISS ESG. These ratings support the KION Group’s efforts to be categorized as a sustainable investment for environmentally conscious investors.

Every day, we aim to do a little bit better – including when it comes to sustainability. And because sustainability does not begin and end at our factory gates, we have also widened its scope to include our suppliers and business partners. Their engagement is something that we encourage and indeed require, and we support them – like we do our customers – in the implementation of their own sustainability programs. By doing so, we play an important role in securing their long-term success.

We also use these same high standards to gauge our own performance. Last year, for example, we linked 20 percent of the variable remuneration for the Executive Board and other senior managers directly to the achievement of ambitious sustainability targets because we believe that sustainability is a key task in the running of the Company. And there is still much more that we want to do. At the end of last year, we completed the global KION Pulse survey of our entire workforce in which we asked for suggestions on how we could improve.

A bright future despite prevailing challenges

I am pleased to tell you that our future looks very bright, despite the ongoing challenges of supply bottlenecks, rising commodity and energy costs, climate targets, trade barriers, and the negative impact of Brexit.

There has rarely been a more exciting time to be a part of our intralogistics industry. So far, only a small number of warehouses worldwide are automated or digitalized. And the market as a whole is set to grow by 10 percent a year. There is still a high level of fragmentation in the market for automated warehouse logistics, and KION has put itself in the best possible position to be a major player in this competitive field. Great opportunities lie ahead for us. Thanks to the boom in e-commerce, the market for supply chain solutions is likely to grow to such an extent that it will overtake global forklift truck and warehouse technology business in just a few years' time. We are well equipped to take full advantage of this. Both our ITS and our SCS operating segments are excellently positioned to achieve further commercial success and generate sustained profits.

Your KION Group has evolved a great deal over the past twelve months. We are now better positioned than ever, more resilient than ever, and remain on track for growth. Never has it been easier for customers to find the right solution for their varied and individual needs and to do so from a single source, i.e. from KION!

That is why we are looking to 2022 full of optimism – for our customers, our business partners and the KION Group.

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

Anke Groth

- Chief Financial Officer (CFO) and Labor Relations Director
- Born in 1970 in Gelsenkirchen, Germany

Hasan Dandashly

- President KION Supply Chain Solutions
- Born in 1960 in Beirut, Lebanon

Andreas Krinninger

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

Henry Puhl

- Chief Technology Officer (CTO)
- Born in 1970 in Göttingen, Germany

Ching Pong Quek

- President KION ITS Asia Pacific & Americas
- Born in 1967 in Batu Pahat /Johor, Malaysia

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

We lived through truly unprecedented times in 2021. Exceptional growth in demand for our Company's products and solutions – but also highly challenging conditions – prevailed in nearly all of the markets in which we act as a reliable partner to our customers, offering solutions to their needs. In the year under review, Germany and other regions of importance to our Company experienced a third wave of coronavirus before a brief spell of falling case numbers in the summer followed by a fourth wave at the end of the year. The biggest problems affecting the production and delivery of our trucks and solutions were created by the procurement markets: shortages of various intermediate products, particularly semiconductor chips, coupled with higher prices for certain commodities and skyrocketing logistics costs. Political and economic tensions took their toll on the business and regulatory environment in which our Company operates. We witnessed a push for the regionalization of supply chains along with rising inflation rates in many major economies. Very robust demand for material handling products and Dematic's automation solutions proved more than a fleeting trend, with order intake and revenue reaching an all-time high in both segments. KION ended 2021 with a record order book volume, thereby putting itself in an excellent position for the start of the new year, which once again began with an uncertain outlook. The Company's rapid growth has more than made up for the decline experienced in crisis-hit 2020. This rollercoaster ride has placed huge demands on everyone in our Company, on our employees and their family and friends. The same goes for our customers and our suppliers, our other business partners, and ultimately our shareholders. On behalf of the entire Supervisory Board, I would like to thank our Company's employees and the Executive Board for their outstanding work in these extremely difficult and uncertain times. This dedication was needed in order to continue providing our customers with our high-performance products and outstanding services in the adverse economic environment created by the coronavirus pandemic. Against this backdrop, we particularly commend all the people working in our Company's healthcare services, who very prudently and promptly implemented appropriate and effective measures to protect everyone, both within the KION Group and at our customers' sites.

The Supervisory Board advised and monitored the Executive Board as it took a prudent but resolute approach during these unparalleled times. In doing so, we gave the Executive Board our backing, not only in respect of the countermeasures introduced at short notice in 2020 but also with regard to implementation of the structural initiatives with a medium- to long-term effect aimed at safeguarding the Company's future commercial success in the different markets for its products.

Both the Executive Board and the Supervisory Board acknowledge the trust that all stakeholders – not least our shareholders, but also our customers and suppliers – have placed in our Company during these uncertain times. And we are very much aware of the responsibility that this imposes on us.

Highlights of 2021 – robust growth and the foundations for future business success

Over the course of the reporting year, it became clear that demand in the Industrial Trucks & Services (ITS) and Supply Chain Solutions (SCS) segments was increasing very strongly. In nearly every regional market, our Company registered demand for its products, solutions, and services on a scale never seen before. The boom experienced in the SCS segment in 2020 continued apace across the various customer segments, which are mainly served by Dematic.

Alongside the necessary structural changes, primarily in the ITS segment in the EMEA region, the Company built on the profitable growth-oriented capital expenditure and innovation programs that had begun in 2020.

A major milestone was reached in the Chinese city of Jinan on December 16, 2021, when a new factory for the manufacture of a new generation of counterbalance trucks came on stream. In parallel to the launch of this fully automated production facility, which was constructed in record time, the first truck to be built there from our value product segment rolled off the assembly line. This momentous day also saw the ground-breaking ceremony for the construction of a new production facility for the SCS segment's future activity in the Chinese market. These three landmark events are a clear sign of the Company's resolve to capture significant market share in this highly attractive market. Another highlight was the on-time completion and launch of the ITS segment's new plant in Kołbaskowo, Poland.

In its deliberations on the SCS segment's business, the Supervisory Board particularly concentrated on the growth prospects for the various regions that are key to the performance of this business. The focus was on the prerequisites for both organic growth and growth by acquisition in order to satisfy the rapidly rising demand for the products of the SCS segment.

Another fundamentally important matter for the Company was its decision to establish a common, standardized KION process landscape combined with the implementation of a new IT system for enterprise resource planning (ERP). The objectives of this project are to strike the right balance between process harmonization on the one hand and the different requirements of the KION Operating Units on the other and to put in place a new groupwide ERP system based on SAP S/4HANA and supplementary software products. The system incorporates all of the main business processes within our Group and lays down standards for the management and quality of data across the Company.

The Supervisory Board was involved in every key step of the realization of these fundamental initiatives for the future of our Company and gave the necessary approvals unanimously.

Dr. Michael Macht

Chairman of the Supervisory Board

The final highlight to be mentioned is the Supervisory Board meeting in September 2021, at which the Executive Board discussed the updated KION 2027 strategy with the Supervisory Board. Following the signing off in 2017 of the Company's strategy for the period up to 2027, the time had come to take stock of and analyze the advancing megatrends that are currently shaping our Company's success and will continue to do so in the future. Important aspects of this discussion were the changes in respect of sustainability, including the shift to greener sources of energy. The Company is very serious about its responsibility for providing sustainable products and solutions, ensuring the well-being of its employees, protecting the environment, upholding human rights, and contributing to the society in which we live and has defined sustainability as an important field of action for the future. Other topics covered by the discussion included further developments pertaining to advancing urbanization and the importance of e-commerce services, changing social structures, rapid progress in the fields of automation and robotics, and big data. These trends have led to shifts in the significance of individual product segments that will become important in terms of achieving the Company's strategic targets and have now been factored into the updated KION 2027 strategy. Overall, this gives rise to evolving structures for the achievement of our goal for the Company of generating above-average profitable growth over the period covered by the strategy.

The resolute and focused pursuit of our KION 2027 strategy has set the Company on the right course and will ensure that we remain very well positioned going forward.

Personnel matters relating to the Executive Board

The Supervisory Board prepared and implemented the succession process for the Chief Executive Officer with the amount of lead time that befits such an important decision.

The long-serving Chief Executive Officer Gordon Riske has had a defining influence on the Company since it was spun off from its parent company. After taking over responsibility for running the Company, he worked closely with the Company's then owners to put it on a solid operational and financial footing and thereby lay the foundations for the initial public offering in 2013. A key factor in this regard was the involvement of the anchor investor Weichai Power, with which a highly successful working relationship has since been established. Another strategic highlight of Mr. Riske's time in office was the 2016 acquisition of Dematic, which now forms the core of the SCS segment. This broadening of the range of business activities gave KION an entirely new positioning and laid the foundations that are enabling the Company to tap into and shape the booming business of automation solutions for logistics processes in major, fast-growing markets. The Supervisory Board trusted and embraced Mr. Riske's business acumen – which is changing our industry – and his essential dose of entrepreneurial courage. Under the leadership of its Chief Executive Officer, the Company anticipated future trends in its markets and thus laid the foundations for further growth. This foresight can be seen from the fields of action that were defined for the KION 2027 strategy and then reaffirmed in September 2021. The focus is firmly on demand from customers for efficient and sustainable products in light of their sometimes rapidly changing requirements. The continual rise in the share price and the very strong interest in the placement of new shares are proof positive that shareholders and investors also have faith in the Company's positioning, which Mr. Riske played such a key role in shaping. Mr. Riske made an exceptional contribution to KION, which owes him a huge debt of gratitude. On behalf of the Company, its employees, and the entire Supervisory Board, I would like to offer our heartfelt thanks to Mr. Riske for his great personal dedication and for all that he has done for KION.

Given this background, the onus was on the Supervisory Board to find a successor for Mr. Riske who can successfully lead the Company during its next phase of development. We are confident that, in Dr. Rob Smith, we have found the right person to take on the task. Dr. Smith has had a successful career in both operational and strategic roles in the capital goods industry. In a structured process involving all of the stakeholder groups represented on the Supervisory Board, Dr. Smith was selected as the most suitable person from among the diverse range of shortlisted candidates. The Supervisory Board is looking forward to a strong working relationship with him for the benefit of the Company.

In another change beside the appointment of the new Chief Executive Officer with effect from January 1, 2022, Anke Groth, the Chief Financial Officer (CFO) and Labor Relations Director of KION GROUP AG, whose contract would have been coming up for renewal, reached agreement by amicable and mutual consent with the Supervisory Board that her employment at KION GROUP AG will end with effect from March 31, 2022, before the end of her contract, so that she can take on new challenges outside the Group.

On behalf of the entire Supervisory Board, I would like to offer Anke Groth my heartfelt thanks for her excellent work over the past four years. During her tenure, Ms. Groth has enduringly strengthened the financial position of the KION Group and put in a huge amount of effort that enabled the Group to achieve investment-grade credit ratings. By successfully implementing a plan of action, she strengthened the operating segments' long-term competitiveness and developed the Finance function into a highly effective business partner for the Group.

On behalf of everyone on the Supervisory Board, I wish Ms. Groth all the best for the future and further success as she continues along her career path.

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.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent, made necessary decisions, regularly advised the Executive Board on all significant matters relating to managing the Company, and monitored the Executive Board's running of the Company's business. The Supervisory Board was always fully involved in major decisions affecting the Company from an early stage. Giving the specified period of notice, the Executive Board presented to the Supervisory Board transactions that, according to the law, the Company's articles of association, and / or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent so that it could adopt resolutions. 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 was also regular contact between the chairman of the Audit Committee and those responsible for internal audit and compliance in the Company.

Approval of the Executive Board remuneration system

The Supervisory Board recognizes the particular significance of appropriate, performance-based, and transparent remuneration arrangements for the Executive Board. Having adopted a resolution on the updated remuneration system for the members of the Executive Board in December 2020, the Supervisory Board presented the system to the Annual General Meeting on May 11, 2021, at which it was approved. Meetings with investors have revealed an apparent need for further information on some elements of the remuneration system. This also applies to the system of personal targets for the individual Executive Board members, which follows the principle of pay for performance. These personal targets, linked to measurable objectives, are the basis for determining the individual performance factor in the context of both the short-term and the long-term bonus as part of a transparent process.

The remuneration report for 2021 will be presented to the shareholders for approval at the 2022 Annual General Meeting. A description of the remuneration system will be an important element of this report. This represents an opportunity to present the remuneration system in an even more understandable and transparent way and to provide shareholders with more in-depth information.

Self-assessment by the Supervisory Board

In the second half of the reporting year, the Supervisory Board carried out another self-assessment in order to review its work. External advisors were engaged, as they had been for the previous review of the Supervisory Board's processes. The findings of the review were presented and discussed at the September meeting of the Supervisory Board. As had been the case in 2015 and 2018, the advisors were very positive in their assessment of the work of the Supervisory Board in the Company.

The members of the Supervisory Board saw it as a particular positive that suggestions for improvements to the Supervisory Board's processes resulting from the previous efficiency review had been taken up and implemented.

The Supervisory Board members attached particular priority to the provision of detailed information on matters that they view as especially important for the Company, not least environmental, social, and corporate governance (ESG) topics under the banner of sustainability, but also cybersecurity, automation, and future trends that are relevant to the Company. The Company has promised to provide the members of the Supervisory Board with detailed information and, in some cases, has done so already.

Preparations for the election of shareholder representatives

The terms of office of Supervisory Board members Dr. Michael Macht, Ms. Birgit A. Behrendt, Dr. Alexander Dibelius, and Mr. Xuguang Tan will end at the close of the 2022 Annual General Meeting. As a result, four shareholder representatives need to be elected to the Company's Supervisory Board at the 2022 Annual General Meeting.

As part of its preparations, the Nomination Committee examined the Supervisory Board's skills model from 2017 to ascertain whether it was still applicable to the Company. Three new skills areas were identified that the Nomination Committee and the Supervisory Board as a whole believed should be added as high-profile elements of the requirements catalog. These areas are sustainability, alternative energy sources, and the Chinese economic area.

The Nomination Committee prepared and discussed the nominations at its meeting in December 2021. All of the current shareholder representatives whose terms of office end in 2022 declared that they were willing to stand for re-election. The main points of discussion during the preparation of the nominations included the concerns expressed by the other investors about some of the current shareholder representatives. After carefully weighing up the arguments, the Supervisory Board came to the unanimous conclusion that each individual nomination was in the interests of the Company and its shareholders. The diverse membership of the Supervisory Board, which is made up of people with a wide range of experience, skills, and qualifications, helps to underpin the success of the Supervisory Board's work. This was also emphatically confirmed by the results of the self-assessment.

Other corporate governance matters handled by the Supervisory Board

The Supervisory Board and its committees carried out preparations regarding the Supervisory Board's own obligations in relation to the Company's corporate governance decisions and declarations before adopting unanimous resolutions.

At its meeting on December 15, 2021, the Supervisory Board held its final discussion on the alignment of the KION Group's processes with the recommendations of the German Corporate Governance Code and issued its declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This has been made permanently available to the public on the KION GROUP AG website at www.kiongroup.com/conformity.

The Supervisory Board must 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 our Company's auditors for the preparation of this review of the 2020 report, which was presented to the Supervisory Board for a decision in April 2021 and published on April 30, 2021, and also for the preparation of the review of the upcoming report for 2021. No concerns were raised as a result of the Supervisory Board's review of the report. As was the case in the previous year, the Supervisory Board will take account of the auditors' assessment in its own review of the 2021 non-financial Group report, which will take place in April 2022, i.e. after this report of the Supervisory Board has been submitted. After carrying out detailed preparations, the Supervisory Board will make a decision promptly to ensure that the report can be published on time by the end of April 2022.

The Executive Board and Supervisory Board provide a detailed report on corporate governance at KION GROUP AG in the corporate governance statement, which can be found on pages 31 to 53 of this annual report and on the KION GROUP AG website at www.kiongroup.com/governance. Information on the steps taken by the Supervisory Board in connection with its regular self-assessment can also be found there.

The Company continues to provide the members of the Supervisory Board with suitable training and development opportunities after their initial introduction to the role. In 2021, these consisted of individual training courses and events for the full Supervisory Board that were paid for by the Company. This mainly included in-depth information, conveyed by external and internal experts, concerning the German Supply Chain Due Diligence Act and the changes to the Company's governance model.

No conflicts of interest occurred on the Supervisory Board 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 22, 2022. The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed on February 22, 2022 without having identified any deficiencies, the auditors 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 auditors' 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 auditors at the Supervisory Board meeting on March 2, 2022 after the auditors had presented their report in person. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the dependency report.

Work of the committees

KION GROUP AG's Supervisory Board had five standing committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee, the Nomination Committee and, since March 1, 2021, the Remuneration Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. Outside of the formal meetings, informal working sessions took place to prepare for upcoming resolutions and related complex issues, such as remuneration. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. The chairmen of the committees each report regularly to the full Supervisory Board on their committee's deliberations. In addition, the minutes of the committee meetings are distributed to the members of the Supervisory Board for information purposes once the committee members have approved them.

Summary of members' attendance at the meetings of the Supervisory Board and its committees

In 2021, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 19 meetings. These consisted of eight meetings of the full Supervisory Board, four of the Executive Committee, five of the Audit Committee, one of the Remuneration Committee, and one of the Nomination Committee. The Mediation Committee did not meet in the reporting period. There were also several telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

With the exception of Mr. Tan Xuguang, all members of the Supervisory Board participated in all eight Supervisory Board meetings. Due to the time difference, the Supervisory Board members based in China did not participate in the extraordinary meeting held in August but did take part in the adoption of resolutions in writing. Mr. Tan Xuguang participated in two of the eight Supervisory Board meetings and sent his apologies for his absence from the other meetings. With the exception of the chairman Dr. Michael Macht and Ms. Alexandra Schädler, all members of Supervisory Board committees took part in all of the relevant committee meetings. Dr. Macht and Ms. Schädler were each absent from one of the five meetings of the Audit Committee and sent their apologies.

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

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Munich, Frankfurt am Main branch office, audited the separate financial statements, consolidated financial statements, and combined management report for KION GROUP AG and the Group for the year ended December 31, 2021 following their engagement by the Annual General Meeting on May 11, 2021. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. The proposal was discussed at the Audit Committee's meeting on February 19, 2021, and committee members were given the opportunity to speak to the auditors in person.

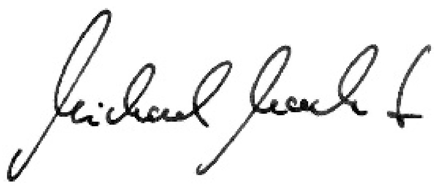
The auditors were appointed by the chairman of the Supervisory Board on June 2, 2021. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 25, 2021.

The auditors submitted their report and the documents relating to the 2021 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 both cases in the presence of the auditors. The auditors reported in detail on the main findings of the audit on each occasion.

The auditors 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 22, 2022. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2021, the Supervisory Board – on the basis of a recommendation from the Audit Committee – agreed with the findings of the audit by the auditors after further discussing these findings at its meeting on March 2, 2022. Based on the final outcome of its own review, the Supervisory Board 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, 2021 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on March 2, 2022, 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 €1.50 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.

The details of this report were discussed thoroughly at the Supervisory Board meeting on March 2, 2022, when it was adopted.



Dr. Michael Macht

Chairman

KION shares

Upward trend in the equity markets

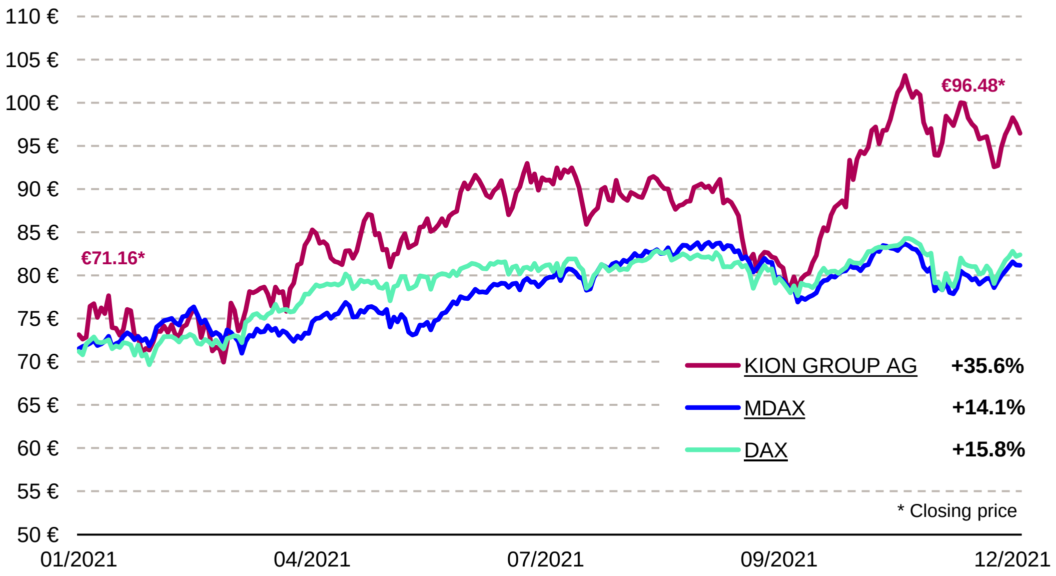
The German equity markets made significant price gains over the course of 2021. In March of the reporting year, the DAX exceeded 15,000 points for the first time. Over the year as a whole, it gained 15.8 percent and reached a record high of 16,251.13 points on November 17. The MDAX added 14.1 percent over the same period, almost matching the performance of the DAX for the year.

Particularly in the first half of 2021, the biggest companies on Germany's stock markets benefited from strong growth and a disproportionately steep rise in corporate profits. The economy's recovery from the slump triggered by the coronavirus pandemic in 2020 had a positive impact on companies, as did the effects of cost-cutting and efficiency measures. However, hopes that the pandemic would soon be overcome were dashed in the second half of the year when case numbers started to go back up. Global bottlenecks in the supply of commodities and other products also escalated, thereby dampening the factors that were driving economic growth. Moreover, expectations were increasing that central banks – starting with the US Federal Reserve – would introduce more restrictive monetary policy in view of rising inflation. As a result, the DAX and MDAX trended sideways from the middle of the year onward.

KION shares outperform benchmarks and reach all-time high

In the generally benign stock market conditions, KION shares performed very well and comfortably exceeded their benchmarks with a price rise of 35.6 percent. For the first time, KION shares broke through the €100 barrier and reached their highest ever price in the Company's history of €103.70 on November 16, 2021. This performance was underpinned by a sharp rise in order intake and revenue during the year in both operating segments, with earnings increasing at an even faster rate at the same time. The shares closed at €96.48 on December 30, 2021. Based on around 131.1 million shares outstanding, this equates to market capitalization of €12.6 billion, of which approximately €6.9 billion was attributable to shares in free float. The KION Group is therefore one of the heavyweights of the MDAX.

Share price performance 2021 compared with the DAX and MDAX



Dividend payout rate for 2021 to increase to 35 percent

The pandemic meant that KION GROUP AG's 2021 Annual General Meeting on May 11, 2021 again took place as a virtual event without shareholders being physically present. More than 300 people watched the proceedings. Approximately 84 percent of shares were represented and all of the motions were approved by a majority of votes. This included the distribution of a dividend of €0.41 per share. With earnings per share for 2020 of €1.81, this equates to a dividend payout rate of around 25 percent.

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend for 2021 of €1.50 per share (2020: €0.41) to the Annual General Meeting on May 11, 2022. This gives a total dividend payout of €196.7 million. With earnings per share for 2021 of €4.34, this equates to a dividend payout rate of around 35 percent. Under its dividend policy, the KION Group has raised the upper end of the dividend payout rate from 35 percent to 40 percent and will aim for a dividend payout rate of between 25 percent and 40 percent in future years.

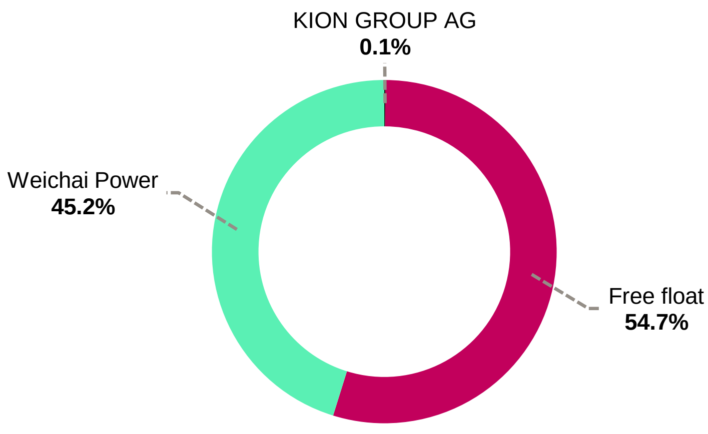
Basic information on KION shares

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

Shareholder structure remains stable

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 45.2 percent as at the end of 2021, which means it is still the biggest single shareholder, while KION GROUP AG continues to hold around 0.1 percent of the shares. A total of 15,953 shares (2020: 18,467 shares) were acquired by staff under the KION Employee Equity Program (KEEP). Consequently, the number of shares held in treasury stood at 96,224 as at the reporting date (December 31, 2020: 112,177). The free float therefore continued to account for around 54.7 percent at the end of 2021.

Shareholder structure as at December 31, 2021



KION shares mainly recommended as a buy

As at December 31, 2021, 21 brokerage houses were following and reporting on the KION Group (December 31, 2020: 20). Of this total, 14 analysts recommended KION shares as a buy, six rated them as neutral, and only one brokerage house advised selling them. The average target price specified by the sell-side analysts was €107.00 (December 31, 2020: €76.03).

Share data

Closing price at the end of 2020	€71.16
High for 2021	€103.70
Low for 2021	€68.70
Closing price at the end of 2021	€96.48
Market capitalization at the end of 2021	€12,648.8 million
Performance in 2021	35.6%
Average daily XETRA trading volume in 2021 (no. of shares)	172.4 thousand
Average daily XETRA trading volume in 2021 (€)	€14.6 million
Share capital	€131,198,647
Number of shares as at Dec. 31, 2021	131,198,647
Earnings per share for 2021[1]	€4.34
Dividend per share for 2021[2]	€1.50
Dividend payout rate[2]	34.6%
Total dividend payout[2]	€196.7 million
Equity ratio as at Dec. 31, 2021	32.6%

1 Calculated on the basis of the average number of shares outstanding of 131,090,272

2 Proposed dividend for 2021

Further improvement on credit ratings

There was a further improvement in the credit ratings awarded to the KION Group by the two rating agencies in the year under review. In September 2021, Fitch Ratings raised the Group’s long-term issuer default rating from BBB– to BBB with a stable outlook. At the same time, the short-term issuer default rating was upgraded from F3 to F2.

In May 2021, Standard & Poor’s initially confirmed its issuer rating of BB+ and raised the outlook from stable to positive. It then raised this rating to BBB– with a stable outlook in August 2021.

Services for shareholders

Active investor relations

The KION Group continued to expand its investor relations work in 2021 with the objective of ensuring, through continuous dialog, that the capital markets value the Company appropriately. The Executive Board and the investor relations team were available for even more active, direct communications with investors and analysts, despite the ongoing restrictions resulting from the coronavirus pandemic. Overall, the KION Group participated in 23 investor conferences and provided information about the KION Group's performance during one-on-one meetings and twelve roadshow days. In this context, the KION Group participated in a conference focusing on environmental, social, and corporate governance (ESG) aspects for the first time.

The Annual General Meeting of KION GROUP AG, held on May 11, 2021, was watched by around 300 people. A total of 84.1 percent of the share capital was represented. In line with the German COVID-19 Measures Act, the meeting was again held as a purely virtual event. Questions could be submitted online by May 9, 2021 and were answered individually during the meeting. There were no countermotions, nominations, or requests for additions to the agenda. The complete webcast of the Annual General Meeting can be accessed from the KION Group's website.

To coincide with the publication of the 2020 annual report on March 2, 2021, the Executive Board of KION GROUP AG held a financial statements press conference and conference call to explain the results. At a Virtual Analyst & Investor Event for financial analysts, institutional investors, and bank representatives on November 3, the Executive Board introduced the value drivers in the operating segments and the resulting medium-term targets for 2023 both at Group level and for each Operating Unit. In addition, the Executive Board held conference calls to report on each set of quarterly results. Transcripts from the annual and quarterly conference calls, 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 the Annual General Meeting 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

Corporate governance

Corporate governance 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 a commitment, born from responsibility for the Company, to rigorous corporate governance in accordance with the accepted standards is essential to the Company's long-term success. Compliance with these principles 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 22 of the German Corporate Governance Code (GCGC) as amended on December 16, 2019, the Supervisory Board and Executive Board report on the Company's corporate governance in the corporate governance statement (declaration on corporate governance) required by section 289f and section 315d of the German Commercial Code (HGB). The corporate governance statement pursuant to section 289f and section 315d HGB is part of the combined management report. According to section 317 (2) sentence 6 HGB, the information provided in accordance with section 289f and section 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 management 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 German Corporate Governance Code or 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 submitted the Company's previous declaration of conformity on December 17, 2020.

Both decision-making bodies again considered the recommendations of the GCGC in detail and, on December 9 / 15, 2021, 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 2020, KION GROUP AG has complied with and will continue to comply with all recommendations of the German Corporate Governance Code as amended on December 16, 2019 with the following exceptions.
>
> Recommendation B.3 of the GCGC, according to which the initial appointment of executive board members should be for a maximum of three years, is complied with, with one exception. In principle, the initial appointment of Executive Board members is for three years, as was the case in three of the four initial appointments of Executive Board members in the reporting period. In view of the length of service and the previous position in the Company, and taking into account the maximum age limit for Executive Board members of 65, the Supervisory Board decided in one exceptional case to extend the term of an initial Executive Board appointment to four years.
>
> In deviation from recommendation G.10 sentence 2 of the GCGC, according to which an executive board member should not be able to dispose of the long-term variable bonus amounts until after four years, the Executive Board remuneration system of KION GROUP AG provides that the respective Executive Board member should be able to dispose of the long-term variable bonus components after only 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 and that the long-term variable bonus amounts should be granted in line with the usual initial appointment period of an Executive Board member of three years.
>
> Frankfurt am Main, December 9 / 15, 2021
>
> For the Executive Board:
>
> Gordon Riske Anke Groth
>
> For the Supervisory Board:
>
> Dr. Michael Macht

The declaration of conformity is permanently available to the public on the KION GROUP AG website at www.kiongroup.com/conformity.

2. Corporate governance practices

The corporate governance of KION GROUP AG is essentially, but not exclusively, determined by the provisions of the German Stock Corporation Act and the German Codetermination Act. It also follows the recommendations of the GCGC. KION GROUP AG complied with all but two of the GCGC's recommendations in the reporting period. These fundamental principles are combined with the KION Group's commitment to sustainable business, taking account of society's expectations in the markets in which the Company operates.

In 2021, 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, 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. Further duties assigned to the Supervisory Board were prepared, and related decisions made, by the other committees (primarily the Executive Committee, Remuneration Committee, and Nomination Committee) where permitted by law.

2.1 Internal control system

KION GROUP AG 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 accounting processes, the efficiency of the Company's business operations, and compliance with key legal provisions and internal policies. These control processes also include the Company's strategic planning, where the underlying assumptions and plans are reviewed on an ongoing basis and refined as necessary.

2.2 Accounting-related internal control system

For its accounting process, the KION Group has defined suitable structures and processes as part of its internal control and risk management system and implemented them throughout the Group. Besides defined control mechanisms, it includes, for example, system-based and manual reconciliation processes, clear separation of functions, strict compliance with the double-checking principle, and written policies and procedures. 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 can be found in the risk report, which is part of the combined management report.

2.3 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 KION Group's risk management system is documented in a Group risk policy that defines tasks, processes, and responsibilities and sets out the rules for identifying, assessing, reporting, and managing risk. Specific individual risks are then reported by each Group entity using a reporting tool that is tailored to requirements. Reporting on cross-segment risks and groupwide risks is carried out by Controlling and the relevant Group functions. The risks that have been reported are reviewed on a quarterly basis and re-assessed until the reason for reporting a risk no longer exists or the risk has been mitigated.

2.4 Compliance management system

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, centering around the KION Group Code of Compliance, has been set up for KION GROUP AG and its Group companies worldwide.

Responsibilities

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reports to the Chief Financial 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 these 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, punishes incidents 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.

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, 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; punishment 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, a new e-learning course on the anti-bribery and anti-corruption policy was rolled out in September 2020, followed by an e-learning course on respectful conduct in the workplace / anti-discrimination in April 2021. 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, anti-discrimination, managerial conduct and, from 2022, conflicts of interest, anti-money laundering, 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, via web intake 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.

2.5 Audit of the financial statements

The Company's independent auditors, which are appointed by means of a resolution of the Annual General Meeting, audit the separate financial statements prepared by the Executive Board of KION GROUP AG, the consolidated financial statements, and the combined management report. Since 2021, Mr. Stefan Dorissen has been the global lead service partner at the appointed independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). 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 auditors review the condensed consolidated interim financial statements and condensed interim group management report in the half-year financial report. They also review 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.

2.6 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. 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 immediately and must also inform the other Executive Board members. All transactions between KION GROUP AG and Executive Board members or related parties must be concluded on an arm's-length basis.

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 45.2 percent 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 taking transparent steps and issuing clear communications.

The Company's former Chief Executive Officer, Mr. Gordon Riske, was appointed a non-executive director of Weichai Power Co., Ltd., with effect from June 24, 2013. On June 28, 2021, the term of his appointment was extended to June 27, 2024. The Supervisory Board had previously given its consent to this appointment. Appropriate precautions were taken to ensure that this role at a parent company of the Company did not create a conflict of interest relating personally to Mr. Riske, who was the Chief Executive Officer of KION GROUP AG up to and including December 31, 2021. Formal processes were put in place to ensure that Mr. Riske, in his role as a non-executive director of Weichai Power Co., Ltd., was not involved in transactions that could give rise to a conflict with the interests of the KION Group. Nor was Mr. Riske involved in transactions relating to the exercise of voting rights by Weichai Power Co., Ltd. or its subsidiaries at the Annual General Meeting of KION GROUP AG. It was ensured at all times that Mr. Riske maintained a strict separation between his duties as a non-executive director of Weichai Power Co., Ltd., and his duties as Chief Executive Officer of KION GROUP AG and fulfilled all of his legal obligations in the interests of the Company.

2.7 Directors' dealings

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 2021:

Directors' dealings in 2021

Transaction date	Name of person required to disclose transaction	Governing body	Financial instrument	Purchase / sale	Quantity	Price (€) *	Transaction volume (€) *
Mar. 11, 2021	Hasan Dandashly	Executive Board	Share	Purchase	1,000	€78.31	€78,312.22
Mar. 17, 2021	Hasan Dandashly	Executive Board	Share	Purchase	1,000	€77.67	€77,677.16
May 13, 2021	Hasan Dandashly	Executive Board	Share	Purchase	1,000	€83.76	€83,756.00
Aug. 10, 2021	Dr. Henry Puhl	Executive Board	Share	Purchase	1,100	€90.20	€99,220.00

* Aggregate information

As far as KION GROUP AG is aware, the only member of the Supervisory Board with shares in KION GROUP AG as at December 31, 2021 was Mr. Martin Fahrendorf. There is no voluntary undertaking for Supervisory Board members to purchase shares in KION GROUP AG.

2.8 Corporate communications and transparency

Shareholders, financial analysts, and other capital market participants, relevant media, and members of the public with an interest in the Company receive regular and timely information about the KION Group's situation. 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. The KION Group makes further information available at the 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'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.

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

3.1 Working methods of the Executive Board

The Executive Board of KION GROUP AG comprised six members in 2021. It is responsible for managing the Company in the Company's interest, i.e. taking account of shareholders, customers, employees, and other stakeholders with the aim of creating sustainable added value. The Executive Board develops the Company's strategy, discusses it with the Supervisory Board, and ensures that it is implemented. The Executive Board as a whole is collectively responsible for the Group's business, determines the budget and the allocation of resources, and makes key operational decisions. 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.

Responsibilities within the KION Executive Board as at December 31, 2021

Executive Board member	Areas of responsibility
Gordon Riske	**CEO KION GROUP AG**
	Corporate Office
	Communications
	Corporate Strategy
	Internal Audit
	IT
	Mobile Automation
Anke Groth	**CFO / Labor Relations Director KION GROUP AG**
	Accounting & Tax
	Controlling
	Finance/M&A/Treasury
	Investor Relations
	Performance Excellence
	HR
	Legal
	Compliance & Data Protection
	Segment CFOs

Responsibilities within the KION Executive Board as at December 31, 2021 (continued)

Executive Board member	Areas of responsibility
Hasan Dandashly	**President KION Supply Chain Solutions**
	KION Digital
	Regions
	Commercial
	Products & Solutions
	Software & Digital Solutions
	Operations (Engineering & Manufacturing)
	ITS/SCS Cross-Selling
	Operating Units Administration
	Finance[1]
Andreas Krinninger	**President KION ITS EMEA**
	Brand & Product Management
	Sales & Services
	Operations (incl. Production System)
	Operating Units Administration
	Finance[1]
Dr. Henry Puhl	**CTO KION GROUP AG**
	Product & Technology Strategy
	Program Management Office
	Product Development
	Module & Component Development
	Procurement
	New Energy Systems
	Quality
	Health, Safety & Environment
Ching Pong Quek	**President KION ITS Asia Pacific & Americas**
	Brand & Product Management
	Sales & Services
	Operations
	Operating Units Administration
	Finance[1]

1 Direct reporting line to the CFO

The allocation of responsibilities was adjusted in January 2021 following the appointment of Mr. Andreas Krinninger and Mr. Hasan Dandashly as further members of the Executive Board. In July 2021, Dr. Henry Puhl succeeded Dr. Eike Böhm in the role of Chief Technology Officer (CTO), and the allocation of responsibilities was adjusted again. In January 2022, Dr. Richard Robinson Smith took over from Mr. Gordon Riske as the new Chief Executive Officer (CEO) of KION GROUP AG.

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 coronavirus pandemic, Executive Board members often had to take part in meetings via video conference in the reporting year. 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.

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, while 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.

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).

3.2 Working methods 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. 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 of KION GROUP AG consists of 16 members, eight of whom are employee representatives and eight are shareholder 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.

The Supervisory Board has drawn up rules of procedure for its work that apply in addition to the requirements of the articles of association. 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 2021, there were eight Supervisory Board meetings in total. The focus of the Supervisory Board's advisory activities in 2021 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.

3.3 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 the previous effectiveness reviews in 2015 and 2018, the Supervisory Board 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 review involved holding discussions with the Supervisory Board and Executive Board members. Discussion guidelines structured by topic formed the basis for the discussions. The subjects addressed included (i) regulatory requirements, (ii) the tasks of the Supervisory Board (particularly examination of the Company's strategy, the appointment of Executive Board members, and Executive Board remuneration), (iii) the membership of the Supervisory Board (particularly its composition and training), (iv) cooperation within the Supervisory Board (particularly the atmosphere and culture of discussion, preliminary discussions of the employee and shareholder representatives, and conflicts of interest and confidentiality), (v) cooperation with the Executive Board and the provision of information by the Executive Board, (vi) the structure and organization of meetings, and (vii) committee work. Each committee was evaluated as a whole, but the work of the individual Supervisory Board members was not examined.

The results are reported to the Supervisory Board regularly. Any identified need for improvement is actioned. The organizational arrangements and processes for the Supervisory Board's work are updated on an ongoing basis.

3.4 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. The Supervisory Board established the Remuneration Committee as one of its standing committees with effect from March 1, 2021. Its remit is to deal with matters relating to Executive Board remuneration and the remuneration report that has to be prepared each year. 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 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 rules of procedure that define their tasks and working methods.

Executive Committee

The Executive Committee consists of four shareholder representatives and four employee representatives. Its chairman is always the chairman of the Supervisory Board. It prepares the meetings of the Supervisory Board and is responsible for ongoing matters between Supervisory Board meetings. The Executive Committee also prepares the Supervisory Board's decisions relating to corporate governance, particularly amendments to the declaration of conformity pursuant to section 161 AktG reflecting changed circumstances and the checking of adherence to the declaration of conformity. It 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, the Executive Committee 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. 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. In consultation with the Executive Board, the Executive Committee regularly discusses long-term succession planning for the Executive Board.

Members of the Executive Committee as at December 31, 2021:

Dr. Michael Macht (chairman)

Özcan Pancarci (deputy chairman)

Dr. Alexander Dibelius

Jiang Kui

Olaf Kunz

Jörg Milla

Hans Peter Ring

Claudia Wenzel

The chairman of the Executive Committee, Dr. Michael Macht, 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.

Members of the Mediation Committee as at December 31, 2021:

Dr. Michael Macht (chairman)

Özcan Pancarci (deputy chairman)

Jörg Milla

Hans Peter Ring

Audit Committee

The Audit Committee comprises four members. Its primary purpose is to monitor financial reporting (including non-financial reporting), the accounting process, the 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 auditors and checks that the independent auditors are qualified and independent. It is responsible for engaging the independent auditors, determining the focus of the audit, and agreeing the fee. The Audit Committee regularly evaluates the quality of the audit. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

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 auditors hold quarterly discussions on the latest developments in the Company and the findings from the audit.

The heads of the internal audit and compliance departments have a functional (dotted) reporting line to the chairman of the Audit Committee.

Members of the Audit Committee as at December 31, 2021:

Hans Peter Ring (chairman)

Alexandra Schädler (deputy chairwoman)

Dr. Michael Macht

Jörg Milla

The chairman of the Audit Committee, Mr. Hans Peter Ring, is a Supervisory Board member who is independent of the Company, the Executive Board, and the controlling shareholder and has the required expertise in accountancy 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 accounting and auditing specified in section 100 (5) alt. 2 and section 107 (4) AktG.

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).

Members of the Remuneration Committee as at December 31, 2021:

Dr. Michael Macht (chairman)

Özcan Pancarci (deputy chairman)

Jiang Kui

Hans Peter Ring

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.

Members of the Nomination Committee as at December 31, 2021:

Dr. Michael Macht (chairman)

Dr. Alexander Dibelius (deputy chairman)

Birgit A. Behrendt

Jiang Kui

3.5 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 is held annually in the first eight months of the financial year. The chairman of the Supervisory Board chairs the Annual General Meeting. The agenda for the Annual General Meeting, including the reports and documents requested for the Annual General Meeting, are published on the Company's website.

The Annual General Meeting votes on all matters that it is required to vote on by law, 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 auditors, changes to the Company's articles of association, and corporate actions.

Due to the special circumstances created by the COVID-19 pandemic, the Annual General Meetings in 2020 and 2021 were held as virtual events in line with the German COVID-19 Measures Act.

4. Remuneration of the Executive Board and Supervisory Board

KION GROUP AG's remuneration report for 2021 and the related opinion of the independent auditors pursuant to section 162 AktG, a full description of the remuneration systems of the Executive Board and Supervisory Board, and the Annual General Meeting's voting on the remuneration system of the Supervisory Board of KION GROUP AG pursuant to section 113 (3) AktG, on the remuneration system of the Executive Board pursuant to section 120a (1) AktG and, in the future, on the 2021 remuneration report pursuant to section 120a (4) AktG can be found online at www.kiongroup.com/remuneration.

5. Diversity

One of the main concerns of good corporate governance is to ensure that appointments to the Supervisory Board, the Executive Board, and the two management levels below the Executive Board are appropriate to the specific needs of the business. To ensure this, the Executive Board and Supervisory Board of KION GROUP AG developed a joint diversity concept in 2017 and last amended it 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. In detail, this means that:

Composition of the Supervisory Board

Objectives for the composition of the Supervisory Board

In 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 determinations were last 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, 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

Other targets set by the Supervisory Board with regard to its composition are a standard age limit of no more than 70 at the time of appointment / election.

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. 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 have been added to the profile with effect from 2022. 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 individual members and the balanced combination geared towards the company requirements of the personal qualities, experience, qualification, and knowledge represented in the Supervisory Board. Against this backdrop, the Supervisory Board developed a profile of skills and expertise. Accordingly, the following skills and expertise should be represented in the form of knowledge acquired through practically acquired experience and/or professional/academic training and knowledge (expertise):

Profile of skills and expertise for the Supervisory Board

Field of competence	Minimum SB members	Fulfilled in the overall body[1]
Material Handling and Intralogistics as well as related industries, including components and drive technology	4	✓
Technological development and assessment – including in particular environmentally friendly technologies, products and solutions, such as alternative energy sources	4	✓
Service/after-sales business, as well as technological development in these areas	4	✓
Digitization and automation	4	✓
Development of international marketing and product range strategies	2	✓
Business acquisitions and cooperations	2	✓
Environment, Social & Governance (ESG), in particular – Environmental Protection, – Social & Labour conditions, including equal opportunities, – Corporate governance	 2 2 2	 ✓ ✓ ✓
– Accounting and – Auditing	1 1	✓ ✓
Capital markets and international financing	2	✓
Supervisory Board and/or Executive Management process and organization in companies with an international presence, including corporate culture	6	✓
and in the economic areas of particular importance to the company – EMEA, – North and South America, – China as well as – rest of Asia	 2 2 2 2	 ✓ ✓ ✓ ✓

1 The criteria for professional suitability are based on a self-assessment by the Supervisory Board. A check mark means at least "good knowledge" and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications and the training measures attended by the respective Supervisory Board member.

In its current composition, the Supervisory Board covers the profile of skills and expertise.

Independence of the Supervisory Board members

In 2020, the Supervisory Board 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). Dr. Macht, Mr. Ring, Dr. Reuter, Ms. Behrendt, Ms. Xu, and Dr. Dibelius are currently independent of the Company and Executive Board. Ms. Xu 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. 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 four shareholders to currently be independent of the anchor investor Weichai: Mr. Ring, Dr. Reuter, Ms. Behrendt, and Dr. Dibelius.

As regards the employee representatives, the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

Diversity of the Supervisory Board

As 31.25 percent of the Supervisory Board members were female (five of the 16 members), the Supervisory Board met the statutory requirements regarding gender representation on supervisory boards pursuant to section 96 (2) AktG in 2021.

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 four shareholder representatives to the Supervisory Board, the Nomination Committee and the Supervisory Board took all of the aforementioned targets, the profile of skills and expertise, and the diversity concept 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 is still 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

Against the background of the aforementioned diversity considerations as well as demographic requirements and strategic operating challenges, the Supervisory Board strives for diversity at Executive Board level. This particularly includes appropriate female representation, but also a broad range of experience, skills, expertise, cultural backgrounds, internationality and personality.

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.

In 2017, the Supervisory Board set the target for the minimum proportion of women on the Executive Board of KION GROUP AG at 0 percent, to be achieved by December 31, 2021. The specification of this type of target is required by the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG). In 2021, one of the six Executive Board members was female (Ms. Anke Groth). The proportion of women on the Executive Board of KION GROUP AG was therefore 16.67 percent as at December 31, 2021, which meant that the target was achieved.

As the other five members of the Executive Board were male in fiscal year 2021, KION GROUP AG complies with the statutory minimum shareholding requirement set out in section 76 (3a) of the AktG, which 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.

Long-term succession planning for the Executive Board

When required, the Executive Committee examines – sometimes in consultation with the Chief Executive Officer – the long-term succession planning for the Executive Board (section 7 (4) of the rules of procedure for the Supervisory 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.

In the year under review, the Executive Committee – with support from an external consultancy – dealt extensively with the succession planning for the Chief Executive Officer Gordon Riske, who resigned from the Executive Board with effect from the end of December 31, 2021 because he would be reaching the standard retirement age. In August 2021, Dr. Richard Robinson Smith was appointed to take over as the new Chief Executive Officer of KION GROUP AG with effect from January 1, 2022.

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 diversity, capability, character, 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 new KION 2027 strategy to increase the proportion of women in management positions. 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.

Target achievement as at December 31, 2021

In June 2017, the Executive Board set a target of 10 percent for the first management level below the Executive Board of KION GROUP AG and of 30 percent for the second management level, to be achieved by December 31, 2021.

At the end of 2021, by which date these targets had to be achieved, two of the 17 executives at the first management level (11.8 percent) and 20 of the 99 executives at the second management level (20.2 percent) were female. This means that the target for the first management level was reached, but the target for the second management level was not.

The main reason for not achieving the target at the second management level was the small proportion of women coming up through the ranks within the Group. Another reason was that there was only a low number of qualified female applicants for vacancies that were filled with external candidates. Management positions are predominantly filled with talented employees who are recruited from within the Group and, to this end, have received support and skills training. This enables the Group to offer long-term development prospects to its employees. As around half of the senior roles call for a technical background, recruiting female candidates from within the Group is challenging because the shortage of women with a university degree in a technical subject means that the development pipeline from junior through to more senior levels can only be filled to a very limited extent by hiring or promoting women.

New targets for the period up to December 31, 2026

The Executive Board is maintaining its targets and, in November 2021, set a target of 10.5 percent (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 for the period January 1, 2022 to December 31, 2026.

Action to increase the proportion of women

The Executive Board continues to believe in supporting the development of talented female employees but, based on past experience, sees it as a particular challenge to recruit them in the heavily male-dominated applicant market, particularly in disciplines with a strong technical focus. As this market is not expected to change fundamentally, the Company intends to step up its employer branding in order to make the KION Group more attractive to talented external female candidates who have not previously been particularly interested in technology-oriented companies.

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 Female 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. Finally, 'diversity and inclusion' has been explicitly added to the KION Group's HR strategy as a focus topic for the years ahead.

KION GROUP AG is also an active member of the initiative 'Chefsache. Drive the Change – For Men and Women', in which it is actively represented by Ms. Anke Groth. 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.

Combined management report

Preliminary remarks

The combined management report published in the 2021 annual report includes the group management report and the management report of KION GROUP AG. Unless stated otherwise, the description of the course of business (including business performance), position, and expected development refers both to the Group and to 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).

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, STOXX Europe 600, FTSE Euro Mid, and other indices, including the FTSE4Good and DAX 50 ESG sustainability indices.

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 45.2 percent of the shares at the end of 2021. The free float accounted for 54.7 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 provided in note [28] 'Equity' in the notes to the consolidated financial statements.

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. As required by section 289f and section 315d of the German Commercial Code (HGB), the corporate governance standards that the Group applies are set out in the corporate governance statement. This declaration also contains the declaration of conformity pursuant to section 161 AktG, which was issued by both the Executive Board and the Supervisory Board of KION GROUP AG on December 9 / 15, 2021, and the corporate governance report pursuant to principle 22 of the 2020 GCGC, which also provides information about the compliance standards in the Group. 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 2021 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

A separately published sustainability report provides detailed information on the sustainable management of the KION Group. It contains the KION Group's report on non-financial matters as required under the German law to implement the corporate social responsibility (CSR) directive. 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.

In accordance with the statutory disclosure deadlines defined in section 325 HGB, the KION Group publishes its annual sustainability report (including the non-financial Group report) by no later than the end of April each year 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. The Executive Board maintains a relationship of trust with, and is monitored by, the Company's Supervisory Board.

The Executive Board has had six members since January 1, 2021 following the Supervisory Board's appointment of Hasan Dandashly (for four years) and Andreas Krinninger (for three years) as additional members of the Executive Board of KION GROUP AG. In this context, all of the Group's operating activities were explicitly allocated to particular areas of responsibility on the Executive Board. Hasan Dandashly, President & CEO of Dematic, has global Executive Board responsibility for the Supply Chain Solutions (SCS) segment. Andreas Krinninger, President & CEO of Linde Material Handling EMEA, is responsible for the EMEA business of the Industrial Trucks & Services (ITS) segment, which includes the operational business of KION brand companies Linde, STILL, and Baoli within the EMEA region. Ching Pong Quek continues to be responsible for the Industrial Trucks & Services segment in the APAC and Americas regions. The Executive Board as a whole is collectively responsible for key operational and strategic decisions and for the allocation of resources.

The Supervisory Board appointed Dr. Henry Puhl, President & CEO of STILL EMEA, as a member of the Executive Board in the role of Chief Technology Officer (CTO) of KION GROUP AG, with a three-year term that started on July 1, 2021. He succeeded Dr. Eike Böhm, who retired on June 30, 2021.

The Supervisory Board of KION GROUP AG appointed Dr. Richard Robinson Smith to take over as Chief Executive Officer with effect from January 1, 2022. He succeeds Gordon Riske, who stepped down from the Executive Board at the end of 2021 after 14 years in charge of the Company. He left six months before the end of his contract, which was due to run until he reached the standard retirement age of 65. Gordon Riske will continue to support the KION Group in an advisory capacity until the original end of his Executive Board service contract on June 30, 2022.

In February 2022, Anke Groth, the Chief Financial Officer (CFO) and Labor Relations Director of KION GROUP AG, whose contract would have been coming up for renewal, reached agreement by amicable and mutual consent with the Supervisory Board that her employment at KION GROUP AG will end with effect from March 31, 2022, before the end of her contract, so that she can take on new challenges outside the Group. Until a new CFO has been appointed, the Chief Executive Officer Dr. Richard Robinson Smith will take over Ms. Groth's responsibilities on an interim basis.

The responsibilities of the Executive Board members as at December 31, 2021 are listed in the corporate governance statement.

Supervisory Board

The Supervisory Board of KION GROUP AG, which was formed in accordance with the German Codetermination Act (MitbestG), comprises 16 people. In addition to its oversight function, it advises the Executive Board in its handling of significant matters and business transactions. All of the shareholder representatives on the Supervisory Board have been elected for a term of five years.

To increase the efficiency of its work, the Supervisory Board is now supported by five standing committees. Alongside the Nomination Committee, Executive Committee, Audit Committee, and Mediation Committee, it established the Remuneration Committee with effect from March 1, 2021. This new committee focuses mainly on issues relating to the Executive Board's remuneration, but also prepares all Supervisory Board resolutions required in this regard. In addition, it deals with the annual remuneration report and the preparations for the report's approval by the Annual General Meeting.

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.

The KION Group's market activities were divided into four Operating Units in 2021: KION ITS EMEA, KION ITS APAC, KION ITS Americas, and KION SCS. The new KION ITS EMEA Operating Unit, which was formed on January 1, 2021 from the previously separate LMH EMEA and STILL EMEA Operating Units, focuses on the ITS business in Europe, the Middle East, and Africa. 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.

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 truck business, including financial and logistics services that support sales, is shown in the Industrial Trucks & Services (ITS) segment, while activities focusing on end-to-end supply chain solutions make up the Supply Chain Solutions (SCS) segment. The two segments complement each other in terms of their respective market position and regional presence.

The Corporate Services segment comprises the other activities and holding functions of the KION Group. These include service companies that provide services such as IT and general administration across all segments. The logistics services companies were transferred from the Corporate Services segment to the Industrial Trucks & Services segment with effect from January 1, 2021. The prior-year segment figures have been restated accordingly.

Industrial Trucks & Services segment

The KION Group's portfolio of industrial trucks and services make it one of world's leading providers of industrial trucks, based on the number of units sold (Interact Analysis, 2021). 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 (KION FS) 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 2021 from the sale of industrial trucks. The product portfolio includes counterbalance trucks powered by an electric drive or internal combustion engine, warehouse trucks (ride-on and hand-operated), and towing vehicles for industrial applications covering all load ranges. Worldwide research and development activities strengthen the Industrial Trucks & Services segment's position as a technology driver, which it is extending in areas such as energy-efficient and low-emission drive technologies and automation solutions. In this field, the KION Group operates 20 production facilities for industrial trucks and components in nine countries.

Some of the products in the multi-brand portfolio are built on a modular platform for diesel and electric forklift trucks, ensuring a high standard of quality at competitive costs. So that it can ensure security of supply and the availability of spare parts for important components in order to meet customers' specific requirements, the segment manufactures major modular components itself, notably lift masts, axles, counterweights, and safety equipment. 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 a rule, industrial trucks are built according to the customer's individual specifications. The premium positioning of the international Linde and STILL brands is based on the integration of end-to-end mobile automation solutions, advantages for customers in terms of total cost of ownership (TCO), and high energy efficiency and safety standards. The segment is underpinned by an extensive sales and service network. As at December 31, 2021, this network comprised around 2,000 outlets in over 100 countries and was staffed by more than 8,000 service employees and a large number of external service engineers. An comprehensive service offering represents a competitive advantage, not only in the premium segment but also in the volume and economy segments.

The worldwide vehicle fleet, which consisted of more than 1.6 million industrial trucks at the end of 2021, provides a broad base for the service business. This business 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 lasting customer relationships. Extensive and innovative services such as digital fleet management are offered for every stage of the lifecycle, mainly for premium products. There are also individual orders for repairs and maintenance work as well as for spare parts. In addition, the Operating Units have extensive 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, the internal financing of the short-term rental business, and 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 2020 (Interact Analysis, 2021).

Manual and automated solutions are provided for all functions to ensure seamless material handling for customers, 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 can be used to achieve very fast throughput times and picking rates. At the same time, cross-docking solutions increase the efficiency of the system as a whole by eliminating the unnecessary handling and storage of goods. The micro-fulfillment system was developed to speed up the processing of online orders in retail and in distribution centers near urban areas. Automated guided vehicles (AGVs) and autonomous mobile robots (AMRs) improve the inhouse movement of goods on the factory floor, in warehouses, and in distribution centers.

Real-time management of the supply chain solutions is based on the proprietary software platform Dematic iQ, which can be integrated into the customer's existing application landscape. With features such as real-time material flow data analysis, Dematic iQ can help with the optimization of all kinds of processes to ensure seamless order processing. The Dematic iQ portfolio comprises a warehouse execution system (WES) that ensures a high level of workflow efficiency, a cloud-based asset performance management (APM) platform that brings together all operational, maintenance, and equipment data, a plant emulation and simulation platform for digitally modeling operational or software changes, and a process execution platform for executing manual business processes using mobile devices.

The segment is primarily involved in customer-specific, longer-term project business. With nine production facilities in North America, Europe, China, and Australia and regional teams of experts, Dematic is able to plan and deliver logistics solutions with varying degrees of complexity worldwide.

The (new) project business (business solutions) covers every phase of a new installation: analysis of the customer's needs and the general parameters, provision of appropriate advice, computer simulation of bespoke intralogistics solutions in the customer's individual environment, technical planning and design of the system, implementation of the control technology and its integration into the customer's existing IT infrastructure, site and project management, and plant monitoring and support for the customer during implementation of the system, including training for the workforce.

The system components, which are specified for each customer project, such as automated guided vehicles, 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 December 31, 2021, modernization work and services (customer services), which usually cover the entire lifetime of an installed system, were provided to customers at their sites by around 2,100 employees in over 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:	Counterbalance trucks with electric drive or IC engine, warehouse trucks
Xiamen:	Counterbalance trucks with electric drive or IC engine, heavy 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, components
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 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:	Conveyor, sortation, storage and retrieval systems
Germany	
Offenbach am Main:	Conveyor, sortation, storage and retrieval systems
Italy	
Milan:	Sortation systems
Mexico	
Monterrey:	Conveyor, sortation, storage and retrieval systems, system components
Czech Republic	
Stříbro:	Conveyor systems
United States	
Grand Rapids:	Automated guided vehicle systems
Salt Lake City:	Conveyor, sortation, storage and retrieval systems, automated guided vehicle systems, system components

Market and influencing factors

According to the KION Group's estimates, the material handling market – comprising industrial trucks, supply chain solutions, and related services – has expanded at a faster rate than real global economic growth in recent years (2015–2021), despite the impact of the coronavirus pandemic. The value of the market has increased at an average annual rate of around 7 percent over that time.

Of the relevant market volume, the KION Group estimates that around 60 percent is attributable to revenue from industrial trucks and related services, which make an important contribution to maintaining global and regional production and supply chains in all sectors.

The remaining market volume is accounted for by supply chain solutions and services, the growth of which is fueled in no small part by the increasing automation and digitalization of production and logistics processes in various industries.

In the past, the material handling market was 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. Despite the regionalization of some supply chains as a result of the coronavirus pandemic, the globalization of many sectors continues to be one of the main overarching growth drivers. Global megatrends – such as e-commerce, demographic change, urbanization, digitalization, and sustainability – are also driving the growth of the material handling market.

The KION Group believes that these developments and trends are boosting demand for decentralized warehouse and logistics capacity in response to value chains and supply chains that are becoming increasingly fragmented as well as demand for smaller warehouses and micro-fulfillment solutions. Digitalization is increasing the connectivity and enhancing the big data functions of intralogistics solutions, thereby catering to the growing demand for everything from networked trucks and systems to predictive maintenance tools, self-monitoring trucks, virtual reality solutions, and automation. The KION Group believes that interest in automated and digital solutions has risen during the coronavirus pandemic because they contribute to the safety and resilience of intralogistics processes.

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 gross domestic product and industrial output. By contrast, the Supply Chain Solutions market segment tends to be less cyclical owing to longer project cycles, often lasting for several years, and to the stable growth of e-commerce. In both segments, the service business is generally more stable than the product or project business as it is linked to the installed base of trucks and systems over their entire lifetime. The economic situation is also affected by competition levels, exchange rates, and changes in commodity prices. Economic trends within individual customer sectors are another important factor. The significant sectors are manufacturing, the food industry, general merchandise and grocery wholesale and retail, logistics services, and pure e-commerce.

Regulatory frameworks have a major impact on the business model, both in the Industrial Trucks & Services segment and in the Supply Chain Solutions segment. The products and services of subsidiaries in the KION Group have to comply with the specific legal requirements in their respective markets. Compliance with the different requirements has to be verified or certified. Many of the legal requirements are enshrined in product-specific standards and other norms (e.g. EN, ISO, and DIN). The KION Group’s management systems are oriented to these requirements.

Legal requirements also apply to the construction and operation of production facilities, including in relation to air pollution avoidance, noise reduction, waste production & disposal, and health & safety. There are also legal provisions pertaining to exports and financing business.

Influencing factors in the Industrial Trucks & Services segment

The value of the global market for industrial trucks (including services) has, according to the KION Group’s estimates, increased by an average of around 7 percent annually in recent years (2015–2021) and reached a volume of approximately €51 billion in the year under review. This is due in large part to the growth in the volume of new truck business and the rise in the contribution from the service business compared to the past.

Measured in terms of units ordered, around 31 percent of the global market was attributable to IC counterbalance trucks in 2021, while electric forklift trucks accounted for roughly 17 percent and warehouse technology 52 percent.

Sustainability and electrification are among the main driving factors in the market for industrial trucks and services. Customers are increasingly demanding solutions for environmentally friendly supply chains, primarily electric trucks. Consequently, the strongest growth in the new truck business in recent years has been for forklift trucks and warehouse trucks powered by an electric motor. Much of the additional volume in the market for new industrial trucks is attributable to the electrification of manual 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 per-unit price for warehouse technology is considerably lower than for counterbalance trucks, which is why the breakdown by value shows that counterbalance trucks dominate. IC counterbalance trucks continue to make up a comparatively high proportion of the total unit volume in growth regions.

Stricter emissions standards and new energy solutions – particularly lithium-ion batteries, but also fuel cells – are also boosting demand for counterbalance trucks with an electric drive and for warehouse facilities.

Furthermore, the increasing automation of warehouses and the resulting rise in indoor material handling are 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 vehicles. 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, such as fleet management systems and products that use big data to support predictive maintenance tools.

The industrial truck market is benefiting from customers' growing requirements regarding the quality, efficiency, and eco-friendliness 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. At the same time, there is mounting competitive pressure worldwide as some manufacturers in the economy segment based in China are pursuing an international expansion strategy. In mature markets and, increasingly, in growth regions, the large number of trucks in use also provides a strong base for replacement business and rising demand for services.

Influencing factors in the Supply Chain Solutions segment

According to the KION Group's estimates, the market for supply chain solutions has expanded somewhat faster than the market for industrial trucks and services in recent years (2015–2021), 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 of installed systems and the trend toward the outsourcing of logistics processes.

The growth of e-commerce has a major influence on demand for supply chain solutions, including warehouse automation and solutions for sorting and for automated goods transportation. According to estimates by the research institute eMarketer, global online trade (B2C) has expanded at an average rate of around 21 percent in recent years (2015–2021). At the same time, omnichannel approaches are becoming more prevalent in all sectors. The KION Group believes that this has made companies more willing to invest in reorganizing their supply chains in order to automate and digitalize them. Moreover, companies have a lot of ground to make up – according to L.E.K. Consulting, only around 10 percent of warehouses are currently fully automated – and the customers want to receive their deliveries within one working day. This calls for shorter lead times, a more efficient flow of goods, a broader product range, and improved process reliability.

The combination of smaller order volumes and more frequent orders requires efficient and automated solutions. This is driving demand for decentralized and smaller warehouse and logistics capacity and for micro-fulfillment solutions in urban areas that enable faster deliveries and, due to automated processes, lower 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. 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 AGVs and AMRs.

Market position

In 2021, the Industrial Trucks & Services segment had a 12.8 percent share of the global market based on order intake measured by the number of units (2020: 12.1 percent). The rise is primarily attributable to the healthy growth recorded across all product segments in the APAC region. Measured in terms of units sold in 2021, KION continues to be the number one in the European market for industrial trucks. In China, it is still the leading non-domestic manufacturer and number three overall in terms of revenue.

The Supply Chain Solutions segment (Dematic) was the biggest provider in the global market for warehouse automation in terms of revenue in 2020. This is supported by data from 2021 gathered by Interact Analysis. Global market share was 9.6 percent. Studies by Interact Analysis in 2020 also ranked Dematic as the leading vendor in the fast-growing AGV and AMR segment and in the automation of micro-fulfillment centers. Broken down by customer sector, Dematic has achieved particularly strong market share in the general merchandise, grocery, and apparel sectors.

Strategy of the KION Group

Objectives of the KION 2027 strategy

The KION Group forged ahead with the implementation of its KION 2027 strategy during the reporting year. The KION 2027 strategy provides the framework for profitable growth in the Group and specifies groupwide targets. The strategy is aligned with the KION Group’s vision: “We are the best company in the world at understanding our customers’ material handling needs and providing the right solutions.”

The KION 2027 strategy provides the framework in the Group and sets groupwide targets:

- Growth: The KION Group aims to grow at a faster rate than the global material handling market by evolving into a solutions provider in both segments. The medium-term target is consolidated revenue of over €12 billion in 2023, to which the Industrial Trucks & Services is to contribute more than €7.5 billion and the Supply Chain Solutions segment more than €4.5 billion.
- Profitability: The KION Group wants to retain its position as one of the most profitable suppliers in the industry and improve its adjusted EBIT margin to between 10 percent and 12 percent in 2023. Also in 2023, the Industrial Trucks & Services segment is aiming for an adjusted EBIT margin of over 10 percent while the Supply Chain Solutions is targeting a range of 12 percent to 14 percent.
- 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: 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.

Strategic fields of action and measures in 2021

Six fields of action have been defined for the KION 2027 strategy – energy, digitalization, automation, innovation, performance and, since 2021, sustainability – for which a wide range of strategic measures were implemented in 2021. Once again, there was also a focus on capital expenditure aimed at enduringly strengthening the position of the KION Group in the market.

Energy

The KION Group continually develops its products and solutions so that its customers are able to use energy as efficiently and sustainably as possible. Electric-powered forklift trucks and warehouse trucks already made up around 87 percent of order intake (in terms of units) in the KION Group’s Industrial Trucks & Services segment in 2021. The strategy is focused on the development and commercialization of new energy sources, such as lithium-ion batteries and fuel cells, for industrial trucks and on related services, such as the provision of advice on energy matters.

Crucial to this strategic approach is ensuring the long-term availability of lithium-ion batteries while reducing dependence on suppliers. For the joint venture KION Battery Systems GmbH, 2021 was the first full year of manufacturing lithium-ion batteries for the KION Group’s industrial trucks. It also extended the range of production series to supply batteries for a greater number of trucks and power classes. In parallel, further improvements were made to the performance and robustness of electric forklift trucks, including those in higher load ranges. Preparations are under way for the production of lithium-ion batteries for warehouse trucks (see ‘Research and development’). In October 2021, the KION Group acquired a minority stake in ifesca GmbH, based in Ilmenau, Germany, which means it will be able to offer customers a fully integrated AI-based solution for energy management in the future.

Digitalization

The KION Group is gearing its business to customers' increasingly digitalized processes in order to improve their intralogistics efficiency. The digitalization of customer solutions – including through the use of the proprietary warehouse management system Dematic iQ – is being accompanied by the digitalization of internal processes and resulting improvements in performance. The KION Group is not only integrating software into its solutions but also increasingly marketing software solutions as standalone products. Internal organizational structures are also being modernized in order to pave the way for agile development and embed it across the Group.

The focus in 2021 was on digital solutions for warehouse automation. Dematic teamed up with STILL and Linde Material Handling to launch Conveyor ConfiKIT, an online tool for configuring conveyor technology systems. Linde Warehouse Navigator, a new warehouse management system, supports the automation of various intralogistics functions for small and medium-sized enterprises. In addition, the KION Group and its STILL brand company were involved in the joint project of the German Association of the Automotive Industry (VDA) and the German Mechanical Engineering Industry Association (VDMA), contributing their expertise to a digital interface that enables AGVs and control software supplied by different manufacturers to communicate with each other.

Automation

In the field of automation, the KION Group offers customized and scalable solutions for a wide range of customer requirements, from single forklift trucks to end-to-end mobile automation solutions and fully automated large-scale warehouses. These are helping customers move closer to the goal of a 'lights-out' warehouse.

In 2021, Dematic enhanced its end-to-end warehouse automation solutions and implemented them for its customers, which included an international retail chain. Incorporating a climate-regulated high-bay storage facility and a clothes hanging system that can accommodate up to two million garments and transport up to 15,000 totes to the picking stations per hour, this is the biggest warehouse that Dematic has installed so far.

The strategic partnership with Quicktron (Shanghai), which was agreed upon in 2020 and underpinned by the acquisition of a minority stake, has significantly expanded the portfolio of AMRs of Dematic, Linde, and STILL. The software interfaces are standardized, ensuring seamless interaction with the warehouse management and control systems. The registration process for the next model, M100, began in December 2021. Finally, STILL developed the autonomous horizontal order picker OPX iGo neo for efficient process automation as part of a research project.

Innovation

The KION Group develops technologies on a cross-segment basis and in doing so drives forward innovation in the material handling market. It continued to invest significantly in research and development in 2021, at a rate of 2.7 percent of revenue.

In addition to efficient development processes, the KION Group also works with an effective innovation ecosystem. To this end, it partners with research institutes, universities, and companies so that it can go to market with new products and solutions within a short space of time. As part of this, the KION Group is involved in government-supported research and development projects, such as the use of mobile robotics solutions in the retail sector. In September, the KION Group joined forces with the Fraunhofer Institute for Material Flow and Logistics (IML) to establish a joint Enterprise Lab in which the autonomous vehicle swarm known as LoadRunner is being developed to market-readiness. The KION Group also obtained a license to use IML’s LoadRunner technology internationally.

Performance

The KION Group intends to continually improve internal efficiency, optimize the performance of its products from a customer perspective, and fully leverage synergies.

With the capacity and structural program begun in 2020 largely complete, the Industrial Trucks & Services segment focused on developing a global platform for the value segment in the reporting year. At the heart of this is a modular platform that will make it possible to manufacture more cost-effectively and thus achieve greater price competitiveness. In the years ahead, around 50 variants of diesel and electric forklift trucks will be built on the platform, using standard components wherever possible. This will also reduce the time needed for servicing. Production of the new product types in the load capacity range of 2–2.5 tonnes, which constitute the bulk of the volume segment, got under way in 2021. All of the electric forklift trucks from the new range can be fitted with lithium-ion batteries.

In November 2021, the KION Group announced to relocate the production of STILL reach trucks from Hamburg to Stříbro in the Czech Republic. This will free up capacity at the Hamburg plant for new product variants. Automation of the assembly process for automated pallet trucks at the Châtellerault plant in France is also helping to make production faster and more cost-effective. Automated production is due to begin in the spring of 2022.

The Supply Chain Solutions segment is also driving the scalability of products and solutions by refining its subsystems and standard modules. This will have a positive impact on costs and efficiency and give the segment a competitive edge in terms of quality and sustainability.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group’s focus on sustainability is reflected in its efforts to manufacture products that are as eco-friendly and safe as possible, to use climate- and environmentally friendly manufacturing processes, and to provide a safe and non-discriminatory working environment. Sustainability, which is enshrined in the KION 2027 strategy, was designated a separate field of action in 2021. It includes further-reaching objectives and initiatives focusing on people, products, and processes that will be defined in more detail in 2022.

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 the KION Group’s sustainability performance, and attractiveness as an employer. From a product perspective, the focus was on the ongoing development of energy-efficient solutions.

In October, the KION Group entered into an agreement with banks for a revolving credit facility linked to ESG criteria for the first time.

Further information can be found in the section 'Non-financial performance indicators – Sustainability' and, in particular, in the Group's 2021 sustainability report, which will be published in April 2022.

Major projects

Capital expenditure aimed at enduringly strengthening the position of the KION Group in the market was primarily focused on the growth regions of the global material handling market, above all Asia and eastern Europe. At the new counterbalance truck plant in Jinan, in China's Shandong province, pre-production started in December 2021, followed by the launch of regular production in February 2022. In July 2021, the KION Group began building industrial trucks at its new plant in Kołbaskowo, Poland. The additional capacity should help the Group to strengthen its position in the attractive value segment. In December 2021, the KION Group also commenced construction of a plant for supply chain solutions in Jinan that is scheduled to come on stream in the first quarter of 2023. These organic growth projects were complemented by strategic acquisitions. For example, the KION Group began the process of acquiring 49.0 percent of the shares in a leading provider of warehouse and supply chain automation solutions in India. Focusing on sustainability and doing business responsibly represent one of the key principles by which the KION Group operates.

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. It uses five core key performance indicators (KPIs), which remained unchanged in the reporting year, to continuously monitor market success, growth, earnings power, profitability, financial strength, and liquidity. The KPIs used to manage the segments are order intake, 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	2021	2020
Order intake	12,481.6	9,442.5
Revenue	10,294.3	8,341.6
Adjusted EBIT[1]	841.8	546.9
Free cash flow	543.8	120.9
ROCE	9.1%	6.2%

1 Adjusted for PPA items and non-recurring items

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.

KPIs used by the KION Group

This section contains an overview of the KPIs used by the KION Group to comply with the reporting obligations prescribed by law.

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. Order intake is shown in the > table 'Core key performance indicators' in this section.

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. It 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. 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.

Adjusted EBITDA for the long-term lease business

Adjusted EBITDA for the long-term lease business for the reporting period comprises the adjusted EBITDA generated by the KION Group as lessor from long-term direct and indirect leases in the ITS segment.

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 operating 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

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 KION Group's activities as lessor. A reconciliation of net financial debt to industrial net operating debt is presented in the > table 'Industrial net operating debt' (in the section 'Financial position and financial performance of the KION Group').

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 working capital that is required. The following > table 'Return on capital employed (ROCE)' shows how the figure for capital employed is calculated.

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 and is shown in the following table.

Return on capital employed (ROCE)

in € million	2021	2020
Total assets	15,850.9	14,055.7
– less selected assets[1]	–2,740.1	–2,370.1
– less selected liabilities[2]	–3,887.8	–2,873.3
Capital employed	**9,222.9**	**8,812.3**
Adjusted EBIT	**841.8**	**546.9**
ROCE	**9.1%**	**6.2%**

1 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

2 Other provisions, trade payables, contract liabilities, certain other financial liabilities and other liabilities

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 includes capitalized development costs and spending on property, plant, and equipment and on intangible assets (excluding right-of-use assets) for the reporting period.

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

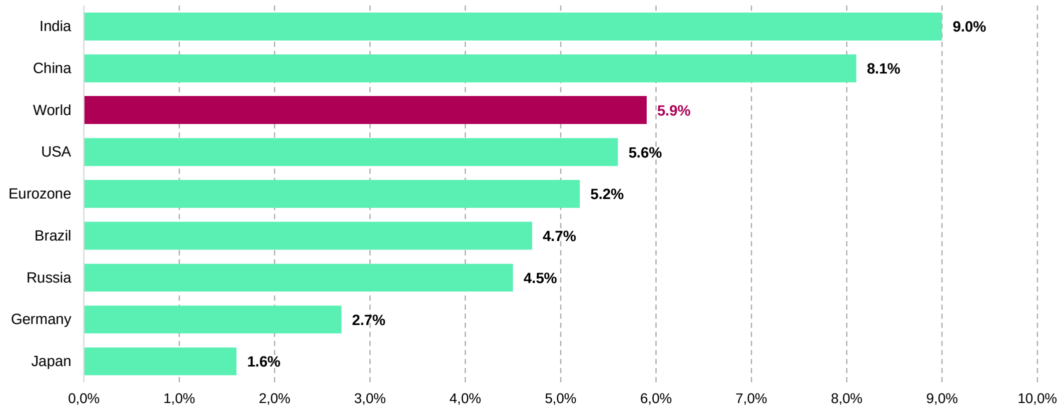
After taking a significant hit in 2020 due to the coronavirus pandemic, the global economy rallied sharply in 2021. However, the pandemic is not yet over, as demonstrated in the fourth quarter by a sharp resurgence in cases and the emergence of new variants of the virus. Local restrictions on movements that were reimposed in many countries toward the end of 2021 as a result of these developments prevented a stronger recovery of the global economy. Moreover, significant disruptions to supply chains over the course of the year took their toll on manufacturing.

The recovery was more pronounced than in the previous year, although the pace varied between regions and between sectors depending on the particular course of the pandemic, access to vaccines, and the extent of economic and fiscal stimulus measures. According to the International Monetary Fund (IMF), the economies of developed countries grew by 5.0 percent over the course of 2021. The eurozone exceeded this figure, with growth of 5.2 percent, but remained below its pre-crisis level from 2019. The US economy, meanwhile, supported by extensive government stimulus packages, expanded at a rate of 5.6 percent, which was slightly above the global average. The US economy had experienced a minor contraction in the previous year. Following a decline of just 2.0 percent in 2020, the emerging markets and developing countries saw their economic output rise by 6.5 percent. China exceeded this rate of growth with an increase of 8.1 percent, which was driven by strong exports and rising domestic demand.

The IMF reported that global economic output grew by 5.9 percent in 2021, which more than made up for the decline of 3.1 percent in the previous year. It also stated that global trade was up by 9.3 percent after suffering a steep decline in 2020 (down by 8.2 percent).

However, the continuation of this global economic upturn was subject to a resurgence of risk at the end of the year. This was due not only to the spread of the highly contagious Delta and later Omicron variants of coronavirus but also to the restricted access to vaccines in low-income countries, which led to regional variances in economic growth. In addition, disruption to the manufacturing and supply situation as a result of the pandemic increased significantly over the course of the year and led to bottlenecks of key production goods. These supply shortages were associated with a sharp increase in commodity prices and energy costs, which led to higher consumer prices. Despite the growing danger posed by inflation, monetary and fiscal policy remained on an expansionary footing. Toward the end of the year, however, it became clear that the first interest-rate hikes in this cycle were on the horizon in the US.

Gross domestic product in 2021 real year-on-year change



Source: International Monetary Fund (as at Jan. 26, 2022)

Sectoral conditions

The global material handling market, which comprises industrial trucks and supply chain solutions, again grew at a faster rate than the global economy in 2021. The market for industrial trucks recorded strong growth, particularly in the first half of the year, driven by pent-up demand and customers bringing orders forward in the face of looming supply bottlenecks and anticipated price increases. It then began to normalize in the second half of the year. Growth was especially strong in the EMEA and Americas, which were among the regions worst affected by the coronavirus pandemic last year. There was also a further substantial rise in demand for warehouse automation and for sorting and automated goods transport solutions, partly in connection with the creation of extra warehouse capacity for the fast-growing e-commerce market.

Industrial Trucks & Services

The global market for industrial trucks expanded sharply compared with pandemic-hit 2020. The number of new truck orders rose by a total of 42.9 percent to 2,343 thousand units, which was a new record. There were significant year-on-year increases in all product categories. The momentum dropped off sharply in all regions over the course of 2021, which the KION Group believes was mainly because the recovery had already begun to take effect in some regions in the previous year. The rate of growth was 72.3 percent in the first six months of 2021, but 20.6 percent in the last six.

All sales regions contributed to this upturn. In the APAC region (Asia-Pacific), the number of new trucks ordered went up by 30.0 percent compared with the prior year. This was primarily attributable to orders for entry-level warehouse trucks. The Chinese market (up by 28.0 percent) made the biggest contribution here in absolute terms. In the EMEA region (western Europe, eastern Europe, Middle East, and Africa), new orders rose by 53.4 percent compared with the (albeit severely impacted) figure for the prior year. The Americas region (North, Central, and South America) registered growth of 60.7 percent, which was mainly due to higher order volumes in the North American market. There was also a steep upward trend in the markets in Central and South America.

The number of new IC trucks ordered went up by 22.7 percent, driven mainly by the Americas and APAC regions. Electric forklift truck orders and warehouse truck orders rose by an even greater amount (up by 56.7 percent and 53.7 percent respectively) and were up significantly in all sales regions. The persistently strong demand for entry-level trucks was a major factor in the increased number of warehouse truck orders, but in terms of revenue, this had only a limited impact on the overall market volume.

The share of the global market attributable to IC counterbalance trucks dropped from 36 percent to 31 percent year on year, whereas electric forklift trucks accounted for 17 percent (2020: 15 percent) of the global order volume and warehouse technology 52 percent (2020: 49 percent).

Global industrial truck market (order intake)

in thousand units	2021	2020	Change
EMEA	**771.5**	**503.0**	**53.4%**
Western Europe	577.5	380.6	51.7%
Eastern Europe	147.3	88.3	66.9%
Middle East and Africa	46.7	34.1	36.9%
Americas	**491.4**	**305.8**	**60.7%**
North America	420.1	264.1	59.1%
Central and South America	71.3	41.7	70.8%
APAC	**1,080.0**	**830.6**	**30.0%**
China	829.6	648.1	28.0%
APAC excluding China	250.4	182.5	37.2%
World	**2,343.0**	**1,639.4**	**42.9%**

Source: WITS/FEM

Supply Chain Solutions

Market research provider Interact Analysis reported a sharp increase in the global market for supply chain solutions in 2021. It estimates that global revenue generated by warehouse automation solutions surged by around 21 percent in 2021, after growing only moderately in the previous year. According to Interact Analysis, this growth was partly due to companies working through the high level of orders on hand that had built up in 2020. During the coronavirus pandemic in that year, a significant consumer pivot to online purchases drove up investment in omnichannel approaches and automated warehouse environments. However, the associated revenue growth was delayed to 2021 due to postponements in the completion of projects and restrictions in the supply chain.

The EMEA and Americas regions were key contributors to the growth in supply chain solutions. There was a particularly sharp increase in the volumes of revenue generated in the grocery and general merchandise industries; these were the standout sectors in this respect.

Procurement markets

On the whole, prices for the commodities used by the KION Group rose sharply over the course of 2021. These increases were due in part to restrictions in the availability of materials. The steel price steepened sharply in the first half of 2021 and then remained well above its average for 2020, despite a slight dip beginning to emerge over the course of the second half of the year. The average price of steel over the twelve-month period nearly doubled with a rise of 99.3 percent. Copper prices maintained their sharp upward trend from the prior year. The price of copper ended the reporting year 46.2 percent higher than at the end of 2020. The increase in commodity prices could also be seen in the price of oil, which was 58.3 percent higher on average than the comparable figure for 2020. This was mainly due to the resurgence in global economic growth coupled with a slowdown in production by the OPEC states. The price of rubber was also much higher than its average for 2020.

Financial markets

In the reporting year, the KION Group billed 54.3 percent (2020: 50.2 percent) of its revenue in foreign currencies, the most important of which in addition to the US dollar were the Chinese renminbi and pound sterling. On average, the euro appreciated against the US dollar in 2021 (up by 3.6 percent), which weakened the export business. By contrast, it depreciated against the Chinese renminbi by 3.1 percent. Nonetheless, currency effects had only a negligible impact on the KION Group's operating performance in the year under review.

Financial position and financial performance of the KION Group

Business performance in the Group

Resilient and flexible business model

The KION Group weathered further waves of the coronavirus pandemic in 2021 without any notable outages anywhere in the value chain. Measures taken to protect the health of employees, especially when dealing with suppliers and customers, remained in force throughout, and virtually all sites avoided chains of infection.

Thanks to the measures taken in the previous year to stabilize the availability of materials and the initiatives launched to increase efficiency in the production and service network, the KION Group was able to maintain its position despite the difficult situation in the procurement markets and recorded significant increases in both order intake and revenue.

In the Industrial Trucks & Services segment, the production and supply bottlenecks at suppliers grew over the course of the year to include numerous production materials. Against this backdrop of difficult market conditions, which affected the entire industry and resulted in longer delivery times, the KION Group announced a scheduled price increase in the EMEA region for the end of 2021, which reflected the significant rise in material prices. This prompted some customers to bring their orders forward in the fourth quarter. As at the end of the year, the order book had grown significantly as a result of pent-up demand from previous years and delays to deliveries until 2022 due to shortages of materials.

In the Supply Chain Solutions (SCS) segment, significantly higher material prices and supply bottlenecks affecting bought-in parts also resulted in noticeable inefficiencies and delays to the implementation of projects. Despite rapid processing of the large volume of orders from the prior period, the order book was even higher as at the end of the year as a result of strong demand from customers for warehouse automation.

Following the corporate action taken in 2020 to build up the KION Group’s financial strength in response to the coronavirus pandemic and to increase the flexibility of its funding over the long term, the Group enjoyed a comfortable level of liquidity in 2021, which it used to reduce its financial debt. For example, a variable-rate tranche of the promissory note that was due to mature in 2024 and had a nominal amount of €167.0 million was repaid ahead of schedule at the end of April 2021. In October, KION GROUP AG entered into an agreement for a new syndicated revolving credit facility (RCF) with a total volume of €1,000.0 million. The new credit facility, which is also intended to improve funding conditions, has a term of five years that can be extended by up to two years with the consent of the syndicate of banks. The previous credit facility, whose term was due to end in February 2023 and which had a volume of €1,150.0 million, was terminated at the same time. From 2023, the new credit facility’s interest rate will depend on selected ESG criteria of the KION Group, in line with the principles of sustainable corporate governance.

Continued investment in global growth

The KION Group continued with its ongoing growth projects according to plan in 2021, with some already completed successfully. Further capital expenditure projects were launched in connection with the targets defined in the KION 2027 strategy. Focusing mainly on China and eastern Europe, these projects should enable the volume of business and local production to be increased in the fast-growing regions of the global material handling market.

At the new plant in Jinan, in China’s Shandong province, pre-production of Linde and Baoli counterbalance trucks started in December 2021, followed by the launch of regular production in February 2022. With a capacity of up to 40,000 industrial trucks, the plant is an addition to the network of production sites in China and will help to consolidate the Group’s position in the fast-growing value segment. The KION Group also aims to capitalize on opportunities for growth resulting from the increasing electrification of industrial trucks in China. The operator of the new plant is KION (Jinan) Forklift Co., Ltd., which was established with Weichai Power Co., Ltd. and in which the KION Group holds a 95.0 percent stake. Capital expenditure on this project amounted to around €100 million in total.

In November 2021, the KION Group announced the construction of a new plant for supply chain solutions in Jinan, which will further expand its product portfolio for warehouses and distribution centers in Asia, especially in China, which is one of the fastest-growing markets for supply chain solutions. The new plant will be used to manufacture items such as racks for the Dematic Multishuttle system, components for automated guided vehicle systems, and conveyor belts and systems. The factory is scheduled to go into operation in the first quarter of 2023. The planned level of capital spending will be just under €40 million.

The new industrial truck plant in Kołbaskowo, near Szczecin in Poland, came on stream in the second quarter of 2021. Its production line has a capacity of up to 12,000 industrial trucks.

To further strengthen its technological and market position, particularly in the areas of automation and digitalization, the KION Group complemented its organic growth projects with strategic acquisitions in 2021. In the Supply Chain Solutions segment, the KION Group entered into an agreement in July 2021 to acquire 49.0 percent of the share capital and voting rights in a leading provider of warehouse and supply chain automation solutions in India. The plan set out in the agreement is for the KION Group to then acquire the remaining 51.0 percent of the shares in two further tranches by 2025. The KION Group's total investment over time is expected to be in the high double-digit millions of euros. Completion of the transaction is subject to approval by the authorities in India.

At the end of September 2021, the KION Group agreed a strategic partnership with ifesca GmbH, a start-up specializing in the energy industry, by acquiring a stake of around 20 percent. ifesca's AI-based energy management platform offers an innovative range of solutions for predictive and resource-efficient energy management that are to be gradually integrated into the KION Group's product portfolio as part of an end-to-end approach to energy management.

In the Industrial Trucks & Services segment, the KION Group further strengthened Linde Material Handling's dealer network by acquiring the remaining shares in the Hamburg-based wholesaler and service provider Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH in February 2021. As a result of the acquisitions, these companies are now wholly owned subsidiaries. The purchase consideration for 79.0 percent of the shares totaled €13.9 million.

Overall assessment of the economic situation

The KION Group grew rapidly in 2021, with order intake at record levels despite persistent difficulties in the economy as a whole. The considerable, industry-wide challenges resulting from the difficult situation in the procurement markets and rising commodity prices were successfully managed overall, although it was impossible to avoid longer delivery times. The modest fall in revenue in the prior year was compensated for several times over by strong revenue growth in 2021. Adjusted EBIT rose at an even faster rate as a result of increased volumes and savings from measures to raise efficiency and reduce costs. Thanks to this very encouraging business performance, the KION Group adjusted the capacity and structural program that it had launched in 2020 in relation to personnel measures aimed at reducing capacity in response to the coronavirus pandemic. Going forward, the KION Group will focus on its structural program and the related efficiency measures.

The KION Group's order intake amounted to a record €12,481.6 million, which was 32.2 percent higher than the figure for the previous year (2020: €9,442.5 million). This significant rise was mainly driven by the Industrial Trucks & Services segment, whose order intake grew by 40.9 percent year on year and even exceeded the pre-pandemic order levels of 2019. Whereas the first half of the year was dominated by pent-up demand following the restrictions during the coronavirus pandemic, the rest of the year saw customers increasingly bringing orders forward in the face of stretched global supply chains and significantly longer delivery times. In the Supply Chain Solutions segment, order intake rose by 18.5 percent, primarily as a result of increased capital spending on warehouse automation. As at the end of 2021, the Group's order book had grown to a record €6,658.5 million.

Consolidated revenue increased by 23.4 percent to €10,294.3 million (2020: €8,341.6 million). Despite the supply bottlenecks becoming more severe as the year went on, revenue in the Industrial Trucks & Services segment grew by 13.8 percent on the back of very high customer demand. The Supply Chain Solutions segment increased its revenue by 44.5 percent, primarily by working through the substantial order book in the project business (business solutions). The growth of the service business also contributed to the segment's rise in revenue.

Adjusted EBIT increased significantly to €841.8 million, up by €295.0 million, or 53.9 percent, on the very low figure of €546.9 million in 2020. The greater volume in business in the two operating segments had a positive impact, as did the first contributions to earnings from ongoing structural measures. The adjusted EBIT margin rose substantially from 6.6 percent to 8.2 percent, though it still has some way to go to reach pre-pandemic levels. Significantly higher material prices and logistics costs had a negative impact on the margin, as did inefficiencies in production and projects as a result of the supply bottlenecks.

At €568.0 million, net income greatly exceeded the figure for 2020 (€210.9 million) and was also higher than in 2019. This upturn was driven by the increase in revenue combined with a relatively moderate rise in functional costs, by the improvement in net interest expense, and by positive non-recurring items in relation to defined benefit obligations resulting from plan adjustments. The tax rate of 25.2 percent was also considerably lower than in the prior year (2020: 30.1 percent). Basic earnings per share rose to €4.34 (2020: €1.81) based on an average number of 131.1 million (2020: 118.9 million) no-par-value shares. KION GROUP AG will propose a dividend of €1.50 per share to the 2022 Annual General Meeting (2020: €0.41).

Free cash flow amounted to €543.8 million (2020: €120.9 million), which strengthened the Group's financial position. This increase was due mainly to the rise in the KION Group's operating profit. The rise was limited by the growth in net working capital over the course of the year and by higher cash payments for capital expenditure on expanding and modernizing the production sites.

Net financial debt fell to €567.6 million (December 31, 2020: €880.0 million). This equated to 0.3 times adjusted EBITDA in the year under review (2020: 0.6 times). The repayment of long-term financial liabilities was partly offset by the higher funding requirement for the increase in net working capital.

Comparison between actual and forecast growth

In view of the positive trend in the main key performance indicators, the Executive Board of KION GROUP AG raised the outlook in mid-2021 that it had published in the 2020 annual report. However, there was no change to the target ranges for the Group's free cash flow and for order intake in the Supply Chain Solutions segment.

Taking all key performance indicators into account, the updated outlook was achieved and, in the case of order intake, even exceeded. The KION Group's order intake of €12,481.6 million was higher than the target range of €10,650 million to €11,450 million. At €10,294.3 million, consolidated revenue was near the upper end of the target range of €9,700 million to €10,300 million. Adjusted EBIT amounted to €841.8 million, also within its target range of €810 million to €890 million. Free cash flow reached €543.8 million with a target range of €450 million to €550 million. ROCE of 9.1 percent was at the lower end of the target range of 9.0 percent to 10.0 percent.

Comparison between actual and forecast business performance for 2021

in € million	KION Group Outlook annual report 2020	KION Group Outlook 2021 adjusted	KION Group Actual business performance 2021
Order intake	9,700 – 10,400	10,650 – 11,450	12,481.6
Revenue	9,150 – 9,750	9,700 – 10,300	10,294.3
Adjusted EBIT	720 – 800	810 – 890	841.8
Free cash flow	450 – 550	450 – 550	543.8
ROCE	8.2% – 9.2%	9.0% – 10.0%	9.1%

The results of the two operating segments were also all within the target ranges that applied from mid-2021, and some of the KPIs actually exceeded the target ranges. Order intake in the Industrial Trucks & Services segment amounted to €8,166.3 million, which was substantially higher than the target range of €6,850 million to €7,250 million. At €6,514.0 million, revenue was near the upper end of the target range of €6,250 million to €6,550 million. Adjusted EBIT amounted to €536.0 million, which was within the target range of €525 million to €565 million.

The order intake of the Supply Chain Solutions segment amounted to €4,329.4 million, thereby exceeding the target range of €3,800 million to €4,200 million. At €3,796.2 million, revenue was also slightly higher than the target range of €3,450 million to €3,750 million. Adjusted EBIT amounted to €409.5 million, which was within the target range of €385 million to €425 million.

Comparison between actual and forecast business performance by segments for 2021

	Industrial Trucks & Services			Supply Chain Solutions		
in € million	Outlook annual report 2020	Outlook 2021 adjusted	Actual business performance 2021	Outlook annual report 2020	Outlook 2021 adjusted	Actual business performance 2021
Order intake[1]	5,900 – 6,200	6,850 – 7,250	8,166.3	3,800 – 4,200	3,800 – 4,200	4,329.4
Revenue[1]	5,900 – 6,200	6,250 – 6,550	6,514.0	3,250 – 3,550	3,450 – 3,750	3,796.2
Adjusted EBIT[1]	445 – 485	525 – 565	536.0	360 – 400	385 – 425	409.5

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

Business situation and financial performance of the KION Group

Level of orders

The value of the KION Group's order intake rose by 32.2 percent to a record €12,481.6 million (2020: €9,442.5 million). Much of this rise was attributable to the Industrial Trucks & Services segment, where order intake jumped by 40.9 percent to €8,166.3 million (2020: €5,796.8 million) due to high demand from customers for new trucks and services. This was partly thanks to pent-up demand created by customers' reluctance to invest in the previous year and partly to orders brought forward by customers in response to global supply chain disruptions, longer delivery times, and the announcement of upcoming price increases. In the Supply Chain Solutions segment, order intake went up by 18.5 percent to €4,329.4 million (2020: €3,654.5 million). This rise was primarily the result of a larger volume of orders in the project business. There was also increased demand in the service business, which benefited from the expanding installed base of completed customer projects.

Currency effects had a modest impact on the value of the KION Group's order intake, reducing it by €53.1 million.

Fueled by the surge in new business and project business in the operating segments, the Group's order book had grown by 49.9 percent year on year to €6,658.5 million as at the end of 2021 (December 31, 2020: €4,441.3 million). In the Industrial Trucks & Services segment, this trend was boosted by orders brought forward by customers and by delays in the delivery of new trucks caused by bottlenecks at suppliers.

Revenue

Consolidated revenue increased by 23.4 percent to €10,294.3 million in 2021 (2020: €8,341.6 million). Currency effects had a negative impact on consolidated revenue, decreasing it by €47.1 million.

In the Industrial Trucks & Services segment, revenue generated from external customers rose by 13.8 percent to €6,503.5 million (2020: €5,712.6 million). The segment's new truck business benefited from exceptionally strong customer demand that was underpinned by pent-up demand following the pandemic-related restrictions in 2020 and by orders brought forward. However, global bottlenecks in the supply of bought-in parts took their toll on unit sales, especially in the second half of the year.

In the Supply Chain Solutions segment, revenue from external customers increased by 44.3 percent to €3,780.3 million (2020: €2,619.4 million). In addition to the high volume of orders in the project business (business solutions), this was because the segment worked through big-ticket orders for warehouse automation that had been placed in North America and Europe in 2020.

The growth of the service business in both segments made a noticeable contribution to the rise in revenue. Overall, however, the proportion of consolidated revenue attributable to the service business declined from 43.9 percent in the previous year to 40.5 percent. This was predominantly due to the disproportionately strong increase in revenue from the project business in the Supply Chain Solutions segment.

Revenue with third parties by product category

in € million	2021	2020[1]	Change
Industrial Trucks & Services	**6,503.5**	**5,712.6**	**13.8%**
New business	3,104.7	2,734.5	13.5%
Service business	3,398.8	2,978.1	14.1%
– Aftersales	1,734.8	1,523.2	13.9%
– Rental business	1,000.5	911.1	9.8%
– Used trucks	412.7	364.0	13.4%
– Other	250.8	179.8	39.5%
Supply Chain Solutions	**3,780.3**	**2,619.4**	**44.3%**
Business solutions	3,006.7	1,935.1	55.4%
Service business	773.7	684.3	13.1%
Corporate Services	**10.5**	**9.6**	**9.5%**
Total revenue	**10,294.3**	**8,341.6**	**23.4%**

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

Revenue by sales region

In the Industrial Trucks & Services segment, a large part of the revenue growth in the reporting year was attributable to the main EMEA sales region, which had been particularly badly affected by the coronavirus pandemic in 2020 and then benefited from significant pent-up demand in 2021. However, the segment registered an even stronger percentage increase in the APAC region that was primarily attributable to China. Nevertheless, the pace of growth in this region tailed off in the second half of the year. Revenue from external customers also rose sharply in the Americas region, despite negative currency effects.

The Supply Chain Solutions segment saw disproportionately strong growth in its core sales market of North America, despite negative currency effects. The EMEA and APAC regions also recorded substantial increases. The main contributor to the rise in both regions was investment in new facilities and in the expansion of existing facilities, primarily by major e-commerce customers but also by customers in the grocery, textile, and general merchandise sectors.

Revenue with third parties by customer location

in € million	2021	2020	Change
EMEA	**6,364.4**	**5,562.9**	**14.4%**
Western Europe	5,562.8	4,907.7	13.3%
Eastern Europe	713.0	576.5	23.7%
Middle East and Africa	88.7	78.7	12.7%
Americas	**2,751.4**	**1,846.0**	**49.0%**
North America	2,548.5	1,687.6	51.0%
Central and South America	202.9	158.4	28.1%
APAC	**1,178.5**	**932.7**	**26.4%**
China	686.1	526.1	30.4%
APAC excluding China	492.5	406.6	21.1%
Total revenue	**10,294.3**	**8,341.6**	**23.4%**

Earnings and profitability

EBIT, EBITDA and ROCE

Earnings before interest and tax (EBIT) jumped significantly year on year, rising by €404.9 million to €794.8 million. The figure for 2020 of €389.9 million had been heavily impacted by the coronavirus pandemic. EBIT for 2021 included a good level of positive non-recurring items, which amounted to income of €37.8 million (2020: expense of €65.1 million). The prior-year figure had mainly included components of the capacity and structural program (expense of €45.8 million) and impairment losses on non-current assets. The very satisfying level of orders on hand enabled the KION Group to adjust the capacity program and reverse excess provisions; taking account of the ongoing program costs, there were positive non-recurring items amounting to income of €8.2 million. Plan adjustments affecting defined benefit obligations resulted in further non-recurring items that amounted to income of €32.7 million. At the same time, purchase price allocation effects declined slightly to an expense of €84.8 million (2020: €91.9 million).

The Group's EBIT adjusted for purchase price allocation effects and non-recurring items (adjusted EBIT) amounted to €841.8 million, which was up substantially (by 53.9 percent) on the figure for 2020 of €546.9 million. The adjusted EBIT margin improved from 6.6 percent in the previous year to 8.2 percent in the reporting year.

EBIT

in € million	2021	in % of revenue	2020	in % of revenue
EBIT	**794.8**	**7.7%**	**389.9**	**4.7%**
Adjustment by functional costs:				
+ Cost of sales	12.6	0.1%	54.9	0.7%
+ Selling expenses and administrative expenses	39.9	0.4%	84.5	1.0%
+ Research and development costs	–4.0	–0.0%	2.9	0.0%
+ Other costs	–1.4	–0.0%	14.7	0.2%
Adjusted EBIT	**841.8**	**8.2%**	**546.9**	**6.6%**
adjusted for non-recurring items	–37.8	–0.4%	65.1	0.8%
adjusted for PPA items	84.8	0.8%	91.9	1.1%

Earnings before interest, tax, depreciation, and amortization (EBITDA) rose to €1,735.7 million (2020: €1,327.7 million). The Group's EBITDA adjusted for the positive non-recurring items (adjusted EBITDA) amounted to €1,696.9 million (2020: €1,383.5 million), giving an adjusted EBITDA margin of 16.5 percent (2020: 16.6 percent).

EBITDA

in € million	2021	in % of revenue	2020	in % of revenue
EBITDA	**1,735.7**	**16.9%**	**1,327.7**	**15.9%**
Adjustment by functional costs:				
+ Cost of sales	–26.0	–0.3%	14.8	0.2%
+ Selling expenses and administrative expenses	–6.7	–0.1%	37.1	0.4%
+ Research and development costs	–4.2	–0.0%	2.7	0.0%
+ Other costs	–1.9	–0.0%	1.3	0.0%
Adjusted EBITDA	**1,696.9**	**16.5%**	**1,383.5**	**16.6%**
adjusted for non-recurring items	–38.7	–0.4%	55.8	0.7%
adjusted for PPA items	0.0	0.0%	0.0	0.0%

Adjusted EBITDA for the long-term lease business, which is derived from internal reporting and assumes a minimum rate of return on the capital employed, amounted to €324.3 million (2020: €326.3 million).

Return on capital employed (ROCE), which is the ratio of adjusted EBIT to capital employed, was up sharply year on year at 9.1 percent (December 31, 2020: 6.2 percent). This can be explained by the sharp rise in earnings and a proportionately smaller increase in capital employed at the end of 2021.

Key influencing factors for earnings

The cost of sales rose at a similar rate to revenue, increasing by 23.4 percent to €7,770.7 million (2020: €6,296.8 million). The gross margin was squeezed by the effects of higher material prices and logistics costs, inefficiencies resulting from supply and resource bottlenecks, and the relatively small increase in volumes in the high-margin service business in the SCS segment. However, this was more or less offset by the smaller increase in the level of fixed costs within cost of sales relative to the increase in revenue. The KION Group's gross margin therefore remained virtually unchanged year on year at 24.5 percent (2020: 24.5 percent).

The rise in other functional costs was largely due to the increased volume of business. There was also higher variable remuneration across all functional divisions on the back of the Group's good business performance. Nevertheless, other functional costs went up to a much lesser degree than revenue. Selling expenses rose by just 5.9 percent, partly because of the ongoing restrictions on travel and marketing activities. Administrative expenses increased by 10.6 percent year on year, partly due to the implementation of strategic projects, while costs for research and development climbed by 11.4 percent.

The savings achieved in connection with the ongoing structural program had a positive impact on functional costs. Positive non-recurring items affecting changes to pension plans also helped to reduce functional costs.

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

Condensed consolidated income statement

in € million	2021	2020	Change
Revenue	10,294.3	8,341.6	23.4%
Cost of sales	–7,770.7	–6,296.8	–23.4%
Gross profit	**2,523.6**	**2,044.8**	**23.4%**
Selling expenses and administrative expenses	–1,585.2	–1,471.8	–7.7%
Research and development costs	–174.7	–156.8	–11.4%
Other	31.1	–26.2	> 100%
Earnings before interest and tax (EBIT)	**794.8**	**389.9**	**> 100%**
Net financial expenses	–35.1	–88.3	60.3%
Earnings before tax	**759.7**	**301.6**	**> 100%**
Income taxes	–191.7	–90.7	< –100%
Net income	**568.0**	**210.9**	**> 100%**

The ‘other’ item, which came to €31.1 million (2020: minus €26.2 million), 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 €13.1 million (2020: loss of €2.2 million). The prior-year figure for the ‘other’ item had also been weighed down by impairment losses on non-current assets.

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved to €35.1 million (2020: €88.3 million). The main reasons for this were the ongoing reduction in financial debt, improved net interest income/expense from the lease business, and lower net interest expense from defined benefit plans. Moreover, the comparative figure for 2020 had included expenses in connection with the funding measures taken as a precaution in order to protect the Group’s financial strength during the coronavirus pandemic.

Income taxes

Income tax expenses rose significantly year on year to €191.7 million (2020: €90.7 million), reflecting the increase in earnings. The effective tax rate fell to 25.2 percent (2020: 30.1 percent). The figure for 2020 had been influenced by high non-tax-deductible expenses and by losses that could not be utilized for tax purposes owing to the level of earnings. By contrast, increased tax deductibles and additional tax credits in the Group led to a sharp drop in the tax rate in 2021.

Net income and appropriation of profit

Net income amounted to €568.0 million, which was almost double the prior-year figure of €210.9 million. This figure included a net loss attributable to non-controlling interests of €0.3 million (2020: €4.4 million). The net income attributable to the shareholders of KION GROUP AG was €568.3 million (2020: €215.3 million). Basic earnings per share attributable to the shareholders of KION GROUP AG came to €4.34 (2020: €1.81) based on 131.1 million (2020: 118.9 million) no-par-value shares. Diluted earnings per share, which is calculated by adding the potential dilutive no-par-value shares under the Employee Equity Program, amounted to €4.33 (2020: €1.81) based on a weighted average number of shares of 131.1 million (2020: 118.9 million).

KION GROUP AG reported net income of €197.1 million in 2021 (2020: net loss of €6.5 million). The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 11, 2022 that an amount of €196.7 million be appropriated for the payment of a dividend of €1.50 per dividend-bearing share. This equates to a proposed dividend payout rate of around 35 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 order intake

In 2021, the Industrial Trucks & Services segment generated strong growth in the new truck business across the entire product range. Because the recovery had already begun to gather pace over the course of 2020, the year-on-year increase in the second half of 2021 was less pronounced than in the first half. However, demand picked up again in the market as a whole, providing a further boost to orders at the end of the reporting year. The total number of new trucks ordered rose by 51.0 percent to 299.4 thousand (2020: 198.3 thousand), driven by pent-up demand from previous years and orders brought forward.

In absolute terms, this increase was primarily attributable to higher order intake for counterbalance trucks, with a noticeable trend toward electric forklift trucks. Despite growing competition from Chinese providers in the EMEA region, order intake almost matched the rapid growth of the market as a whole. In the APAC region, the KION Group saw a sharp rise in the number of counterbalance truck orders, primarily due to an increase in the number of trucks ordered in China. Orders for warehouse trucks in the APAC region went up at an even stronger rate. The highest percentage increases were achieved in the Americas region, enabling the segment to capture additional market share. In the North American market, orders for both counterbalance trucks and warehouse trucks more than doubled.

The total value of order intake rose by 40.9 percent to €8,166.3 million (2020: €5,796.8 million). New truck business jumped by 68.5 percent, reflecting the particularly high growth rates for counterbalance trucks, which command higher unit prices than warehouse trucks. The order volume also increased across all categories in the service business. Currency effects had only a marginal negative impact on order intake, reducing it by a total of €8.6 million.

Key figures – Industrial Trucks & Services

in € million	2021	2020[1]	Change
Order intake	8,166.3	5,796.8	40.9%
Total revenue	6,514.0	5,723.4	13.8%
Order book[2]	2,877.8	1,384.1	> 100%
EBITDA	1,325.4	1,010.0	31.2%
Adjusted EBITDA	1,297.9	1,054.9	23.0%
EBIT	560.5	265.6	> 100%
Adjusted EBIT	536.0	311.4	72.2%
Adjusted EBITDA margin	19.9%	18.4%	–
Adjusted EBIT margin	8.2%	5.4%	–

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

2 Figures as at balance sheet date Dec. 31

Revenue

At €6,514.0 million, total revenue in the Industrial Trucks & Services segment was up by 13.8 percent on the previous year (2020: €5,723.4 million). Revenue in the new truck business went up by 13.5 percent, despite the bottlenecks in the procurement of components and raw materials. All product categories recorded a year-on-year rise, with particularly big increases in the warehouse truck and electric forklift truck categories. The service business registered an increase of 14.1 percent, thus outstripping the high rate of revenue growth for new truck business. This was thanks not only to significant increases in the aftersales business but also to the used truck business.

At 52.3 percent, the proportion of the segment's external revenue attributable to the service business was slightly higher than in the previous year (2020: 52.1 percent). Currency effects had a minimal impact on segment revenue, increasing it by €5.5 million.

Earnings

The adjusted EBIT of the Industrial Trucks & Services segment rose by €224.6 million to €536.0 million (2020: €311.4 million). This was mainly attributable to the increase in revenue. The segment's gross margin was higher than in the previous year, partly due to the smaller increase in fixed costs. However, the positive effects on earnings of revenue growth and the savings achieved in the ongoing structural program were partly offset by negative effects arising from greatly increased material prices and logistics costs, supply bottlenecks, and the resulting production inefficiencies in the new truck business. Overall, the adjusted EBIT margin improved to 8.2 percent in the reporting year (2020: 5.4 percent).

The non-recurring items, which amounted to total income of €26.3 million and were recognized in functional costs, largely related to positive effects of plan adjustments affecting defined benefit obligations and the partial reversal of excess provisions for the capacity program. On the expenses side, however, the negative effects included the intra-group allocation of costs of KION GROUP AG to subsidiaries in the ITS segment. The prior-year figure, an expense of €44.9 million, had included adverse effects on earnings from the capacity and structural program as well as an impairment charge on an equity investment. After taking into account non-recurring items and purchase price allocation effects, EBIT rose to €560.5 million (2020: €265.6 million). Adjusted EBITDA increased to €1,297.9 million (2020: €1,054.9 million), giving an adjusted EBITDA margin of 19.9 percent (2020: 18.4 percent).

Supply Chain Solutions segment

Business performance and order intake

Order intake in the Supply Chain Solutions segment went up by 18.5 percent to €4,329.4 million in 2021 (2020: €3,654.5 million), driven by continued strong demand from customers for warehouse automation. Customers became more willing to invest as the year went on, resulting in a particularly robust volume of orders in the second half of 2021. The segment secured attractive new projects and projects for the modernization and expansion of existing facilities, primarily in North America and western Europe. The projects were of various durations and sizes and mainly for customers in the e-commerce, general merchandise, and grocery sectors. The expanding installed base of completed projects also resulted in a greater volume of orders in the service business. Despite the segment working through the high volume of orders received in the previous year, the order book continued to grow in the reporting year, which will ensure a good level of project-based capacity utilization well into 2022. Currency effects – primarily in relation to the US dollar – reduced order intake by a total of €44.4 million.

Key figures – Supply Chain Solutions

in € million	2021	2020	Change
Order intake	4,329.4	3,654.5	18.5%
Total revenue	3,796.2	2,627.1	44.5%
Order book[1]	3,792.2	3,071.1	23.5%
EBITDA	469.8	339.9	38.2%
Adjusted EBITDA	476.6	341.1	39.7%
EBIT	319.8	176.0	81.7%
Adjusted EBIT	409.5	277.5	47.6%
Adjusted EBITDA margin	12.6%	13.0%	–
Adjusted EBIT margin	10.8%	10.6%	–

1 Figures as at balance sheet date Dec. 31

Revenue

The total revenue of the Supply Chain Solutions segment increased year on year to €3,796.2 million (2020: €2,627.1 million). This very substantial rise of 44.5 percent was primarily attributable to the growth of the long-term project business (business solutions), where revenue jumped by 55.4 percent. Revenue growth was particularly significant in North America and western Europe, mainly because the segment worked through the order book that it had built up in 2020 and maintained a consistently high level of capacity utilization. The global supply bottlenecks had an especially noticeable impact on the Supply Chain Solutions segment in the fourth quarter, resulting in delays to projects. Revenue in the service business (customer services) increased by 13.1 percent year on year. However, the proportion of the segment's external revenue generated by the service business fell to 20.5 percent (2020: 26.1 percent) due to the above-average rise in revenue attributable to business solutions. Negative currency effects reduced segment revenue by €52.4 million.

Earnings

The adjusted EBIT of the Supply Chain Solutions segment amounted to €409.5 million (2020: €277.5 million). This year-on-year rise of €132.0 million was largely due to the increased volume of business. The gross margin was substantially lower than in the previous year owing to the relatively small volume increase in the high-margin service business, higher material prices, and inefficiencies resulting from supply and resource bottlenecks. This was offset by the smaller increase in other functional costs. The adjusted EBIT margin stood at 10.8 percent, which was slightly higher than the margin of 10.6 percent for 2020. After taking into account non-recurring items amounting to an expense of €6.6 million, which were partly attributable to the intra-group allocation of costs of KION GROUP AG to subsidiaries in the SCS segment, and an expense of €83.1 million for purchase price allocations, EBIT rose to €319.8 million (2020: €176.0 million).

Adjusted EBITDA increased to €476.6 million (2020: €341.1 million). The adjusted EBITDA margin was 12.6 percent (2020: 13.0 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, which came to €168.0 million (2020: €157.3 million), again mainly resulted from internal IT services.

The segment's EBIT came to €292.3 million (2020: €113.0 million). This included positive non-recurring items amounting to income of €18.1 million (2020: expense of €9.8 million) that arose primarily in connection with the intra-group allocation of costs of KION GROUP AG to the subsidiaries in the ITS and SCS segments. As a result, adjusted EBIT for the segment came to €274.2 million (2020: €122.7 million).

Excluding intra-group income from equity investments in the Corporate Services segment, adjusted EBIT was minus €103.4 million (2020: minus €41.7 million). This sharp fall was largely attributable to the costs incurred in the reporting year in connection with groupwide strategic projects. Moreover, higher personnel expenses relating to variable remuneration components helped to push up administrative expenses. Adjusted EBITDA stood at €300.2 million (2020: €152.3 million), or minus €77.3 million (2020: minus €12.3 million) if intra-group income from equity investments is excluded.

Key figures – Corporate Services

in € million	2021	2020[1]	Change
Order intake	168.0	157.3	6.9%
Total revenue	168.0	157.3	6.9%
EBITDA	318.4	142.6	> 100%
Adjusted EBITDA	300.2	152.3	97.1%
EBIT	292.3	113.0	> 100%
Adjusted EBIT	274.2	122.7	> 100%

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

Net assets

The condensed consolidated statement of financial position as at December 31, 2021 showing current and non-current assets and liabilities together with equity is presented below:

Condensed consolidated statement of financial position

in € million	Dec. 31, 2021	in %	Dec. 31, 2020	in %	Change
Non-current assets	11,153.0	70.4%	10,666.2	75.9%	4.6%
Current assets	4,697.9	29.6%	3,389.4	24.1%	38.6%
Total assets	**15,850.9**	**100.0%**	**14,055.7**	**100.0%**	**12.8%**
Equity	5,168.9	32.6%	4,270.8	30.4%	21.0%
Non-current liabilities	5,576.7	35.2%	5,966.6	42.4%	–6.5%
Current liabilities	5,105.3	32.2%	3,818.3	27.2%	33.7%
Total equity and liabilities	**15,850.9**	**100.0%**	**14,055.7**	**100.0%**	**12.8%**

Non-current assets

Totaling €11,153.0 million, non-current assets as at December 31, 2021 were higher than at the end of 2020 (December 31, 2020: €10,666.2 million). The carrying amount of intangible assets rose to €5,710.7 million (December 31, 2020: €5,559.6 million). Of this sum, €3,544.8 million was attributable to goodwill (December 31, 2020: €3,407.6 million). Exchange rate movements accounted for €130.0 million of this increase. In addition, the acquisition of the remaining shares in German wholesaler and service provider Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH resulted in goodwill of €7.1 million. Other property, plant, and equipment rose to €1,447.5 million (December 31, 2020: €1,316.6 million), primarily due to increased capital expenditure on modernization and site expansion. Right-of-use assets related to procurement leases were up moderately year on year, standing at €513.6 million as at the end of 2021 (December 31, 2020: €492.5 million). Of this figure, €401.6 million was attributable to land and buildings (December 31, 2020: €375.0 million) and €112.0 million to plant & machinery and office furniture & equipment (December 31, 2020: €117.5 million).

The rental assets from the short-term rental business recognized in the statement of financial position came to €542.8 million as at the reporting date (December 31, 2020: €529.6 million). Leased assets for direct and indirect leases with end customers that are classified as operating leases increased to €1,391.5 million (December 31, 2020: €1,333.3 million). Similarly, long-term lease receivables arising from leases with end customers that are classified as finance leases rose to €1,318.9 million (December 31, 2020: €1,199.1 million) due to higher unit sales of industrial trucks.

The amount of deferred tax assets recognized in the statement of financial position decreased to €449.3 million as at December 31, 2021 (December 31, 2020: €494.9 million). This can primarily be explained by changed discount rates and plan adjustments affecting defined benefit obligations.

Current assets

Current assets went up sharply to a total of €4,697.9 million (December 31, 2020: €3,389.4 million). This was because the growth in business necessitated an increase in inventories in order to ensure the KION Group’s ability to supply customers. Moreover, the global supply bottlenecks affecting suppliers led to a significant rise in work in progress. As at the end of 2021, inventories totaled €1,632.1 million (December 31, 2020: €1,101.0 million).

Inventories

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Materials and supplies	442.0	280.5	57.6%
Work in progress	363.2	162.2	> 100%
Finished goods and merchandise	761.6	618.7	23.1%
Advances paid	65.2	39.5	65.3%
Total inventories	**1,632.1**	**1,101.0**	**48.2%**

Furthermore, trade receivables rose to €1,339.2 million (December 31, 2020: €1,172.7 million). Contract assets, which mainly related to project business in the Supply Chain Solutions segment, were also up sharply, amounting to €519.1 million (December 31, 2020: €172.1 million).

The KION Group’s net working capital jumped to €1,192.0 million as at December 31, 2021 (December 31, 2020: €984.5 million) owing to the good level of orders on hand and the ongoing global supply bottlenecks. The sharp rise in inventories, contract assets, and trade receivables was only partly offset by an increase in trade payables and contract liabilities.

Current lease receivables from end customers increased from €396.2 million as at December 31, 2020 to €465.1 million as at December 31, 2021.

There was a sharp rise in cash and cash equivalents to €483.0 million (December 31, 2020: €314.4 million), reflecting the improvement in free cash flow.

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 continually reduce its financial liabilities and optimize the financing of the long-term lease business. 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 from which to maintain profitable growth.

The financial resources within the KION Group are provided on the basis of an internal funding approach. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. 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 credit lines for KION Group companies with local 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 is based on a generally long-term approach and currently has an age structure extending until 2027.

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.

There was a further improvement in the credit ratings awarded to the KION Group by the two rating agencies in the year under review. In September 2021, Fitch Ratings raised the Group's long-term issuer default rating from BBB– to BBB with a stable outlook. At the same time, the short-term issuer default rating was upgraded from F3 to F2. In May 2021, Standard & Poor's initially confirmed its issuer rating of BB+ and raised the outlook from stable to positive. It then raised this rating to BBB– with a stable outlook in August 2021.

As a rule, KION GROUP AG has issued guarantees to the banks for Group companies' existing payment obligations.

The KION Group maintains a liquidity reserve in the form of agreed and confirmed credit lines and cash 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 defined maximum level of leverage. This calculation is currently suspended in respect of the new revolving credit facility entered into in October 2021 because KION GROUP AG has had two investment-grade credit ratings since August 2021. Less favorable interest terms may be imposed if the level of leverage is increased significantly. Exceeding the maximum level of leverage as at a particular reference date may give lenders a right of termination.

Main corporate actions in the reporting period

The KION Group was able to further reduce its financial debt thanks to the healthy increase in free cash flow. A variable-rate tranche of the promissory note, that had a nominal amount of €167.0 million and was due to mature in 2024, was repaid ahead of schedule at the end of April 2021, thereby contributing to a further decrease in leverage.

KION GROUP AG entered into an agreement for a new syndicated revolving credit facility (RCF) with a total volume of €1,000.0 million on October 4, 2021. The new credit facility, which secures significantly better funding conditions for the KION Group, has a term of five years that can be extended by up to two years with the consent of the syndicate of banks. The previous credit facility, whose term was due to end in February 2023 and which had a volume of €1,150.0 million, was terminated at the same time.

Analysis of capital structure

Non-current and current liabilities amounted to €10,682.0 million as at December 31, 2021, which was €897.2 million higher than the figure as at December 31, 2020 of €9,784.8 million. This was primarily driven by the growth in trade payables and contract liabilities as a result of the higher volume of business and by higher non-current and current liabilities from lease business. The increase would have been higher without a fall in defined benefit obligations as a result of changed discount rates and plan adjustments and without the repayment of non-current financial liabilities. Non-current liabilities included deferred tax liabilities of €523.5 million (December 31, 2020: €511.1 million).

Financial debt

Non-current and current financial liabilities totaled €1,050.5 million (December 31, 2020: €1,194.5 million). Non-current financial liabilities fell to €898.7 million (December 31, 2020: €1,117.4 million), primarily because of the repayment of a variable-rate tranche of the promissory note with a nominal amount of €167.0 million in April 2021. As a result of this repayment, the carrying amount of non-current promissory notes stood at only €326.1 million as at the end of 2021 (December 31, 2020: €590.0 million). Non-current financial liabilities also included the corporate bond issued, which has a carrying amount of €495.6 million (December 31, 2020: €494.5 million), and liabilities to banks of €46.6 million (December 31, 2020: €2.7 million).

Current financial liabilities rose to €151.9 million as at the end of 2021 (December 31, 2020: €77.1 million). This included the fixed-rate tranche of the promissory note maturing in May 2022, which has a nominal amount of €92.5 million and is now recognized under current financial liabilities, having been reported as non-current at the end of 2020. The new revolving credit facility had not been drawn down as at December 31, 2021. The unused portion of the RCF therefore stood at €1,000.0 million (December 31, 2020: €1,150.0 million).

Net financial debt (non-current and current financial liabilities less cash and cash equivalents) amounted to €567.6 million as at the reporting date (December 31, 2020: €880.0 million). This equated to 0.3 times adjusted EBITDA (December 31, 2020: 0.6 times). To reconcile the net financial debt with the industrial net operating debt of €1,600.1 million as at December 31, 2021 (December 31, 2020: €1,912.6 million), the liabilities from the short-term rental business of €488.9 million (December 31, 2020: €505.6 million) and the liabilities from procurement leases of €543.6 million (December 31, 2020: €527.0 million) are added to net financial debt.

Industrial net operating debt

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Promissory notes	418.5	590.0	–29.1%
Bonds	495.6	494.5	0.2%
Liabilities to banks	104.0	77.1	34.9%
Other financial debt	32.4	32.9	–1.7%
Financial debt	**1,050.5**	**1,194.5**	**–12.0%**
Less cash and cash equivalents	–483.0	–314.4	–53.6%
Net financial debt	**567.6**	**880.0**	**–35.5%**
Liabilities from short-term rental business	488.9	505.6	–3.3%
Liabilities from procurement leases	543.6	527.0	3.2%
Industrial net operating debt	**1,600.1**	**1,912.6**	**–16.3%**

Retirement benefit obligation

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, 2021, the retirement benefit obligation and similar obligations under defined benefit pension plans amounted to a total of €1,265.3 million, which was significantly lower than the figure of €1,450.3 million as at the end of 2020. This was largely owing to higher discount rates and to plan adjustments of €32.7 million recognized in profit or loss. The net obligation under defined benefit pension plans decreased year on year to €1,185.6 million (December 31, 2020: €1,400.0 million). Changes in estimates relating to defined benefit pension entitlements resulted in an increase in equity of €150.9 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. The payments made by the KION Group in 2021 in connection with the main pension plans totaled €31.2 million, primarily comprising €20.5 million for direct pension payments along with €10.2 million for employer contributions to plan assets.

Liabilities from lease business and short-term rental business

Non-current and current liabilities from the lease business rose to €3,070.8 million as at December 31, 2021 (December 31, 2020: €2,739.3 million). Of this total, €2,858.3 million was attributable to financing of the direct lease business (December 31, 2020: €2,483.6 million) and €212.6 million to the repurchase obligations resulting from the indirect lease business (December 31, 2020: €255.7 million).

Non-current and current liabilities from the short-term rental business declined slightly to a total of €488.9 million (December 31, 2020: €505.6 million).

Other financial liabilities

Non-current and current other financial liabilities stood at €652.0 million as at the end of 2021 (December 31, 2020: €646.9 million). This item included liabilities from procurement leases amounting to €543.6 million (December 31, 2020: €527.0 million), for which right-of-use assets were recorded.

Contract liabilities

Contract liabilities increased to €854.8 million (December 31, 2020: €550.8 million), mainly as a result of prepayments from customers in connection with the long-term project business in the Supply Chain Solutions segment.

Equity

Consolidated equity rose by €898.0 million to €5,168.9 million as at the end of 2021 (December 31, 2020: €4,270.8 million). The net income of €568.0 million earned during the year under review contributed significantly to the rise in equity, as did the actuarial gains and losses arising from the measurement of pensions, which amounted to a net gain of €150.9 million (after deferred taxes) and were recognized in other comprehensive income. The currency translation gains of €234.5 million, also recognized in other comprehensive income, had a substantial positive impact on equity too. KION GROUP AG's dividend payout in May 2021 reduced equity by €53.7 million. Overall, the equity ratio improved to 32.6 percent (December 31, 2020: 30.4 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 €333.8 million (2020: €283.8 million). Spending in the Industrial Trucks & Services segment continued to be focused on capital expenditure on product development and on the expansion and modernization of production and technology facilities. The KION Group also invested in the construction of the new plants at the production sites in Jinan, eastern China, and in Kołbaskowo in Poland in 2021. The latter went into operation in the third quarter. Capital expenditure in the Supply Chain Solutions segment primarily related to development costs.

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 increased to €483.0 million as at the reporting date (December 31, 2020: €314.4 million) thanks to the healthy increase in free cash flow. On October 4, 2021, KION GROUP AG entered into an agreement for a new syndicated revolving credit facility (RCF) with a reduced total volume of €1,000.0 million. The previous credit facility, which had a volume of €1,150.0 million, was terminated at the same time. Taking into account this credit facility of €1,000.0 million that was still freely available (December 31, 2020: €1,150.0 million), the unrestricted cash and cash equivalents available to the KION Group as at December 31, 2021 amounted to €1,473.7 million (December 31, 2020: €1,457.3 million).

Net cash provided by operating activities increased year on year to €881.7 million (2020: €527.1 million), mainly due to the significant improvement in operating profit. Within this total, the rise in net working capital of €201.9 million (2020: €150.3 million) reduced the level of cash flow from operating activities. The larger volume of business and the ongoing supply problems meant that inventories had increased by the end of the year, particularly in the ITS segment. In addition, more liquidity was tied up due to higher contract balances in the SCS segment's project business. However, this was offset by a rise in trade payables.

Net cash used for investing activities amounted to minus €337.8 million in 2021, which was a lower amount than in the previous year (2020: minus €406.3 million). The figure for the prior-year period had included net payments of minus €89.3 million for the acquisition of UK software company Digital Applications International Limited (DAI), whereas acquisition-related net payments in the year under review came to just minus €17.0 million. This included a cash outflow totaling minus €11.9 million for the acquisition of the remaining shares in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH; in addition, minus €2.0 million had been paid as an advance payment in December 2020. In addition, the KION Group paid minus €4.8 million for the acquisition of around 20 percent of the shares in ifesca GmbH. Cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment rose to minus €333.8 million (2020: minus €283.8 million).

Free cash flow – the sum of cash flow from operating activities and investing activities – came to €543.8 million. This represented a significant improvement when viewed in comparison with the previous year, which had been affected by acquisition items (2020: €120.9 million).

Net cash used for financing activities amounted to minus €386.1 million in the year under review (2020: minus €4.5 million). The significantly lower level of net cash used in 2020 had mainly been attributable to the capital increase of €813.3 million carried out in early December 2020, which was used to repay financial debt. In 2021, financial debt was taken on in a total amount of €623.9 million (2020: €3,650.5 million); repayments amounted to minus €772.7 million (2020: minus €4,260.0 million). Payments made for interest portions and principal portions under procurement leases totaled minus €145.1 million (2020: minus €133.3 million). Current interest payments declined to minus €29.5 million (2020: minus €33.8 million), not least thanks to lower financial debt and the improved funding conditions. The payment of a dividend to the shareholders of KION GROUP AG in May 2021 resulted in an outflow of funds of minus €53.7 million (2020: minus €4.7 million).

Condensed consolidated statement of cash flows

in € million	2021	2020	Change
EBIT	794.8	389.9	> 100%
+ Amortization / depreciation[1] on non-current assets (without lease and rental assets)	415.2	419.5	–1.0%
+ Net changes from lease business (including depreciation[1] and release of deferred income)	14.9	–2.3	> 100%
+ Net changes from short-term rental business (including depreciation[1])	–11.7	–15.2	23.0%
+ Changes in net working capital	–201.9	–150.3	–34.3%
+ Taxes paid	–201.4	–216.8	7.1%
+ Other	71.8	102.2	–29.7%
= Cash flow from operating activities	**881.7**	**527.1**	**67.3%**
+ Cash flow from investing activities	–337.8	–406.3	16.8%
thereof changes from acquisitions	–17.0	–133.5	87.3%
thereof changes from other investing activities	–320.9	–272.8	–17.6%
= Free cash flow	**543.8**	**120.9**	**> 100%**
+ Cash flow from financing activities	–386.1	–4.5	< –100%
+ Effect of exchange rate changes on cash	10.8	–13.1	> 100%
= Change in cash and cash equivalents	**168.5**	**103.3**	**63.2%**

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 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, in return for a consideration, of other services 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 (IFRSs). Differences between the accounting policies in accordance with HGB and those in accordance with IFRSs arise primarily in connection with the accounting treatment of financial instruments, provisions, deferred taxes, and procurement leases.

Management system, future development, and risk position

As a holding company without any operating activities of its own, KION GROUP AG is indirectly dependent on the earnings and economic performance of its subsidiaries. The management system, expected development, and the opportunities and risks of the KION Group are described in detail in the 'Management system' and 'Outlook, risk report, and opportunity report' sections of this combined management report.

Business performance in 2021

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.

Financial performance

KION GROUP AG does not have any operating activities itself. The revenue of €73.7 million reported for 2021 (2020: €70.5 million) largely arose from the performance of services for affiliated companies.

Other operating income fell by €18.1 million to €27.8 million and included, in particular, gains on the measurement of bank accounts and cash pools in foreign currencies.

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

Personnel expenses amounted to €76.1 million, a year-on-year rise of €26.9 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 decreased by €20.9 million to €116.1 million. This year-on-year reduction can mainly be explained by expenses that had been incurred in 2020 in connection with implementation of the capital increase (€14.7 million), although the reduction was partly offset by an increase of €21.8 million in 2021 in expenses for consultancy and other third-party services. Other operating expenses also included foreign currency exchange rate losses resulting from the measurement of bank accounts and cash pools in foreign currencies amounting to €19.1 million (2020: €44.1 million).

Net financial income rose by €268.7 million to €352.2 million. The changes in net financial income/expenses were primarily attributable to the following factors:

- The total income from profit-transfer agreements mainly related to Linde Material Handling GmbH in an amount of €179.7 million (2020: expense of €23.5 million for the transfer of losses) and Dematic Holdings GmbH in an amount of €150.0 million (2020: €105.7 million).
- Interest expense and similar charges, which totaled €34.0 million (2020: €54.5 million), included an amount of €25.4 million arising from external financing (2020: €41.7 million). On a smaller scale, they included expenses of €3.0 million from interest charged on intercompany liabilities (2020: €7.6 million) and expenses of €5.7 million from the unwinding of the discount on pension provisions (2020: €5.1 million).
- Other interest and similar income amounting to €56.3 million (2020: €55.3 million) for the most part consisted of interest income on intercompany receivables.

KION GROUP AG incurred tax expenses of €50.6 million as a result of its role as the parent company of the tax group in 2021 (2020: €19.4 million). The increase was due to the significant improvement in the tax group's earnings situation in 2021.

Total net income of €210.1 million was incurred in the year under review (2020: net loss of €6.5 million).

Financial performance

in € million	2021	2020	Change
Revenue	73.7	70.5	4.5%
Other operating income	27.8	45.9	–39.4%
Material expenses	–0.2	–0.3	35.9%
Personnel expenses	–76.1	–49.2	–54.8%
Other operating expenses	–116.1	–137.0	15.3%
Depreciation expense	–0.5	–0.5	0.2%
Operating loss	**–91.5**	**–70.6**	**–29.5%**
Net financial income	352.2	83.5	> 100%
Income taxes	–50.6	–19.4	< –100%
Net income (loss)	**210.1**	**–6.5**	**> 100%**

Net assets

The total assets of KION GROUP AG increased by approximately 0.9 percent to €7,883.0 million as at December 31, 2021.

At €4,238.2 million, financial assets were almost 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 rose by €96.8 million to €200.0 million as at the reporting date.

Receivables and other assets amounted to €3,438.8 million (December 31, 2020: €3,468.2 million). The bulk of this total, €3,394.4 million, consisted of loans and cash pool receivables due from other Group companies (December 31, 2020: €3,444.7 million). The total also included the Company's entitlement to the transfer of profits from Linde Material Handling GmbH in an amount of €179.7 million (December 31, 2020: liability of €23.5 million from the transfer of losses) and to the transfer of profits from Dematic Holdings GmbH in an amount of €150.0 million (December 31, 2020: €105.7 million). There were long-term loans to Group companies of €427.9 million (December 31, 2020: €571.3 million).

Net assets

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Assets			
Property, plant and equipment	1.9	2.4	–19.1%
Financial assets	4,238.2	4,235.7	0.1%
Receivables and other assets	3,438.8	3,468.2	–0.8%
Cash and cash equivalents	200.0	103.2	93.9%
Deferred income	4.1	2.8	> 100%
Total assets	**7,883.0**	**7,812.3**	**0.9%**
Equity and liabilities			
Equity	4,788.8	4,631.9	3.4%
Retirement benefit obligation	63.6	54.3	17.1%
Tax provisions	0.3	0.0	> 100%
Other provisions	65.7	33.8	94.4%
Liabilities	2,964.6	3,092.2	–4.1%
Total equity and liabilities	**7,883.0**	**7,812.3**	**0.9%**

Financial position

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 €156.9 million in the reporting year. After taking into account the dividend payment of €53.7 million and the net income for the year of €210.1 million, equity rose to €4,788.8 million (December 31, 2020: €4,631.9 million). The equity ratio was 60.75 percent as at the reporting date (December 31, 2020: 59.3 percent).

Provisions increased by €41.4 million to €129.6 million, mainly because personnel provisions rose by €34.0 million to €58.8 million. This rise was primarily due to the increase in the provision for short-term incentives and share-based remuneration. Furthermore, the Company added €9.3 million to pension provisions, taking them to a total of €63.6 million.

Liabilities amounted to €2,964.6 million (December 31, 2020: €3,092.2 million) and mainly consisted of loan liabilities and cash pool liabilities to other Group companies amounting to €2,035.1 million (December 31, 2020: €1,973.4 million), liabilities to banks of €421.8 million (December 31, 2020: €612.7 million), and the corporate bond of €500.0 million (December 31, 2020: €500.0 million). After deduction of cash and cash equivalents, the resulting net debt amounted to €721.8 million (December 31, 2020: €1,009.5 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.

KION GROUP AG was able to further reduce its financial debt thanks to the healthy increase in free cash flow in the first quarter of 2021. A variable-rate tranche of the promissory note that had a nominal amount of €167.0 million and was due to mature in 2024 was repaid ahead of schedule at the end of April 2021, thereby contributing to a further decrease in leverage.

Since October 4, 2021, KION GROUP AG has had a new syndicated revolving credit facility (RCF) with a total volume of €1,000.0 million. Its term ends in October 2026 and can be extended by up to two years with the consent of the syndicate of banks. The new 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 previous credit facility, whose term was due to end in February 2023 and which had a volume of €1,150.0 million, was terminated.

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

Employees

The average number of employees at KION GROUP AG in 2021 was 276 (2020: 271). KION GROUP AG employed 279 people as at December 31, 2021 (December 31, 2020: 276).

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 22, 2022

The Executive Board

Dr. Richard Robinson Smith	Anke Groth	Hasan Dandashly
Andreas Krinninger	Dr. Henry Puhl	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. They are based on the Company's relations with its customers and employees, on its technological position, and on environmental considerations. The KION Group can only achieve the targets that it has formulated for itself in the KION 2027 strategy if it is an attractive and responsible employer that is able to retain competent and committed employees at all sites. It also needs to develop products and solutions that cater to customers' needs, investor expectations, and environmental requirements now and in the future, and to continually increase the customer benefits provided by its products and services. Furthermore, production processes must be designed in such a way that resources are conserved and emissions are avoided as far as possible.

The KION Group firmly believes that these aspects are important to its positioning as a pioneering company in a highly competitive environment.

Employees

HR strategy

The ultimate objective of the KION Group's HR strategy is to provide the best possible support for the targeted implementation of the KION 2027 strategy, with which it is closely aligned. The KION Group's success in the implementation of KION 2027 is founded on the capabilities and motivation of its employees.

To this end, the KION Group uses a wide range of instruments and measures to ensure that there is always a sufficient number of highly qualified, hard-working employees at all levels of its operations. 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 presented by our workforce, the various labor markets, demographic change, and digitalization.

The KION Group's employer brands are very important in this regard. Familiarity with the three main employer brands, Linde, STILL, and Dematic, remains very high and was further strengthened during the reporting year. In 2021, STILL was recognized as a top employer for the tenth year in succession by the Top Employers Institute, a certification organization.

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, they have been part of many HR instruments and are thus well embedded in the Company. For example, they are used along with the 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.

Headcount

The average number of employees (full-time equivalents (FTEs), including trainees and apprentices) in the KION Group was 37,954 in 2021 (2020: 35,563 FTEs).

As at December 31, 2021, the KION Group companies employed 39,602 FTEs, 3,395 more than a year earlier.

Employees (full-time equivalents)[1]

Dec. 31, 2021	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**21,642**	**3,974**	**1,045**	**26,661**
Western Europe	18,223	3,493	659	**22,375**
Eastern Europe	3,377	475	386	**4,238**
Middle East and Africa	42	6	–	**48**
Americas	**893**	**5,716**	**–**	**6,609**
North America	301	4,331	–	**4,632**
Central and South America	592	1,385	–	**1,977**
APAC	**5,045**	**1,287**	**–**	**6,332**
China	4,321	505	–	**4,826**
APAC excluding China	724	782	–	**1,506**
Total	**27,580**	**10,977**	**1,045**	**39,602**

Dec. 31, 2020				
EMEA	**20,879**	**3,448**	**901**	**25,228**
Western Europe[2]	17,766	3,045	665	21,476
Eastern Europe[2]	3,038	397	236	3,671
Middle East and Africa	75	6	–	81
Americas	**736**	**4,534**	**–**	**5,270**
North America	241	3,696	–	3,937
Central and South America	495	838	–	1,333
APAC	**4,534**	**1,175**	**–**	**5,709**
China	3,858	475	–	4,333
APAC excluding China	676	700	–	1,376
Total	**26,149**	**9,157**	**901**	**36,207**

1 Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship
2 Number of employees (full-time equivalents) was adjusted to the new KION Group structure

Personnel expenses rose by 13.5 percent year on year to €2,612.0 million owing to growth in the average number of employees, higher variable compensation components for the year, general salary increases, and higher variable remuneration components. The rise is also attributable to various effects in 2020 in connection with the coronavirus pandemic that served to reduce expenses, such as short-time working and similar measures as well as employees' using up of accumulated hours in their working-time accounts.

Personnel expenses

in € million	2021	2020	Change
Wages and salaries	2,098.2	1,817.6	15.4%
Social security contributions	453.7	396.7	14.4%
Post-employment benefit costs and other benefits	60.1	86.6	–30.6%
Total	**2,612.0**	**2,300.8**	**13.5%**

Diversity

The KION Group sees itself as a global company with strong intercultural awareness: As at December 31, 2021, people from more than 110 different countries 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. The coronavirus pandemic meant that far fewer people were able to transfer to other countries under the expat program in 2020 and 2021.

The KION Group is taking various steps to tackle the challenges of demographic change, for example by providing working conditions that are suited to employees' age-related requirements and organizing healthy-living programs, so that it can continue to benefit from older employees' experience. As at December 31, 2021, 23.9 percent of employees were over the age of 50 (December 31, 2020: 24.9 percent).

The proportion of the KION Group's total workforce made up of women remained virtually unchanged at 17.1 percent in 2021, compared with 17.2 percent in 2020. To help increase the proportion of management positions occupied by women, the Executive Board 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. The KION Group offers flexible working-time models that promote a good work-life balance. In addition, various initiatives were continued in 2021 that are aimed at increasing diversity in the Company. The Group launched the Female Mentoring Program for its female managers in 2018. The mentees and mentors alike describe the program as very rewarding. To further promote equality of opportunity for women, the KION Group has been a member of the initiative "Chefsache. Drive the Change – For Men and Women" initiative since 2019 and plays an active part in working groups in order to help drive forward this important issue. Various local networks have also been established in which women can forge contacts and share information.

Development of specialist workers and executives

In 2021, further good progress was made in the implementation of the new global process introduced in 2017/2018 for performance management and succession planning. Measures to actively manage the performance of executives were strengthened, for example. Succession planning was also stepped up, resulting in an increase in the number of candidates earmarked for key positions. There was an additional focus on identifying young high-potential candidates who will be put on targeted development programs. In 2019, a group of global high-potential candidates successfully completed a training course, followed by a second group in 2020, to set them on the path to taking on an executive role. Some members of these groups have already been promoted to an executive position. Following delays due to coronavirus-related travel and contact restrictions, the third group started in 2021. For the first time, however, the training course had to be held as a virtual event. In 2021, the first university graduates successfully completed their management trainee program and, since then, have taken up challenging roles in the different areas of the Company. A second group began the program in the reporting year.

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 19 professions in Germany. Besides providing dual vocational training schemes, KION Group companies offer work placements for students combining vocational training with a degree course in cooperation with various universities. The total number of trainees and apprentices was 713 as at December 31, 2021 (December 31, 2020: 687).

Sharing in the Company’s success

The KION Group launched the KION Employee Equity Program (KEEP) in 2014. Initially limited to Germany, the program was then rolled out to more countries. As had also been the case in 2020, the program was suspended in 2021 due to the coronavirus pandemic.

The eligible participants received the matching shares that they were due in 2021.

Since 2014, the remuneration of the approximately 500 top 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

The KION Group's products and services destined for its customers are produced by committed employees. That is why all KION companies aim to ensure a high level of employee commitment. Following on from the manager surveys conducted in 2015, 2017, and 2019, a global employee survey took place for the first time in 2021. 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 64 percent of the workforce participated in the survey. The KION Group achieved an engagement score of 74 on a scale of 0 to 100, which meant it almost matched the external benchmark of 75. 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.

Health and safety in the workplace

Reflecting its responsibility as an employer, the KION Group attaches great importance to the health and safety of its employees. The focus is always on avoiding all accidents and work-related illness wherever possible, as well as on maintaining each employee's work capacity in the long term. The KION Group's current corporate policy sets out its obligations in respect of health, safety, and the environment (HSE). These include taking comprehensive precautions to create a safe working environment and ensuring employees know how to avoid risks and accidents.

In 2021, the ongoing coronavirus pandemic meant that activities were once again focused on infection control. During the further waves of the virus in 2021, the KION Group implemented measures at all sites in order to prevent the spread of infection and enhanced them as needed, depending on the local situation. The measures included the provision of protective equipment, disinfectant, and information materials. As far as possible, the recommendations on hygiene and social distancing were implemented at the sites. Only absolutely essential business trips were permitted. At some sites, vaccinations and antigen tests were also offered as a targeted means of preventing chains of infection.

Because of the pandemic and the related restrictions on meeting in person and traveling for business, it was only possible to offer training and other advisory services in the area of occupational health and safety to a limited extent, as had also been the case in 2020. The audit program continued in 2021. 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. In the reporting year, central HSE audits were also carried out within the KION Group. Due to the travel restrictions imposed as a result of the coronavirus pandemic, they mainly took place at units that could be reached locally. There was also further progress with the implementation of comprehensive minimum HSE standards, which are mandatory for all sites. Employees can access these via the intranet.

The HSE Championship was also continued. It provides additional motivation for employees to continually engage with HSE matters. Based on regular reporting from the individual units and defined evaluation criteria, a panel of judges awards a prize to those units that have shown special dedication or have suggested the most improvements in an area of HSE. HSE managers at the KION Group's production facilities and in its sales and service units had the opportunity to meet and talk with one another at annual conferences. As had also been the case in 2020, they were held as virtual events in 2021.

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 2021, are included in the KION Group's separate sustainability report, which will be published in April 2022 on the KION GROUP AG website.

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 integrated, automated supply chain solutions and mobile automation solutions over the long term. R&D activities remain focused on energy, digitalization, and automation.

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. Building on this, local product development teams working for the individual brand companies and regions develop customer-specific solutions. 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.

Key R&D figures

The KION Group increased its spending on R&D to €273.0 million in 2021 (2020: €235.3 million). This equates to 2.7 percent of revenue (2020: 2.8 percent). R&D costs totaling €174.7 million were expensed (2020: €156.8 million). There were also amortization charges on capitalized development costs of €99.9 million (2020: €97.1 million), which are reported under cost of sales (see note [17] in the notes to the consolidated financial statements).

Research and development (R&D)

in € million	2021	2020	Change
Research and development costs (P&L)	174.7	156.8	11.4%
Capitalized development costs	98.3	78.5	25.3%
Total R&D spending	**273.0**	**235.3**	**16.0%**
R&D spending as percentage of revenue	2.7%	2.8%	–

The number of full-time equivalents in R&D teams had risen by 9.0 percent to 1,854 employees as at the end of 2021 (December 31, 2020: 1,701). The KION Group pursues a dedicated patent strategy to protect against imitations of its technology. As at the end of 2021, the companies of the KION Group together held a total of 2,804 patent applications and issued patents (December 31, 2020: 2,836). They applied for 81 new patents in 2021, compared with 111 in 2020.

Focus of R&D in 2021

The fundamental strategic direction of research and development, which is defined in the KION 2027 strategy, did not change in the year under review and continued to center on sustainable solutions in the growth areas of automation, digitalization, and energy-efficient drive solutions.

Energy

The development and refinement of energy-efficient drive solutions, from internal combustion engines to various electric drive systems and fuel cells, continued to be a focus of research and development. Additions to the technology and product range included developments in the area of lithium-ion batteries. To this end, further improvements were made to the performance and robustness of electric forklift trucks, including those in higher load ranges. For example, the new Linde X20–X35 electric forklift truck models with a load capacity of 2.0 to 3.5 tonnes match the performance and robustness of IC trucks for the first time but also offer the environmental and efficiency advantages of battery-powered trucks.

In October 2021, the KION Group acquired a minority stake in software specialist ifesca GmbH, based in Ilmenau, Germany, which is enabling it to participate in the development of AI-based solutions for energy management from the customer perspective. The focus is on increasing the efficiency of energy grids by means of peak power management, thereby avoiding expensive spikes in electricity consumption when electric forklift trucks are charging. Algorithms are used to reliably predict the availability and consumption of electricity and to schedule the optimum charging times.

Digitalization

When it came to the digitalization of customer solutions, the focus was on development projects relating to digital solutions for warehouse automation. Dematic teamed up with STILL and Linde Material Handling to launch Conveyor ConfiKIT, an online tool for configuring conveyor technology systems that streamlines the processes involved in preparing quotations for such systems. The app enables the systems to be individually configured from a kit of standardized modules while at the customer's site. Dematic will therefore be able to prepare quotations up to four weeks sooner in the future.

VDA 5050 is a new digital interface that enables automated guided vehicle systems and control software supplied by different manufacturers to communicate with each other. The KION Group and its STILL brand company contributed their expertise to this joint project of the German Association of the Automotive Industry (VDA) and the German Mechanical Engineering Industry Association (VDMA). In 2021, the interface passed the first live test, thereby reaching the first milestone on the journey to market maturity.

Linde Warehouse Navigator, a new warehouse management system, was developed by Linde Material Handling in 2021 with the aim of making it easier for customers, particularly small and medium-sized enterprises, to start digitalizing and automating various intralogistics functions. The modular solution, comprising a warehouse management, order picking, and truck guidance system, visualizes the warehouse – including the goods held in it – in 3D and shows drivers the quickest route to their destination. The inventory management function offers full transparency about capacity utilization in the warehouse while a pick function supports order picking. The software can also be integrated with ERP systems and automated conveyor technology.

In addition, digital tools were used to equip trucks and tugger trains with new safety features. This included Linde Material Handling's Rack Protection Sensor (RPS), an intelligent light sensor tool that helps to prevent damage caused by collisions with racks in the warehouse. Linde Material

Handling also developed Linde Logistics Train Controller, a cloud-based guidance system for the horizontal transportation of goods on tugger trains. It responds to order changes in real time and adapts the optimum route.

Automation

The main activity in the field of automation is the ongoing development of customized and scalable solutions, right up to fully automated large-scale warehouses.

The Industrial Indoor Localization (IIL) research project, which was completed in February 2021, facilitates the collection and standardization of the infrastructure and process data that is needed for warehouse automation. STILL brought its knowledge of truck automation and robotics to the project.

STILL also developed OPX iGo neo, an autonomous horizontal order picker that provides drivers with highly efficient support during manual picking processes. The features of this truck were expanded to include 3D recognition of objects and driver assistance functions that kick in even when the truck is in manual mode.

In 2021, Dematic continued to enhance its end-to-end mobile automation solutions and implement them for its customers, which included an international retail chain. The system is controlled by software and robotics, from goods receipt through to distribution, and links around 2,200 stores in a largely autonomous application environment.

The strategic partnership with Quicktron, which was agreed upon in 2020 and underpinned by the acquisition of a minority stake, has significantly expanded the portfolio of autonomous mobile robots of Dematic, Linde, and STILL. The software interfaces are standardized, ensuring seamless interaction with the warehouse management and control systems. The registration process for the next model, M100, began in December 2021.

Innovation

Innovation activities are focused on the development of cross-segment technologies for tomorrow's material handling market. In September, the KION Group joined forces with the Fraunhofer Institute for Material Flow and Logistics (IML) to establish a joint Enterprise Lab in which the autonomous vehicle swarm known as LoadRunner is being developed to market-readiness. The KION Group also obtained a license to use IML's LoadRunner technology internationally. LoadRunner represents a new generation of autonomous guided vehicles that use AI-based swarm technology to achieve higher speeds and greater sorting capacity. Installation, start-up, and ongoing adjustments are easier than with traditional sorting systems.

In August 2021, the KION Group agreed to collaborate with the Karlsruhe Institute of Technology (KIT) and the STARS Lab at the University of Toronto on the ARIBIC research project (Artificial Intelligence-Based Indoor Cartography). The aim of the project is to use the data collected from truck sensors to produce a high-resolution 3D map of the warehouse – known as a digital twin – so that this can be used in real time to simulate routes and optimize processes. The funding of the project was approved by the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) and Germany's Federal Ministry for Economic Affairs and Climate Action (BMWK).

Projects as part of R&D partnerships

Two collaborative projects were completed in 2021. As part of Deep-PTL, a project supported by the German Federal Ministry of Education and Research, new AI-based methods of processing image data and camera data were developed and demonstrated in various application scenarios. In the IIL2 collaborative project, an open-source standard for environment modeling was created that was then showcased in an intralogistics setting. The aforementioned cooperation on the LoadRunner research concept with the Fraunhofer Institute for Material Flow and Logistics was also completed in the reporting year.

Three other projects were taking place at various KION Group sites as at the end of 2021. The KAnIS project, which is supported by the Federal State of Bavaria, is studying the automation of counterbalance trucks in a wide range of application scenarios. AWARD, a European research project, is examining the challenges of deploying autonomous transportation systems outdoors during bad weather. The 5Guarantee collaborative project is researching how 5G can be embedded in the Industrial Internet of Things. KION's role will be to investigate how to control and locate large-scale logistics fleets in real time using 5G technologies.

In addition, three new collaborative projects got under way in 2021. The GRASS project is researching new approaches for the autonomous picking of orders by robots in warehouses. As part of KI.FABRIK, a project receiving public-sector support, concepts for a futuristic AI-controlled factory are being developed. Finally, KION is an industrial partner in a European research project named IMOCO4.E.

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 the right solutions.

The KION Group is a global player operating in many customer sectors and enjoys established relationships with its customers. It has been able to extend these relationships through joint development projects and other initiatives. Another important lever is the highly efficient 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 unlock the potential for cross-selling between individual product categories.

The Industrial Trucks & Services segment has a very broadly diversified customer base. Customers range from large key accounts with global operations to small and medium-sized enterprises that typically order just a few trucks each year. This means that the segment is not dependent on key accounts or individual customers.

The Supply Chain Solutions segment benefits from long-standing customer relationships with major players in a range of sectors. They influence the success of the segment's project and service businesses. Specific solutions, such as micro-fulfillment, help Dematic to further consolidate its position in major customer sectors, including general merchandise, grocery wholesale and retail, apparel, food and beverage manufacturing, and parcel and courier services.

The KION Group’s customer structure and long-standing customer relationships, combined with the way it is benefiting from global growth trends, are key factors that explain why it is relatively resilient to economic turbulence and external market disruptions.

In 2021, the coronavirus pandemic continued to put pressure on companies to automate their processes and structures. After all, digital solutions for functional tests, planning of maintenance and servicing, and remote maintenance can help to increase customers’ productivity and lead to greater customer satisfaction in the aftersales business. KION North America completely revamped its internet presence, launching a new online portal that customers can use for tasks such as checking inventories, placing rush orders, and tracking order status.

The KION Group organized digital events in order to maintain its close customer relationships. During Supply Chain Day, the KION Group teamed up with the German Logistics Association (BVL) and its brand companies Linde Material Handling, STILL, and Dematic to provide virtual insights into warehouse logistics processes. Dematic continued the series of virtual events for customers by hosting the first Europe-wide AutoStore® showcase. Participants were taken on a virtual tour of a reference installation that demonstrated how the compact piece picking system works and highlighted its benefits. Dematic also offers web chat as a way of providing rapid support free of charge. Another of Dematic’s virtual events was the international Food & Beverage Day. And in September 2021, Dematic hosted the Material Handling & Logistics Conference (MHLC), which was again held as a virtual event. Customers and industry experts were able to learn about and discuss new trends and applications during various workshops and presentations.

Customers’ satisfaction with the products and services of the KION Group is highlighted by the long-term nature of customer relationships and the high proportion of repeat business. Accolades awarded to the KION brand companies offer further proof of the KION Group’s innovativeness and the quality of its products.

Linde Material Handling was recognized in two categories of the Products of the Year 2021 awards of trade journal Materialfluss: The Linde R-MATIC reach truck secured first place in the industrial truck category, while Linde Safety Guard: Door Control – an access authorization system – took the top spot in the identification technology category.

The RX 20-16P/Li-Ion (lithium-ion) electric forklift truck from STILL was awarded the top accolade VR Forklift Champion in the category of electric forklift trucks up to 3.5 tonnes in the forklift truck tests conducted by VerkehrsRundschau (VR). It was rated highly for characteristics such as precise and safe steering and very good handling rates. The latter are attributable to a powerful electric drive that gives the STILL model the edge over other trucks in the market.

STILL also won an IFOY award (International Intralogistics and Forklift Truck of the Year) in the integrated warehouse solution category in 2021. The brand company had supplied a perfectly coordinated solution comprising three automated standard industrial trucks and installed all the system components for a customer’s production warehouse. A smart tool called iGo insights is used to optimize the system via the cloud, while the innovative ELOshield safety system protects passers-by from approaching trucks. The IFOY judging panel described the project as an impressive illustration of how companies will be able to control, monitor, and analyze their automated warehouses in the future.

Dematic’s micro-fulfillment solution for urban settings won the German Innovation Award 2021 in the machines and engineering section of the excellence in business to business category. The development of Blue Hub, an innovative and cutting-edge distribution center, also secured Dematic a Technology Excellence Award from Singapore Business Review. Blue Hub was singled out for the high degree of automation using the Internet of Things (IoT) along with the consideration of sustainability aspects in its architecture and energy management system.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group's focus on sustainability is reflected in its efforts to manufacture products that are as eco-friendly and safe as possible, to use climate- and environmentally friendly manufacturing processes, and to provide a safe and non-discriminatory working environment. The KION Group and its Operating Units strive for a balance between environmental, economic, and social considerations in their activities. In the reporting year, the KION 2027 strategy was updated to include sustainability as an additional field of action on the basis of the main aspects of the sustainability strategy. This underlines the priority that the KION Group is giving to this increasingly important matter. The KION Group's values also have a clear link to sustainability.

In 2021, the KION Group fleshed out the details of its sustainability strategy. The outline of the strategy had been bindingly defined by the Executive Board at the end of 2020. With its overarching theme 'We take responsibility', the strategy prioritizes the three strategic dimensions – people, products, and processes – to ensure that the KION Group's activities are focused on the important aspects of each dimension.

As part of the ongoing evaluation by external independent auditors and rating agencies, the KION Group's sustainability performance was reaffirmed in 2021. The rating from ISS remained at B–, which equates to prime status, having been raised to this level in the previous year. CDP recognized the KION Group's commitment to combating climate change, awarding a rating of B. The rating from S&P Global CSA continued to rise, advancing by four points to reach 57 points. The KION Group achieved a total score of 69 in the ESG rating from Sustainalytics in the year under review. In May 2021, the KION Group notched up an ESG score of 47 as part of the broad rating from Vigeo Eiris. This put it in fourth place out of 49 companies in the peer group Industrial Goods and Services Sector in Europe.

The groupwide sustainability report for 2021, which will be published in April 2022, contains information on strategy, the management approach, and structures for sustainability as well as data on relevant key performance indicators. It also contains the KION Group's non-financial declaration as required under German law. For this reason, the KION Group has not provided detailed information in the 2021 combined management report.

Outlook, risk report, and opportunity report

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, some of which are beyond the control of the KION Group, affect the Group's business activities and profitability as well as the earnings of KION GROUP AG. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and political situation. Any unexpected developments in the global economy would result in the KION Group's and KION GROUP AG's performance and profits differing significantly from those forecast below.

The outlook for 2022 is particularly uncertain in view of the ongoing pandemic and the resulting impact on global supply chains as at the end of 2021. If the pandemic worsens, for example, the authorities may impose renewed restrictions that would adversely affect procurement, production, and sales activities and make customers less willing to invest.

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 multiple-year market, business, and financial planning, which is based on various assumptions. Market planning takes into account 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, labor costs, sale prices, and movements in exchange rates.

With regard to the further course of the coronavirus pandemic and the measures taken in response, this outlook is based on the market assumptions of the International Monetary Fund (IMF). In its economic report published in January 2022, the IMF significantly lowered the forecast for global growth in 2022 compared with the outlook that it had issued in October 2021. This is due to the emergence of the new Omicron variant of coronavirus and the containment measures that have been reintroduced as a result in many countries. Moreover, rising energy and commodity prices as well as disruptions to supply chains are leading to inflation risks. Other factors pointing to gloomier growth prospects according to the IMF are the ongoing difficulties in the Chinese real-estate sector and the slower than anticipated recovery of consumer spending.

Expected macroeconomic conditions

The IMF expects global economic output to rise by 4.4 percent in 2022 (2021: 5.9 percent), although the pace of growth is likely to vary from region to region. The higher growth rate for 2021 was driven by anticipated pent-up demand in connection with the coronavirus pandemic. The IMF predicts growth of 3.9 percent for the developed economies in 2022, a slower rise than in the previous year (2021: 5.0 percent). The US economy is set to expand at a rate of 4.0 percent, which would be slightly above the average for the developed economies of 3.9 percent, whereas growth in the eurozone is expected to be 3.9 percent.

According to the IMF, the economies of the emerging markets and developing countries will expand by 4.8 percent, a significantly slower rate of growth than in the previous year (2021: 6.5 percent). Notably, China is expected to grow by just 4.8 percent in 2022, compared with a rate of 8.1 percent in the reporting year. The reasons for this include the problems in the real-estate sector and the economic restrictions resulting from the zero-COVID strategy.

The IMF believes that the volume of global trade will rise by 6.0 percent in 2022, significantly lower than the rise of 9.3 percent in 2021, which was boosted by pent-up demand.

The emergence of new coronavirus variants that may prolong the pandemic and lead to further economic difficulties is one of the risks that the IMF sees for the macroeconomic outlook. In addition, supply chain disruptions, volatile energy prices, and local wage pressures have created a great deal of uncertainty with regard to inflation and its consequences. Potential interest-rate hikes in advanced economies may result in risks to financial stability and to capital flows, currencies, and the financial situation in emerging markets and developing countries. Other global risks may arise because the geopolitical situation is still very tense and the ongoing climate emergency makes major natural disasters more likely.

Expected sectoral conditions

Based on the economic conditions described above, the KION Group believes that the global material handling market will grow at a moderate rate in 2022. This growth is expected to be driven mainly by the supply chain solutions business, whereas the global market for industrial trucks (including services) is likely to stabilize at below the level achieved in 2021. In the medium to long term, the KION Group expects the material handling market to grow at a much faster rate than global GDP. This is primarily because the central growth drivers will remain intact, particularly the fragmentation of value chains and the ongoing consumer pivot toward e-commerce. Growth at regional level, especially in the more cyclical market for new industrial trucks, will again depend heavily on economic conditions in the main sales markets.

The KION Group is predicting a high single-digit percentage decline in the number of new industrial trucks ordered in 2022 following a very strong year for this market in 2021. This is mainly due to an anticipated decrease in the EMEA and Americas regions. By contrast, new orders are expected to increase in the APAC region, where growth will again be driven primarily by China. Beyond 2022, the KION Group expects to see long-term market growth in the new truck business of around 4 percent. The high number of trucks in operation worldwide provides solid foundations for further revenue growth in the service business.

Based on external analysis of the market, the KION Group believes that the sustained growth in e-commerce will see the market for supply chain solutions continue to expand in 2022 in line with the long-term trend of more than 10 percent.

Expected business situation and financial performance of the KION Group

The KION Group has set itself the goal for 2022 of maintaining the profitable growth generated in 2021 and growing in revenue at a faster rate than the global material handling market.

Order intake in the Industrial Trucks & Services segment is expected to be lower than in 2021 due to an anticipated decline in the global market for industrial trucks. However, revenue is predicted to rise sharply, supported by the strength of the order book at the end of 2021. Furthermore, the KION Group will forge ahead with capital expenditure on creating more capacity – in places such as China (Jinan) and eastern Europe – and expand its service activities as a means of generating additional business along the product lifecycle. It also plans to achieve further efficiency gains, in part by relocating the manufacturing of products to other sites.

In the Supply Chain Solutions segment, the Company intends to maintain its growth by focusing heavily on highly promising market segments in warehouse automation, software, and robotics solutions. To this end, it will expand the services provided throughout the lifecycle of customers' equipment and technology. Additional production capacity and the expansion of project-related personnel resources are expected to support this growth. In addition, the Company is looking to improve the gross margin through a greater degree of standardization and greater efficiency in the delivery of projects.

The order intake of the KION Group is expected to be between €11,600 million and €12,800 million. The target figure for consolidated revenue is in the range of €11,000 million to €12,000 million. The target range for adjusted EBIT is €1,010 million to €1,150 million. Free cash flow is expected to be in a range between €520 million and €640 million. The target figure for ROCE is in the range of 11.0 percent to 12.0 percent.

Order intake in the Industrial Trucks & Services segment is expected to be between €7,200 million and €7,800 million. The target figure for revenue is in the range of €7,000 million to €7,600 million. The target range for adjusted EBIT is €655 million to €735 million.

Order intake in the Supply Chain Solutions segment is expected to be between €4,400 million and €5,000 million. The target figure for revenue is in the range of €4,000 million to €4,400 million. The target range for adjusted EBIT is €465 million to €525 million.

Outlook 2022

	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
in € million	2021	Outlook 2022	2021	Outlook 2022	2021	Outlook 2022
Order intake[1]	12,481.6	11,600 – 12,800	8,166.3	7,200 – 7,800	4,329.4	4,400 – 5,000
Revenue[1]	10,294.3	11,000 – 12,000	6,514.0	7,000 – 7,600	3,796.2	4,000 – 4,400
Adjusted EBIT[1]	841.8	1,010 – 1,150	536.0	655 – 735	409.5	465 – 525
Free cash flow	543.8	520 – 640	–	–	–	–
ROCE	9.1%	11.0% – 12.0%	–	–	–	–

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

Overall statement on expected performance

Having returned to growth in the global material handling market in 2021, the KION Group anticipates that it will generate further growth in 2022. The KION Group predicts an improvement in its adjusted EBIT and profitability compared with 2021, although there are still significant uncertainties in the procurement markets with regard to both the availability and price of materials.

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 ensuring that risk always remains under control. Using a groupwide risk management system, the KION Group contains all identified risks by implementing suitable measures and takes appropriate precautions.

This ensures that the losses expected if these risks arise will be largely covered and therefore will not jeopardize the Company's continuation as a going concern. Risk management is embedded in the Corporate Controlling function and plays an active and wide-ranging role due to the strategic focus of Corporate Controlling. The Operating Units' business models, strategies, and specific plans of action are evaluated systematically. This ensures that risk management is integrated into the KION Group's overall planning and reporting process.

Principles of risk management

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 ensures consistently stable funding conditions. All management decisions take the risk perspective into consideration. Comprehensive risk management ensures a clear view of the value at risk, the probability of occurrence, and countermeasures at the different levels of the organization.

Having a groupwide risk-bearing capacity plan requires the Group to define a level of risk appetite that is appropriate to its 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 Operating Units in respect of the different risk types. At the level of the KION Group, risk appetite is defined as the aggregate risk across the individual risk types that will be tolerated in order to achieve the strategic objectives and medium-term planning. Risk appetite and the groupwide risk-bearing capacity plan are therefore key elements of the risk strategy.

The procedures governing the KION Group's risk management activities are laid down in internal risk guidelines. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks. Risk management is organized in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers and their subordinate risk managers have been appointed for each company and each Operating Unit. A central Group risk manager is responsible for the implementation of risk management processes in line with procedures throughout the Group. His or her remit includes the definition and implementation of standards to ensure that risks are captured and evaluated. He or she is also responsible for the Group's internal reporting to KION GROUP AG's Executive Board and 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 company. Each risk must be captured individually. If the losses caused by a specific risk and the likelihood of this risk occurring exceed defined limits, KION GROUP AG's Executive Board and the KION Group's Corporate Controlling function are notified immediately. 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 not recorded individually but are instead evaluated at Group level.

The scope of consolidation for risk management purposes is the same as the group of consolidated companies. The risks reported by the individual companies are combined to form Operating Unit risk reports as part of a rigorous reporting process. To this end, minuted risk management meetings are held once a quarter. Moreover, material risks are discussed with the Operating Units at the business review meetings. The discussed Operating Unit risk reports are then used to compile an aggregate risk portfolio for the KION Group as a whole. 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, compliance, tax, human resources, and the lease business. The Executive Board of KION GROUP AG and the Supervisory Board's Audit Committee are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

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

Principles

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.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organization.

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 systems.

All consolidated entities must follow the KION Group IFRS Accounting Manual when preparing their IFRS reporting packages. This manual contains the recognition, measurement, and disclosure rules to be applied in the KION Group's accounting in accordance with IFRS. The accounting guidelines primarily explain the financial reporting principles specific to the KION Group's business. In addition, all companies must adhere to the schedule defined by head office for the Group accounting process.

The accounting-based internal control and risk management system includes defined control mechanisms, automated and manual reconciliation processes, separation of functions, the double-checking principle, and adherence to policies and instructions.

The employees involved in the (Group) accounting process receive regular training in this field. Throughout the accounting process, the local companies are supported by central points of contact. The consolidated accounts are drawn up centrally using data from the consolidated subsidiaries. Specially trained KION Group employees carry out the consolidation activities, reconciliations, and monitoring of the stipulated deadlines and processes. Monthly checklists have been drawn up for the consolidation process and are worked through in a standardized manner. All postings are managed centrally and documented. A team is responsible for monitoring the system-based controls, which it supplements with manual checks. The entire accounting process contains a number of specific approval stages, for which extensive plausibility checks have been set up. Employees with the necessary expertise provide support on specialist questions and complex issues.

Internal control mechanisms and ongoing analysis of the regulatory framework enable any risks that might jeopardize the compliance of the consolidated financial statements and group management report with accounting standards to be identified as soon as possible so that appropriate countermeasures can be taken. Such risks form part of the KION Group's aggregate risk profile and are classified as operational risk.

The Internal Audit department evaluates governance, risk management, and the control processes by following a systematic and structured process, thus helping to bring about 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

Risk

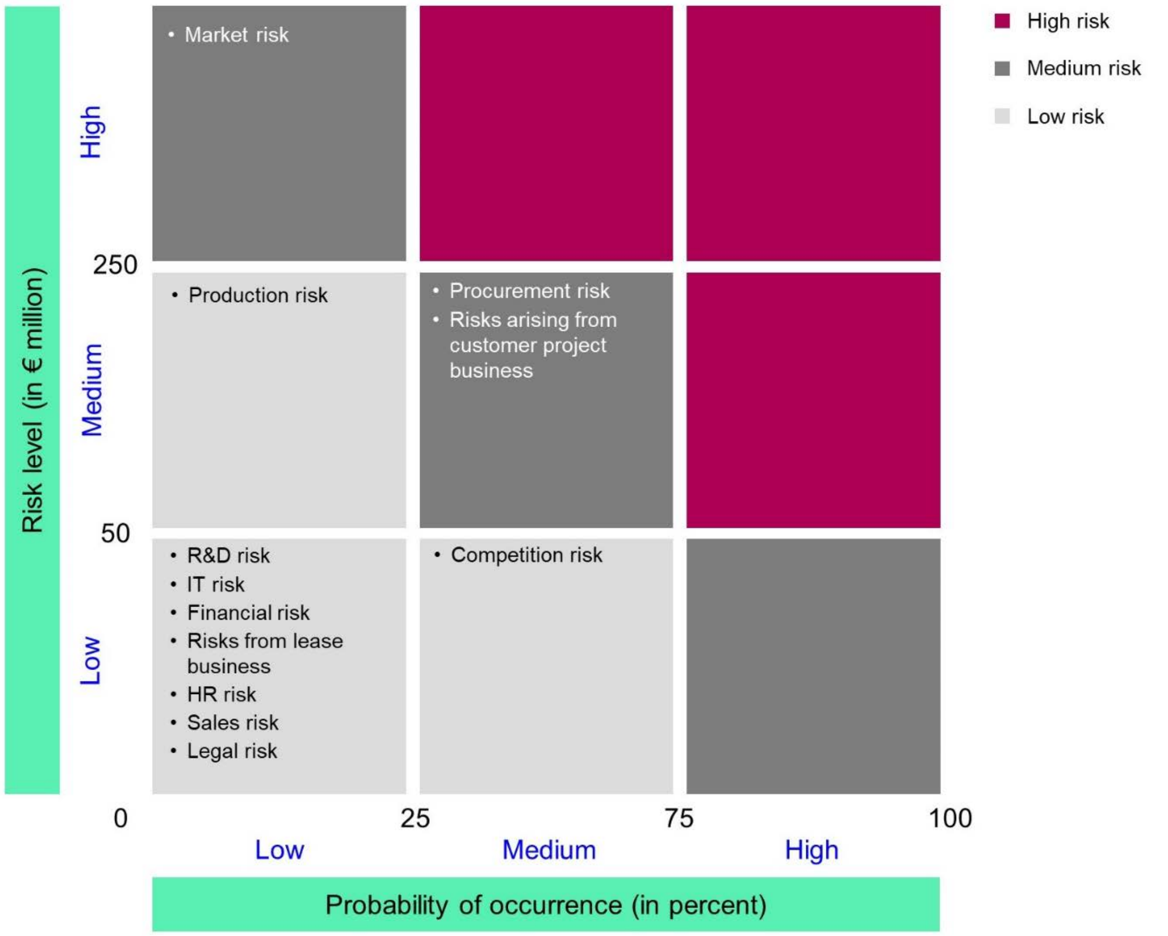
Aggregate risk

The coronavirus pandemic and its fallout continue to have an impact on the KION Group's aggregate risk situation, above all with regard to procurement risk. The pandemic has limited the availability of bought-in parts and raw materials, and this may continue to result in temporary production delays and outages as well as longer delivery times. By contrast, the risk situation in terms of market risk, production risk, and sales risk almost normalized compared with the previous year. Where relevant from a Group perspective, changes to the probability of occurrence and the level of risk have been adjusted in the risk matrix below.

The KION Group held relatively steady in the face of market disruptions and cyclical fluctuations thanks to the further rise in the proportion of total revenue attributable to the Supply Chain Solutions segment and the service business of the Industrial Trucks & Services segment, whose revenue contributions have proved comparatively resilient. Overall, the risk situation is regarded as moderate, and this will remain the case for 2022. This means that the limits specified in the risk-bearing capacity plan are not expected to be exceeded. As things stand at present, there are no indications of any risks that could jeopardize the Company's continuation as a going concern.

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 risks known were recognized in the outlook for the financial year 2022.

Risk matrix



The market risks and competition risks described, the risks along the value chain, the human resources risks, and the legal risks largely relate to the Industrial Trucks & Services and Supply Chain Solutions 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. Financial risks resulting from the Company's general funding situation would predominantly impact on the Corporate Services segment.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or a particular sector does not perform as well as had been anticipated in the outlook. In the market of the Industrial Trucks & Services segment, the outlook for 2022 assumes a noticeable decline in the number of new trucks sold. By contrast, the 2022 outlook for the market in the Supply Chain Solutions segment points to a sustained uptrend for warehouse automation. Nevertheless, problems with product availability are persisting across various sectors worldwide, which may adversely affect the growth of the material handling market. However, the KION Group anticipates a slightly lower probability of occurrence for such risk in 2022 compared with 2021, but it believes the level of risk will remain unchanged.

Cyclical fluctuations in macroeconomic activity affect both the market for industrial trucks and the market for supply chain solutions, although the latter has greater immunity to economic cycles. Customers' decisions on whether to invest depend to a large degree on the macroeconomic situation and conditions in their particular sector. In the event of heightened economic uncertainty or an economic downturn, including as a result of external shocks such as a global pandemic, customers tend to postpone their capital expenditure plans. Although demand for services is less cyclical than new business with industrial trucks, it correlates with the degree of utilization of the trucks and systems, which usually declines during difficult economic periods.

As the KION Group can only adjust its fixed costs to fluctuations in demand to a limited extent, reductions in revenue impact on earnings. Despite the strength of the North American business in the Supply Chain Solutions segment and the growth of business in China, the bulk of revenue continues to be generated in Europe. As a result, the market conditions that prevail in Europe impact significantly on the KION Group's financial performance.

The global economy bounced back strongly in 2021, whereas a moderate slowdown of growth – albeit with regional differences – is expected in 2022. The ongoing coronavirus pandemic remains a threat, even for developed economies with high vaccination rates, because the virus may mutate again. Other risks include further rises in inflation, limited availability of materials for an extended period, more restrictive monetary and fiscal policy, and increasing volatility in financial markets.

Risks in connection with trade disputes and geopolitical tensions may also hinder some aspects of the global economy's recovery. A possible escalation of the trade dispute between the United States and China is a particular risk as it may also affect companies that have a presence in both countries due to the regional distribution of their revenue or shareholders. The simmering conflict of interests between Russia and Ukraine may also continue to have an adverse impact. In the medium term, new barriers to trade could significantly hamper production and lead to renewed disruption to global supply chains. Financial market risks, for example in the form of higher risk premiums for emerging markets, could make it more difficult to finance capital expenditure.

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

Developments in the coronavirus pandemic, including any knock-on effects, and the geopolitical situation are monitored closely. The KION Group has already significantly improved its cost structures by implementing various structural and efficiency measures, thereby containing 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, the growth of business in the Supply Chain Solutions segment, which is highly resilient in the face of economic volatility, and the expansion of service activities also play a role in mitigating risk.

Moreover, the KION Group closely monitors the market and its competitors 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. Other risks arise as a result of constant changes in the Company's political, legal, and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, changes to customs rules, capital controls, expropriations, and social unrest.

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 drafting contracts appropriately.

Competition risks

Competition risk describes the risk that growing competitive pressure will prevent the KION Group from achieving its predicted margins and market share. 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, sometimes due to the currency situation and sometimes 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. On the other hand, the wide range of product variants made possible by efficient modular concepts, along with rapid and reliable access to services, creates a competitive advantage. This is especially the case in the volume and premium segments.

Building on their local competitive strength, rivals in emerging markets are also markedly stepping up their efforts to find 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. This can be seen from the changes in the competitive situation last year. Customers in developed markets have sophisticated service needs and high expectations in terms of quality. This 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. Consequently, the KION Group anticipates a higher probability of occurrence for competition risk in 2022 compared with 2021 and puts the level of risk at medium-high.

It is also 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 have enabled the KION Group to charge appropriate prices until now, it is taking a variety of steps to contain competition risk. Alliances, partnerships, acquisitions, and other measures are increasingly playing a role in improving the KION Group's competitiveness in terms of resources, market access, and technology. One of the risks of such 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 also include improving its cost position and securing low-cost, stable sources of supply.

The KION Group also continually evaluates its options for strengthening and consolidating its market position, in particular through the strategic construction and expansion of production facilities, and proactive cross-selling by the two operating segments.

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 build on its position as a technology driver in respect of individual products and system solutions in order to become technology leader for automated supply chain solutions, including in the area of mobile automation. This requires the Group 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 does not succeed in doing this, its technological and competitive position could be compromised in the long term.

The innovations developed by the KION Group are comprehensively protected by intellectual property rights, in particular patents. Nevertheless, there is always the possibility that products or product components will be imitated. There is also a risk that patent applications will not be successful. The KION Group mitigates research and development risks by focusing firmly on customer benefit in its development of products and solutions. Customer needs are 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. Potential research and development risks are also reduced by carefully managing projects and processes.

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, energy, and primary or intermediate products. Procurement risk increased once again in 2021, partly as a result of the fallout from the coronavirus pandemic. Disruptions and blockages in global supply chains, which initially impacted on semiconductors, spread to a variety of other components as well as materials and supplies. This resulted in temporary production delays and thus longer delivery times, despite intensive efforts to counteract the impact with a global sourcing strategy.

The supply problems have continued in the early part of 2022 and are likely to persist over the course of the year. Bottlenecks in suppliers' capacity could lead to backlogs in the supply of further raw materials and components to the KION Group at any time. Furthermore, 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. The resulting backlogs and shortages can lead to temporary decreases in revenue and liquidity as well as to inefficiencies in production.

Overall, procurement risks continue to be viewed as medium-high. The KION Group mitigates the risks by continually monitoring supply chains, the availability of materials, and suppliers' ability to fulfill orders. For critical materials, it has also increased its buffer of inventories. The KION Group also minimizes the risks effectively by further diversifying its supplier structure in the context of a global procurement organization.

Price changes present another procurement-related risk. In 2021, 19.3 percent of the cost of materials for new trucks in the Industrial Trucks & Services segment was directly influenced by changes in commodity prices (2020: 20.2 percent). Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months. One of the consequences of the shortage of materials was a sharp rise in prices in the year under review. Moreover, the increase in energy prices during 2021 may impact on the cost of energy for production and transportation in 2022. The KION Group endeavors to pass on price increases to customers but cannot always do so entirely due to market pressures.

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 risk of business process disruptions and production outages at individual sites as a result of the pandemic declined sharply again in 2021 and is viewed as moderate for 2022 too. This is also reflected in the KION Group's expectation of a reduced probability of occurrence for such risk compared with 2021. In view of the vaccination rate now achieved and the comprehensive hygiene and contact tracing measures put in place, significant chains of infection within the workforce continue to be seen as fairly unlikely. No production departments or entire sites needed to be closed in 2021.

The KION Group's closely integrated manufacturing network presents a heightened risk to its ability to deliver goods on time. 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 complaints 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, trains its staff, and builds a pool of external suppliers. The Company has taken out a commercially appropriate level of insurance to limit the risk of potential losses. 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 significantly by applying rigorous quality standards to its development activities, conducting stringent controls throughout the process chain, and maintaining close contact with customers and suppliers.

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 revenue and profit being recognized in subsequent years or, in isolated cases, contractual penalties having to be paid. Another possible risk is that the technology deviates from the promised specifications, which may result in additional completion costs and contractual penalties. The scope and complexity of individual projects can lead to unexpected cost increases over the term of the project that were not anticipated in the project costing and cannot be passed onto the customer. Project-specific risk management is carried out in order to mitigate these risks. This involves detailed evaluation of the risks when defining the technical aspects of quotations plus financial risk provisioning based on the individual project specifications when preparing quotations. A multi-stage approval process based on an extensive list of criteria ensures that technological, financial, country-specific, currency-specific, and contractual risks are largely avoided.

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 disruptions to the supply of components mainly manifest themselves in the form of isolated project delays and increased expenditure on project realization, but they can also affect procurement. Given that the situation with regard to product availability remains very difficult worldwide and affects multiple sectors, the KION Group expects the level of risks from the project business to be higher in 2022 than in 2021.

Sales risks

The main sales risks – besides a drop in demand caused by market conditions – result from dependence on individual customers and sectors. Thanks to the greatly improved macroeconomic environment, the risk that customers will cancel or postpone orders declined again in the year under review. Once again, there were no significant cancellations or major problems resulting from other changes to orders in 2021. The level of sales risk and the probability of occurrence for such risk are therefore both regarded as lower for 2022 than for 2021. However, the KION Group is continuing to engage in dialog with its customers and is closely monitoring the further course of the coronavirus pandemic and its fallout.

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 various customer industries and segments helped 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.

IT risks

A high degree of interconnectedness internally between sites and externally with customers and other companies means that the KION Group also relies on its IT systems working flawlessly. The KION Group undertakes ongoing further development of a reliable, extendable, and flexible IT system environment with the aim of countering migration risk when updating software and 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 portfolio management and project planning and control. Independent external reviews are conducted to provide additional quality assurance. Various technical and organizational measures protect the data of the KION Group and the Group companies against unauthorized access, misuse, and loss. These measures include, in particular, measures to protect and defend against cyber-attacks on IT systems of the KION Group. Among other things, procedures are in place to validate and log access to the Group's infrastructure. The Company has also taken out a commercially appropriate level of insurance to limit the risk of potential losses.

Further IT 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 that the KION Group maintains consistently high compliance standards, the probability of data protection laws being breached continues to be regarded as very low. The developments in 2021 confirmed this assessment.

Financial risks

The main types of financial risk relating to corporate finance, including risks arising from funding instruments, are liquidity risk, currency risk, interest-rate risk, and counterparty risk. Counterparty risk consists solely of credit risks attaching to financial institutions.

A risk management policy stipulates how to deal with the aforementioned risks. Risk arising out of the bond, lending, and promissory note conditions that have been agreed was not regarded as material as at December 31, 2021. It relates in particular to the restrictions in respect of compliance with financial covenants and upper limits for certain transactions and in respect of the obligation to submit special regular reports. The lending covenants and the obligations arising from the bond and promissory note conditions were met in full in the 2021 financial year.

Some of the Group’s financing takes the form of variable-rate or fixed-rate financial liabilities. Interest-rate swaps are used to hedge the resultant interest-rate risk.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. The KION Group only uses derivatives to hedge underlying operational and financial transactions; they are not used for speculative purposes. It is exposed to currency risk because of the high proportion of its business conducted in currencies other than the euro. 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. Corporate Finance rigorously complies with and monitors the strict separation of functions between the front, middle, and back offices.

Each Group company’s liquidity planning is broken down by currency and incorporated into the KION Group’s financial planning and reporting process. Corporate Controlling checks the liquidity planning and uses it 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. Each individual Group company has established a credit management system for identifying customer-related counterparty risks at an early stage and initiating the necessary countermeasures. Analysis of the maturity structure of receivables is an integral element of monthly reporting.

Goodwill and brand names with an indefinite useful life represented 28.3 percent of total assets as at December 31, 2021 (December 31, 2020: 30.9 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.

Risks arising from lease business

The lease activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that 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. The KION Group regularly assesses its aggregate risk position arising from the lease business.

The risks identified are taken into account by the Company in the costing of new leases by recognizing write-downs or provisions and, if necessary, adjusting the residual values. Groupwide standards to ensure that residual values are calculated appropriately, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to the lease business by ensuring that most of its transactions and funding loans have matching maturities and by constantly 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, if economically reasonable.

The credit facilities provided by various banks and an effective dunning process ensure that the KION Group has sufficient liquidity. 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.

Human resources (HR) 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 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. Recruitment is a challenge, especially given the high growth rates in the Supply Chain Solutions segment.

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.

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. However, the KION Group is not expecting any of these existing legal proceedings to have a material impact on its financial position or financial performance. 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. 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.

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. In addition to the high quality and safety standards applicable to all users of the Company's products, with which it complies when it develops and manufactures the products, 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 risk and reputational risk 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.

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 2022 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 also have a positive effect on earnings.

In its outlook for 2022, the IMF notes that the aforementioned obstacles to growth will diminish in the second half of the year. This presupposes that the effects of the pandemic will lessen between now and the end of 2022 as a result of higher vaccination rates and effective treatments. It explains that this would not only boost the growth rate but also increase consumer confidence and make companies more willing to invest.

According to the IMF, the pandemic has accelerated the trend toward automation and digitalization, which may result in an even greater rise in productivity. For the KION Group, faster elimination of the current supply bottlenecks may give rise to positive deviations from the outlook and may be accompanied by an easing of the upward pressure on commodity and energy prices.

In addition, 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 megatrends, in particular, that present medium- to long-term market opportunities for the KION Group:

- High growth rates are predicted for e-commerce in the next few years, fast-tracked by the change in consumer behavior during the coronavirus pandemic. The increasing trend toward online shopping is driving demand for warehouse automation solutions, including networked automated guided vehicle systems and industry-specific system solutions. Strong demand for robotics applications and their integration in customers' software environments is therefore likely.
- The rise of the emerging markets, most notably China, is fueling growth in 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.
- Commercial pressures and pressure from society and governments to forge ahead with the transition to a green economy means that material handling solutions are increasingly required to be climate neutral. This is stimulating demand for industrial and warehouse trucks powered by electric motors, which is a particular area of strength for the KION Group, especially in regard to lithium-ion technology.
- Demographic change is resulting in a shortage of workers. This is creating increased demand for 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 2022. Nevertheless, the individual activities could create positive effects that exceed expectations. There is also a possibility that new strategic opportunities that were 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 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 volume 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 its 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 the launch of new production facilities and technology centers, boosting its technological expertise through focused research and development activities, making greater use of shared modules, and harnessing potential for cross-selling
- expansion of the service portfolio, including financial services, at every stage of the product lifecycle, taking advantage of the high number of trucks in use and the installed base of supply chain solutions

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 technological applications
- ongoing development of a high-margin, lifecycle-oriented service approach

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 logistics, technology & product development, and production 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:

- Activities to improve operational excellence and lower costs may help the KION Group to achieve future growth with a disproportionately small rise in costs. For example, the further implementation of the capacity and structural program may have a significant positive influence on the cost structure, resulting in long-term improvements in competitiveness. Efficiency enhancements in administrative departments also have a role to play.
- 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.
- Increasing the scalability of products and solutions by refining sub-systems and standard modules that integrate hardware, control units, and software may help to reduce costs and increase quality.
- The rollout of a hub-and-spoke model for software engineering and project engineering, along with an updated procurement strategy, may also contribute to greater efficiency.
- Effective use and centralized coordination of global development capacities may create synergies and economies of scale.

Disclosures relevant to acquisitions

The following disclosures are made in accordance with section 289a and 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, 2021. 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, 2021, the Company held 96,224 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.

Shares acquired by KION Group employees under the KION Employee Equity Program (KEEP) as a starter package are subject to a lock-up period that generally lasts three years. Employees can exercise their voting rights during the lock-up period.

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., Luxembourg ('Weichai Power') directly or indirectly held more than 10 percent of the voting rights in KION GROUP AG as at December 31, 2021 and its shareholding was 45.2 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

Members of the Company's Executive Board are appointed and removed in accordance with the provisions of 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 2021, the Company was authorized as follows to purchase shares for treasury:

- The Annual General Meeting on May 12, 2016 authorized the Company, in the period up to May 11, 2021, 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. Together with other treasury shares in possession of the Company or deemed to be in its possession pursuant to section 71a et seq. AktG, the treasury shares bought as a result of this authorization must not exceed 10 percent of the Company's share capital at any time. The Company may sell the purchased treasury shares 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. In addition, the treasury shares may be offered to employees of the Company or of an affiliated company as part of an employee share ownership program. The treasury shares can also be retired. Share buyback for trading purposes is prohibited. 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 a Group company, or by third parties for the account of the Company or the account of a Group company. 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 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 the authorizations in 2021. The authorization approved by the Annual General Meeting on May 12, 2016 to purchase and use treasury shares was cancelled by the Annual General Meeting on May 11, 2021.

From the shares already held in treasury, a total of 15,953 bonus shares were used during the reporting year as part of KEEP 2018 for the employees of the Company and of certain Group companies.

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 to increase the Company's share capital using the 2017 Authorized Capital has been exhausted. 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 May 11, 2017, the Executive Board was also authorized, in the period up to and including May 10, 2022, to issue convertible bonds, warrant-linked bonds, profit-sharing rights and / or income bonds with or without conversion rights, warrants, mandatory conversion requirements or option obligations, or any combinations of these instruments (referred to jointly as 'debt instruments') for a total par value of up to €1 billion, and to grant conversion rights and / or warrants to – and / or to impose mandatory conversion requirements or option obligations on – the holders / beneficial owners of debt instruments to acquire up to 10.879 million new shares of KION GROUP AG with a pro-rata amount of the share capital of up to €10.879 million ('2017 Authorization'). The 2017 Conditional Capital of €10.879 million was created to service the debt instruments. The 2017 Authorization has not been used so far.

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, 2021) concluded between KION GROUP AG or Group companies of KION GROUP AG and third parties:

- Sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021, concluded between KION GROUP AG and, among others, the London branch of UniCredit Bank AG

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 facilities under the sustainability-linked syndicated revolving credit facility agreement.

- Promissory note agreements (four 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

The provisions in these 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.

- 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

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 note.

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

Condensed consolidated income statement

in € million	Note	2021	2020
Revenue	[8]	10,294.3	8,341.6
Cost of sales	[9]	–7,770.7	–6,296.8
Gross profit		**2,523.6**	**2,044.8**
Selling expenses	[9]	–970.2	–915.8
Research and development costs	[9]	–174.7	–156.8
Administrative expenses	[9]	–615.0	–556.0
Other income	[10]	99.4	93.7
Other expenses	[11]	–81.4	–117.7
Profit (loss) from equity-accounted investments	[12]	13.1	–2.2
Earnings before interest and tax		**794.8**	**389.9**
Financial income	[13]	121.1	113.6
Financial expenses	[14]	–156.2	–201.9
Net financial expenses		**–35.1**	**–88.3**
Earnings before tax		**759.7**	**301.6**
Income taxes	**[15]**	**–191.7**	**–90.7**
Current taxes		–203.8	–145.2
Deferred taxes		12.1	54.5
Net income		**568.0**	**210.9**
Attributable to shareholders of KION GROUP AG		568.3	215.3
Attributable to non-controlling interests		–0.3	–4.4
Earnings per share	**[16]**		
Average number of shares (in million)		131.1	118.9
Basic earnings per share (in €)		4.34	1.81
Diluted earnings per share (in €)		4.33	1.81

Condensed consolidated statement of comprehensive income

in € million	Note	2021	2020
Net income		**568.0**	**210.9**
Items that will not be reclassified subsequently to profit or loss		**152.5**	**–106.6**
Gains / losses on defined benefit obligation	[29]	150.9	–105.5
thereof changes in unrealized gains and losses		212.5	–151.3
thereof tax effect		–61.6	45.8
Changes in unrealized gains / losses on financial investments	[23]	2.2	1.6
Changes in unrealized gains and losses from equity-accounted investments		–0.7	–2.6
Items that may be reclassified subsequently to profit or loss		**231.6**	**–188.2**
Impact of exchange differences		234.5	–204.4
thereof changes in unrealized gains and losses		234.5	–204.3
thereof realized gains (–) and losses (+)		–	–0.1
Gains / losses on hedge reserves	[42]	–3.3	15.6
thereof changes in unrealized gains and losses		–11.2	19.4
thereof realized gains (–) and losses (+)		7.1	1.8
thereof tax effect		0.8	–5.5
Changes in unrealized gains / losses from equity-accounted investments		0.3	0.6
Other comprehensive income (loss)		**384.1**	**–294.8**
Total comprehensive income (loss)		**952.1**	**–83.9**
Attributable to shareholders of KION GROUP AG		946.3	–81.9
Attributable to non-controlling interests		5.8	–1.9

Condensed consolidated statement of financial position – Assets

in € million	Note	Dec. 31, 2021	Dec. 31, 2020
Goodwill	[17]	3,544.8	3,407.6
Other intangible assets	[17]	2,165.9	2,152.0
Leased assets	[18]	1,391.5	1,333.3
Rental assets	[19]	542.8	529.6
Other property, plant and equipment	[20]	1,447.5	1,316.6
Equity-accounted investments	[21]	84.3	78.8
Lease receivables	[22]	1,318.9	1,199.1
Other financial assets	[23]	96.1	75.6
Other assets	[24]	111.8	78.8
Deferred taxes	[15]	449.3	494.9
Non-current assets		**11,153.0**	**10,666.2**
Inventories	[25]	1,632.1	1,101.0
Lease receivables	[22]	465.1	396.2
Contract assets	[34]	519.1	172.1
Trade receivables	[26]	1,339.2	1,172.7
Income tax receivables	[15]	58.6	54.8
Other financial assets	[23]	62.8	77.3
Other assets	[24]	138.0	100.9
Cash and cash equivalents	[27]	483.0	314.4
Current assets		**4,697.9**	**3,389.4**
Total assets		**15,850.9**	**14,055.7**

Condensed consolidated statement of financial position – Equity and liabilities

in € million	Note	Dec. 31, 2021	Dec. 31, 2020
Subscribed capital		131.1	131.1
Capital reserve		3,826.4	3,825.8
Retained earnings		1,699.2	1,184.6
Accumulated other comprehensive loss		–479.6	–857.6
Non-controlling interests		–8.3	–13.1
Equity	**[28]**	**5,168.9**	**4,270.8**
Retirement benefit obligation and similar obligations	[29]	1,265.3	1,450.3
Financial liabilities	[30]	898.7	1,117.4
Liabilities from lease business	[31]	1,793.5	1,715.1
Liabilities from short-term rental business	[32]	321.4	353.0
Other provisions	[33]	143.1	144.7
Other financial liabilities	[36]	433.2	432.1
Other liabilities	[37]	198.0	242.9
Deferred taxes	[15]	523.5	511.1
Non-current liabilities		**5,576.7**	**5,966.6**
Financial liabilities	[30]	151.9	77.1
Liabilities from lease business	[31]	1,277.3	1,024.2
Liabilities from short-term rental business	[32]	167.5	152.6
Contract liabilities	[34]	854.8	550.8
Trade payables	[35]	1,443.7	910.5
Income tax liabilities	[15]	51.4	44.9
Other provisions	[33]	197.2	165.5
Other financial liabilities	[36]	218.8	214.8
Other liabilities	[37]	742.9	677.9
Current liabilities		**5,105.3**	**3,818.3**
Total equity and liabilities		**15,850.9**	**14,055.7**

Condensed consolidated statement of cash flows

in € million	Note	2021	2020
Earnings before interest and tax		**794.8**	**389.9**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets without lease and rental assets	[9]	415.2	419.5
Depreciation and impairment minus reversals of impairment on lease and rental assets	[9]	525.7	518.3
Non-cash reversals of deferred revenue from lease business		–153.9	–184.5
Other non-cash income (–)/expenses (+)		8.6	55.2
Gains (–)/losses (+) on disposal of non-current assets	[10], [11]	–5.3	–4.9
Change in leased assets (excluding depreciation) and receivables/ liabilities from lease business	[18], [22], [31]	–171.7	–147.7
Change in rental assets (excluding depreciation) and liabilities from rental business	[19], [32]	–196.9	–203.6
Change in net working capital		–201.9	–150.3
thereof inventories	[25]	–490.1	–35.1
thereof trade receivables and trade payables	[26], [35]	356.4	–133.1
thereof contract assets and contract liabilities	[34]	–68.2	18.0
Cash payments for defined benefit obligations	[29]	–31.2	–27.8
Change in other provisions	[33]	36.6	59.8
Change in other operating assets/liabilities		63.1	19.9
Taxes paid		–201.4	–216.8
Cash flow from operating activities	**[39]**	**881.7**	**527.1**
Cash payments for purchase of non-current assets	[39]	–333.8	–283.8
Cash receipts from disposal of non-current assets		16.8	5.7
Dividends received		8.2	5.6
Acquisition of subsidiaries/other businesses (net of cash acquired)		–17.0	–133.5
Cash receipts/payments for sundry assets		–12.1	–0.3
Cash flow from investing activities	**[39]**	**–337.8**	**–406.3**

Condensed consolidated statement of cash flows (continued)

in € million	Note	2021	2020
Capital increase from issuing of employee shares	[28]	–	0.3
Capital contribution from shareholders for the carried out capital increase	[28]	–	813.3
Dividend of KION GROUP AG	[28]	–53.7	–4.7
Dividends paid to non-controlling interests		–1.6	–3.4
Cash receipts/payments for changes in ownership interests in subsidiaries without change of control		–	–7.5
Financing costs paid		–7.6	–18.0
Transactions costs for carrying out the approved capital increase	[28]	–2.1	–12.6
Proceeds from borrowings	[39]	623.9	3,650.5
Repayment of borrowings	[39]	–772.7	–4,260.0
Interest received		2.6	1.5
Interest paid	[39]	–29.5	–33.8
Interest and principal portion from procurement leases	[39]	–145.1	–133.3
Cash receipts/payments from other financing activities		–0.2	3.3
Cash flow from financing activities	**[39]**	**–386.1**	**–4.5**
Effect of exchange rate changes on cash and cash equivalents		10.8	–13.1
Change in cash and cash equivalents		**168.5**	**103.3**
Cash and cash equivalents at the beginning of the year	[39]	314.4	211.2
Cash and cash equivalents at the end of the year	[39]	483.0	314.4

Condensed consolidated statement of changes in equity

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
Balance as at Jan. 1, 2020		**118.0**	**3,034.7**	**975.2**
Net income				215.3
Other comprehensive loss	[28]			
Comprehensive loss		**0.0**	**0.0**	**215.3**
Dividend of KION GROUP AG	[28]			–4.7
Capital increase	[27]	13.1	800.2	
Transaction costs	[27]		–10.2	
Dividends paid to non-controlling interests	[28]			
Changes from employee share option program	[28]	0.0	1.2	
Effects from the acquisition / disposal of non-controlling interests	[27]			
Other changes				–1.2
Balance as at Dec. 31, 2020		**131.1**	**3,825.8**	**1,184.6**
Balance as at Jan. 1, 2021		**131.1**	**3,825.8**	**1,184.6**
Net income				568.3
Other comprehensive income	[28]			
Comprehensive income		**0.0**	**0.0**	**568.3**
Dividend of KION GROUP AG	[28]			–53.7
Dividends paid to non-controlling interests	[28]			
Changes from employee share option program	[28]	0.0	0.6	
Changes from addition / disposal of non-controlling interests	[28]			
Balance as at Dec. 31, 2021		**131.1**	**3,826.4**	**1,699.2**

	Accumulated other comprehensive loss							
	Cumulative translation adjustment	**Gains / losses on defined benefit obligation**	**Gains / losses on hedge reserves**	**Gains / losses on financial investments**	**Gains / losses from equity-accounted investments**	**Equity attributable to shareholders of KION GROUP AG**	**Non-controlling interests**	**Total**
	–143.5	**–399.3**	**–16.8**	**0.0**	**–0.8**	**3,567.5**	**–9.2**	**3,558.4**
						215.3	–4.4	210.9
	–206.8	–105.6	15.6	1.6	–2.0	–297.3	2.5	–294.8
	–206.8	**–105.6**	**15.6**	**1.6**	**–2.0**	**–81.9**	**–1.9**	**–83.9**
						–4.7	0.0	–4.7
						813.3	0.0	813.3
						–10.2	0.0	–10.2
						0.0	–3.4	–3.4
						1.2	0.0	1.2
						0.0	1.4	1.4
						–1.2	0.0	–1.2
	–350.3	**–504.9**	**–1.2**	**1.6**	**–2.8**	**4,284.0**	**–13.1**	**4,270.8**
	–350.3	**–504.9**	**–1.2**	**1.6**	**–2.8**	**4,284.0**	**–13.1**	**4,270.8**
						568.3	–0.3	568.0
	228.5	150.9	–3.3	2.2	–0.4	378.0	6.1	384.1
	228.5	**150.9**	**–3.3**	**2.2**	**–0.4**	**946.3**	**5.8**	**952.1**
						–53.7	0.0	–53.7
						0.0	–1.6	–1.6
						0.6	0.0	0.6
						0.0	0.7	0.7
	–121.8	**–354.0**	**–4.5**	**3.8**	**–3.2**	**5,177.1**	**–8.3**	**5,168.9**

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 2021, the Group and its approximately 40,000 employees generated revenue of €10,294.3 million (2020: €8,341.6 million).

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), which holds 45.2 percent of the shares (2020: 45.2 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 by the Executive Board on February 22, 2022.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended December 31, 2021 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 2021 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 adopted for the first time in 2021:

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', and IFRS 16 'Leases': amendments relating to the interest rate benchmark reform (IBOR reform)
- Amendments to IFRS 16 'Leases': amendments in connection with the extension of pandemic-related rent concessions

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. The KION Group has decided not to use the optional exemption for lessees introduced in 'COVID-19-Related Rent Concessions (Amendment to IFRS 16)'.

Financial reporting standards released but not yet adopted

The standards and interpretations that had been issued by the IASB as at December 31, 2021 but were not yet required to be adopted in 2021 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. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the 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 include all of the parent company's 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 providers. 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. Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. 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.

The following table shows the number of equity investments broken down by category:

Shareholdings by categories

	Jan. 1, 2021	Additions	Disposals	Dec. 31, 2021
Consolidated subsidiaries	**136**	**2**	**6**	**132**
Domestic	26	1	–	27
Foreign	110	1	6	105
Equity-accounted associates and joint ventures	**10**	**1**	**1**	**10**
Domestic	5	1	1	5
Foreign	5	–	–	5
Non-consolidated subsidiaries and other investments	**51**	**11**	**4**	**58**
Domestic	14	1	–	15
Foreign	37	10	4	43

A total of 27 (2020: 26) German and 105 (2020: 110) foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at December 31, 2021.

In addition, seven associates (December 31, 2020: eight) and three joint ventures (December 31, 2020: two) were consolidated and accounted for using the equity method as at December 31, 2021. The last available annual financial statements or interim financial statements were generally used as the basis for measurement.

As at December 31, 2021, 58 (December 31, 2020: 51) 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.

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. In the case of STILL Financial Services GmbH, it has been decided solely not to disclose the annual 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 GmbH	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 Financial Services GmbH	Hamburg
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 is shown in the list of shareholdings (see note [49]).

[5] Acquisitions

Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG

On February 1, 2021, the remaining 79.0 percent of the shares in the German dealer Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and in the general partner JETSCHKE GmbH, both headquartered in Hamburg, were acquired. The other 21.0 percent of the share capital and voting rights in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH were already held by Linde Material Handling GmbH (as an equity investment in an associate) prior to the acquisition of the shares on February 1, 2021. The purchase consideration for the net assets acquired was €13.9 million. By acquiring Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG, the KION Group has strengthened Linde Material Handling's dealer network. The company is a wholesaler and service provider that specializes in intralogistics equipment, electric and diesel trucks, warehouse trucks, container handlers, heavy-goods handlers, sideloaders, and sweepers.

The equity-accounted carrying amount of the investment in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG immediately prior to the acquisition date came to €1.2 million. Remeasurement of the investment of 21.0 percent previously held resulted in a fair value of €3.7 million. The difference of €2.5 million was taken to income and recognized under the share of profit (loss) of equity-accounted investments in the consolidated income statement.

The impact of this acquisition on the consolidated financial statements of KION GROUP AG based on the final figures as at the acquisition date is shown in the following table.

Purchase price allocation of Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG

in € million	Fair value at the acquisition date
Goodwill	7.1
Customer relationships	7.6
Other intangible assets	0.8
Rental/Leased assets	41.7
Lease receivables	21.9
Trade receivables	7.7
Other assets	13.2
Total assets	**100.1**
Financial liabilities	5.7
Liabilities from lease business	44.1
Liabilities from short-term rental business	14.9
Other liabilities	17.9
Total liabilities	**82.5**
Total net assets	**17.6**
Cash payment	13.9
Consideration transferred	**13.9**
Previously held share of equity (21.0 percent in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG, Hamburg)	3.7
Total	**17.6**

In 2021, consolidated revenue rose by €43.5 million and net income by €2.8 million as a result of the acquisition.

If the business combination had been completed by January 1, 2021, this would have had no further material impact on either the revenue or the net income (loss) reported by the KION Group in 2021.

Goodwill constitutes the strategic synergies that the KION Group expects to derive from this business combination. The goodwill arising from this acquisition is tax deductible in an amount of €5.5 million. The derived goodwill is assigned to the KION ITS EMEA group of cash-generating units.

The line item 'Acquisition of subsidiaries/other businesses (net of cash acquired)' in the consolidated statement of cash flows contains a net cash outflow of €11.9 million for the acquisition of the remaining Jetschke shares. An advance payment of €2.0 million had already been made in December 2020.

[6] 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 recognized 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 taken to income and recognized in other income/expenses or in net financial income/expenses.

The following translation rates were used for currencies that are material to the consolidated financial statements:

Major foreign currency rates in €

	Average rate		Closing rate	
	2021	2020	2021	2020
China (CNY)	7.6304	7.8729	7.2209	8.0029
United Kingdom (GBP)	0.8597	0.8894	0.8413	0.8937
USA (USD)	1.1828	1.1419	1.1370	1.2217

Source: Bloomberg

[7] 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 are applied in particular:

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant, and equipment, receivables, and inventories
- in determining the useful life of non-current assets
- in classifying and measuring leases and in determining the lease terms
- in recognizing and measuring defined benefit pension obligations and other provisions
- in recognizing and measuring current and deferred income taxes
- in recognizing and measuring assets acquired and liabilities assumed in connection with business combinations, and
- in evaluating the stage of completion of contracts in the project business where the revenue is recognized over a period of time

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 such as rebates, volume discounts, trade discounts, bonuses, and penalties. 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. Payment terms vary in accordance with the customary conditions in the respective countries. 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.

Revenue also includes revenue from the lease and short-term rental business after deduction of trade discounts and rebates.

Other criteria may arise, depending on each individual transaction, as described below:

Sale of goods

Revenue from the sale of goods 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.

Rendering of services

Revenue from the rendering of services is recognized upon performance of the service, either at a point in time or over a period of time. Revenue recognized over a period of time 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.

Lease and short-term rental business

Revenue from direct lease business is recognized in the amount of the sale value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. If industrial trucks are first sold to and then immediately leased back from a financing partner in order to refinance lease contracts, no selling margin in connection with the financing is recognized as the financing partner usually does not obtain control over the industrial truck.

In the indirect lease business, industrial trucks are sold to vendor partners that enter into long-term leases with end customers. As the vendor partner usually does not obtain control over the industrial truck, 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 vendor 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.

As short-term rental business is classified as an operating lease, the revenue it generates is recognized in the amount of the lease payments. If industrial trucks are first sold to and then immediately leased back from a financing partner in order to finance the short-term rental business, no selling margin in connection with the financing is recognized as the financing partner usually does not obtain control over the industrial truck.

Project business contracts

In the project business, customer-specific assets without alternative use are produced for the customer. At the same time, the KION Group has a legal right to payment for performance completed to date, plus a reasonable margin. Because control over the promised assets gradually passes to the customer over the course of the project, revenue is 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.

Contract costs are recognized as an expense in the period in which they are incurred. The total estimated contract costs are continually reviewed 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 result may change.

Contract modifications and claims against customers are factored into the project calculation provided that the parties to the contract have agreed to them and they do not give rise to any distinct performance obligation. If the calculated percentage of completion as at the reporting date changes as a result, the difference between the revenue already recognized up to that point and the revenue calculated on the basis of the new estimate of the percentage of completion is recognized in profit or loss.

If it is probable that the total contract costs will exceed the contract revenue, the expected loss is immediately recognized as an expense in the period in which the loss becomes apparent.

During the project, invoices are issued to the customer when contractually agreed milestones are reached. 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

Net financial income/expenses mainly consist of interest expense on financial liabilities, interest income from financial receivables, interest income from the lease business (where classified as a finance lease), interest expense resulting from the lease and short-term rental business, interest expense on procurement leases, exchange rate gains and losses on financing activities, the marking-to-market of currency forwards and interest-rate derivatives, and the net interest cost of the defined benefit obligation. Interest income and 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 more frequently if there are indications 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 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 segment and to the Dematic Operating Unit in the Supply Chain Solutions segment.

Since 2021, the former LMH EMEA and STILL EMEA Operating Units have been combined under KION ITS EMEA as a group of CGUs, reflecting the change in the internal monitoring of goodwill.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The cash flows forecast for the next five years are included in the calculation for the impairment test. The financial forecasts are based on assumptions relating to the development of the global economy, the sectoral environment, the procurement markets, and exchange rates. Cash flows beyond the five-year planning horizon were extrapolated for the KION ITS EMEA, KION ITS APAC, and KION ITS Americas CGUs / groups of CGUs using a long-term growth rate of 1.0 percent (2020: 1.0 percent). The long-term growth rate used for Dematic was 1.3 percent (2020: 1.3 percent).

CGU cash flows are discounted using a weighted average cost of capital (WACC) that reflects current market assessments of the specific risks to individual CGUs.

The following table shows the significant parameters for impairment testing broken down by Operating Unit. Any material changes to these and other factors might result in the recognition of impairment losses. Further information on goodwill can be found in note [17].

Significant parameters for impairment testing

	Long-term growth rate		WACC after tax		WACC before tax	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Industrial Trucks & Services						
KION ITS EMEA[1]	1.0%	1.0%	6.5%	6.3% – 6.4%	9.2%	9.1% – 9.3%
KION ITS Americas	1.0%	1.0%	7.8%	8.0%	10.4%	10.6%
KION ITS APAC	1.0%	1.0%	7.4%	8.0%	9.5%	10.6%
Supply Chain Solutions						
Dematic	1.3%	1.3%	7.9%	8.0%	10.1%	10.1%

1 The former operating units LMH EMEA and STILL EMEA are combined under KION ITS EMEA as a group of CGUs since the fiscal year 2021

The impairment test carried out in the fourth quarter of 2021 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 Dematic CGUs / groups of CGUs. Using sensitivity analysis, it was also verified that no impairment losses needed to be recognized for goodwill, even if key assumptions vary within realistic limits, in particular variations in WACC and the forecast cash flows.

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 ranges of useful lives 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 are not amortized because they have been established in the market for a number of years and there is no foreseeable end to their useful life. In accordance with IAS 36, they are tested for impairment at least once a year or on an ad hoc basis if there are indications that the asset 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 business/short-term rental business

The Industrial Trucks & Services segment conducts lease and short-term rental business in which it leases or rents industrial trucks and related items of equipment to its customers in order to promote sales.

Subsidiaries in the KION Group enter into leases as lessors and as lessees. Where they act as lessors, the leases are classified as finance leases, in accordance with IFRS 16, if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other leases and short-term rentals are classified as operating leases, again in accordance with IFRS 16, and recognized as leased assets or rental assets.

If a KION Group subsidiary enters into a finance lease as the lessor, the future lease payments to be made by the customer are recognized as lease receivables at an amount equal to the net investment in the lease. These are measured using the simplified impairment approach in accordance with IFRS 9. Interest income is spread over the term of the lease in order to ensure a constant return on the outstanding net investment in the lease.

The classification of leases requires estimates to be made regarding the transferred and retained risks and rewards in connection with ownership of the industrial truck. When defining the lease term, all facts and circumstances that offer an economic incentive to exercise extension options, or to not exercise cancellation options, are also taken into consideration. Further information on the lease and short-term rental business can be found in notes [18] Leased assets, [19] Rental assets, and [22] Lease receivables.

Lease business

If the beneficial ownership of leased assets remains with a KION Group subsidiary as the lessor under an operating lease, the assets are reported as leased assets in the statement of financial position. The leased assets are carried at cost and depreciated on a straight-line basis over the term of the underlying leases until the residual value is reached. To finance leases, industrial trucks are sold to leasing companies (financing partners), for example, and immediately leased back (head lease) before being sub-leased to external end customers (described below as ‘sale and leaseback sub-leases’). The KION Group also finances its lease business by means of lease facilities and securitizations.

The following applies to leases entered into from January 1, 2018 onward: The financing partner usually does not obtain control over the industrial truck and it is recognized as a leased asset in the statement of financial position or, if the risks and rewards have been transferred to the end customer, as a lease receivable. The industrial truck recognized as a leased asset is carried at cost, while the lease receivable is recognized at an amount equal to the net investment in the lease. In both cases, the liabilities for financing are recognized under liabilities from lease business.

In accordance with the transitional provisions of IFRS 16, the rest of the sale and leaseback sub-lease portfolio – comprising leases entered into up to December 31, 2017 – was not reassessed with regard to the transfer of control to the financing partner in the head lease. In sale and leaseback sub-leases, risks and rewards incidental to the head lease are, in general, substantially borne by the KION Group subsidiaries. The corresponding assets are therefore reported as leased assets within non-current assets and measured at amortized cost. However, if risks and rewards incidental to the head lease are substantially transferred to the end customer in the sub-lease, a corresponding lease receivable is recognized. In both cases, the funding items for these long-term customer leases, which are funded for terms that match those of the leases, are also recognized as liabilities from lease business.

In the indirect lease business, industrial trucks are sold to leasing companies (vendor partners) that enter into long-term leases with end customers. As the vendor partner usually does not obtain control over the industrial truck, it is 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.

The following applies to short-term rental agreements entered into from January 1, 2018 onward: The financing partner usually does not obtain control over the industrial truck and it is recognized as a rental asset in the consolidated statement of financial position. It is 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. The liabilities for financing this part of the short-term rental fleet are reported under liabilities from short-term rental business.

In accordance with the transitional provisions of IFRS 16, the rest of the sale and leaseback sub-lease portfolio – comprising leases entered into up to December 31, 2017 – was not reassessed with regard to the transfer of control to the financing partner in the head lease. In the case of sale and leaseback sub-lease transactions, risks and rewards incidental to the head lease are usually substantially borne by subsidiaries in the KION Group, so the industrial trucks are reported as rental assets and measured at amortized cost. The liabilities for financing this part of the short-term rental fleet are also reported 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 ranges of useful lives are applied in determining the carrying amounts of items of 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, senior management takes into consideration all facts and circumstances that offer an economic incentive to exercise extension options or to not exercise cancellation options.

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.

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.

At the end of the lease term, the leased assets are returned or purchased, or the contract is extended; the latter is accounted for as a modification or remeasurement.

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 profit or loss. 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). The assignment to the various 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.

In line with the impairment approach for debt instruments in the AC category, both upon initial recognition and subsequently the KION Group recognizes expected credit loss in profit or loss by recognizing valuation allowances. 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 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.

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 estimate for 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.

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). The assignment to the various 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.

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 and interest-rate 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 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 effective portion of changes in the fair value of the interest-rate swap is recognized in net financial income/expenses. These are offset by gains and losses on the change in the fair value of the hedged financial liability, which result in an adjustment in profit or loss of the carrying amount of the hedged item. The ineffective portion of the hedge is also recognized immediately in net financial income/expenses.

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.

Since 2021, the KION Group has been using 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 have the same maturity and relate to the same taxation authority.

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [15]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognized on the basis of an estimate 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 estimates made when the corresponding deferred tax assets were recognized.

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. 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].

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 of 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 resulting from financing transactions entered into up to December 31, 2017 are recognized in accordance with the transitional provisions of IFRS 16 and are therefore not assigned to any of the IFRS 9 measurement categories.

Liabilities from the lease business comprise all liabilities from financing the lease business on the basis of sale and leaseback sub-lease transactions, as well as all liabilities that arise from financing the direct lease business by means of lease facilities and the use of securitizations. Furthermore, liabilities from the lease business include 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. Liabilities from the short-term rental business resulting from financing transactions entered into up to December 31, 2017 are recognized in accordance with the transitional provisions of IFRS 16 and are therefore not assigned to any of the IFRS 9 measurement categories.

Liabilities from the short-term rental business comprise all liabilities from financing the short-term rental fleet on the basis of sale and leaseback sub-lease transactions.

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. Recourse claims are not taken into account. 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. The interest cost from unwinding the discount is recognized in interest expenses.

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.

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 estimate 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

[8] 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	Mainly 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

	2021			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**5,316.7**	**1,037.3**	**10.4**	**6,364.4**
Western Europe	4,615.9	936.4	10.4	5,562.8
Eastern Europe	623.1	89.8	–	713.0
Middle East and Africa	77.7	11.0	–	88.7
Americas	**357.7**	**2,393.7**	**0.0**	**2,751.4**
North America	181.4	2,367.1	0.0	2,548.5
Central and South America	176.3	26.6	0.0	202.9
APAC	**829.1**	**349.4**	**0.0**	**1,178.5**
China	596.6	89.4	0.0	686.1
APAC excluding China	232.4	260.0	0.0	492.5
Total revenue	**6,503.5**	**3,780.3**	**10.5**	**10,294.3**
New business	3,104.7			3,104.7
Service business	3,398.8			3,398.8
– Aftersales	1,734.8			1,734.8
– Rental business	1,000.5			1,000.5
– Used trucks	412.7			412.7
– Other	250.8			250.8
Business solutions		3,006.7		3,006.7
Service business		773.7		773.7
Corporate Services			10.5	10.5
Total revenue	**6,503.5**	**3,780.3**	**10.5**	**10,294.3**
Timing of revenue recognition				
Products and services transferred at a point in time	4,927.0	322.2	–	5,249.1
Products and services transferred over a period of time	1,576.5	3,458.2	10.5	5,045.2

Disaggregation of revenue with third parties

in € million	2020[1] Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**4,776.3**	**777.0**	**9.5**	**5,562.9**
Western Europe	4,160.7	737.4	9.5	4,907.7
Eastern Europe	547.3	29.1	–	576.5
Middle East and Africa	68.3	10.4	–	78.7
Americas	**279.8**	**1,566.2**	**0.0**	**1,846.0**
North America	130.0	1,557.6	0.0	1,687.6
Central and South America	149.8	8.6	0.0	158.4
APAC	**656.4**	**276.2**	**0.0**	**932.7**
China	455.7	70.5	0.0	526.1
APAC excluding China	200.8	205.8	0.0	406.6
Total revenue	**5,712.6**	**2,619.4**	**9.6**	**8,341.6**
New business	2,734.5			2,734.5
Service business	2,978.1			2,978.1
– Aftersales	1,523.2			1,523.2
– Rental business	911.1			911.1
– Used trucks	364.0			364.0
– Other	179.8			179.8
Business solutions		1,935.1		1,935.1
Service business		684.3		684.3
Corporate Services			9.6	9.6
Total revenue	**5,712.6**	**2,619.4**	**9.6**	**8,341.6**
Timing of revenue recognition				
Products and services transferred at a point in time	4,277.8	293.5	–	4,571.3
Products and services transferred over a period of time	1,434.8	2,325.9	9.6	3,770.3

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

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 aftersales (full-)service contracts, each with an expected original term of more than one year.

Expected future revenue from existing performance obligations

in € million	2021	2020
Total of expected future revenue from existing performance obligations	**4,625.7**	**4,260.2**
due within one year	3,023.9	2,689.9
due in one to three years	1,299.2	1,115.2
due in more than three years	302.6	455.1

[9] Cost of sales and other functional costs

The total cost of materials recognized under cost of sales in the consolidated income statement went up by €1,079.4 million to €5,087.1 million in 2021 (2020: €4,007.7 million), mainly due to the increase in revenue.

The total personnel expenses recognized under functional costs rose by €311.2 million to €2,612.0 million (2020: €2,300.8 million). This rise can be explained by the growth in the average number of employees for the year, general salary increases, and higher variable remuneration components. In 2020, personnel measures in connection with the coronavirus pandemic, such as short-time working and employees' using up of accumulated hours in their working-time accounts, had reduced personnel expenses.

Personnel expenses included wages and salaries of €2,098.2 million (2020: €1,817.6 million), social security contributions of €453.7 million (2020: €396.7 million), and post-employment benefit costs and other benefits of €60.1 million (2020: €86.6 million). Post-employment benefit costs and other benefits comprised a current service cost from defined benefit pension plans of €57.3 million (2020: €52.9 million). Overall, the reduction in post-employment benefit costs and other benefits was mainly due to the change in the pension benefit conditions in Germany, which resulted in unrecognized past service income of €32.7 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 cost of the defined benefit obligation.

Functional costs were reduced by the recognition of government grants amounting to €4.2 million (2020: €7.9 million). This sum mostly related to the lump-sum reimbursement during the coronavirus pandemic of employers' social security contributions in connection with short-time working allowances linked to the economic situation.

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortization expenses on intangible assets, as well as reversals of impairment losses, were recognized under functional costs in a total amount of €940.9 million in the reporting year (2020: €937.8 million).

[10] Other income

Other income breaks down as follows:

Other income

in € million	2021	2020
Foreign currency exchange rate gains	61.1	58.6
Income from reversal of provisions	3.8	3.4
Gains on disposal of non-current assets	6.1	6.9
Sundry income	28.3	24.8
Total other income	**99.4**	**93.7**

In 2021, other income went up by €5.7 million year on year to reach €99.4 million.

The rise was partly due to the increase in foreign currency exchange rate gains. These are attributable to exchange rate gains arising in the course of the Group companies' operating activities and to gains on hedges that were 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 [11]).

[11] Other expenses

Other expenses break down as follows:

Other expenses

in € million	2021	2020
Foreign currency exchange rate losses	66.6	80.9
Losses on disposal of non-current assets	0.8	1.9
Impairment of non-current assets	2.3	21.6
Sundry expenses	11.7	13.3
Total other expenses	**81.4**	**117.7**

In 2021, other expenses fell by €36.3 million year on year to reach €81.4 million.

The decrease was partly due to the reduction in foreign currency exchange rate losses. These are attributable to exchange rate losses arising in the course of the Group companies' operating activities and to losses on hedges that were 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 [10]).

Within the higher expenses for impairment of non-current assets recognized in 2020, a figure of €13.6 million had related to other property, plant, and equipment in the Supply Chain Solutions segment, the use of which was customer-specific.

[12] Share of profit (loss) of equity-accounted investments

The share of profit (loss) of equity-accounted investments amounted to a profit of €13.1 million in the reporting period (2020: loss of €2.2 million).

The prior-year figure had included an impairment charge of €10.7 million on the stake held in Linde Hydraulics GmbH & Co. KG.

Further details on equity-accounted investments can be found in note [21].

[13] Financial income

Financial income breaks down as follows:

Financial income

in € million	2021	2020
Interest income from lease business	71.8	58.8
Foreign currency exchange rate gains	28.8	46.8
Changes in fair value of interest rate derivatives (without designated hedge relationship)	9.3	0.2
Other interest and similar income	11.3	7.8
Total financial income	**121.1**	**113.6**

The reasons for the €7.5 million rise in financial income to €121.1 million included higher interest income from the lease business (details of the countervailing interest expense from the lease business can be found in note [14]). 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.

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.

[14] Financial expenses

Financial expenses break down as follows:

Financial expenses

in € million	2021	2020
Interest expense from loans	5.3	7.7
Interest expense from promissory notes	10.0	22.0
Interest expense from bonds	9.3	2.5
Interest expense from lease and short-term rental business	50.7	53.3
Interest expense from procurement leases	12.2	14.1
Net interest expense from defined benefit plans and similar obligations	10.3	13.4
Foreign currency exchange rate losses	40.6	60.2
Changes in fair value of interest rate derivatives (without designated hedge relationship)	3.4	8.8
Other interest expenses and similar charges	14.4	20.0
Total financial expenses	**156.2**	**201.9**

In 2021, financial expenses dropped by €45.7 million year on year to reach €156.2 million.

Interest expense from loans, promissory notes, and bonds fell overall in the reporting year due to the ongoing reduction in financial debt.

Interest expense from the lease and short-term rental business, which totaled €50.7 million (2020: €53.3 million), was attributable both to liabilities from financing the lease business and to liabilities from financing the short-term rental fleet. 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 €27.5 million (2020: €29.2 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 decline in net interest expense from defined benefit plans and similar obligations is attributable to the lower discount rate compared with the previous year.

Foreign currency exchange rate expenses 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.

In 2020, other interest expenses and similar charges had included commitment fees and transaction costs of €7.7 million in connection with an additional liquidity line that had been agreed in order to temporarily secure liquidity but had not been utilized and was terminated ahead of schedule at the end of 2020.

[15] Income taxes

Current taxes

The income tax expense of €191.7 million (2020: €90.7 million) consisted of €203.8 million in current tax expense (2020: €145.2 million) and €12.1 million in deferred tax income (2020: €54.5 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 (2020: 14.9 percent), the combined nominal tax rate for entities in Germany was 30.7 percent (2020: 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 2020.

Deferred tax assets were allocated to the following items in the statement of financial position:

Deferred tax assets

in € million	Dec. 31, 2021	Dec. 31, 2020
Intangible assets and property, plant and equipment	275.1	244.4
Other assets	170.2	146.3
Provisions	302.5	352.5
Liabilities	595.9	640.8
Deferred income	83.1	107.2
Tax loss carry forwards, interest carry forwards and tax credits	25.0	20.9
Offsetting	–1,002.4	–1,017.2
Total deferred tax assets	**449.3**	**494.9**

The amount of deferred tax assets recognized in the statement of financial position decreased to €449.3 million as at December 31, 2021 (December 31, 2020: €494.9 million). This can primarily be explained by changed discount rates and plan adjustments affecting defined benefit obligations.

Deferred taxes are recognized on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilized.

In 2021, KION GROUP AG and the consolidated subsidiaries that reported losses for 2021 or 2020 recognized net deferred tax assets on temporary differences, loss carryforwards, and tax credits totaling €24.1 million (2020: €27.6 million). These assets were considered to be unimpaired 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 €707.4 million (2020: €743.9 million) – of which €255.5 million (2020: €146.2 million) can only be carried forward on a restricted basis – or on interest carryforwards of €283.9 million (2020: €283.9 million). Consequently, the total amount of unrecognized deferred tax assets relating to loss carryforwards is €155.0 million (2020: €160.1 million), of which €92.8 million (2020: €124.7 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at December 31, 2021 amounted to €109.3 million (December 31, 2020: €134.9 million), while trade-tax loss carryforwards stood at €98.5 million (December 31, 2020: €115.6 million). There were also tax loss carryforwards outside Germany totaling €571.4 million (December 31, 2020: €542.8 million).

The interest that can be carried forward indefinitely in Germany as at December 31, 2021 amounted to €283.9 million (December 31, 2020: €283.9 million).

Deferred tax liabilities were allocated to the following items in the statement of financial position:

Deferred tax liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020
Intangible assets and property, plant and equipment	960.2	984.1
Other assets	421.0	392.9
Provisions	27.0	14.3
Liabilities	108.5	127.5
Deferred income	9.3	9.5
Offsetting	–1,002.4	–1,017.2
Total deferred tax liabilities	**523.5**	**511.1**

As had also been the case in 2020, the deferred tax liabilities essentially related to the purchase price allocation in connection with the acquisition of Dematic, particularly for intangible assets and property, plant, and equipment.

The deferred taxes recognized in the statement of financial position also rose as a consequence of the purchase price allocation in connection with Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG (deferred tax assets by €4.9 million and deferred tax liabilities by €5.3 million; 2020: acquisition of Digital Applications International Limited: deferred tax assets by €2.2 million and deferred tax liabilities by €4.2 million). The currency translation as at the reporting date gave rise to total net deferred tax assets and deferred tax liabilities of €9.9 million that were recognized in other comprehensive income (loss) under cumulative translation adjustment, resulting in a decrease in equity (2020: increase in equity of €12.0 million).

In 2021, no deferred taxes have been recognized on temporary differences of €210.6 million (2020: €200.6 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 temporary differences and there are no plans to dispose of equity investments in the foreseeable future.

Reconciliation of effective income taxes

The table below shows the reconciliation of expected income tax expenses to effective income tax expenses. 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	2021	2020
Earnings before tax	**759.7**	**301.6**
Anticipated income taxes	–233.2	–92.6
Deviations due to the trade tax base	–2.7	–3.6
Deviations from the anticipated tax rate	34.6	13.2
Losses for which deferred taxes have not been recognized	–3.9	–4.4
Change in tax rates and tax legislation	0.8	–0.4
Non-deductible expenses	–13.4	–14.3
Non-taxable income/tax-exempt income/tax incentives	21.8	17.9
Taxes relating to other periods	2.6	–2.5
Deferred taxes relating to prior periods	3.9	0.5
Non-creditable withholding tax on dividends	–4.3	–4.1
Other	2.1	–0.5
Effective income taxes (current and deferred taxes)	**–191.7**	**–90.7**

[16] Earnings per share

Basic earnings per share (€4.34; 2020: €1.81) is calculated by dividing the net income attributable to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting year (2021: 131.1 million no-par-value shares; 2020: 118.9 million no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €568.3 million in 2021 (2020: €215.3 million).

Diluted earnings per share (€4.33; 2020: €1.81) is calculated by adding the potential dilutive no-par-value shares that employees can obtain for free under the Employee Equity Program (KEEP) to the weighted average number of shares outstanding during the reporting year. The calculation of diluted earnings per share was based on a weighted average of 131.1 million no-par-value shares issued (2020: 118.9 million no-par-value shares).

Notes to the consolidated statement of financial position

[17] Goodwill and other intangible assets

Goodwill breaks down by Operating Unit as follows:

Goodwill broken down by Operating Unit

in € million	Dec. 31, 2021	Dec. 31, 2020
Industrial Trucks & Services	**1,516.4**	**1,495.5**
KION ITS EMEA	1,373.8	1,365.7
KION ITS Americas	21.3	19.9
KION ITS APAC	121.3	109.9
Supply Chain Solutions	**2,028.4**	**1,912.2**
Dematic	2,028.4	1,912.2
Total goodwill	**3,544.8**	**3,407.6**

The change in goodwill in 2021 was mainly due to the acquisition of Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG, which resulted in goodwill of €7.1 million being recognized. Furthermore, exchange-rate effects caused a €130.0 million increase in goodwill in the reporting period.

The total carrying amount for brand names as at December 31, 2021 was €939.7 million (December 31, 2020: €939.1 million). Of this figure, €576.3 million was attributable to the KION ITS EMEA Operating Unit (December 31, 2020: €576.4 million) and €349.8 million to the Dematic Operating Unit (December 31, 2020: €350.0 million).

The annual impairment test of goodwill and brand names with an indefinite useful life carried out in the fourth quarter of 2021 revealed no need to recognize impairment losses as at the reporting date (see also the information provided in note [7]).

The overall changes in intangible assets in 2021 and 2020 were as follows:

Intangible assets

in € million	Goodwill	Brand names	Technologies and developments	Sundry intangible assets	Total
Balance as at Jan. 1, 2020	**3,475.8**	**939.8**	**697.9**	**619.0**	**5,732.5**
Gross carrying amount as at Jan. 1	3,475.8	946.4	1,042.6	999.9	6,464.8
Accumulated depreciation as at Jan. 1	–	–6.6	–344.7	–381.0	–732.3
Group changes	71.8	–	11.7	28.1	111.6
Currency translation adjustments	–140.0	–0.4	–28.2	–43.1	–211.7
Additions	–	–	78.5	27.5	106.0
Disposals	–	–	–0.8	–0.0	–0.8
Amortization	–	–0.2	–97.1	–75.1	–172.5
Impairment	–	–	–5.4	–	–5.4
Balance as at Dec. 31, 2020	**3,407.6**	**939.1**	**656.5**	**556.3**	**5,559.6**
Gross carrying amount as at Dec. 31	3,407.6	945.7	1,063.9	983.8	6,401.0
Accumulated amortization as at Dec. 31	–	–6.6	–407.3	–427.5	–841.4
Balance as at Jan. 1, 2021	**3,407.6**	**939.1**	**656.5**	**556.3**	**5,559.6**
Group changes	7.1	–	–	8.5	15.6
Currency translation adjustments	130.0	0.7	26.5	32.3	189.6
Additions	–	–	98.3	19.7	118.0
Disposals	–	–	–0.1	–0.4	–0.5
Amortization	–	–0.2	–99.9	–70.4	–170.5
Impairment	–	–	–0.8	–0.3	–1.1
Balance as at Dec. 31, 2021	**3,544.8**	**939.7**	**680.6**	**545.7**	**5,710.7**
Gross carrying amount as at Dec. 31	3,544.8	946.6	1,173.4	1,052.4	6,717.2
Accumulated amortization as at Dec. 31	–	–7.0	–492.8	–506.7	–1,006.5

The total carrying amount for technology and development assets as at December 31, 2021 was €680.6 million (December 31, 2020: €656.5 million). Development costs of €98.3 million were capitalized in the reporting year (2020: €78.5 million).

Sundry intangible assets relate in particular to customer relationships amounting to €467.6 million (December 31, 2020: €476.9 million).

[18] Leased assets

The changes in leased assets in 2021 and 2020 were as follows:

Leased assets

in € million	2021	2020
Balance as at Jan. 1	**1,333.3**	**1,361.2**
Gross carrying amount as at Jan. 1	2,001.5	2,040.7
Accumulated depreciation as at Jan. 1	–668.3	–679.5
Group changes	24.0	–
Currency translation adjustments	18.7	–27.3
Additions	529.1	478.8
Disposals	–173.0	–149.5
Depreciation	–340.1	–327.9
Impairment	–0.5	–2.0
Balance as at Dec. 31	**1,391.5**	**1,333.3**
Gross carrying amount as at Dec. 31	2,052.3	2,001.5
Accumulated depreciation as at Dec. 31	–660.7	–668.3

Leased assets are attributable exclusively to the Industrial Trucks & Services segment and 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 €1,022. million (December 31, 2020: €880.7 million) were provided to customers for their use. The indirect lease business resulted in assets with a carrying amount of €369.4 million (December 31, 2020: €452.6 million).

As at December 31, 2021, leased assets of €413.8 million (December 31, 2020: €341.5 million) were available as collateral for liabilities from lease business.

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €955.8 million (December 31, 2020: €883.7 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	2021	2020
Payments from lease business	**955.8**	**883.7**
due within one year	354.0	297.4
due in one to two years	271.1	241.1
due in two to three years	178.7	178.9
due in three to four years	103.0	108.4
due in four to five years	41.0	46.5
due in more than five years	8.0	11.4

[19] Rental assets

The changes in rental assets in 2021 and 2020 were as follows:

Rental assets

in € million	2021	2020
Balance as at Jan. 1	**529.6**	**632.9**
Gross carrying amount as at Jan. 1	990.4	1,104.7
Accumulated depreciation as at Jan. 1	–460.8	–471.8
Group changes	17.6	–
Currency translation adjustments	8.6	–15.2
Additions	367.1	265.8
Disposals	–195.0	–165.5
Depreciation	–185.2	–187.7
Impairment	–	–0.6
Balance as at Dec. 31	**542.8**	**529.6**
Gross carrying amount as at Dec. 31	1,043.4	990.4
Accumulated depreciation as at Dec. 31	–500.6	–460.8

Rental assets are allocated solely to the Industrial Trucks & Services segment and comprise assets in the short-term rental fleet.

[20] Other property, plant, and equipment

The changes in the carrying amounts of other property, plant, and equipment are shown in the following table:

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, 2020	**701.6**	**441.3**	**93.5**	**1,236.3**
Gross carrying amount as at Jan. 1	1,354.3	1,329.8	93.5	2,777.6
Accumulated depreciation as at Jan. 1	–652.7	–888.5	–	–1,541.3
Group changes	15.2	2.4	–	17.6
Currency translation adjustments	–18.8	–7.1	–2.7	–28.6
Additions	131.1	140.1	85.6	356.7
Disposals	–17.0	–5.6	–1.2	–23.8
Depreciation	–83.1	–145.0	–	–228.1
Impairment	–10.5	–3.1	–	–13.6
Reclassification	6.0	69.4	–75.4	–
Balance as at Dec. 31, 2020	**724.5**	**492.4**	**99.8**	**1,316.6**
Gross carrying amount as at Dec. 31	1,439.9	1,439.4	99.8	2,979.0
Accumulated depreciation as at Dec. 31	–715.4	–947.0	–	–1,662.4
Balance as at Jan. 1, 2021	**724.5**	**492.4**	**99.8**	**1,316.6**
Group changes	1.6	2.2	0.0	3.8
Currency translation adjustments	22.6	8.2	4.0	34.8
Additions	151.0	156.1	93.8	400.8
Disposals	–56.5	–7.8	–0.8	–65.1
Depreciation	–90.0	–153.1	–	–243.1
Impairment	–0.7	–	–	–0.7
Reversals of impairment	–	0.2	–	0.2
Reclassification	34.3	40.9	–75.1	–
Balance as at Dec. 31, 2021	**786.9**	**539.0**	**121.7**	**1,447.5**
Gross carrying amount as at Dec. 31	1,557.7	1,570.9	121.7	3,250.3
Accumulated depreciation as at Dec. 31	–770.9	–1,032.0	–	–1,802.8

Land and buildings in the amount of €18.3 million (December 31, 2020: €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 €513.6 million for right-of-use assets related to procurement leases (December 31, 2020: €492.5 million). Of this figure, €401.6 million was attributable to land and buildings (December 31, 2020: €375.0 million) and €112.0 million to plant & machinery and office furniture & equipment (December 31, 2020: €117.5 million).

Within the impairment losses recognized in the previous year, a figure of €13.6 million had related to property, plant, and equipment in the Supply Chain Solutions segment, the use of which was customer-specific.

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, 2020	**325.9**	**126.8**	**452.7**
Gross carrying amount as at Jan. 1	568.0	243.3	811.4
Accumulated depreciation as at Jan. 1	–242.2	–116.5	–358.7
Group changes	15.2	0.0	15.2
Currency translation adjustments	–9.3	–1.5	–10.8
Additions	121.5	56.0	177.5
Disposals	–15.8	–5.0	–20.9
Depreciation	–62.4	–58.7	–121.1
Balance as at Dec. 31, 2020	**375.0**	**117.5**	**492.5**
Gross carrying amount as at Dec. 31	658.0	243.4	901.4
Accumulated depreciation as at Dec. 31	–283.0	–125.9	–408.9
Balance as at Jan. 1, 2021	**375.0**	**117.5**	**492.5**
Group changes	1.6	1.2	2.9
Currency translation adjustments	13.0	0.8	13.8
Additions	126.4	55.7	182.1
Disposals	–46.3	–4.1	–50.4
Depreciation	–67.5	–59.2	–126.7
Impairment	–0.7	–	–0.7
Balance as at Dec. 31, 2021	**401.6**	**112.0**	**513.6**
Gross carrying amount as at Dec. 31	726.0	251.2	977.2
Accumulated depreciation as at Dec. 31	–324.4	–139.2	–463.6

The expense recognized in 2021 for procurement leases with a term of up to twelve months came to €37.0 million (2020: €18.5 million); the expense for procurement leases that relate to low-value assets was €8.9 million (2020: €9.1 million).

As at December 31, 2021, there were also obligations of €39.6 million resulting from procurement leases that already existed but had not yet started (December 31, 2020: €18.4 million).

[21] Equity-accounted investments

The KION Group reported equity-accounted investments with a total carrying amount of €84.3 million as at December 31, 2021 (December 31, 2020: €78.8 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 [49]). Their financial information is summarized below:

Summarized financial information on associates

in € million	2021	2020
Total carrying amount	40.8	40.3
Profit (+)/loss (–) from continuing operations	8.4	–8.3
Other comprehensive income (loss)	0.3	–4.4
Total comprehensive income (loss)	**8.8**	**–12.7**

In 2020, the loss from continuing operations had included the impairment loss of €10.7 million on the equity investment in the associate Linde Hydraulics GmbH & Co. KG (see note [12]).

Summarized financial information on joint ventures

in € million	2021	2020
Total carrying amount	43.5	38.5
Profit (+)/loss (–) from continuing operations	4.6	6.1
Other comprehensive income	1.1	0.2
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.

[22] Lease receivables

Lease receivables break down as follows:

Maturity analysis of lease receivables

in € million	Dec. 31, 2021	Dec. 31, 2020
Nominal value of outstanding lease payments	**1,705.4**	**1,527.1**
due within one year	505.0	431.8
due in one to two years	431.4	376.0
due in two to three years	340.6	307.3
due in three to four years	235.2	223.1
due in four to five years	128.1	128.5
due in more than five years	65.1	60.5
Plus unguaranteed residual values	248.9	215.2
Less unearned financial income	–155.3	–140.1
Present value of outstanding lease payments	**1,798.9**	**1,602.2**
Valuation allowances for lease receivables	–9.2	–6.9
Adjustment from hedge accounting	–5.7	–0.0
Total lease receivables	**1,784.0**	**1,595.3**

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 0.1 percent to 0.4 percent as at December 31, 2021 (December 31, 2020: 0.1 percent to 0.4 percent).

As at December 31, 2021, outstanding lease payments with a present value of €654.4 million (December 31, 2020: €500.4 million) were available as collateral for liabilities from the lease business.

[23] Other financial assets

Other financial assets break down as follows:

Other financial assets

in € million	Dec. 31, 2021	Dec. 31, 2020
Financial investments	43.7	37.5
Financial receivables	17.4	8.4
Other financial investments	27.2	23.7
Derivative financial instruments	4.2	2.5
Sundry financial assets	3.5	3.4
Other non-current financial assets	**96.1**	**75.6**
Derivative financial instruments	8.9	15.0
Financial receivables	10.0	9.7
Sundry financial assets	43.9	52.5
Other current financial assets	**62.8**	**77.3**
Total other financial assets	**158.9**	**152.9**

Financial investments essentially comprise the equity investments in Shanghai Quicktron Intelligent Technology Co., Ltd, Zhejiang EP Equipment Co., Ltd., and Balyo SA. 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.

Financial 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 (see note [42]).

[24] Other assets

Other assets break down as follows:

Other assets

in € million	Dec. 31, 2021	Dec. 31, 2020
Investments in non-consolidated subsidiaries and other investments	24.1	18.8
Pension assets	79.7	50.4
Sundry tax receivables	8.0	9.6
Other non-current assets	**111.8**	**78.8**
Deferred charges and prepaid expenses	48.1	44.5
Sundry tax receivables	89.6	56.2
Sundry other assets	0.3	0.3
Other current assets	**138.0**	**100.9**
Total other assets	**249.8**	**179.7**

Pension assets related to asset surpluses from two defined benefit plans (2020: two) in the United Kingdom, in both of which plan assets exceed the present value of the defined benefit obligation (see note [29]).

[25] Inventories

The reported inventories break down as follows:

Inventories

in € million	Dec. 31, 2021	Dec. 31, 2020
Materials and supplies	442.0	280.5
Work in progress	363.2	162.2
Finished goods and merchandise	761.6	618.7
Advances paid	65.2	39.5
Total inventories	**1,632.1**	**1,101.0**

In 2021, impairment losses of €30.1 million were recognized on inventories (2020: €38.7 million). Reversals of impairment losses were recognized in an amount of €13.6 million (2020: €10.1 million) because the reasons for the impairment losses no longer existed.

[26] Trade receivables

Trade receivables break down as follows:

Trade receivables

in € million	Dec. 31, 2021	Dec. 31, 2020
Receivables from third parties	1,347.1	1,165.5
thereof receivables not due and overdue ≤ 90 days	1,189.3	1,039.2
thereof receivables overdue > 90 days ≤ 180 days	41.7	29.2
thereof receivables overdue > 180 days	55.9	37.8
thereof receivables adjusted for individual valuation allowances	60.1	59.2
Receivables from third parties measured at fair value through profit or loss (FVPL)	1.5	21.6
Trade receivables from non-consolidated subsidiaries, equity-accounted investments and other investments	47.9	43.4
Valuation allowances for trade receivables	–57.3	–57.9
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–2.5	–2.6
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–1.0	–0.8
thereof valuation allowances for receivables overdue > 180 days	–1.5	–1.6
thereof individual valuation allowances	–52.3	–52.9
Total trade receivables	**1,339.2**	**1,172.7**

The change in valuation allowances for trade receivables was as follows:

Change in valuation allowances for trade receivables

in € million	2021	2020
Valuation allowances as at Jan. 1	**57.9**	**42.2**
Additions	12.7	22.2
Reversals	–6.0	–1.6
Utilizations	–7.3	–3.8
Currency translation adjustments	0.1	–1.3
Valuation allowances as at Dec. 31	**57.3**	**57.9**

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 0.0 percent to 6.3 percent as at December 31, 2021 (December 31, 2020: 0.0 percent to 6.3 percent).

[27] Cash and cash equivalents

Cash and cash equivalents break down as follows:

Cash and cash equivalents

in € million	Dec. 31, 2021	Dec. 31, 2020
Balances with banks, cash and checks	473.7	307.3
Pledged cash	9.3	7.2
Total cash and cash equivalents	**483.0**	**314.4**

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].

[28] Equity

Subscribed capital and capital reserves

As at December 31, 2021, 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.

With the consent of the Supervisory Board, the Executive Board of KION GROUP AG had decided on November 18, 2020 to utilize the remaining authorized capital created by the 2017 Annual General Meeting and most of the authorized capital created by the 2020 Annual General Meeting. The share capital was increased against cash contributions by issuing 13,108,647 new no-par-value bearer shares. The gross proceeds from the capital increase came to €813.3 million. An amount of €800.2 million was paid into the capital reserves. The capital increase was entered in the commercial register on December 7, 2020. Consequently, the Executive Board is currently 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, 2021 was 131,102,423 no-par-value shares (December 31, 2020: 131,086,470 no-par-value shares). Due to the issue of 15,953 bonus shares under KEEP 2018 (KEEP 2017: 11,129 bonus shares), KION GROUP AG held 96,224 treasury shares at the reporting date (December 31, 2020: 112,177). These treasury shares are not dividend-bearing and do not confer any voting rights. Further details on the KEEP Employee Equity Program can be found in note [46].

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 €0.41 per share to the shareholders of KION GROUP AG resulted in an outflow of funds of €53.7 million in May 2021. In 2020, a dividend of €0.04 per dividend-bearing share – a total of €4.7 million – had been decided upon in light of the coronavirus pandemic and the unpredictability of its likely impact at that time. This dividend was paid in July 2020.

Appropriation of profit

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 11, 2022 that the distributable profit of KION GROUP AG for the 2021 financial year amounting to €197.1 million be used for the distribution of a dividend of €196.7 million. This equates to €1.50 per dividend-bearing share, representing a dividend payout rate of around 35 percent of net income. It is also proposed that €0.4 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 Balyo SA at fair value (FVOCI category under IFRS 9).

The 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 €138.2 million in 2021 (2020: €135.3 million). Of this total, contributions paid by employers into government-run schemes came to €107.5 million (2020: €106.9 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, 2021, the KION Group had set up defined benefit plans in 14 countries (December 31, 2020: 14). 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 83.3 percent of the global defined benefit obligation (December 31, 2020: 84.2 percent) and 67.7 percent of the corresponding plan assets (December 31, 2020: 69.0 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 (see also note [47]) 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, 2021, the guaranteed amount totaled €108.0 million (December 31, 2020: €101.7 million).

Other countries

Furthermore, significant asset volumes are invested in external pension funds with restricted access in the US, Switzerland, and the Netherlands. 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 weighted-average assumptions as at the reporting date:

Assumptions underlying provisions for pensions and other post-employment benefits

	Germany		UK		Other[1]	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Discount rate	1.20%	0.65%	1.80%	1.25%	1.97%	1.59%
Salary increase rate	2.75%	2.75%	3.58%	4.25%	0.66%	0.73%
Pension increase rate	2.00%	1.75%	3.70%	2.98%	0.07%	0.11%

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

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[1]	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Discount rate	0.65%	1.15%	1.25%	1.85%	1.59%	2.31%
Salary increase rate	2.75%	2.75%	4.25%	4.12%	0.73%	0.68%
Pension increase rate	1.75%	1.75%	2.98%	3.20%	0.11%	0.10%

1 The figures for ‘Other’ also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

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[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Present value of defined benefit obligation as at Jan. 1	**1,477.5**	**1,290.1**	**424.3**	**427.4**	**357.6**	**383.7**	**2,259.4**	**2,101.2**
Group changes	–	–	–	–	–	0.2	**–**	**0.2**
Exchange differences	–	–	25.6	–23.0	13.4	–17.9	**39.0**	**–40.8**
Current service cost	52.0	47.3	0.7	0.9	4.6	4.7	**57.3**	**52.9**
Past service cost (+) and income (–)	–32.7	–	–	0.3	–	–	**–32.7**	**0.3**
Gain (–) on settlement	–	–	–	–	–	–0.1	**–**	**–0.1**
Interest expense	10.1	14.5	5.4	7.4	6.2	7.7	**21.8**	**29.5**
Employee contributions	4.3	4.2	–	–	1.2	1.2	**5.4**	**5.4**
Pension benefits directly paid by company	–18.6	–18.7	–	–	–1.8	–1.8	**–20.5**	**–20.5**
Pension benefits paid by funds	–2.3	–2.3	–20.3	–18.5	–9.0	–51.4	**–31.6**	**–72.3**
Liability transfer in (+)/out (–) to third parties	–0.5	–0.4	–	–	1.4	2.1	**0.8**	**1.7**
Remeasurements								
Actuarial gains (+) and losses (-) arising from the change in demographic assumptions	–	–	–6.3	–0.4	–2.6	–1.6	**–8.9**	**–2.0**
Actuarial gains (+) and losses (-) arising from the change in financial assumptions	–141.7	159.0	–6.4	31.0	–18.6	29.5	**–166.8**	**219.5**
Experience adjustments	–1.5	–16.3	–9.1	–0.6	1.5	1.4	**–9.1**	**–15.5**
Present value of defined benefit obligation as at Dec. 31	**1,346.5**	**1,477.5**	**414.0**	**424.3**	**353.7**	**357.6**	**2,114.2**	**2,259.4**
thereof unfunded	45.8	641.4	0.0	0.0	39.0	51.8	**84.8**	**693.3**
thereof funded	1,300.6	836.0	414.0	424.3	314.7	305.8	**2,029.4**	**1,566.1**

1 The figures for ‘Other’ also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

With legal effect from December 21, 2021, individual pension benefit conditions were adjusted in Germany by introducing the option for pension recipients to have pension benefits paid out as a one-off lump sum of capital instead of a life-long annuity (‘capital option’). The change to the pension benefit conditions resulted in unrecognized past service income of €32.7 million in the year under review, thereby reducing the present value of the defined benefit obligation.

The defined benefit obligation in the other countries was predominantly attributable to subsidiaries in the US (€203.7 million; December 31, 2020: €197.8 million), Switzerland €70.5 million; December 31, 2020: €68.7 million), and the Netherlands (€39.9 million; December 31, 2020: €44.9 million).

The change in the fair value of the plan assets is shown in the following table:

Changes in plan assets

	Germany		UK		Other[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Fair value of plan assets as at Jan. 1	**121.5**	**116.9**	**471.6**	**475.7**	**266.4**	**296.9**	**859.4**	**889.5**
Exchange differences	–	–	29.2	–25.6	15.5	–14.8	**44.7**	**–40.3**
Interest income on plan assets	1.0	1.3	6.0	8.2	5.0	7.5	**12.1**	**17.0**
Employee contributions	4.3	4.2	–	–	1.2	1.2	**5.4**	**5.4**
Employer contributions	3.5	1.2	–0.0	0.2	6.7	5.5	**10.2**	**7.0**
Pension benefits paid by funds	–2.3	–2.3	–20.3	–18.5	–9.0	–51.4	**–31.6**	**–72.3**
Liability transfer in (+)/out (–) to third parties	–0.0	–0.1	–	–	1.4	2.1	**1.4**	**2.1**
Remeasurements								
Return on plan assets excluding amounts already included in net financial expenses	9.7	0.3	5.3	31.5	13.0	19.3	**28.0**	**51.1**
Fair value of plan assets as at Dec. 31	**137.7**	**121.5**	**491.7**	**471.6**	**300.1**	**266.4**	**929.6**	**859.4**

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

Employees in Germany paid a total of €4.3 million from their salaries (2020: €4.2 million) into the KION pension plan in 2021.

The payments expected for 2022 amount to €34.7 million (in 2020: €30.2 million for 2021), which includes direct payments of pension benefits amounting to €25.9 million (in 2020: €23.3 million for 2021) that are not covered by corresponding reimbursements from plan assets.

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, 2021 is shown in the following table:

Funded status and net defined benefit obligation

	Germany		UK		Other[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Present value of the funded defined benefit obligation	–1,300.6	–836.0	–414.0	–424.3	–314.7	–305.8	–2,029.4	–1,566.1
Fair value of plan assets	137.7	121.5	491.7	471.6	300.1	266.4	929.6	859.4
Surplus (+) / deficit (–)	**–1,162.9**	**–714.5**	**77.7**	**47.2**	**–14.6**	**–39.4**	**–1,099.8**	**–706.7**
Present value of the unfunded defined benefit obligation	–45.8	–641.4	–0.0	–0.0	–39.0	–51.8	–84.8	–693.3
Effect of the asset ceiling	–	–	–	–	–1.0	–	–1.0	–
Net liability (–) / net asset (+) as at Dec. 31	**–1,208.7**	**–1,356.0**	**77.7**	**47.2**	**–54.6**	**–91.2**	**–1,185.6**	**–1,400.0**
Reported as ‘retirement benefit obligation’	–1,208.7	–1,356.0	–2.0	–3.1	–54.6	–91.2	–1,265.3	–1,450.3
Reported as ‘Other non-current assets’	–	–	79.7	50.4	–	–	79.7	50.4

1 The figures for ‘Other’ also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 44.0 percent (December 31, 2020: 38.0 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[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Balance as at Jan. 1	**1,356.0**	**1,173.2**	**3.1**	**3.3**	**91.2**	**86.8**	**1,450.3**	**1,263.4**
Group changes	–	–	–	–	–	0.2	**–**	**0.2**
Exchange differences	–	–	0.2	–0.2	–2.2	–3.1	**–2.0**	**–3.3**
Total service cost	19.3	47.3	0.0	0.0	4.6	4.5	**23.9**	**51.9**
Net interest expense	9.1	13.2	0.0	0.1	1.2	0.1	**10.3**	**13.4**
Pension benefits directly paid by company	–18.6	–18.7	–	–	–1.8	–1.8	**–20.5**	**–20.5**
Employer contributions to plan assets	–3.5	–1.2	–0.4	–0.4	–6.7	–5.5	**–10.6**	**–7.1**
Liability transfer out to third parties	–0.5	–0.4	–	–	–	–	**–0.5**	**–0.4**
Remeasurements	–152.9	142.4	–1.0	0.3	–32.8	10.0	**–186.7**	**152.7**
Effect of the asset ceiling	–	–	–	–	1.0	–	**1.0**	**–**
Balance as at Dec. 31	**1,208.7**	**1,356.0**	**2.0**	**3.1**	**54.6**	**91.2**	**1,265.3**	**1,450.3**

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

Statement of cash flows

Payments totaling €31.2 million (2020: €27.8 million) were made in 2021 for the main pension entitlements in the KION Group. They mostly comprised pension benefits of €20.5 million (2020: €20.5 million) granted directly by the Company and employer contributions to plan assets amounting to €10.2 million (2020: €7.0 million). In addition, pension benefits of €31.6 million (2020: €72.3 million) were paid from plan assets. In 2020, these had also contained settlement payments totaling €37.3 million for the pension plans of unionized employees in the US.

Income statement

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognized in the income statement for 2021 is as follows:

Cost of defined benefit obligation

	Germany		UK		Other[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Current service cost	52.0	47.3	0.7	0.9	4.6	4.7	57.3	52.9
Past service cost (+) and income (–)	–32.7	–	–	0.3	–	–	–32.7	0.3
Gain (-) on settlement	–	–	–	–	–	–0.1	–	–0.1
Total service cost	**19.3**	**47.3**	**0.7**	**1.2**	**4.6**	**4.5**	**24.6**	**53.1**
Interest expense	10.1	14.5	5.4	7.4	6.2	7.7	21.8	29.5
Interest income on plan assets	–1.0	–1.3	–6.0	–8.2	–5.0	–7.5	–12.1	–17.0
Net interest expense (+) / income (–)	**9.1**	**13.2**	**–0.6**	**–0.8**	**1.2**	**0.1**	**9.7**	**12.5**
Total cost of defined benefit obligation	**28.4**	**60.5**	**0.1**	**0.4**	**5.9**	**4.7**	**34.3**	**65.5**

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

The total service cost of €24.6 million was recognized in functional costs (December 31, 2020: €53.1 million). The net interest cost of €9.7 million was recognized in net financial expenses (December 31, 2020: €12.5 million).

The actual return on plan assets in 2021, including the remeasurement recognized in other comprehensive income, was €40.1 million (2020: €68.2 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognized in the consolidated statement of comprehensive income in 2021 is presented in the following table:

Accumulated other comprehensive income (loss)

	Germany		UK		Other[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated other comprehensive income / loss as at Jan. 1	**–667.7**	**–525.3**	**–16.4**	**–19.0**	**–34.5**	**–22.9**	**–718.6**	**–567.2**
Exchange differences	–	–	–0.4	1.0	1.1	0.2	0.7	1.2
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	143.2	–142.7	21.8	–29.9	19.8	–29.3	184.8	–201.9
Gains (+) and losses (–) arising from remeasurements of plan assets	9.7	0.3	5.3	31.5	13.0	19.3	28.0	51.1
Change in the effect of the asset ceiling	–	–	–	–	–1.0	–	–1.0	–
Other changes	–	–	–	–	–	–1.8	–	–1.8
Accumulated other comprehensive income / loss as at Dec. 31	**–514.8**	**–667.7**	**10.2**	**–16.4**	**–1.5**	**–34.5**	**–506.1**	**–718.6**

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

The components of the remeasurements of the defined benefit obligation are listed in the > table 'Changes in defined benefit obligation'.

The gains and losses on the remeasurement of plan assets were attributable entirely to experience adjustments. As at December 31, 2021, the changes in estimates relating to defined benefit pension entitlements resulted in a €150.9 million increase in equity after deduction of deferred taxes (December 31, 2020: decrease of €105.5 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[1]		Total	
in € million	2021	2020	2021	2020	2021	2020	2021	2020
Shares	54.5	47.5	37.9	40.0	178.6	107.4	271.0	194.8
Fixed-income securities	40.5	30.7	415.1	407.1	57.4	86.4	513.0	524.2
Real estate	6.1	6.0	–	–	14.9	12.9	21.0	18.9
Insurance policies	–	–	–	–	40.5	45.7	40.5	45.7
Other	36.6	37.3	38.8	24.4	8.7	14.1	84.0	75.8
Total plan assets	**137.7**	**121.5**	**491.7**	**471.6**	**300.1**	**266.4**	**929.6**	**859.4**
thereof total assets that do not have a quoted price in active markets	**18.2**	**16.7**	**15.9**	**12.5**	**46.1**	**50.9**	**80.2**	**80.0**
Insurance policies	–	–	–	–	40.5	45.7	40.5	45.7
Other	18.2	16.7	15.9	12.5	5.6	5.2	39.7	34.3

1 The figures for ‘Other’ also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

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		2021	2020
Discount rate	Increase by 1.0 percentage point	–345.5	–391.0
	Reduction by 1.0 percentage point	464.1	536.1
Salary increase rate	Increase by 0.5 percentage point	18.1	21.5
	Reduction by 0.5 percentage point	–17.8	–20.8
Pension increase rate	Increase by 0.25 percentage point	47.6	50.5
	Reduction by 0.25 percentage point	–44.0	–46.1
Life expectancy	Increase by 1 year	90.6	93.0

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, 2021.

Expected payments for pension benefits

in € million	Germany	UK	Other[1]	Total
2022	29.8	19.2	13.9	62.9
2023	30.5	19.1	14.0	63.6
2024	31.4	19.1	14.5	65.0
2025	33.9	19.2	15.8	68.8
2026	34.4	19.2	15.8	69.4
2027 to 2031	201.8	96.1	82.4	380.3

1 The figures for 'Other' also include the pension schemes in the United States; the comparative figures for 2020 have been adjusted accordingly

The expected pension benefits break down into future benefits to be paid directly by the employer (for 2022: €25.9 million) and future benefits to be paid from existing plan assets (for 2022: €37.0 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 22.1 years in Germany (December 31, 2020: 23.4 years), 14.8 years in the United Kingdom (December 31, 2020: 15.3 years), and 14.1 years in the other countries (December 31, 2020: 14.7 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 low level of interest rates – especially in the eurozone – is resulting in a comparatively large 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.

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

As at December 31, 2021, non-current and current financial liabilities essentially comprised promissory notes, the issued corporate bond, and liabilities to banks. Financial liabilities as at the reporting date break down as follows:

Maturity structure of financial liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020
Promissory notes	**418.5**	**590.0**
due within one year	92.5	–
due in one to five years	298.6	514.6
due in more than five years	27.5	75.4
Bonds	**495.6**	**494.5**
due within one year	–	–
due in one to five years	495.6	494.5
due in more than five years	–	–
Liabilities to banks	**104.0**	**77.1**
due within one year	57.4	74.4
due in one to five years	46.6	2.7
due in more than five years	–	–
Other financial liabilities	**32.4**	**32.9**
due within one year	1.9	2.7
due in one to five years	30.3	30.2
due in more than five years	0.1	–
Total current financial liabilities	**151.9**	**77.1**
Total non-current financial liabilities	**898.7**	**1,117.4**

Promissory notes

As at December 31, 2021, the total nominal amount of the issued promissory notes was €417.0 million (December 31, 2020: €584.0 million). The promissory notes maturing in 2022, 2024, 2025, 2026, and 2027 have fixed and variable interest rates (Euribor + margin). A variable-rate tranche of the promissory note that was due to mature in 2024 and had a nominal amount of €167.0 million was repaid ahead of schedule in April 2021. The following table shows the nominal amounts of the promissory notes issued by KION GROUP AG:

Promissory note

in € million	Maturity date	Dec. 31, 2021	Dec. 31, 2020
Promissory note (5-year term)	May 2022	92.5	92.5
Promissory note (7-year term)	April 2024	69.5	236.5
Promissory note (7-year term)	June 2025	179.5	179.5
Promissory note (7-year term)	April 2026	48.0	48.0
Promissory note (10-year term)	April 2027	27.5	27.5

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, 2021, as had also been the case a year earlier, liabilities to banks related to drawdowns of credit lines and to Group companies' loans from local banks.

Since October 4, 2021, KION GROUP AG has had a new syndicated revolving credit facility (RCF) with a total volume of €1,000.0 million. Its term ends in October 2026 and can be extended by up to two years with the consent of the syndicate of banks. The new 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 previous credit facility, whose term was due to end in February 2023 and which had a volume of €1,150.0 million, was terminated.

Transaction costs of €3.8 million were incurred in connection with the new revolving credit facility and will be recognized in profit or loss over the term of the credit facility. No amount was drawn down from the revolving credit facility as at December 31, 2021, as had also been the case a year earlier.

The liabilities to banks are not collateralized. As a rule, KION GROUP AG issues guarantees to the banks for Group companies' existing payment obligations.

Other financial liabilities

In November 2019, KION GROUP AG launched a commercial paper program with a maximum program volume of €500.0 million. No commercial paper had been issued as at December 31, 2021, as had also been the case as at December 31, 2020.

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 defined maximum level of leverage. This calculation is currently suspended in respect of the new revolving credit facility entered into in October 2021 because KION GROUP AG has had two investment-grade credit ratings since August 2021.

Less favorable interest terms may be imposed if the level of leverage is increased significantly. Exceeding the maximum level of leverage as at a particular reference date may give lenders a right of termination.

[31] Liabilities from lease business

Non-current and current liabilities from the lease business totaled €3,070.8 million (December 31, 2020: €2,739.3 million) and could be broken down into a sum of €2,858.3 million (December 31, 2020: €2,483.6 million) that relates to the financing of the direct lease business and a sum of €212.6 million (December 31, 2020: €255.7 million) that relates to repurchase obligations resulting from the indirect lease business.

Liabilities from lease business

in € million	Dec. 31, 2021	Dec. 31, 2020
Non-current liabilities from lease business	**1,793.5**	**1,715.1**
thereof from sale and leaseback sub-lease transactions	766.0	788.4
thereof from lease facilities	5.2	5.9
thereof from securitizations	874.0	734.2
thereof from repurchase obligations (indirect lease business)	148.4	186.5
Current liabilities from lease business	**1,277.3**	**1,024.2**
thereof from sale and leaseback sub-lease transactions	342.7	336.6
thereof from lease facilities	583.8	405.4
thereof from securitizations	286.7	213.1
thereof from repurchase obligations (indirect lease business)	64.1	69.2

Liabilities from the financing of the direct lease business encompassed liabilities arising from sale and leaseback sub-lease transactions with leasing companies in an amount of €1,108.6 million (December 31, 2020: €1,125.0 million). This amount still included liabilities of €109.8 million (December 31, 2020: €242.2 million) related to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

Furthermore, liabilities from the financing of the direct lease business included liabilities from lease facilities in an amount of €589.0 million (December 31, 2020: €411.3 million) and liabilities from the issuance of notes (securitization) in an amount of €1,160.7 million (December 31, 2020: €947.3 million), of which €915.8 million (December 31, 2020: €519.8 million) was issued by K-Lift S.A.

The liabilities from the lease business had the following maturities:

Maturity analysis of liabilities from lease business

in € million	Dec. 31, 2021	Dec. 31, 2020
Total future payments from lease business (gross)	**3,158.3**	**2,823.8**
due within one year	1,311.3	1,055.0
due in one to two years	632.3	572.2
due in two to three years	531.4	485.8
due in three to four years	371.5	383.0
due in four to five years	224.6	231.9
due in more than five years	87.2	95.8

The future payments from the lease business still included payments amounting to €113.3 million (2020: €254.2 million) that relate to sale and leaseback sub-lease transactions entered into up to December 31, 2017, most of which are due within one year.

[32] Liabilities from the short-term rental business

Non-current and current liabilities from the short-term rental business totaled €488.9 million (December 31, 2020: €505.6 million) and related to the financing of industrial trucks for the short-term rental fleet.

This amount still included liabilities of €43.2 million (December 31, 2020: €94.2 million) related to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

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, 2021	Dec. 31, 2020
Total future payments from short-term rental business (gross)	**512.8**	**529.3**
due within one year	177.1	162.6
due in one to two years	139.2	142.1
due in two to three years	94.6	111.3
due in three to four years	56.1	67.4
due in four to five years	33.5	32.3
due in more than five years	12.4	13.6

The future payments from the short-term rental business still included payments amounting to €44.3 million (2020: €97.3 million) that relate to sale and leaseback sub-lease transactions entered into up to December 31, 2017, most of which are due within one year.

[33] Other provisions

Other provisions related to the following items:

Other provisions

in € million	Provisions for product warranties	Provisions for personnel	Other obligations	Total other provisions
Balance as at Jan. 1, 2021	**91.2**	**148.2**	**70.8**	**310.2**
thereof non-current	18.4	103.0	23.4	144.7
thereof current	72.8	45.2	47.5	165.5
Group changes	0.4	0.2	0.3	0.8
Additions	59.1	76.9	49.2	185.2
Utilizations	–34.9	–33.9	–35.9	–104.7
Reversals	–20.8	–19.6	–16.0	–56.5
Additions to accrued interest	0.0	–0.3	–0.0	–0.3
Currency translation adjustments	2.9	2.1	1.9	6.9
Other adjustments	–	–1.4	–	–1.4
Balance as at Dec. 31, 2021	**97.8**	**172.2**	**70.3**	**340.3**
thereof non-current	23.4	98.5	21.2	143.1
thereof current	74.4	73.7	49.1	197.2

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.

In 2020, provisions for personnel measures had been recognized in connection with the capacity and structural program initiated in the EMEA region. On the back of a strong business performance, the capacity program was adjusted in 2021 and excess provisions were reversed in an amount of €15.8 million that was recognized in profit or loss. Provisions for personnel measures stood at €13.2 million as at December 31, 2021. Share-based remuneration obligations rose by €36.5 million to €58.9 million in the year under review owing to the significantly higher valuation of the performance shares compared with the previous year (see note [46]).

Other obligations included provisions for onerous contracts and 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 €519.1 million (December 31, 2020: €172.1 million); most of this amount, €504.2 million (December 31, 2020: €162.2 million), was attributable to goods and services provided in the project business that have not yet been billed.

Of the contract liabilities, €675.0 million was attributable to project business contracts with a net debit balance due to customers (December 31, 2020: €439.2 million) and €179.8 million to prepayments received from customers (December 31, 2020: €111.6 million). The revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €518.8 million (2020: €471.8 million).

[35] Trade payables

As at December 31, 2021, trade payables of €1,443.7 million (December 31, 2020: €910.5 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments, and other equity investments of €38.9 million (December 31, 2020: €15.8 million).

[36] Other financial liabilities

Non-current and current other financial liabilities comprised the following items:

Other financial liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020
Liabilities from procurement leases	427.5	418.4
Derivative financial instruments	1.4	9.7
Sundry financial liabilities	4.3	4.0
Other non-current financial liabilities	**433.2**	**432.1**
Liabilities from procurement leases	116.2	108.6
Derivative financial instruments	15.2	6.9
Liabilities from accrued interest	5.4	5.5
Sundry financial liabilities	82.1	93.7
Other current financial liabilities	**218.8**	**214.8**
Total other financial liabilities	**652.0**	**646.9**

Liabilities from procurement leases had the following underlying maturities:

Maturity analysis of procurement leases

in € million	Dec. 31, 2021	Dec. 31, 2020
Total future payments (gross)	**615.3**	**599.2**
due within one year	127.7	121.3
due in one to two years	100.2	98.8
due in two to three years	76.7	76.1
due in three to four years	56.5	56.9
due in four to five years	42.8	42.5
due in more than five years	211.4	203.6

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, 2021	Dec. 31, 2020
Deferred income	184.7	228.2
Personnel liabilities	13.3	14.7
Other non-current liabilities	**198.0**	**242.9**
Deferred income	209.5	230.2
Personnel liabilities	357.5	272.3
Social security liabilities	57.1	51.4
Tax liabilities	118.8	124.0
Other current liabilities	**742.9**	**677.9**
Total other liabilities	**940.8**	**920.8**

Deferred income included deferred revenue and deferred gains of €263.4 million (December 31, 2020: €342.4 million) resulting from the indirect and direct 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. This item also includes liabilities for personnel measures in connection with the capacity and structural program.

Other disclosures

[38] Contingent liabilities and other financial commitments

Contingent liabilities

Contingent liabilities break down as follows:

Contingent liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020
Guarantees and indemnities	**129.5**	**103.3**

The guarantees and indemnities predominantly relate to 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, 2021	Dec. 31, 2020
Commitments under long-term license and support agreements	160.3	117.9
Capital expenditure commitments in fixed assets	79.1	57.6
Sundry other financial commitments	2.1	1.3
Total other financial commitments	**241.4**	**176.7**

Sundry other financial commitments included future payment obligations to related parties amounting to €2.1 million (December 31, 2020: €1.3 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 increased to €483.0 million as at the reporting date (December 31, 2020: €314.4 million) thanks to the healthy increase in free cash flow. On October 4, 2021, KION GROUP AG entered into an agreement for a new syndicated revolving credit facility (RCF) with a reduced total volume of €1,000.0 million. The previous credit facility, which had a volume of €1,150.0 million, was terminated at the same time. Taking into account this credit facility of €1,000.0 million that was still freely available (December 31, 2020: €1,150.0 million), the unrestricted cash and cash equivalents available to the KION Group as at December 31, 2021 amounted to €1,473.7 million (December 31, 2020: €1,457.3 million).

Net cash provided by operating activities increased year on year to €881.7 million (2020: €527.1 million), mainly due to the significant improvement in operating profit. Within this total, the rise in net working capital of €201.9 million (2020: €150.3 million) reduced the level of cash flow from operating activities. The larger volume of business and the ongoing supply problems meant that inventories had increased by the end of the year, particularly in the ITS segment. In addition, more liquidity was tied up due to higher contract balances in the SCS segment's project business. However, this was offset by a rise in trade payables.

Net cash used for investing activities amounted to minus €337.8 million in 2021, which was a lower amount than in the previous year (2020: minus €406.3 million). The figure for the prior-year period had included net payments of minus €89.3 million for the acquisition of UK software company Digital Applications International Limited (DAI), whereas acquisition-related net payments in the year under review came to just minus €17.0 million. This included a cash outflow totaling minus €11.9 million for the acquisition of the remaining shares in Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG and JETSCHKE GmbH; in addition, minus €2.0 million had been paid as an advance payment in December 2020. In addition, the KION Group paid minus €4.8 million for the acquisition of around 20 percent of the shares in ifesca GmbH. Cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment rose to minus €333.8 million (2020: minus €283.8 million).

Free cash flow – the sum of cash flow from operating activities and investing activities – came to €543.8 million. This represented a significant improvement when viewed in comparison with the previous year, which had been affected by acquisition items (2020: €120.9 million).

Net cash used for financing activities amounted to minus €386.1 million in the year under review (2020: minus €4.5 million). The significantly lower level of net cash used in 2020 had mainly been attributable to the capital increase of €813.3 million carried out in early December 2020, which was used to repay financial debt. In 2021, financial debt was taken on in a total amount of €623.9 million (2020: €3,650.5 million); repayments amounted to minus €772.7 million (2020: minus €4,260.0 million). Payments made for interest portions and principal portions under procurement leases totaled minus €145.1 million (2020: minus €133.3 million). Current interest payments declined to minus €29.5 million (2020: minus €33.8 million), not least thanks to lower financial debt and the improved funding conditions. The payment of a dividend to the shareholders of KION GROUP AG in May 2021 resulted in an outflow of funds of minus €53.7 million (2020: minus €4.7 million).

Currency effects in relation to cash and cash equivalents amounted to €10.8 million (2020: minus €13.1 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 2021

			Non-cash changes		
in € million	Jan. 1, 2021	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2021
Non-current financial liabilities	1,117.4	–124.9	1.8	–95.6	898.7
Current financial liabilities	77.1	–23.9	2.4	96.2	151.9
Liabilities from accrued interest	5.5	–26.5	0.0	26.4	5.4
Derivative financial instruments for hedging purposes	3.6	–3.0	–	–0.6	0.0
Liabilities from procurement leases	527.0	–145.1	14.9	146.8	543.6
Total liabilities from financing activities	**1,730.6**	**–323.4**	**19.1**	**173.2**	**1,599.5**

Reconciliation of liabilities arising from financing activities 2020

			Non-cash changes		
in € million	Jan. 1, 2020	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2020
Non-current financial liabilities	1,716.8	–605.7	–1.4	7.7	1,117.4
Current financial liabilities	103.7	–3.9	–8.3	–14.4	77.1
Liabilities from accrued interest	4.4	–27.0	–0.1	28.2	5.5
Derivative financial instruments for hedging purposes	9.7	–6.8	–	0.7	3.6
Liabilities from procurement leases	486.1	–133.3	–11.6	185.8	527.0
Total liabilities from financing activities	**2,320.7**	**–776.7**	**–21.3**	**208.0**	**1,730.6**

[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. The lease receivables, liabilities from procurement leases, and liabilities from the lease and short-term rental fleet business that result from financing transactions entered into up to December 31, 2017 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 2021

Classes:	Carrying amount	Categories			Fair Value
		FVPL	AC	FVOCI	
in € million					
Financial assets					
Lease receivables[1]	1,784.0				1,790.2
Trade receivables	1,339.2	1.5	1,337.7		1,339.2
Other financial assets	158.9				158.9
thereof financial investments	43.7			43.7	43.7
thereof financial receivables	27.3		27.3		27.3
thereof other financial investments	27.2	27.2			27.2
thereof sundry financial assets	47.5		47.5		47.5
thereof derivative financial instruments	13.2	3.9			13.2
Cash and cash equivalents	483.0		483.0		483.0
Financial liabilities					
Financial liabilities	1,050.5				1,089.4
thereof promissory notes	418.5		418.5		424.3
thereof bonds	495.6		495.6		528.7
thereof liabilities to banks	104.0		104.0		104.0
thereof sundry financial liabilities	32.4		32.4		32.4
Liabilities from lease business	2,961.1		2,961.1		2,969.1
Liabilities from lease business[1]	109.8				110.0
Liabilities from short-term rental business	445.7		445.7		448.5
Liabilities from short-term rental business[1]	43.2				43.3
Trade payables	1,443.7		1,443.7		1,443.7
Other financial liabilities	652.0				653.3
thereof liabilities from procurement leases[1]	543.6				545.0
thereof sundry other financial liabilities and liabilities from accrued interest	91.7		91.7		91.7
thereof derivative financial instruments	16.6	4.8			16.6

1 as defined by IFRS 16

Carrying amounts and fair values broken down by class 2020

Classes:	Carrying amount	Categories FVPL	Categories AC	Categories FVOCI	Fair Value
in € million					
Financial assets					
Lease receivables[1]	1,595.3				1,599.0
Trade receivables	1,172.7	21.6	1,151.1		1,172.7
Other financial assets	152.9				152.9
thereof financial investments	37.5			37.5	37.5
thereof financial receivables	18.2		18.2		18.2
thereof other financial investments	23.7	23.7			23.7
thereof sundry financial assets	56.0		56.0		56.0
thereof derivative financial instruments	17.5	5.7			17.5
Cash and cash equivalents	314.4		314.4		314.4
Financial liabilities					
Financial liabilities	1,194.5				1,208.0
thereof promissory notes	590.0		590.0		597.6
thereof bonds	494.5		494.5		500.4
thereof liabilities to banks	77.1		77.1		77.1
thereof sundry financial liabilities	32.9		32.9		32.9
Liabilities from lease business	2,497.0		2,497.0		2,512.8
Liabilities from lease business[1]	242.2				244.2
Liabilities from short-term rental business	411.4		411.4		416.9
Liabilities from short-term rental business[1]	94.2				95.0
Trade payables	910.5		910.5		910.5
Other financial liabilities	646.9				656.1
thereof liabilities from procurement leases[1]	527.0				536.3
thereof sundry financial liabilities and liabilities from accrued interest	103.2		103.2		103.2
thereof derivative financial instruments	16.6	8.5			16.6

1 as defined by IFRS 16

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	2021	2020
Financial assets measured at amortized cost (AC)	–19.4	–42.6
Equity instruments measured at fair value through other comprehensive income (FVOCI)	3.8	–0.7
Financial instruments measured at fair value through profit or loss (FVPL)	33.2	7.0
Financial liabilities measured at amortized cost (AC)	–98.3	–112.6

In 2021, the net gains and losses included interest income of €5.4 million (2020: €5.4 million) and interest expense of €70.3 million (2020: €72.1 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 that result from financing transactions entered into from January 1, 2018 onward, 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, liabilities from procurement leases, and those liabilities from the lease and short-term rental business that result from financing transactions entered into up to December 31, 2017, 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 2021

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	Dec. 31, 2021
Financial assets				**85.7**
thereof financial investments	2.2		41.6	43.7
thereof other financial investments		27.2		27.2
thereof trade receivables		1.5		1.5
thereof derivative financial instruments		13.2		13.2
Financial liabilities				**16.6**
thereof derivative financial instruments		16.6		16.6

Financial instruments measured at fair value 2020

	Fair Value Hierarchy			
in € million	Level 1	Level 2	Level 3	Dec. 31, 2020
Financial assets				**100.4**
thereof financial investments	2.5		35.0	37.5
thereof other financial investments		23.7		23.7
thereof trade receivables		21.6		21.6
thereof derivative financial instruments		17.5		17.5
Financial liabilities				**16.6**
thereof derivative financial instruments		16.6		16.6

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

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, which are recognized at fair value through profit or loss, were assigned to Level 2. Their fair value was calculated using the transaction price achievable in an active market. 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 appropriate valuation methods that drew on observable inputs to the greatest possible extent.

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, the reduction of liabilities, 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.

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 €567.6 million as at December 31, 2021 (2020: €880.0 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 [26]).

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.

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 €1,473.7 million (December 31, 2020: €1,457.3 million). The age structure of financial liabilities is reviewed and optimized continually.

There was a further improvement in the credit ratings awarded to the KION Group by the two rating agencies in the year under review. In September 2021, Fitch Ratings raised the Group's long-term issuer default rating from BBB– to BBB with a stable outlook. At the same time, the short-term issuer default rating was upgraded from F3 to F2. In May 2021, Standard & Poor's initially confirmed its issuer rating of BB+ and raised the outlook from stable to positive. It then raised this rating to BBB– with a stable outlook in August 2021.

In 2021, the KION Group sold financial assets with a total value of €95.6 million (2020: €55.1 million) in factoring transactions. In some cases, the KION Group retains insignificant rights and obligations in connection with fully derecognized financial assets. The figure for maximum downside risk arising on the financial assets that were sold and are to be fully derecognized was unchanged at €4.7 million as at December 31, 2021 (December 31, 2020: €4.7 million).

The following tables show all of the contractually agreed undiscounted payments under recognized financial liabilities as at December 31, 2021 and 2020, including derivative financial instruments with negative fair values.

Liquidity analysis of financial liabilities and derivatives 2021

in € million	Carrying amount Dec. 31, 2021	Cash flows 2022	Cash flows 2023–2026	Cash flows from 2027
Primary financial liabilities				
Promissory notes	418.5	–98.0	–309.4	–27.9
Bonds	495.6	–8.2	–524.7	–
Liabilities to banks	104.0	–62.4	–61.5	–
Other financial liabilities	32.4	–2.6	–30.8	–0.1
Liabilities from lease business	3,070.8	–1,311.3	–1,759.8	–87.2
Liabilities from short-term rental business	488.9	–177.1	–323.4	–12.4
Trade payables	1,443.7	–1,443.7	–	–
Other financial liabilities (excluding derivatives)	635.3	–209.8	–280.5	–211.4
Derivative financial liabilities				
Derivatives with negative fair value	16.6			
+ Cash in		831.0	51.7	0.0
– Cash out		–848.6	–52.4	–0.0

Liquidity analysis of financial liabilities and derivatives 2020

in € million	Carrying amount Dec. 31, 2020	Cash flows 2021	Cash flows 2022–2025	Cash flows from 2026
Primary financial liabilities				
Promissory notes	590.0	–7.6	–537.0	–76.6
Bonds	494.5	–8.1	–533.0	–
Liabilities to banks	77.1	–79.2	–8.2	–
Other financial liabilities	32.9	–3.3	–31.2	–
Liabilities from lease business	2,739.3	–1,055.0	–1,672.9	–95.8
Liabilities from short-term rental business	505.6	–162.6	–353.1	–13.6
Trade payables	910.5	–910.5	–	–
Other financial liabilities (excluding derivatives)	630.3	–215.0	–278.3	–203.6
Derivative financial liabilities				
Derivatives with negative fair value	16.6			
+ Cash in		459.2	37.7	0.0
– Cash out		–470.0	–45.0	–0.0

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. Some of 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:

Foreign-currency sensitivity

		Impact on net income		Impact on other comprehensive income (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	**2021**				
GBP		–0.4	0.4	10.1	–12.3
USD		0.7	–0.9	6.5	–7.9
in € million	**2020**				
GBP		–0.2	0.3	6.2	–7.5
USD		–0.4	0.3	2.9	–3.5

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 positions 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 interest-rate swaps. These hedges are accounted for as fair value hedges (see note [42]). In 2020, there had also been interest-rate swaps entered into in order to hedge the interest-rate risk arising on variable-rate financial liabilities (cash flow hedges).

The shift in the relevant yield curves was simulated to assess interest-rate risk. The cumulative effect after tax resulted from variable-rate exposures and is shown below:

Interest-rate sensitivity

	+50 bps		–50 bps	
in € million	**2021**	**2020**	**2021**	**2020**
Net income	4.5	5.3	–4.8	–5.7
Other comprehensive income (loss)	–	0.5	–	–0.1

Risks arising from lease business

The lease activities of the Industrial Trucks & Services segment mean that the KION Group may be exposed to residual value risks from the marketing of trucks that 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. The KION Group regularly assesses its aggregate risk position arising from the lease business.

The risks identified are taken into account by the Company in the costing of new leases by recognizing write-downs or provisions and, if necessary, adjusting the residual values. Groupwide standards to ensure that residual values are calculated appropriately, combined with an IT system for residual-value risk management, reduce risk and provide the basis on which to create the transparency required.

The KION Group mitigates its liquidity risk and interest-rate risk attaching to the lease business by ensuring that most of its transactions and funding loans have matching maturities and by constantly 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 where economically reasonable in order to hedge the interest-rate risk.

The credit facilities provided by various banks and an effective dunning process ensure that the KION Group has sufficient liquidity. 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. 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 main currency hedges relate to pound sterling and the US dollar. The foreign-currency forwards in existence as at December 31, 2021 were entered into at average hedging rates of £0.8608 to €1 (2020: £0.6464 to €1) and US$1.1909 to €1 (2020: US$1.1389 to €1).

On account of the short-term nature of the Group's payment terms, reclassifications to the income statement 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 2023 at the latest. In total, foreign-currency cash flows of €644.2 million (2020: €385.9 million) were hedged and designated as hedged items, of which €553.7 million is expected by December 31, 2022 (2020: €350.2 million expected by December 31, 2021). The remaining cash flows designated as hedged items, which amount to €90.5 million (2020: €35.7 million), fall due in the period up to December 31, 2023 (2020: December 31, 2022).

The following table provides an overview of the foreign-currency forwards entered into by the KION Group.

Foreign-currency forwards

in € million		Fair value Dec. 31, 2021	Fair value Dec. 31, 2020	Notional amount Dec. 31, 2021	Notional amount Dec. 31, 2020
Foreign-currency forwards (assets)	Cash flow hedge	5.5	9.3	270.1	216.5
	Held for trading	3.5	5.7	487.3	369.3
Foreign-currency forwards (liabilities)	Cash flow hedge	10.1	4.6	374.1	169.4
	Held for trading	4.8	1.8	499.5	320.3

Hedging of 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. 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. The carrying amount of the hedged promissory note tranche (€79.5 million), which is recognized under financial liabilities, included an adjustment of €1.9 million as at December 31, 2021 (December 31, 2020: €6.8 million) that was attributable to the change in fair value resulting from the hedged risk.

In 2020, interest-rate risks arising on variable-rate tranches of the promissory note had been hedged by entering into a number of interest-rate swaps (cash flow hedge), thereby transforming the variable interest-rate exposure into fixed-rate obligations. The weighted, hedged, and risk-free fixed interest rate was 0.658 percent.

In addition, the KION Group uses amortizing interest-rate swaps to hedge the risk of a change in the fair value of certain lease receivables (fair value hedges at portfolio level).

The following table provides an overview of the interest-rate derivatives used by the KION Group.

Interest-rate swaps

		Fair value		Notional amount	
in € million		Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Interest-rate swaps (assets)	Fair value hedge	3.8	2.6	973.4	79.5
	Held for trading	0.5	–	150.0	–
Interest-rate swaps (liabilities)	Fair value hedge	1.7	–	456.3	–
	Cash flow hedge	–	3.6	–	160.0
	Held for trading	–	6.7	–	1,149.1

Development of the hedge reserve

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 and interest-rate risks 2021

in € million	Currency risk	Interest-rate risk	Total
Balance as at Jan. 1, 2021	**2.9**	**–4.1**	**–1.2**
Changes in unrealized gains and losses	–12.1	0.9	–11.2
Changes in gains (–) and losses (+) to revenue	–2.8	–	–2.8
Changes in gains (–) and losses (+) to cost of sales	4.7	–	4.7
Changes in gains (–) and losses (+) to financial expenses	–	5.2	5.2
Tax effect of changes in reserves	2.8	–2.0	0.8
Balance as at Dec. 31, 2021	**–4.5**	**–**	**–4.5**

Reconciliation of hedge reserves resulting from hedges of currency and interest-rate risks 2020

in € million	Currency risk	Interest-rate risk	Total
Balance as at Jan. 1, 2020	**–6.3**	**–10.5**	**–16.8**
Changes in unrealized gains and losses	10.2	9.2	19.4
Changes in gains (–) and losses (+) to revenue	–0.5	–	–0.5
Changes in gains (–) and losses (+) to cost of sales	2.3	–	2.3
Tax effect of changes in reserves	–2.7	–2.8	–5.5
Balance as at Dec. 31, 2020	**2.9**	**–4.1**	**–1.2**

[43] Segment reporting

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions, and Corporate Services. The segments have been defined in accordance with the KION Group's organizational and strategic focus.

Since January 1, 2021, the Industrial Trucks & Services (ITS) segment has consisted of three Operating Units: KION ITS EMEA, KION ITS APAC, and KION ITS Americas. As part of this reorganization and based on the internal management structure, the logistics services companies were transferred from the Corporate Services segment to the Industrial Trucks & Services operating segment.

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 local brands Fenwick and OM.

Supply Chain Solutions

The Supply Chain Solutions segment, featuring its Dematic 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, longer-term project business.

With global resources, nine 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

The Corporate Services segment comprises holding companies and service companies that provide services such as IT and general administration across all segments. The bulk of the total revenue in this segment is generated by internal IT services.

Segment management

The KPIs used to manage the segments are order intake, revenue, and adjusted EBIT. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) – including effects from purchase price allocations and non-recurring items – to the adjusted EBIT for the segments ('adjusted EBIT'). Intra-group transactions are generally conducted on an arm's-length basis. Segment information are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7].

The following tables show information on the KION Group's operating segments for 2021 and 2020:

Segment information 2021

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation/ Reconci-liation	Total
Revenue from external customers	6,503.5	3,780.3	10.5	–	10,294.3
Intersegment revenue	10.5	15.8	157.6	–183.9	–
Total revenue	6,514.0	3,796.2	168.0	–183.9	10,294.3
Earnings before tax	**542.8**	**293.3**	**301.4**	**–377.8**	**759.7**
Net financial expenses	–17.7	–26.5	9.1	–	–35.1
EBIT	**560.5**	**319.8**	**292.3**	**–377.8**	**794.8**
+ Non-recurring items	–26.3	6.6	–18.1	–	–37.8
+ PPA items	1.7	83.1	0.0	–	84.8
= Adjusted EBIT	**536.0**	**409.5**	**274.2**	**–377.8**	**841.8**
Segment assets	11,641.8	6,271.8	2,445.4	–4,508.1	15,850.9
Segment liabilities	8,237.8	3,215.9	3,736.1	–4,507.7	10,682.0
Capital expenditure[1]	247.6	68.3	17.9	–	333.8
Amortization and depreciation[2]	145.0	42.2	14.8	–	202.1
Order intake	8,166.3	4,329.4	168.0	–182.1	12,481.6
Order book	2,877.8	3,792.2	–	–11.5	6,658.5
Number of employees[3]	27,580	10,977	1,045	–	39,602

1 Capital expenditure including capitalized development costs, excluding right-of-use assets

2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)

3 Number of employees (full-time equivalents) as at Dec. 31, 2021; allocation according to the contractual relationships

Segment information 2020[1]

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation/ Reconci-liation	Total
Revenue from external customers	5,712.6	2,619.4	9.6	–	8,341.6
Intersegment revenue	10.8	7.7	147.7	–166.2	–
Total revenue	5,723.4	2,627.1	157.3	–166.2	8,341.6
Earnings before tax	**225.3**	**148.6**	**92.5**	**–164.7**	**301.6**
Net financial expenses	–40.3	–27.5	–20.5	–	–88.3
EBIT	**265.6**	**176.0**	**113.0**	**–164.7**	**389.9**
+ Non-recurring items	44.9	10.5	9.8	–	65.1
+ PPA items	0.9	91.0	0.0	–	91.9
= Adjusted EBIT	**311.4**	**277.5**	**122.7**	**–164.7**	**546.9**
Segment assets	10,663.1	5,351.5	2,103.3	–4,062.3	14,055.7
Segment liabilities	7,711.7	2,555.6	3,579.6	–4,062.1	9,784.8
Capital expenditure[2]	211.8	55.4	16.6	–	283.8
Amortization and depreciation[3]	134.6	35.8	17.2	–	187.5
Order intake	5,796.8	3,654.5	157.3	–166.0	9,442.5
Order book	1,384.1	3,071.1	–	–13.9	4,441.3
Number of employees[4]	26,149	9,157	901	–	36,207

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

2 Capital expenditure including capitalized development costs, excluding right-of-use assets

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, 2020; 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 2021, revenue in the most significant countries was as follows: €1,620.3 million in Germany (2020: €1,458.0 million), €2,347.5 million in the US (2020: €1,636.0 million), and €985.2 million in France (2020: €937.6 million).

In 2021, revenue of €1,634.8 million (2020: €892.7 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 [13] and [14].

The non-recurring items recorded by the Group in the reporting year amounted to total income of €37.8 million. This included income of €32.7 million in connection with plan adjustments affecting defined benefit obligations. There was also income from the reversal of excess provisions that had been recognized for the capacity program; taking account of the ongoing program costs, the positive non-recurring items amounted to income of €8.2 million. In addition, the intra-group allocation of costs of KION GROUP AG to subsidiaries resulted in negative non-recurring items amounting to an expense of €18.3 million in the ITS and SCS segments.

In 2020, the non-recurring items had predominantly related to components of the capacity and structural program (expense of €45.8 million) that mainly impacted on the Industrial Trucks & Services segment. Non-recurring items had also included the impairment loss recognized on an equity-accounted investment (expense of €10.7 million) in the Industrial Trucks & Services segment and, in the Supply Chain Solutions segment, the impairment losses recognized on property, plant, and equipment, the use of which was customer-specific (expense of €13.6 million, including the effects of purchase price allocations).

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, 2021	Dec. 31, 2020
EMEA	**5,973.1**	**5,857.9**
Western Europe	5,421.5	5,380.3
Eastern Europe	550.6	475.8
Middle East and Africa	1.0	1.8
Americas	**2,372.5**	**2,250.6**
North America	2,282.9	2,170.7
Central and South America	89.6	79.9
APAC	**747.0**	**630.7**
China	439.2	327.1
APAC excluding China	307.8	303.6
Total non-current assets (IFRS 8)	**9,092.5**	**8,739.1**

As at December 31, 2021, non-current assets attributable to Germany amounted to €3,372.4 million (2020: €3,362.6 million) and to the US €2,200.5 million (2020: €2,092.4 million).

[44] Employees

The KION Group employed an average of 37,954 full-time equivalents (including trainees and apprentices) in the reporting year (2020: 35,563). The number of employees (part-time staff included on a pro rata basis) by region is as follows:

Employees (average)

	2021	2020
EMEA	**25,911**	**25,139**
Western Europe	21,880	21,552
Eastern Europe	3,970	3,501
Middle East and Africa	61	86
Americas	**6,034**	**4,836**
North America	4,330	3,558
Central and South America	1,704	1,278
APAC	**6,009**	**5,588**
China	4,562	4,225
APAC excluding China	1,447	1,363
Total	**37,954**	**35,563**

The KION Group employed an average of 689 trainees and apprentices in 2021 (2020: 646).

[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, 2021 (see note [49]).

Another related party is Weichai Power Co., Ltd., Weifang, People's Republic of China, which indirectly held a 45.2 percent stake in KION GROUP AG via Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power') as at December 31, 2021 (December 31, 2020: 45.2 percent). The distribution of a dividend of €0.41 per share (2020: €0.04 per share) to Weichai Power resulted in a pro rata outflow of funds from KION GROUP AG of €24.3 million (2020: €2.1 million).

The revenue that the KION Group generated in 2021 and 2020 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, 2021	Dec. 31, 2020	2021	2020
Non-consolidated subsidiaries	16.8	16.6	26.7	25.1
Associates (equity-accounted)	32.5	29.6	142.1	155.6
Joint ventures (equity-accounted)	12.5	1.4	55.5	35.4
Other related parties[1]	12.8	15.9	32.1	21.2
Total	**74.6**	**63.5**	**256.3**	**237.3**

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

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, 2020: €9.3 million), from which the KION Group had a loan receivable with a nominal amount of €8.0 million as at December 31, 2021 (December 31, 2020: €8.0 million).

In 2020, the KION Group had 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 €9.3 million as at December 31, 2021 (December 31, 2020: €0.0 million).

The goods and services obtained from related parties in 2021 and 2020 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, 2021	Dec. 31, 2020	2021	2020
Non-consolidated subsidiaries	9.8	9.1	29.4	26.0
Associates (equity-accounted)	11.1	7.1	79.3	103.7
Joint ventures (equity-accounted)	95.0	89.1	54.9	73.4
Other related parties[1]	15.8	2.2	80.6	46.8
Total	**131.7**	**107.6**	**244.2**	**249.9**

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

The members of the Executive Board and Supervisory Board of KION GROUP AG are also related parties. Details of the remuneration of the Executive Board and Supervisory Board can be found in note [47].

In its consolidated financial statements, which are published on the website of the Hong Kong Stock Exchange, Weichai Power Co., Ltd. states that its highest-level parent company is Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China, which itself 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. This Commission acts on behalf of the People's Republic of China. The KION Group makes use of the exemption for government-related entities in this context. There were no transactions that were significant, either individually or taken together, between the KION Group and companies with which the KION Group is closely associated solely because of its relationship with Shandong Heavy Industry Group Co., Ltd.

[46] Variable remuneration

KEEP Employee Equity Program

KEEP is a share matching plan. Participating employees acquire KION shares for their own investment purposes. Each set of three KION shares represents a share package. Once the three-year holding period has expired, employees are entitled to another free matching share (bonus share) for each share package. However, KION GROUP AG has the right to satisfy each program participant's entitlement by paying a cash settlement instead of granting a bonus share.

Each year, the Executive Board of KION GROUP AG decides whether there will be an offer made under the Employee Equity Program that year and which companies will participate.

Due to the coronavirus pandemic, the Executive Board of KION GROUP AG decided not to run the KEEP Employee Equity Program in 2020 and 2021.

In 2019, KION GROUP AG plus 19 German and 60 foreign subsidiaries were eligible to take part in KEEP 2019.

For employees taking part for the first time, the KION Group offers a special incentive in the form of starter packages. Under KEEP 2019, the KION Group bore the cost of one KION share (free share) in each of the first seven share packages that an employee took up.

The right to obtain a bonus share lapses if participants sell their own investment in KION shares or cease to work for the KION Group. The change in the number of bonus shares granted was as follows:

Development of the granted bonus shares

in units	2021	2020
Balance as at Jan. 1	**40,529**	**53,776**
Exercised bonus shares	–15,953	–11,129
Forfeited bonus shares	–1,165	–2,118
Balance as at Dec. 31	**23,411**	**40,529**

The free shares to be issued are measured at their fair value on the day on which employees obtain the right to acquire shares as their own investment. The fair value on the grant date was determined on the basis of Monte Carlo simulation. The following measurement parameters were used:

Significant measurement parameters for the KION GROUP AG Share Matching Program

Measurement parameters	KEEP 2019
Expected dividend	€1.30
Price of the KION share as at grant date	€58.82

As at December 31, 2021, the fair value of a bonus share for KEEP 2019 was €55.16.

The fair value of the bonus shares to be granted is recognized as an expense and paid into capital reserves over the three-year holding period. The holding period for KEEP 2018 ended on October 2, 2021 and the bonus shares were issued to the eligible employees at no cost.

In 2021, an expense totaling €0.6 million was recognized under the relevant functional costs for free shares and bonus shares in connection with the Employee Equity Program (2020: €0.8 million).

KION performance share plan (PSP) for managers

The 2021 tranche of the long-term, variable remuneration component for the managers in the KION Group (LTI 2021) was granted with effect from January 1, 2021 and has a term of three years. The remuneration component measured over the long term is based in equal parts on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index as a market-oriented measure of performance, and with return on capital employed (ROCE) as an internal measure of performance. The plan also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2021 tranche ends on December 31, 2023 (2020 tranche: December 31, 2022). The 2019 tranche expired on December 31, 2021 and will be paid out in the first quarter of 2022.

At the beginning of the performance period on January 1, 2021 (2020 tranche: January 1, 2020; 2019 tranche: January 1, 2019), the managers were allocated a total of 191,733 phantom shares for this tranche (2020 tranche: 264,191 phantom shares; 2019 tranche: 274,460 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. The maximum amount payable is limited to 200.0 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

	Valuation date Dec. 31, 2021	
Measurement parameters	**Tranche 2021**	**Tranche 2020**
Expected volatility of the KION share	40.0%	25.0%
Expected volatility of the MDAX	20.0%	15.0%
Risk-free interest rate	–0.74%	–0.76%
Expected dividend	€1.69	€1.50
Price of the KION share at valuation date	€94.86	€94.86
Price of the MDAX at valuation date	34,622.25 pts.	34,622.25 pts.
Initial value of the KION share (60-days average)	€71.20	€57.79
Initial value of the MDAX (60-days average)	28,518.18 pts.	26,893.05 pts.

Taking account of the remaining term of two years (2021 tranche) and one year (2020 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2021, the fair value of one phantom share was €96.56 for the 2020 tranche (December 31, 2020: €52.86) and €76.53 for the 2021 tranche. On that date, the total fair value was €22.5 million for the 2020 tranche based on 232,833 phantom shares (December 31, 2020: €13.2 million) and €15.9 million for the 2021 tranche based on 207,327 phantom shares. The amount of €22.5 million that is expected to be paid out for the 2019 tranche (2020: €3.5 million for the 2018 tranche) is calculated on the basis of a preliminary total target achievement rate.

In March 2021, a payment from the 2018 tranche was made on the basis of the achievement of the long-term targets that were defined in 2018 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €42.7 million as at December 31, 2021 (December 31, 2020: €17.3 million). Of this amount, €22.5 million related to the 2019 tranche (2020: €9.4 million), €15.0 million to the 2020 tranche (2020: €4.4 million), and €5.3 million to the 2021 tranche. In 2020, there had also been an amount of €3.5 million relating to the 2018 tranche. In 2021, a pro rata expense for twelve months of €13.1 million in respect of the 2019 tranche (2020: expense of €5.0 million), a pro rata expense for twelve months of €10.6 million for the 2020 tranche (2020: expense of €4.4 million), and a pro rata expense for twelve months of €5.3 million for the 2021 tranche were recognized under the relevant functional costs. Furthermore, income of €0.9 million for the 2018 tranche had been recognized under the relevant functional costs in 2020.

KION performance share plan (PSP) for the Executive Board

The members of the Executive Board have been promised a multiple-year variable remuneration component in the form of a performance share plan with a three-year term in each case. The financial performance targets for the 2021 tranche, each with a weighting of 40 percent (2019 tranche and 2020 tranche: each with a weighting of 50 percent), are the relative total shareholder return (TSR) for the shares of KION GROUP AG compared with the MDAX (market-oriented measure of financial performance) and return on capital employed (ROCE) (internal measure of financial performance). Starting with the 2021 tranche, 20 percent of the performance share plan is now linked to ESG targets. The plan also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2021 tranche ends on December 31, 2023 (2020 tranche: December 31, 2022).

At the beginning of the performance period on January 1, 2021 (2020 tranche: January 1, 2020; 2019 tranche: January 1, 2019), the Executive Board members were allocated a total of 96,785 phantom shares for this tranche (2020 tranche: 76,656 phantom shares; 2019 tranche: 111,544 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 personal performance multiplier to adjust the final payment at the end of the performance period by +/–30.0 percent. The maximum amount payable is limited to 200.0 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 (2021 tranche) and one year (2020 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2021, the fair value of one phantom share was €96.56 for the 2020 tranche (December 31, 2020: €52.86) and €78.76 for the 2021 tranche. On that date, the total fair value was €5.8 million for the 2020 tranche based on 63,390 phantom shares (December 31, 2020: €4.1 million) and €6.3 million for the 2021 tranche based on 80,477 phantom shares.

In 2020, the Executive Board had waived its variable remuneration for 2020 (2018 tranche) as part of the agreement of the now terminated KfW liquidity line.

The total carrying amount for liabilities in connection with share-based remuneration was €16.2 million as at December 31, 2021 (December 31, 2020: €5.2 million). Of this amount, €9.1 million related to the 2019 tranche (2020: €3.8 million), €4.6 million to the 2020 tranche (2020: €1.4 million), and €2.5 million to the 2021 tranche. In 2021, a pro rata expense for twelve months of €5.3 million in respect of the 2019 tranche (2020: expense of €1.8 million), a pro rata expense for twelve months of €3.2 million for the 2020 tranche (2020: expense of €1.4 million), and a pro rata expense for twelve months of €2.5 million for the 2021 tranche were recognized under the relevant functional costs. Furthermore, income of €2.0 million for the 2018 tranche had been recognized under the relevant functional costs in 2020.

The total carrying amount for liabilities in connection with share-based remuneration was €58.9 million as at December 31, 2021 (December 31, 2020: €22.5 million). In 2021, a total expense of €40.5 million for twelve months was recognized for share-based remuneration (2020: €10.6 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 pages 40 to 42).

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 of the members of the Executive Board pursuant to IFRS is as follows:

Remuneration of the Executive Board (IFRS)

in € million	2021	2020
Non-performance-related components	5.8	3.8
Performance-related components	6.6	0.6
Termination benefits	2.1	2.4
Total short-term remuneration	**14.6**	**6.8**
Share-based payments	11.0	1.8
Post-employment benefits	0.5	0.8
Total long-term remuneration	**11.5**	**2.6**
Total remuneration (IFRS)	**26.0**	**9.5**

In 2020, the Executive Board had waived its one-year and multiple-year variable remuneration for 2020 (2018 tranche) as part of the agreement of the now terminated KfW liquidity line.

Under section 314 of the German Commercial Code (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 (2020: €4.8 million). Furthermore, disclosure of the current service cost (€0.5 million; 2020: €0.8 million) is not required, nor is disclosure of the termination benefits (€2.1 million; 2020: €2.4 million). On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 (1) no. 6a HGB came to €19.6 million (2020: €8.9 million).

As at December 31, 2021, no loans or advances had been extended to members of the Executive Board. This had also been the case as at December 31, 2020. The present value of the defined benefit obligation in respect of Executive Board members as at December 31, 2021 was €13.2 million (December 31, 2020: €11.8 million).

The total remuneration paid to former members of the Executive Board of KION GROUP AG and its legal predecessors amounted to €0.3 million (2020: €0.3 million). Pension entitlements of former members of the Executive Board or their surviving dependants amounting to €13.1 million (December 31, 2020: €12.0 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 2021 remuneration report, which will be made 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 2021 amounted to €1.4 million (2020: €1.5 million) excluding VAT. There were no loans or advances to members of the Supervisory Board in 2021. Members of the Supervisory Board also received short-term employee benefits of €0.9 million for employee services (2020: €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 2021 remuneration report, which will be made 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 €27.5 million (2020: €10.9 million).

[48] Members of the Executive Board and Supervisory Board

Executive Board members

Gordon Riske
Chief Executive Officer (CEO) (from March 14, 2008 to December 31, 2021)

- Chairman of the Board of Directors of Linde (China) Forklift Truck Corp., Ltd., Xiamen, People's Republic of China (until June 30, 2021)
- Non-Executive Director of Weichai Power Co., Ltd., Weifang, People's Republic of China
- Member of the Executive Board of the non-profit Hertie Foundation, Frankfurt am Main, Germany
- Member of the Board of Directors of Atlas Copco AB, Stockholm, Sweden

Dr. Richard Robinson Smith
Chief Executive Officer (CEO) (since January 1, 2022)

- Member of the Board of Directors of FLSMIDTH & CO A/S, Copenhagen, Denmark

Anke Groth
Member of the Executive Board / CFO and Labor Relations Director (since June 1, 2018)

Dr. Eike Böhm
Member of the Executive Board / CTO (from August 1, 2015 to June 30, 2021)

- Member of the Board of Directors of Linde (China) Forklift Truck Co., Ltd., Xiamen, People's Republic of China (until June 30, 2021)
- Member of the Board of Directors of KION (Jinan) Forklift Truck Co., Ltd., Jinan, People's Republic of China (until June 30, 2021)

Hasan Dandashly
Member of the Executive Board / President of KION Supply Chain Solutions (since January 1, 2021)

Andreas Krinninger
Member of the Executive Board / President of KION ITS EMEA (since January 1, 2021)

- Member of the Supervisory Board of Linde Hydraulics GmbH & Co. KG, Aschaffenburg, Germany
- Member of the Advisory Board of ebm-papst Mulfingen GmbH & Co. KG, Mulfingen, Germany
- Member of the Supervisory Board of Schöler Fördertechnik AG, Rheinfelden, Germany

Dr. Henry Puhl
Member of the Executive Board / CTO (since July 1, 2021)

- Member of the Board of Directors of Linde (China) Forklift Truck Corp., Ltd., Xiamen, People's Republic of China (since July 1, 2021)
- Member of the Board of Directors of KION (Jinan) Forklift Truck Co., Ltd., Jinan, People's Republic of China (since July 1, 2021)
- Member of the Shareholder's Advisory Board of KION Battery Systems GmbH, Karlstein, Germany (since July 1, 2021)
- Member of the Advisory Board of JULI Motorenwerk s.r.o., Moravany, Czech Republic (since July 1, 2021)

Ching Pong Quek
Member of the Executive Board / President of KION ITS APAC & Americas (since January 11, 2013)

- Chairman of the Board of Directors of KION South Asia Pte Ltd., Singapore, Singapore
- Chairman of the Board of Directors of KION ASIA (HONG KONG) Ltd., Hong Kong, People's Republic of China
- Chairman of the Board of Directors of Linde Material Handling Hong Kong Ltd., Hong Kong, People's Republic of China
- Chairman of the Board of Directors of Linde Material Handling Asia Pacific Pte. Ltd., Singapore, Singapore
- Chairman of the Board of Directors of Linde Material Handling (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia
- Chairman of the Board of Directors of Linde Material Handling (Thailand) Co., Ltd., Pathum Thani, Thailand
- Chairman of the Board of Directors of KION Baoli Forklift Co., Ltd., Jiangsu, People's Republic of China
- Chairman of the Board of Directors of KION India Pvte. Ltd., Pune, India
- Member of the Board of Directors of Linde Material Handling Pty. Ltd., Huntingwood, Australia
- Member of the Board of Directors of Lansing Bagnall (Aust.) Pty. Ltd., Huntingwood, Australia
- Chairman of the Board of Directors of KION (Jinan) Forklift Co., Ltd., Jinan, People's Republic of China
- Chairman of the Board of Directors of Linde (China) Forklift Truck Corp., Ltd., Xiamen, People's Republic of China (since June 2021)
- Member of the Advisory Board of Fujian JULI Motor Co., Ltd., Putian, People's Republic of China
- Chairman of the APAC Advisory Board of Euro Asia Consulting Co., Ltd., Shanghai, People's Republic of China
- Member of the Board of Directors of Zhejiang EP Equipment Co., Ltd., Hangzhou, People's Republic of China
- Member of the Board of Directors of Shanghai Quicktron Intelligent Technology Co., Ltd., Shanghai, People's Republic of China
- Member of the Board of Directors of Anhui Hayuan X Drive Tech Co., Ltd., Shanghai, People's Republic of China (since November 8, 2021)

Supervisory Board members

Dr. Michael Macht (since October 9, 2018)
Chairman of the Supervisory Board (since May 9, 2019)

- Member of the Supervisory Board of Mahle Behr GmbH & Co. KG, Stuttgart, Germany (since June 2021)
- Member of the Board of Directors of McLaren Group Limited, Woking, United Kingdom (since September 2021)
- Member of the Supervisory Board of Endurance Capital Aktiengesellschaft, Munich, Germany (until September 2021)
- Member of the Advisory Board of Linde & Wiemann SE & Co. KG, Dillenburg, Germany (until March 2021)
- Member of the Supervisory Board of Mahle GmbH, Stuttgart, Germany
- Chairman of the Administrative Board of Rosenberger Hochfrequenztechnik GmbH & Co. KG, Tittmoning, Germany (since July 2021)
- Member of the Board of Directors of Weichai Power Co., Ltd., Weifang, People's Republic of China

Özcan Pancarci[1] (since June 12, 2013)
Deputy Chairman of the Supervisory Board (since January 1, 2016)

- Chairman of the Group Works Council of the German KION Group, Frankfurt am Main, Germany
- Full-time works council representative and Chairman of the Plants I and II Works Council, Linde Material Handling GmbH, Aschaffenburg, Germany
- Deputy Chairman of the European Works Council of the KION Group, Frankfurt am Main, Germany
- Member and Deputy Chairman of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg, Germany

Birgit A. Behrendt (since January 1, 2015)
Member of the Supervisory Board and freelance management consultant, Cologne, Germany

- Member of the Supervisory Board of Umicore SA, Brussels, Belgium (since April 2021)
- Member of the Board of Directors of Infinium Holdings, Inc., Sacramento, USA (since March 2021)
- Member of the Supervisory Board of Ford Werke GmbH, Cologne, Germany
- Member of the Advisory Board of Hydrogenious LOHC Technologies GmbH, Erlangen, Germany
- Member of the Administrative Board of Stulz Verwaltungsgesellschaft mbH & Co. KG, Hamburg, Germany
- Member of the Supervisory Board of thyssenkrupp AG, Essen, Germany

1 Employee representative

Stefan Casper[1] (since May 11, 2017)
Chairman of the Works Council of KION Warehouse Systems GmbH, Reutlingen, Germany
Member of the Group Works Council of the German KION Group, Frankfurt am Main, Germany

Dr. Alexander Dibelius (since March 12, 2007)
Managing Partner at CVC Capital Partners (Deutschland) GmbH, Frankfurt am Main, Germany

- Member and Chairman of the Administrative Board of Breitling S.A., Grenchen, Switzerland
- Member of the Board of Directors of CVC Capital Partners (Luxembourg) SARL, Luxembourg
- Member of the Board of Directors of Diebold Nixdorf Inc., North Canton, USA
- Member of the Supervisory Board of DKV MOBILITY SERVICES HOLDING GmbH & Co. KG, Ratingen, Germany
- Member of the Supervisory Board of Douglas GmbH, Düsseldorf, Germany
- Member of the Supervisory Board of ironSource Mobile Ltd., Tel Aviv, Israel
- Member of the Supervisory Board of Kirk Beauty Investments S.A., Luxembourg
- Member of the Advisory Board of Messer Industries GmbH, Bad Soden, Germany
- Member of the Advisory Board of Messer Industries USA Inc., Bridgewater, USA
- Member of the Supervisory Board of Syntegon Technology GmbH, Waiblingen, Germany
- Member of the Shareholders' Committee of Tipico Group Ltd., St. Giljan, Malta

Martin Fahrendorf[1] (since May 10, 2018)
Chairman of the Works Council of Dematic GmbH and Dematic Services GmbH, Heusenstamm, Germany

Jiang Kui (since December 27, 2012)
President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China

- Member of the Board of Directors of Ballard Power Systems Inc., Burnaby, Canada
- Member of the Board of Directors of Shantui Construction Machinery Co., Ltd., Jining, People's Republic of China
- Member of the Board of Directors of Sinotruk (BVI) Limited, British Virgin Islands
- Member of the Board of Directors of SINOTRUK (Hong Kong) Limited, Hong Kong, People's Republic of China
- Member and Chairman of the Board of Directors of Weichai Ballard Hy-Energy Technologies Co., Ltd., Weifang, People's Republic of China
- Member of the Board of Directors of Weichai Power Co., Ltd., Weifang, People's Republic of China

Olaf Kunz[1] (since September 1, 2014)
Trade Union Secretary on the National Executive of IG Metall, Frankfurt am Main, Germany

- Member of the Supervisory Board of STILL GmbH, Hamburg, Germany

1 Employee representative

Jörg Milla[1] (since November 16, 2015)
Chairman of the Works Council of STILL GmbH, Hamburg, Germany

- Member and Deputy Chairman of the Supervisory Board of STILL GmbH, Hamburg, Germany

Dr. Christina Reuter (since May 12, 2016)
Head of Digital Design, Manufacturing and Services (DDMS) at Operations at Airbus Defence and Space GmbH, Taufkirchen, Germany

Hans Peter Ring (since June 9, 2013)
Freelance management consultant, Munich, Germany

- Member of the Supervisory Board of Airbus Defence and Space GmbH, Ottobrunn, Germany
- Member of the Supervisory Board of Fokker Technologies Holding B.V., Papendrecht, Netherlands (until April 2021)

Alexandra Schädler[1] (since October 2, 2013)
Trade Union Secretary on the National Executive of IG Metall, Industrial Relations Policy department, Industrial Relations Code and Co-Determination Policy division, Frankfurt am Main, Germany

- Member of the Supervisory Board of Linde Material Handling GmbH, Aschaffenburg, Germany
- Member of the Supervisory Board of Opel Automobile GmbH, Rüsselsheim, Germany

Dr. Frank Schepp[2] (since May 11, 2017)
Senior Vice President of Operations, Linde Material Handling GmbH, Aschaffenburg, Germany, Head of Production Unit Counterbalance Trucks KION

1 Employee representative

2 Executive representative

Tan Xuguang (since May 9, 2019)
Chairman of the Board of Directors and President of Shandong Heavy Industry Group Co., Ltd., Jinan, People's Republic of China

- Chairman of the Board of Directors of Shaanxi Heavy-Duty Automobile Co., Ltd., Jinan, People's Republic of China
- Chairman of the Board of Directors of Shaanxi Fast Gear Co., Ltd., Jinan, People's Republic of China
- Chairman of the Board of Directors of China National Heavy Duty Truck Group Co., Ltd., Jinan, People's Republic of China
- Chairman of the Board of Directors of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China
- Chairman of the Board of Directors and Chief Executive Officer of Weichai Power Co., Ltd., Weifang, People's Republic of China
- Chairman of the Board of Directors of Sinotruk Group Co., Ltd, Jinan, People's Republic of China

Claudia Wenzel[1] (since November 1, 2016)
Full-time works council member, headquarters and plant 2 at Linde Material Handling GmbH, Aschaffenburg, Germany

Xu Ping (since January 1, 2015)
Senior Partner and member of the Management Committee at law firm King & Wood Mallesons, Beijing, People's Republic of China

1 Employee representative

[49] List of the shareholdings of KION GROUP AG, Frankfurt am Main

The shareholdings of the KION Group as at December 31, 2021 are listed below.

List of shareholdings as at December 31, 2021

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
1	KION GROUP AG	Frankfurt am Main	Germany	EMEA			
Consolidated subsidiaries							
2	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	EMEA	100.00%	121	
3	Baoli EMEA S.p.A.	Lainate	Italy	EMEA	100.00%	111	
4	BARTHELEMY MANUTENTION SAS	Vitrolles	France	EMEA	100.00%	44	
5	Bastide Manutention SAS	Bruguières	France	EMEA	100.00%	44	
6	BlackForxx GmbH	Stuhr	Germany	EMEA	100.00%	111	
7	Bretagne Manutention SAS	Pacé	France	EMEA	100.00%	44	
8	DAI Software Technology (Shanghai) Co. Ltd.	Shanghai	People's Re-public of China	APAC	100.00%	35	
9	Dematic (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	26	
10	Dematic Corp.	Grand Rapids	United States	Americas	100.00%	13	
11	Dematic GmbH	Heusenstamm	Germany	EMEA	100.00%	16	
12	Dematic Group Ltd.	Banbury	United Kingdom	EMEA	100.00%	13	
13	Dematic Group S.à r.l.	Luxembourg	Luxembourg	EMEA	100.00%	14	
14	Dematic Holdings GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
15	Dematic Holdings Pty. Ltd.	Belrose	Australia	APAC	100.00%	16	
16	Dematic Holdings UK Ltd.	Banbury	United Kingdom	EMEA	100.00%	13	
17	Dematic International Trading Ltd.	Shanghai	People's Re-public of China	APAC	100.00%	13	
18	Dematic Logistic Systems S.A.U.	Coslada	Spain	EMEA	100.00%	16	
19	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	22 & 18	
20	Dematic Logistics GmbH	Heusenstamm	Germany	EMEA	100.00%	16	
21	Dematic Logistics Systems Ltd.	Suzhou	People's Re-public of China	APAC	100.00%	13	
22	Dematic Ltd.	Banbury	United Kingdom	EMEA	100.00%	16	
23	Dematic Ltd.	Mississauga	Canada	Americas	100.00%	16	
24	Dematic NV	Zwijndrecht	Belgium	EMEA	100.00%	16 & 11	
25	Dematic Poland Sp. z o.o.	Poznań	Poland	EMEA	100.00%	11	
26	Dematic Pte. Ltd.	Singapore	Singapore	APAC	100.00%	16	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
27	Dematic Pty. Ltd.	Belrose	Australia	APAC	100.00%	15	
28	Dematic S.r.l.	Cernusco sul Naviglio	Italy	EMEA	100.00%	16	
29	Dematic SAS	Bussy-Saint-Georges	France	EMEA	100.00%	16	
30	Dematic Services GmbH	Heusenstamm	Germany	EMEA	100.00%	11	
31	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	Indaiatuba/São Paulo	Brazil	Americas	100.00%	13 & 11	
32	Dematic Suisse Sagl	Lugano	Switzerland	EMEA	100.00%	16	
33	Dematic Trading de Mexico S. de. R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	22 & 18	
34	Digital Applications GmbH	Basel	Switzerland	EMEA	100.00%	35	
35	Digital Applications International Ltd.	Stockport	United Kingdom	EMEA	100.00%	16	
36	DMTC Technology Services, S. de. R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	22 & 18	
37	Egemin Asia Pacific Automation Ltd.	Causeway Bay – Hong Kong	People's Re-public of China	APAC	100.00%	24	
38	Eisengießerei Dinklage GmbH	Dinklage	Germany	EMEA	100.00%	111	
39	Eisenwerk Weilbach GmbH	Frankfurt am Main	Germany	EMEA	100.00%	78	
40	Emhilia Material Handling S.p.A.	Modena	Italy	EMEA	100.00%	81	
41	Fahrzeugbau GmbH Geisa	Geisa	Germany	EMEA	100.00%	111	
42	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	EMEA	100.00%	55	
43	FENWICK-LINDE OPERATIONS SAS	Cenon-sur-Vienne	France	EMEA	100.00%	44	
44	FENWICK-LINDE SAS	Elancourt	France	EMEA	100.00%	55	
45	Hans Joachim Jetschke Industrie-fahrzeuge (GmbH & Co.) KG	Hamburg	Germany	EMEA	100.00%	78	
46	Islavista Spain S.A.U.	L'Hospitalet de Llobregat	Spain	EMEA	100.00%	78	
47	KION (Jinan) Forklift Co., Ltd.	Jinan	People's Re-public of China	APAC	95.00%	78	
48	KION ASIA (HONG KONG) Ltd.	Kwai Chung - Hong Kong	People's Re-public of China	APAC	100.00%	78	
49	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jingjiang	People's Re-public of China	APAC	100.00%	48	
50	KION Battery Systems GmbH	Karlstein am Main	Germany	EMEA	50.00%	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%	78	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Shareholding 2021	Parent company	Note
53	KION FINANCIAL SERVICES Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	126	
54	KION Financial Services Sweden AB (formerly: Linde Material Handling Financial Services AB)	Örebro	Sweden	EMEA	100.00%	74	
55	KION France SERVICES SAS	Elancourt	France	EMEA	100.00%	78	
56	KION India Pvt. Ltd.	Pune	India	APAC	100.00%	75	
57	KION Information Management Services GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
58	KION North America Corp.	Summerville	United States	Americas	100.00%	78	
59	KION Polska Sp. z o.o.	Kolbaskowo	Poland	EMEA	100.00%	78	
60	KION Rental Services S.A.U.	Barcelona	Spain	EMEA	100.00%	46	
61	KION Rental Services S.p.A.	Milan	Italy	EMEA	100.00%	3 & 81 & 121	
62	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba/São Paulo	Brazil	Americas	100.00%	111	
63	KION South Asia Pte. Ltd.	Singapore	Singapore	APAC	100.00%	78	
64	KION Supply Chain Solutions Czech, s.r.o.	Kostelec (Stříbro)	Czech Republic	EMEA	100.00%	16	
65	KION Warehouse Systems GmbH	Reutlingen	Germany	EMEA	100.00%	111	
66	K-LIFT S.A.	Luxembourg	Luxembourg	EMEA	–	–	[1]
67	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	APAC	100.00%	78	
68	Linde Holdings Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	126	
69	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	EMEA	100.00%	78	
70	Linde Material Handling (Ireland) Ltd.	Ballymount (Dublin)	Ireland	EMEA	100.00%	68	
71	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	EMEA	100.00%	78	
72	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	APAC	100.00%	75	
73	Linde Material Handling (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	68	
74	Linde Material Handling AB	Örebro	Sweden	EMEA	100.00%	78	
75	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	APAC	100.00%	78	
76	Linde Material Handling Austria GmbH	Linz	Austria	EMEA	100.00%	78 & 2	
77	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	EMEA	100.00%	78 & 111	
78	Linde Material Handling GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
79	Linde Material Handling Hong Kong Ltd.	Kwai Chung – Hong Kong	People's Republic of China	APAC	100.00%	78	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
80	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	EMEA	100.00%	46	
81	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	EMEA	100.00%	78	
82	Linde Material Handling Parts Distribution CZ s.r.o.	Český Krumlov	Czech Republic	EMEA	100.00%	78	
83	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	EMEA	100.00%	78	
84	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	78	
85	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	EMEA	100.00%	78	
86	Linde Material Handling Rhein-Ruhr GmbH & Co. KG	Essen	Germany	EMEA	100.00%	78	
87	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	EMEA	100.00%	78	
88	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	EMEA	100.00%	78 & 77	
89	Linde MH UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	
90	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	EMEA	100.00%	78	
91	Linde Viličar d.o.o.	Celje	Slovenia	EMEA	100.00%	78	
92	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	EMEA	99.64%	78 & 93	
93	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	EMEA	94.00%	78	
94	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	78	
95	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	78	
96	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	EMEA	100.00%	44	
97	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	EMEA	100.00%	111	
98	Manuchar SAS	Gond-Pontouvre	France	EMEA	100.00%	44	
99	Nordtruck AB	Örnsköldsvik	Sweden	EMEA	100.00%	74	
100	OOO "Dematic"	Moscow	Russian Federation	EMEA	100.00%	11 & 30	
101	OOO "Linde Material Handling Rus"	Moscow	Russian Federation	EMEA	100.00%	78 & 39	
102	OOO "STILL Forklifttrucks"	Moscow	Russian Federation	EMEA	100.00%	78 & 111	
103	SM Rental SAS	Roissy-Charles-de-Gaulle	France	EMEA	100.00%	44	
104	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	EMEA	100.00%	122	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
105	STILL AG	Otelfingen	Switzerland	EMEA	100.00%	111	
106	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	EMEA	51.00%	111	
107	STILL ČR spol. s.r.o.	Prague	Czech Republic	EMEA	100.00%	78 & 111	
108	STILL DANMARK A/S	Kolding	Denmark	EMEA	100.00%	111	
109	STILL Financial Services GmbH	Hamburg	Germany	EMEA	100.00%	52	
110	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	EMEA	100.00%	111	
111	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	EMEA	100.00%	78	
112	STILL Intern Transport B.V.	Hendrik-Ido-Ambacht	Netherlands	EMEA	100.00%	111	
113	STILL Kft.	Tatabánya	Hungary	EMEA	100.00%	111	
114	STILL Location Services SAS	Marne-la-Vallée	France	EMEA	100.00%	55	
115	STILL MATERIAL HANDLING ROMANIA SRL	Ilfov	Romania	EMEA	100.00%	78 & 111	
116	STILL Materials Handling Ltd.	Exeter	United Kingdom	EMEA	100.00%	126	
117	STILL Norge AS	Trondheim	Norway	EMEA	100.00%	111	
118	STILL NV	Wijnegem	Belgium	EMEA	100.00%	111 & 112	
119	STILL POLSKA Sp. z o.o.	Gądki	Poland	EMEA	100.00%	111	
120	STILL Regional Service Center, s.r.o.	Prague	Czech Republic	EMEA	100.00%	111	
121	STILL S.p.A.	Lainate	Italy	EMEA	100.00%	78 & 3	
122	STILL SAS	Marne-la-Vallée	France	EMEA	100.00%	55	
123	STILL SR, spol. s.r.o.	Nitra	Slovakia	EMEA	100.00%	111 & 107	
124	STILL Sverige AB	Malmö	Sweden	EMEA	100.00%	111	
125	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	EMEA	100.00%	46	
126	Superlift UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	78	
127	URBAN LOGISTICA S.R.L.	Lainate	Italy	EMEA	100.00%	130	
128	URBAN LOGISTIQUE SAS	Elancourt	France	EMEA	100.00%	130	
129	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	EMEA	100.00%	130	
130	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	EMEA	100.00%	78	
131	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	EMEA	74.00%	133	
132	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	EMEA	74.00%	133	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
133	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	EMEA	74.00%	78	
Non-consolidated subsidiaries							
134	Comnovo GmbH	Dortmund	Germany	EMEA	100.00%	78	
135	Castle Lift Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
136	Creighton Materials Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
137	D.B.S. Brand Factors Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	160	[R]
138	Dematic Korea Ltd.	Seoul	South Korea	APAC	100.00%	16	[2]
139	Digital Applications International B.V.	Bussum	Netherlands	EMEA	100.00%	35	[R]
140	Fork Truck Rentals Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
141	Fork Truck Training Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
142	IBER-MICAR S.L.U.	Gavà	Spain	EMEA	100.00%	78	
143	JETSCHKE GmbH	Hamburg	Germany	EMEA	100.00%	78	
144	KION IoT Systems GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
145	KION Regional Distribution Center Nordics AB	Vaggeryd (Jonköping)	Sweden	EMEA	100.00%	78	[2]
146	Lancashire (Fork Truck) Services Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	160	[R]
147	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	73 & 78	[R]
148	Lansing Linde Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
149	Lansing Linde Trifik Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
150	Linde Castle Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
151	Linde Creighton Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
152	Linde Heavy Truck Division Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	
153	Linde Jewsbury's Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
154	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	75	
155	Linde Material Handling East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
156	Linde Material Handling Rhein-Ruhr Verwaltungs-GmbH	Essen	Germany	EMEA	100.00%	78	
157	Linde Material Handling Scotland Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
158	Linde Material Handling South East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
159	Linde Severnside Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
160	Linde Sterling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
161	Linde Viljuškari d.o.o.	Vrčin	Serbia	EMEA	100.00%	76	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
162	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	United Kingdom	EMEA	100.00%	151	[R]
163	Mirror Bidco Ltd.	Banbury	United Kingdom	EMEA	100.00%	13	
164	NDC Automation Pty. Ltd.	Belrose	Australia	APAC	100.00%	27	[R]
165	NDC Manage Pty. Ltd.	Belrose	Australia	APAC	100.00%	27	[R]
166	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	EMEA	100.00%	121	[R]
167	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
168	QUALIFT S.p.A.	Verona	Italy	EMEA	100.00%	81	
169	Regentruck Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
170	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	EMEA	100.00%	78	
171	SCI Champ Lagarde	Elancourt	France	EMEA	100.00%	44	
172	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	160	[R]
173	Sterling Mechanical Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	73	[R]
174	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	EMEA	74.00%	133	
175	Urban Logistics (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	130	
176	Urban Logistyka Polska Sp. z o.o.	Kolbaskowo	Poland	EMEA	100.00%	130	[2]
177	WHO Real Estate UAB	Vilnius	Lithuania	EMEA	74.00%	133	
178	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	EMEA	74.00%	133	
179	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	EMEA	74.00%	133	
Associates (equity-accounted investments)							
180	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	EMEA	25.00%	78	
181	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	EMEA	38.54%	80	
182	Labrosse Equipement SAS	Saint-Péray	France	EMEA	34.00%	44	
183	Linde High Lift Chile S.A.	Santiago de Chile	Chile	Americas	45.00%	78	
184	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	EMEA	10.00%	78	
185	Normandie Manutention SAS	Saint-Etienne-du-Rouvray	France	EMEA	34.00%	44	
186	Pelzer Fördertechnik GmbH	Kerpen	Germany	EMEA	24.96%	78	

List of shareholdings as at December 31, 2021 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2021	Parent com-pany	Note
Joint Ventures (equity-accounted investments)							
187	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	EMEA	50.00%	78 & 111	
188	Linde Leasing GmbH	Wiesbaden	Germany	EMEA	45.00%	78	
189	Schwerter Profile GmbH	Schwerte	Germany	EMEA	50.00%	1	[2]
Associates (at cost)							
190	Chadwick Materials Handling Ltd.	Corsham	United Kingdom	EMEA	48.00%	73	
191	DEMATIC ELECTRO-MECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	APAC	49.00%	11	
192	ifesca GmbH	Ilmenau	Germany	EMEA	19.77%	78	[2]
193	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	EMEA	10.00%	78	
194	MV Fördertechnik GmbH	Blankenhain	Germany	EMEA	25.00%	78	
195	Shaanxi KION Intelligent Warehousing Equipment Co., Ltd.	Xi'an	People's Re-public of China	APAC	20.00%	67	[2]
196	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Frankfurt am Main	Germany	EMEA	50.00%	78	
197	Supralift GmbH & Co. KG	Frankfurt am Main	Germany	EMEA	50.00%	78	
Financial investments							
198	Balyo SA	Ivry-sur-Seine	France	EMEA	6.27%	78	[3]
199	TPZ Linde Viličari Hrvatska d.o.o.	Zagreb	Croatia	EMEA	20.00%	78	[3]
200	Shanghai Quicktron Intelligent Technology Co., Ltd.	Shanghai	People's Re-public of China	APAC	7.70%	67	[3]
201	Zhejiang EP Equipment Co., Ltd.	Anji (Huzhou)	People's Re-public of China	APAC	4.67%	67	[3]

[1] Consolidated in accordance with IFRS 10 as structured entity

[2] New in 2021

[3] No material influence

[R] Dormant company

[50] Auditors' fees

The fees recognized as an expense and paid to the auditors of the consolidated financial statements (Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch office) in 2021 amounted to €2.2 million (2020: €2.3 million) for the audit of the financial statements, €0.3 million (2020: €0.5 million) for other attestation services, €0.0 million (2020: €0.0 million) for tax consultancy services, and €0.0 million (2020: €0.0 million) for other services. The other attestation services mainly related to services in connection with the financing measures carried out.

[51] Events after the reporting date

In February 2022, Anke Groth, the Chief Financial Officer (CFO) and Labor Relations Director of KION GROUP AG, whose contract would have been coming up for renewal, reached agreement by amicable and mutual consent with the Supervisory Board that her employment at KION GROUP AG will end with effect from March 31, 2022, before the end of her contract, so that she can take on new challenges outside the Group. Until a new CFO has been appointed, the Chief Executive Officer Dr. Richard Robinson Smith will take over Ms. Groth's responsibilities on an interim basis.

[52] Information on preparation and approval

The Executive Board of KION GROUP AG prepared the consolidated financial statements on February 22, 2022 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 22, 2022

The Executive Board

Dr. Richard Robinson Smith | Anke Groth | Hasan Dandashly

Andreas Krinninger | Dr. Henry Puhl | 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

Audit Opinions

We have audited the consolidated financial statements of KION GROUP AG, Frankfurt am Main/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of KION GROUP AG, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement pursuant to Sections 289f, 315d German Commercial Code (HGB) included in the combined management report.

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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB 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 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, 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 audit opinion on the combined management report does not cover the content of the consolidated corporate governance statement pursuant to Sections 289f, 315d HGB included in the combined management report.

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 of the combined management report.

Basis for the Audit 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 (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) point (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position
2. Recognition of leases as regards sales
3. Realisation of revenue regarding the project business in the Supply Chain Solutions segment

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)

b) auditor's response

1. Recoverability of goodwill and brand names with indefinite useful life as recognised in the consolidated statement of financial position

a) As at 31 December 2021, the carrying amount of goodwill and brand names with indefinite useful life in the consolidated financial statements is mEUR 3,544.8 (22.4% of the Group's total assets) and mEUR 939.7 (5.9% of the Group's total assets), respectively. Each year, goodwill and brand names with indefinite useful life are tested for impairment by the executive directors. This impairment test is conducted regardless of whether there are external or internal indicators for an impairment. The impairment test is conducted at the level of the operating entities, which represent the cash-generating units or group of cash-generating units, by determining the corresponding realisable amount and comparing that realisable amount with the corresponding carrying value. The realisable amount is determined using the discounted cash flow method on the basis of KION GROUP AG's budget consisting of the operative three-years plan (2022 budget and 2023 to 2024 medium-term budget) as well as of a projection concerning two further years, which is adjusted using assumptions about long-term growth rates. The result of this measurement highly depends on the executive directors' estimation of the anticipated cash flows of the corresponding operating entity as well as the discount rate used (weighted average cost of capital – WACC) and, therefore, is subject to great uncertainty. Therefore and due to the underlying complexity of the valuation models applied, this matter was of particular significance in the scope of our audit.

   For information provided by the Group on goodwill and brand names with indefinite useful life, we refer to notes [5], [7] and [17] to the consolidated financial statements.

b) During our audit, we obtained, among other things, an understanding of the method applied in the impairment test, the budget process of KION GROUP AG as well as the definition of the cash-generating units or group of cash-generating units and assessed the determination of the WACC. In this context, we considered the Group's adherence to the budget process over the past years.

Regarding the impairment test, we examined the appropriateness of the expected future cash flows mainly by comparing the information with the operative budget (2022) approved by the supervisory board and with the medium-term budget (2023 to 2024) approved by the executive directors and by examining the key measurement assumptions and parameters for plausibility based on expectations about macroeconomic and industry-specific trends. As a significant portion of the value in use has been determined based on projected cash flows for the period following the five-year budget (period of terminal value), we also examined in particular the sustained growth rate applied for the period of terminal value based on industry-specific market expectations. With respect to the evaluation of the discount rate, we consulted internal valuation specialists, who convinced themselves of the appropriateness of the discount rate used based on market comparisons. Due to the great significance of goodwill and brand names with indefinite useful life in the consolidated financial statements, we finally conducted sensitivity analyses with regard to both the growth expectations of the future cash flows from the operating entities and the applied discount rate.

2. Recognition of leases as regards sales

a) To a great extent, the Group uses leases as a sales instrument in the Industrial Trucks & Services segment. The corresponding agreements comprise contracts, under which the KION entities qualify as contract parties, and those, under which the lease object was sold to external finance partners. The following three contract types are primarily used:

- Single step lease: The lease object is directly leased to the consumer;
- Sale and leaseback sublease: The lease object is sold to a financial partner and subsequently leased back. At the same time, the lease object is also rented out under a sublease contract to the consumer;
- Indirect consumer financing: The (lease) object is sold to a finance partner, who rents it out to a consumer.

As at 31 December 2021, the carrying value of receivables and assets under the lease agreements is mEUR 1,784.0 (11.3% of total assets) and mEUR 1,391.5 (8.8% of total assets), respectively.

Single-step leases are classified as finance leases or operating leases within the meaning of IFRS 16. For sale and lease back sublease contracts concluded until and including 31 December 2017, an asset and a lease liability is accounted for taking advantage of the right of continuance specified in IFRS 16. For sale and lease back sublease contracts concluded after 31 December 2017, the transaction is classified as a finance lease. Accordingly, a corresponding liability is recognised in addition to an asset. In compliance with IFRS 15, the types of indirect consumer financing agreements have been uniformly classified as leases within the meaning of IFRS 16.

Group-wide, consistent lease applications shall ensure that the recognition, categorisation and classification of the various contract types according to the IFRS are complete and correct. The determination of the criteria and parameters in these applications are subject to the executive directors' judgment. The classification and entry routines of the lease applications are updated, programmed and managed centrally in Germany, while the contract input is performed locally in the operating or the Group's own financial services entities.

Due to the high transaction volume in connection with the various contract types, any errors in this area may considerably affect the consolidated financial statements. For this reason, the assessment of the accounting for leases was of particular significance in the scope of our audit.

For information provided by the Group on the accounting for leases, we refer to the notes [7], [18], [22], [31] and [37] to the consolidated financial statements.

b) As part of our audit, we first updated our understanding of the process including our understanding of the existing contract types as well as the Group's internal controls regarding leases.

In the light of our understanding of the organisational composition and the overall process, the audit on the one hand focused on the lease applications used and on the other hand on the completeness and accuracy of the data input in the individual component areas.

With respect to the lease applications used, we examined the appropriateness, implementation and, where required, effectiveness of certain IT controls in line with our audit strategy. As part of this examination, we consulted internal IT specialists.

In a next step, we obtained an understanding of whether the automated entry and classification routines used in the lease applications comply with the relevant IFRS. To this end, we first examined the KION IFRS Accounting Manual, which represents the basis for routine programming, for conformity with the IFRS. In addition, we assessed whether the entry and classification routines have been appropriate. Therefore, we examined the agreements on the basis of judgmental selections or by applying sampling methods. However, we made sure that all contract types were subject to our examination. Based on the data inputs, we assessed for each selected contract whether the results of the lease applications comply with the relevant IFRS.

We examined the data inputs made in the financial year in the individual component areas for accuracy directly in the operating entities on a sample basis in the form of mathematical and statistical methods and extrapolated any identified deviations to the corresponding basic population. In this context, apart from the accuracy, we audited the appropriate cut-off and completeness of the data inputs on the basis of the original contracts. Where required, we received confirmations of third parties to assess the completeness of the entered contracts.

3. Realisation of revenue regarding the project business in the Supply Chain Solutions segment

a) Revenue in the Supply Chain Solutions segment amounts to mEUR 3,780.3 in the financial year 2021 (prior year: mEUR 2,619.4). This segment accounts for 36.7% (prior year: 31.4%) of the Group's total revenue.

A significant portion of revenue generated in the Supply Chain Solutions segment (mEUR 3,006.7; prior year: mEUR 1,935.1) relates to the project business (79.5% of the segment's total external revenue). Revenue for the project business-related customer contracts is recognised in line with the corresponding period unless there is an alternative possibility of use and right to payment of the services already rendered. The revenue to be realised is determined based on the percentage of completion method. The percentage of completion is determined based on the proportion of the contract costs that have already been incurred to the total contract costs estimated as at the reporting date.

The revenue highly depends on estimations subject to the executive directors' judgment, in particular with regard to the total contract costs and the resulting percentage of completion. Also taking into account the high amount of revenue related to the project business in the consolidated financial statements, we considered this matter to be of particular significance in the scope of our audit.

For information on revenue realisation related to the project business in the Supply Chain Solutions segment, we refer to the notes [7] and [8] to the consolidated financial statements.

b) In the scope of our audit, we deepened our knowledge of the processes concerning the project business including our understanding of the corresponding internal controls of the Group. We examined the appropriateness of the internal controls' design and implementation regarding the estimation of the percentage of completion and continued review of contract costs.

Considering this, we selected projects based on risk considerations. First, we assessed – based on the individual basis of the contracts – whether the projects meet the requirements for revenue recognition according to the percentage of completion method. Subsequently, we assessed the estimation made for the individual contracts. To this end, we examined the current cost reports and project calculations taking into account the customer contracts with respect to the percentage of completion of the selected projects. To this end, we additionally consulted the employees responsible for the relevant projects on matters such as the current project phase, any risks including fines and changes to original assumptions and requested explanations for unexpected project developments, which were compared to supplementary evidence. In addition, we have convinced ourselves, where required, of the project progress on site and have taken into account the adherence to the budget planning based on retrospective analyses of selected projects.

Other information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises the following documents obtained up to the date of this auditor's report:

- the report of the supervisory board,
- the corporate governance statement included in the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

In addition, the other information comprises the separate consolidated non-financial report, which is expected to be published subsequently on KION GROUP AG's website by 30 April 2022.

The supervisory board is responsible for the report of the supervisory board included in the annual report. The executive directors and the supervisory board as well are responsible for the declaration related to the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act (AktG), which is part of the corporate governance statement included in the combined management report. Otherwise, the executive directors are responsible for the other information.

Our audit 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 audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS 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, the executive directors are 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 or error.

In preparing the consolidated financial statements, the executive directors are 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, the executive directors are 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, the executive directors are 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 audit 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 judgment 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 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 audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 audit 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 IFRS as adopted by the EU and with 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 audit 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 audit 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 the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 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 related safeguards.

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 the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value 076D5F2BCEA55CC34E7084C180032AE9C78231C958025E4F3C9F6075C7F9EFFE, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the “Group Auditor’s Responsibilities for the Audit of the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor’s Responsibilities for the Audit of the ESEF Documents

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 judgment and maintain professional scepticism throughout the audit. 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit 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 provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to 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 Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 11 May 2021. We were engaged by the supervisory board on 27 May / 2 June 2021. We have been the group auditor of KION GROUP AG, Frankfurt am Main/Germany, which had been named KION Holding 1 GmbH until 12 June 2013, without interruption since the financial year 2007. Since the financial year 2013, KION GROUP AG has been a public interest entity within the meaning of Section 316a Sentence 2 no. 1 HGB.

We declare that the audit 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).

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 group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Dorissen.

Frankfurt am Main/Germany, 22 February 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Annika Deutsch) Wirtschaftsprüferin (German Public Auditor)	(Stefan Dorissen) Wirtschaftsprüfer (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 22, 2022

The Executive Board

Dr. Richard Robinson Smith

Anke Groth

Hasan Dandashly

Andreas Krinninger

Dr. Henry Puhl

Ching Pong Quek

Additional information

KION Group quarterly information[1]

	Q4		Q3		Q2		Q1			
in € million	2021	2020[2]	2021	2020[2]	2021	2020[2]	2021	2020[2]	2021	2020[2]
Order intake	**3,492.6**	**2,727.1**	**3,107.4**	**2,315.3**	**3,255.4**	**2,319.3**	**2,626.3**	**2,080.8**	**12,481.6**	**9,442.5**
ITS	2,435.2	1,707.1	1,710.0	1,426.3	2,220.7	1,264.8	1,800.4	1,398.7	8,166.3	5,796.8
SCS	1,061.9	1,022.9	1,398.7	887.6	1,038.9	1,057.6	829.8	686.3	4,329.4	3,654.5
Total revenue	**2,760.6**	**2,341.4**	**2,565.8**	**2,072.9**	**2,592.8**	**1,899.6**	**2,375.1**	**2,027.7**	**10,294.3**	**8,341.6**
ITS	1,764.2	1,598.3	1,630.1	1,410.3	1,601.0	1,267.5	1,518.7	1,447.3	6,514.0	5,723.4
SCS	1,001.9	747.3	937.0	664.0	996.5	634.6	860.7	581.2	3,796.2	2,627.1
Gross profit (adjusted)	**605.4**	**573.0**	**646.7**	**543.8**	**659.3**	**429.5**	**624.8**	**553.3**	**2,536.2**	**2,099.6**
ITS	427.2	395.5	446.7	391.8	444.0	296.0	433.3	407.4	1,751.2	1,490.7
SCS	179.0	176.6	199.3	148.3	214.9	131.9	188.1	144.7	781.3	601.5
Selling and administrative expenses (adjusted)	**–411.9**	**–344.0**	**–380.1**	**–344.4**	**–380.7**	**–333.7**	**–372.6**	**–365.3**	**–1,545.3**	**–1,387.3**
ITS	–289.7	–256.7	–278.9	–262.4	–277.9	–253.2	–279.1	–279.4	–1,125.6	–1,051.7
SCS	–90.7	–73.3	–77.1	–69.2	–78.0	–67.6	–73.0	–71.5	–318.7	–281.6
Research and development costs (adjusted)	**–50.6**	**–40.6**	**–41.9**	**–35.7**	**–45.7**	**–39.5**	**–40.5**	**–38.1**	**–178.7**	**–153.9**
ITS	–30.7	–29.7	–27.4	–27.6	–32.8	–30.3	–28.5	–28.2	–119.5	–115.8
SCS	–16.6	–12.0	–12.9	–9.5	–11.6	–10.4	–10.6	–10.6	–51.7	–42.4
Other costs (adjusted)	**7.8**	**–5.4**	**4.2**	**–4.6**	**14.4**	**4.5**	**3.3**	**–5.9**	**29.7**	**–11.5**
ITS	6.1	–7.1	4.1	–7.3	14.3	4.3	5.3	–1.8	29.9	–11.9
SCS	1.2	2.2	–	2.3	0.2	–0.5	–2.8	–3.9	–1.3	0.0
Adjusted EBIT	**150.8**	**183.0**	**228.9**	**159.1**	**247.2**	**60.7**	**215.0**	**144.0**	**841.8**	**546.9**
ITS	112.9	102.0	144.5	94.6	147.6	16.8	131.0	98.0	536.0	311.4
SCS	73.0	93.5	109.3	71.9	125.5	53.4	101.7	58.7	409.5	277.5
Adjusted EBIT margin	**5.5%**	**7.8%**	**8.9%**	**7.7%**	**9.5%**	**3.2%**	**9.1%**	**7.1%**	**8.2%**	**6.6%**
ITS	6.4%	6.4%	8.9%	6.7%	9.2%	1.3%	8.6%	6.8%	8.2%	5.4%
SCS	7.3%	12.5%	11.7%	10.8%	12.6%	8.4%	11.8%	10.1%	10.8%	10.6%
Adjusted EBITDA	**375.5**	**396.8**	**441.9**	**367.3**	**457.7**	**268.4**	**421.9**	**351.0**	**1,696.9**	**1,383.5**
ITS	313.7	292.7	333.5	279.0	335.6	200.5	315.2	282.6	1,297.9	1,054.9
SCS	90.3	109.4	126.8	87.5	141.5	70.2	118.0	74.0	476.6	341.1
Adjusted EBITDA margin	**13.6%**	**16.9%**	**17.2%**	**17.7%**	**17.7%**	**14.1%**	**17.8%**	**17.3%**	**16.5%**	**16.6%**
ITS	17.8%	18.3%	20.5%	19.8%	21.0%	15.8%	20.8%	19.5%	19.9%	18.4%
SCS	9.0%	14.6%	13.5%	13.2%	14.2%	11.1%	13.7%	12.7%	12.6%	13.0%
Earnings per share (€)										
Basic earnings per share (in €)	1.08	0.63	1.04	0.72	1.17	–0.13	1.04	0.58	4.34	1.81

1 Adjusted figures include adjustments for PPA items and non-recurring items

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

KION Group multi-year overview

in € million	2021	2020	2019	2018	2017*
Order intake	12,481.6	9,442.5	9,111.7	8,656.7	7,979.1
Revenue	10,294.3	8,341.6	8,806.5	7,995.7	7,598.1
Order book[1]	6,658.5	4,441.3	3,631.7	3,300.8	2,614.6
Financial performance					
EBITDA	1,735.7	1,327.7	1,614.6	1,540.6	1,457.6
Adjusted EBITDA[2]	1,696.9	1,383.5	1,657.5	1,555.1	1,495.8
Adjusted EBITDA margin[2]	16.5%	16.6%	18.8%	19.4%	19.7%
EBIT	794.8	389.9	716.6	642.8	561.0
Adjusted EBIT[2]	841.8	546.9	850.5	789.9	777.3
Adjusted EBIT margin[2]	8.2%	6.6%	9.7%	9.9%	10.2%
Net income	568.0	210.9	444.8	401.6	422.5
Basic earnings per share (in €)	4.34	1.81	3.86	3.39	3.68
Dividends per Share (in €)[3]	1.50	0.41	0.04	1.20	0.99
Financial position[1]					
Total assets	15,850.9	14,055.7	13,765.2	12,968.8	12,337.7
Equity	5,168.9	4,270.8	3,558.4	3,305.1	2,992.3
Net Working Capital[4]	1,192.0	984.5	828.9	676.1	619.9
Net financial debt[5]	567.6	880.0	1,609.3	1,869.9	2,095.5
ROCE[6]	9.1%	6.2%	9.7%	9.3%	9.3%
Cash flow					
Free cash flow[7]	543.8	120.9	568.4	519.9	474.3
Capital expenditure[8]	333.8	283.8	287.4	258.5	218.3
Employees[9]	39,602	36,207	34,604	33,128	31,608

1 Figures as at balance sheet date Dec. 31

2 Adjusted for PPA items and non-recurring items

3 For 2021: Proposed dividend for the fiscal year 2021

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 including capitalized development costs, excluding right-of-use assets

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

* Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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 conditions and the competitive situation (including because of the coronavirus pandemic), changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the 2021 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

March 3, 2022
Publication of 2021 annual report, financial statements press conference, and conference call for analysts

April 28, 2022
Quarterly statement for the period ended March 31, 2022 (Q1 2022), conference call for analysts

May 11, 2022
Annual General Meeting

July 28, 2022
Interim report for the period ended June 30, 2022 (Q2 2022), conference call for analysts

October 27, 2022
Quarterly statement for the period ended September 30, 2021 (Q3 2022), conference call for analysts

Subject to change without notice

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The content of the German version is authoritative.

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We keep

the world moving.

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