2022

Annual report

KION Group Key figures for 2022

KION Group overview

in € million	2022	2021	2020	Change 2022/2021
Order intake	11,707.6	12,481.6	9,442.5	–6.2%
Revenue	11,135.6	10,294.3	8,341.6	8.2%
Order book[1]	7,077.8	6,658.5	4,441.3	6.3%
Financial performance				
EBITDA	1,201.8	1,735.7	1,327.7	–30.8%
Adjusted EBITDA[2]	1,218.7	1,696.9	1,383.5	–28.2%
Adjusted EBITDA margin[2]	10.9%	16.5%	16.6%	–
EBIT	168.3	794.8	389.9	–78.8%
Adjusted EBIT[2]	292.4	841.8	546.9	–65.3%
Adjusted EBIT margin[2]	2.6%	8.2%	6.6%	–
Net income	105.8	568.0	210.9	–81.4%
Basic earnings per share (in €)	0.75	4.34	1.81	–82.8%
Dividends per share (in €)[3]	0.19	1.50	0.41	–87.3%
Financial position[1]				
Total assets	16,528.4	15,850.9	14,055.7	4.3%
Equity	5,607.8	5,168.9	4,270.8	8.5%
Net Working Capital[4]	1,979.3	1,192.0	984.5	66.1%
Net financial debt[5]	1,670.5	567.6	880.0	> 100%
ROCE[6]	2.9%	9.1%	6.2%	–
Cash flow				
Free cash flow[7]	–715.6	543.8	120.9	< –100%
Capital expenditure[8]	382.7	333.8	283.8	14.7%
Employees[9]	41,149	39,602	36,207	3.9%

1 Figures as at balance sheet date Dec. 31

2 Adjusted for PPA items and non-recurring items

3 For 2022: Proposed dividend for the fiscal year 2022

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

5 Key figure comprises financial liabilities less cash and cash equivalents

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

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

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

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

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

Contents

Company profile

The KION Group is among the world's leading suppliers of industrial trucks and supply chain solutions. Its portfolio encompasses industrial trucks, such as forklift trucks and warehouse trucks, as well as integrated automation technology and software solutions for the optimization of supply chains, including all related services. Across more than 100 countries worldwide, the KION Group's logistics solutions improve the flow of material and information within factories, warehouses, and distribution centers. The KION Group, which is included in the MDAX, is the largest manufacturer of industrial trucks in the EMEA region in terms of units sold in 2021. In China, it is the leading foreign manufacturer (as measured by revenue in 2021).

The KION Group's world-renowned brands are well established. Measured by revenue in 2021, Dematic is the global leader in warehouse automation, providing a broad range of intelligent supply chain and automation solutions. The Linde and STILL brands serve the premium and higher value segments of the industrial truck market. Baoli focuses on industrial trucks in the lower value and economy segments. The regional industrial truck brand Fenwick is one of the leading suppliers of material handling products in France, while OM is among the leading vendors in the Indian market.

With more than 1.7 million industrial trucks worldwide as at December 31, 2022, 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

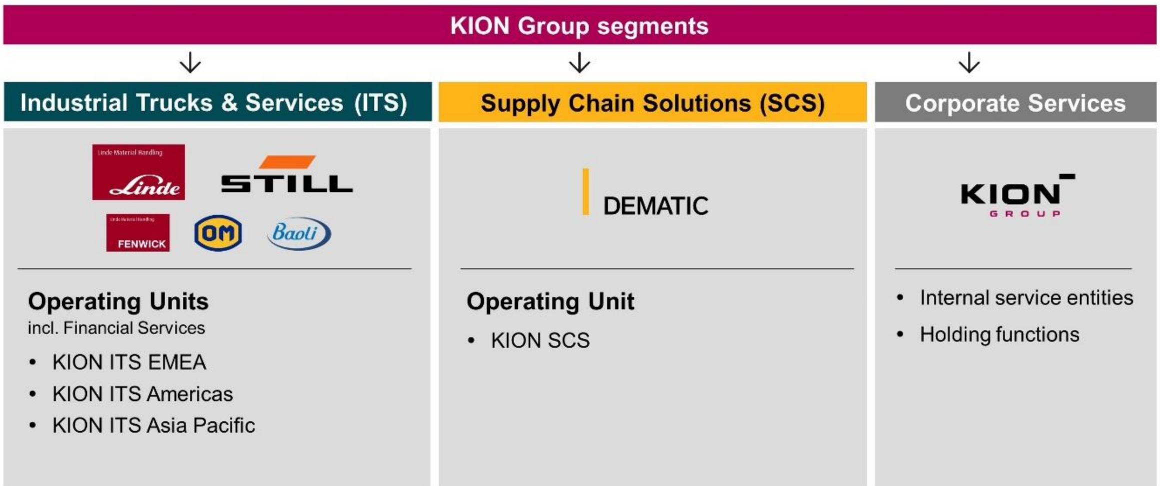
The Industrial Trucks & Services segment encompasses forklift trucks, warehouse technology, and related services, including complementary financial services. It pursues a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the regional brands Fenwick and OM.

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,

2022 was a year full of challenges for the KION Group – external as well as organic. Global geopolitical and macroeconomic developments accelerated volatility in our supply chains and led to dramatic inflation in our material, energy, and logistics costs. We saw that our commercial and operational processes, systems, and practices established during many years of relative stability required significant overhaul in order to deliver strong profitable performance in times of volatility. We are fully committed to this journey and took significant steps in 2022 to bring the KION Group back on track for strong profitable growth going forward. And we have the wind in our sails. The global megatrends of automation, digitalization, and urbanization are fundamentally intact and present us with an excellent opportunity to generate strong profitable growth over the long term. In addition, the KION Group has excellent customers, business partners and over 41,000 talented and experienced employees that demonstrate immense commitment to each other and to our long-term success together. I would like to offer my heartfelt thanks – and those of the entire Executive Board – to all of our KION Group stakeholders for their excellent support and teamwork in 2022.

We are looking back on a difficult year

Last year, our business was affected by disruptions in the supply chain, by spiraling costs for materials, energy, and logistics, and in some cases also by a decline in demand. This decreased demand among some customers is based on a reticence in starting new investment decisions. Inefficiencies resulting from the lack of availability of key parts at project sites led to delays in the Supply Chain Solutions (SCS) segment. As more new projects were ramping up in parallel, the availability of skilled labor, especially in North America, became a limiting factor due to high demand from other industries. Additionally, in 2022 SCS had only been able to pass a minor portion of the cost increases on to customers as we did not have cost escalation protection measures in place. This took its toll on earnings as it pushed up the expected overall project costs for long-term customer orders. In the second of our two operating segments, Industrial Trucks & Services (ITS), sharp increases in costs and persistent shortages of bought-in parts and components also had a negative impact on earnings and – due to the significant increase in net working capital – free cash flow.

In order to counteract these developments, we have set out a roadmap that is specifically targeted at improving our profitability through increasing our commercial and operational agility. We are strengthening our network of suppliers, expanding our service offering, and adopting dynamic pricing. Even now, the price adjustments in our order book are laying a solid foundation for the new year ahead. Moreover, we stepped up the work we are doing to improve our project management processes in the Supply Chain Solutions segment in the second half of 2022. In the Industrial Trucks & Services segment, we managed, over the course of the year, to significantly reduce our inventories of unfinished trucks for which only individual components were missing due to supply chain disruptions, and to deliver the trucks to our customers. We also substantially reduced the number of high-risk suppliers. As you can see, we are on the right path to ensuring that the KION Group remains resilient and profitable for many years to come.

The KION Group is also on a solid footing in terms of its finances. Although our free cash flow was well into negative territory and the level of net working capital was high in 2022, we have a strong financial flexibility at our disposal.

The war in Ukraine has been with us for over a year now. Our thoughts are with everyone who has suffered so much in this conflict. We responded quickly and supported the Red Cross both financially and through the provision of forklifts. The KION GROUP AG has adhered to all sanctions imposed since spring 2022 and the Executive Board of KION GROUP AG made the decision in 2022 to withdraw from all business in Russia. Promising negotiations on the sale of the Russian ITS business are already being held; the local business of SCS has already been largely wound down.

Groundbreaking innovations for a successful future

Our industry remains very much on track for growth, with persistently strong demand for automated technologies and software solutions in warehouse logistics continuing to drive our business forward – both in the Supply Chain Solutions segment and the Industrial Trucks & Services segment. As an innovative full-service provider of intralogistics solutions, we supply our customers around the globe with everything they need – the full spectrum of intralogistics solutions from simple hand pallet trucks and racking to intelligently networked electric forklift trucks, automated warehouse trucks, and even fully automated and digitalized warehouses – as well as the support of one of the most extensive production, sales, and service networks in our industry. KION Group is using its pioneering spirit and innovative strength to shape the future of intralogistics. Every year, we invest around 3 percent of our revenue in research and development. And our innovation pipeline is well stocked thanks to our effective CTO organization and the around 2,000 people that we employ in research and development around the world.

Rob Smith

Chief Executive Officer of KION GROUP AG

Intelligent swarm robots for the warehouses of tomorrow

Our LoadRunner is one of the leading innovations that will help meet the growing demands on our industry for automated digital solutions. We have partnered with the Fraunhofer Institute for Material Flow and Logistics in Dortmund to develop swarm robots for the warehouses of the future. Our objective is to pave the way for a new generation of autonomously operating transport vehicles that will revolutionize intralogistics using artificial intelligence (AI). These miniature transportation vehicles not only operate independently, but also together as a swarm – and this is how they will open up a new chapter in warehouse logistics in more ways than one. They will be considerably faster than all previous AGVs and, critically, more intelligent in that they are able to coordinate their actions independently. The swarm robots will therefore make warehouse processes even simpler, even quicker, and even more efficient. Last year, at its site in Cologne, the parcel delivery service DPD put the LoadRunner through its paces for the first time in a real-world application, describing it as a “true revolution in intralogistics”. These autonomous swarm robots will be ready for the market in the near future.

Digitalization, autonomy, and connectivity for efficient warehouse logistics

As a pioneering innovator, we are leading the way with wide-ranging research initiatives and are already coming up with answers to the questions of tomorrow. We are concentrating in particular on bringing together digitalization, autonomy, and connectivity. Several of our projects, in which we collaborate with respected partners in industry and research, are focused on solutions in this area. For the ARIBIC project, for example, we have teamed up with LeddarTech, Karlsruhe Institute of Technology (KIT), and the University of Toronto’s STARS Lab. ARIBIC stands for artificial intelligence-based indoor cartography and refers to the continuous analysis of large volumes of data in order to create a real-time digital twin of a warehouse or production environment.

The IMOCO4.E project, meanwhile, is taking AGVs to a new level. The objective is to enable trucks to navigate entirely autonomously in a factory or warehouse, by using AI and state-of-the-art sensors to avoid obstacles and calculate the optimum routes.

Projects like this call for new forms of connectivity and real-time communications in warehouses and production environments. Thanks to 5G technology, campus networks can fulfill the most stringent requirements of a communication network in terms of latency, reliability, security, and uptime. This makes 5G campus networks particularly attractive for applications destined for use in industry. Funded by the Federal Ministry for Economic Affairs and Climate Action, the CampusOS project, in which the KION Group is a partner, is looking to build a nationwide modular ecosystem for campus networks based on the latest technology.

Energy system of the future: lithium-ion batteries made inhouse

Energy – and how we use it sustainably, manage it, and save it – is the topic of the decade, including in the material handling sector. We are one of the world's leading suppliers of electric vehicles used in intralogistics. Already, around 90 percent of all new forklifts and warehouse trucks manufactured by the KION Group are electrically powered. We offer our customers the full range of current drive technologies. And the focus of our research and development is on future generations of energy solutions in the form of lithium-ion battery systems and hydrogen fuel cells.

In April 2022, in order to meet the fast-growing demand for high-performance drive modules in intralogistics, we expanded our production capacity for lithium-ion batteries for industrial trucks through KION Battery Systems GmbH (KBS), a joint venture between KION GROUP AG and BMZ Holding GmbH in Karlstein am Main. We had already been making 48-volt and 80-volt batteries for counterbalance trucks since 2019. Then last year, we opened a new manufacturing and assembly line for 24-volt batteries that will be able to deliver up to 30,000 batteries a year. Because we have kept this drive technology inhouse, we are able to offer our European customers a high degree of reliability even in times of fragile global supply chains. Certainly, our KION technology continues to provide full truck integration with premium functionality. It is an approach that we have been committed to for several years now.

Managing energy efficiently so it can be used more sustainably

Anyone purchasing a battery-powered fleet of forklift trucks will need an efficient energy management system and the appropriate support. And we are able to deliver here too. To help customers overcome these challenges, the KION Group has teamed up with ifesca GmbH to employ artificial intelligence to forecast and manage energy use in industrial applications. The energy management tool of our brand company Linde Material Handling is helping our customers manage their internal energy networks more efficiently. The platform's ultra-precise forecasts allow customers to plan the optimum charging times for their fleets of industrial trucks, to avoid peaks in charging, and in doing so to significantly reduce their energy costs.

Proprietary fuel-cell systems as an alternative to electric drives

We are on track to progress the transition toward sustainable and resource-efficient intralogistics thanks not just to lithium-ion technology but also to hydrogen drive systems. Industrial trucks from our Linde Material Handling brand company that are powered by hydrogen and therefore emission-free are already in use at the BMW Group's Leipzig plant, for example. And our STILL brand is operating one of Europe's biggest fleets of fuel-cell forklift trucks at the French retail and wholesaling company Carrefour. The KION Group is going one step further, however. It is entering into the development and production of hydrogen drives and will be manufacturing its own fuel-cell systems in the future. This means the KION brand companies will be able to offer their customers everything from a single source: the truck, the fuel cell, and the requisite aftersales service. A proprietary 24-volt fuel-cell system for warehouse trucks will be brought to market before the end of this year. The plan is for a 48-volt system to follow soon afterwards. From today's perspective, this will make the KION Group the only industrial truck manufacturer in the European market to manufacture its own fuel cells – to date a truly unique selling point.

Global investment for further growth

Last year, we invested €383 million, including €182 million in Germany. In order to remain at the cutting edge of technology, we invest in our future even in challenging times.

We are pressing ahead with our growth strategy in China, one of the world's most important and fast-growing markets for material handling, by strengthening our production site in Jinan, in Shandong province. We are currently building a new plant here for the Supply Chain Solutions segment right next door to our existing plant for forklift trucks. It will be used by our brand company Dematic to manufacture Multishuttle racks, welded components for automated guided vehicle systems, and conveyor systems. The plant is scheduled to commence operations in 2023. The production site will also feature a dedicated technology center for customer demonstrations. We are investing nearly €40 million in this project and will create more than 300 new jobs by the end of 2024. The KION Group already employs more than 4,600 people in China, out of its overall workforce of around 41,000 people.

KION North America is also adding to its production capacity in the Industrial Trucks & Services segment. In the US state of South Carolina, we are investing nearly €40 million in the expansion of production and assembly lines. Our brand companies Linde Material Handling and Baoli cater to the specific requirements of the North American market with a comprehensive and complementary portfolio of products that are known for their innovative technologies, low energy consumption, and low operating costs. The expansion is set to create around 450 new jobs and is scheduled to be completed in 2024.

We are also building our capacities in Germany where we are investing around €60 million to create a new premium facility in Kahl am Main, located between Frankfurt and Aschaffenburg. Known as the Kahl Regional Distribution Center, this ultra-modern parts warehouse with highly automated high-bay storage facilities and small parts stores will occupy a total area of around 31,000 square meters. It will also serve as an example of the Company's logistical expertise. The warehouse will supply service technicians with spare parts around the clock. It is due to come on stream at the beginning of 2025. As well as optimizing the service we provide for our customers, we will be focusing the approximately 300 jobs that already exist at the site on future requirements and will also create new jobs at the site going forward.

In addition, we are planning to completely reorganize all plant logistics at Linde Material Handling's base in Aschaffenburg. We will be consolidating the five external stores in and around Aschaffenburg into the Urban New Home center. Workshops, warehouses, and supply facilities are being converted for this purpose. The various buildings are centered around a high-bay storage facility that will be supplemented by smaller warehouses. We are investing almost €30 million at the site. A new office and administrative building is also being created, with modern workstations for 300 employees and a showroom for events and product demonstrations. The building is scheduled to be completed in mid-2023.

In Reutlingen, we are expanding the plant used by KION Warehouse Systems GmbH (KWS), which serves as the center of excellence within the KION Group for the development and production of very narrow aisle trucks for our brand companies. Our plan is to increase the volume of order picking stacker trucks and vertical order pickers that KWS produces by just over 60 percent. We are investing a low double-digit million euro amount to expand the existing factories and modernize the site's plant, machinery, and processes. The plan is for construction to begin in early 2024 and for the expanded production facilities to come on stream in 2025.

KION 2027 strategy updated and improved

Our KION 2027 strategy gives us a strong foundation for securing our long-term success. And we updated it last year to make it even more effective, holding numerous meetings with our intralogistics customers and visiting their facilities in order to discuss and co-create their current and future intralogistics strategies and developments. One of the outcomes of this process was the update to our six fields of action, which are now as follows: multi-branded go-to-market combining the strengths of our segments and brand companies, region-specific growth plans, sustainability, automation and software including our digital solutions, performance and agility, and values, employees, and leadership (see also the section entitled 'Strategy of the KION Group' in this annual report).

These six fields of action describe how we intend to achieve our ambitious targets. With our comprehensive multi-brand strategy, we exploit the potential of integrated products and solutions and bring SCS and ITS offerings together effectively. We position each of our strong brands successfully and can offer our customers the products, services, and solutions they need for their individual business. We take responsibility for offering sustainable products that benefit our customers in their warehouses and plants and help them to meet their own sustainability goals, for ensuring the wellbeing of our employees, and for protecting the planet and the society in which we live. Through our products and solutions, we want to lead the way in the material handling sector when it comes to energy use and alternative energy systems. We enable our customers to use automation effectively and support them on their journey to fully automated and digitalized lights-out warehouses.

In October 2022, the Supervisory Board appointed Valeria Gargiulo to the newly created role of Chief People & Sustainability Officer (CPSO). Marcus A. Wassenberg was appointed as the new Chief Financial Officer (CFO). Both are experienced executives with a proven track record in their areas of responsibility and a compelling vision for the future of our Company. Whereas Marcus has been dedicating himself to his new role since January of this year, Valeria will take on her new responsibilities no later than May 2023. Thanks to these new additions, the Executive Board is in an excellent position and is well equipped to drive forward our strategy in all six fields of action and to make this strategy a success.

Dear Shareholders,

The KION Group has progressed enormously in what has been a challenging twelve months. We put ourselves on a much more resilient and agile footing in 2022, and we shall relentlessly drive forward on our profitable growth path in the years to come.

Our objective is clear. We want to be the global leader in understanding our customers' intralogistics and supply chain needs and providing the right sustainable solutions, both today and in the future. Our successfully positioned differentiated brands are teaming up, to offer our customers a unique complete solution offering and strategic competitive advantages. This comes in the form of our global 360-degree portfolio of hardware, software, and services, which combine to create integrated and ultra-modern material handling solutions.

That is why we are looking ahead to 2023 with confidence – for our customers and business partners, for you as our shareholders, and for the entire 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) & Labor Relations Director
- Born in 1965 in Augsburg, Germany

Marcus A. Wassenberg

- Chief Financial Officer (CFO)
- Born in 1966 in Grevenbroich, 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,

Like the two years before, 2022 was extremely challenging. It was dominated by the war in Ukraine and by numerous unforeseen developments, such as disruptions to supply chains, spiraling costs for materials, energy, and logistics, and high inflation in many countries of particular importance for our Company.

Unfortunately, despite further favorable demand for our products, our Company did not manage to remain profitable at the accustomed level during these crisis-hit times. Following a record year in 2021, our Company registered a loss in the third quarter of 2022, which mainly resulted from an unfavorable economic climate and inefficiencies in our project business in the Supply Chain Solutions (SCS) segment. Our shareholders understandably responded to this news with disappointment, and this was reflected in a significant fall in KION's share price by the end of 2022.

Both the Executive Board and we, as the Supervisory Board, are aware of the particular need to act decisively in such difficult economic times, not only in order to put the Company back on a profitable growth path but also to maintain or restore the trust placed in the Company by its employees, customers, business partners, and shareholders. The Executive Board works tirelessly to achieve these objectives together with the entire workforce and is supported by us, the Supervisory Board, in its efforts.

The Supervisory Board would like to take this opportunity to thank the members of the Executive Board and all employees of the KION Group for their actions and accomplishments in 2022.

Focus of the Supervisory Board's work

The Executive Board responded decisively to the financial results that were posted for the second and third quarter of 2022, and wasted no time in initiating a comprehensive package of measures to increase the Company's profitability again. In the Industrial Trucks & Services (ITS) segment, the measures are mainly focused on strengthening the supplier network, on dynamic pricing, and on increased commercial agility, while in the Supply Chain Solutions (SCS) segment they are targeted at eliminating process-related inefficiencies that came to light when the Company had to cope with a strong level of new business in an extremely volatile macroeconomic climate. The measures had already begun to take effect by the fourth quarter of 2022. The Company managed to reduce the number of critical suppliers, for example. Further positive effects are expected during the course of this year and in the years ahead.

The Supervisory Board provided the Executive Board with ongoing advice and support on this program in 2022. Because of the significance of the measures for our Company, the Supervisory Board was updated on the latest developments more frequently than usual by the Executive Board and discussed these developments in its meetings. The Audit Committee, in particular, monitored the development and implementation of the package of measures and supported the Executive Board in an advisory capacity. It will continue to do so in 2023.

The common objective of the Executive Board and Supervisory Board is to raise the KION Group's level of profitability on a sustained basis and to make the Company more resilient to unexpected developments in economically uncertain times.

The Supervisory Board’s work in 2022 also focused on supporting the Executive Board in its implementation of a project that it had already begun to address in previous years, namely the planned harmonization of KION's process landscape and related efforts to put in place a new groupwide ERP system based on SAP S/4HANA. This project will make the KION Group's process and IT landscape even more adaptable to changing needs and therefore represents a milestone in the Company's future development. That is why the Company is pressing ahead with the related activities despite the more difficult economic situation.

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

Last year also saw the KION Group update its KION 2027 strategy and work resolutely on its implementation. The sustainability field of action will be a particular focus going forward so that the Company can drive sustainability in logistics through the use of alternative and environmentally compatible energy sources. Consequently, sustainability topics were discussed in several Supervisory Board meetings and the Company's plans in this area were explained in detail to the members of the Supervisory Board.

Dr. Michael Macht

Chairman of the Supervisory Board of KION GROUP AG

The full meetings of the Supervisory Board in 2022 were also used to address its regular schedule of topics. At its meeting on March 2, 2022, the Supervisory Board addressed subjects such as the adoption of the separate financial statements including the appropriation of profit and the approval of the consolidated financial statements for 2021, target achievement in respect of the Executive Board members' variable remuneration, the financial reporting for 2021 and the preparation of the resolution on the non-financial reporting for 2021, and the agenda for the 2022 Annual General Meeting. It dealt with budget planning for 2023 and the corporate strategy at its meetings on September 27, 2022 and with corporate governance topics and the setting of targets for the Executive Board members' variable remuneration for 2023 at its meeting on December 14, 2022.

Following the Annual General Meeting on May 11, 2022, the Company's Supervisory Board was reconstituted after the majority of its members had either been newly elected or re-elected. Dr. Michael Macht was re-elected as chairman of the Supervisory Board and Özcan Pancarci as its deputy chairman. The members of the committees and their chairpersons and deputies were also elected.

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.

Given the challenging economic situation faced by the Company in 2022, the Supervisory Board worked tirelessly to monitor the Executive Board and advise it on how to manage the Company. In addition, the Executive Board began to report regularly to the Supervisory Board on developments and progress with regard to sustainability matters.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent and made necessary decisions. The Supervisory Board regularly satisfied itself that the Executive Board was carrying out its work correctly, lawfully, and purposefully. It 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. All members of the Supervisory Board had the opportunity to examine the documents and reports that were presented in the full meetings or in the committees and to ask questions or make suggestions with regard to these.

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, who also acted as the Chief Financial Officer on an interim basis. There were also regular discussions between the chairman of the Audit Committee and those responsible for internal audit and corporate compliance in the Company.

The Executive Board and Supervisory Board work together in a spirit of mutual respect and trust and always do so constructively for the benefit of the Company.

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 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.

In 2022, the Executive Committee mainly focused on preparations for the full Supervisory Board meetings, on the Company's financial position and financial performance, and on personnel and organizational matters relating to the Executive Board.

The Audit Committee focused on the Group's business performance and financial planning, on the Company's risk situation, on matters related to the audit, its quality control, and the independence of the auditors, on the audit of the separate and consolidated financial statements of KION GROUP AG, and on the quarterly financial statements. It also addressed financial and non-financial reporting, compliance matters, and matters arising from the reform of the German Corporate Governance Code, and, in this context, the KION Group's internal control and risk management system and internal audit system. Supervisory Board resolutions required in this regard were prepared accordingly. The auditors reported regularly to the Audit Committee on their audit work and findings.

Back in 2021, because of the legal requirement for companies to rotate their auditors at least every ten years, the Audit Committee, with the Company's support, completed the legally mandated process for selecting new auditors and prepared the relevant resolutions of the Supervisory Board. On the basis of this process to select the Company's auditors, which was carried out in accordance with article 16 of Regulation (EU) No. 537/2014, the Audit Committee has recommended that the Supervisory Board propose to the 2023 Annual General Meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be engaged as the new independent auditors for the separate and consolidated financial statements for the 2023 financial year and for the reviews of the interim financial statements. Preparations to end the audit work of the current auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, and for the audit work to be taken over by the new auditors were made in the second half of 2022. The Audit Committee was provided with ongoing updates on this process in 2022.

The Remuneration Committee discussed target setting and target achievement with regard to the variable remuneration of the Executive Board members, the remuneration report for 2022, and the current Executive Board remuneration system.

There was no cause for meetings of the Nomination Committee and Mediation Committee to be held in 2022.

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

In 2022, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 20 meetings. These consisted of seven ordinary meetings of the full Supervisory Board, one extraordinary meeting of the full Supervisory Board, four meetings of the Executive Committee, a total of six meetings of the Audit Committee, and two meetings of the Remuneration Committee. The Mediation Committee and Nomination Committee did not meet in the reporting period. Because of the diverse composition of the Supervisory Board and its committees, each of which has members from outside Germany, all meetings of both the Supervisory Board and its committees were held in a hybrid format, i.e. with a combination of video conferencing and attendance in person. The members of the Supervisory Board and its committees based in Germany routinely attended in person with only a few exceptions; the members of the Supervisory Board based in China used video conferencing to participate.

There were also a number of working sessions and telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information. The employee representatives and, where necessary, the shareholder representatives too held separate preliminary discussions to deliberate on the agenda items of the full meetings of the Supervisory Board.

With the exception of Tan Xuguang, all members of the Supervisory Board participated in all seven ordinary Supervisory Board meetings. Due to the time difference, the Supervisory Board members based in China did not participate in the extraordinary meeting held in January 2022 but did take part in the adoption of resolutions in writing. Tan Xuguang was absent from all Supervisory Board meetings and sent his apologies.

With the exception of Dr. Alexander Dibelius and Alexandra Schädler, all members of Supervisory Board committees took part in all of the relevant committee meetings. Dr. Alexander Dibelius sent his apologies for his absence from one of the four meetings of the Executive Committee and Alexandra Schädler sent her apologies for her absence from one of the six meetings of the Audit Committee. The rate of attendance for the meetings of the Supervisory Board and its committees therefore stood at 94.85 percent.

The meetings of the Supervisory Board and its committees were generally attended by the members of the Executive Board as well. However, the Supervisory Board and its committees also met regularly without the Executive Board to discuss individual matters.

Personnel matters relating to the Executive Board

There was a change in the position of Chief Executive Officer at the beginning of the year, with Dr. Rob Smith taking over from Gordon Riske on January 1, 2022. The Supervisory Board advised and closely supported the new Chief Executive Officer in his first year in office. Since taking up his post, Dr. Smith has played a pivotal role in driving forward the modernization of processes within the KION Group. Dr. Smith and the rest of the Executive Board team are also working hard to make the Company more resilient and agile in order to increase its profitability again and to put it in a better position to cope with any unforeseen economic and geopolitical developments that may occur in the future.

In February 2022, Anke Groth, the member of the Executive Board of KION GROUP AG who was responsible for finance and – in her capacity as Labor Relations Director – human resources, and whose contract would have been coming up for renewal, reached agreement by amicable and mutual consent with the Supervisory Board that her employment at the KION Group would end with effect from March 31, 2022 so that she could take on new challenges outside the Group. Dr. Rob Smith, the Chief Executive Officer of KION GROUP AG, took charge of finance on an interim basis from April 1, 2022 and also took over as Labor Relations Director. In the months that followed, the Supervisory Board worked intensively and with the support of external consultants to find a successor for Anke Groth. Marcus A. Wassenberg was appointed as Chief Financial Officer of the KION GROUP AG with effect from January 1, 2023.

In autumn 2022, the Supervisory Board decided to add a further position to the Executive Board, the Chief People and Sustainability Officer (CPSO), who would primarily be responsible for human resources, sustainability, and occupational health and safety. It did this to reflect the KION Group's ambition of swiftly achieving all of its medium-term strategic objectives, which in the sustainability field of action focus not only on social and environmental issues but also on the KION Group's appeal as an employer. Valeria Gargiulo will become CPSO no later than May 1, 2023.

Valeria Gargiulo and Marcus A. Wassenberg bring with them a great deal of experience and expertise in their relevant areas of responsibility as well as a proven track record of success. In a structured process involving all of the stakeholder groups represented on the Supervisory Board, the two new Executive Board members were selected as the most suitable person for their role from among the diverse range of shortlisted candidates. The Supervisory Board is looking forward to a productive working relationship with both these new members of the Executive Board.

In light of the changes to the Executive Board personnel, the Supervisory Board and, in particular, its Remuneration Committee also discussed whether the Executive Board remuneration system should be revised in fiscal year 2022. Due to the difficult economic conditions facing the KION Group in 2022 and the considerable challenges that this entailed for the Executive Board and the entire organization, and because of the changes to the Executive Board's composition in 2022 and 2023, the Supervisory Board decided on the basis of preparatory work by its Remuneration Committee to first focus on improving the Company's economic situation.

Corporate governance matters handled by the Supervisory Board

The German Corporate Governance Code as amended on April 28, 2022 came into force in the second half of the reporting year. This prompted both the Company and the Supervisory Board and its Audit Committee to review their activities and processes to determine whether these were still in compliance with the amended or new recommendations of the Code and to modify them as necessary. The Audit Committee and Supervisory Board discussed this topic in several meetings last year. Although both the Supervisory Board and the Audit Committee had already implemented the bulk of the new or amended recommendations of the Code, the Supervisory Board members agreed to formally codify these recommendations in the rules of procedure for the Supervisory Board and its committees. This is particularly relevant for how the Supervisory Board handles sustainability topics of relevance to the Company. The Supervisory Board delegated the task of preparing these sustainability matters to the Audit Committee because it is the committee responsible for the sustainability report and its review and so should already have relevant experience and expertise. Providing support for the expansion of the sustainability management system will be a particular priority here. This expansion will be needed to ensure that the stricter reporting requirements are satisfied effectively and efficiently and that this can be audited and documented.

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 14, 2022, the Supervisory Board held its final discussion on the alignment of the Company's processes with the recommendations of the German Corporate Governance Code, both retrospectively in respect of the Code as amended on December 16, 2019 and prospectively in regard to the Code as amended on April 28, 2022, and together with the Executive Board – which had discussed and reached its decision on the matter on December 12, 2022 – issued a declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This is permanently available to the public on the website of KION GROUP AG at www.kiongroup.com/conformity.

The Supervisory Board must also review the content of the non-financial Group report, which the Company is obliged to publish in accordance with section 315b of the German Commercial Code (HGB). The Supervisory Board had engaged the Company's auditors for the preparation of this review of the 2021 report, which was presented to the Supervisory Board for a decision in April 2022 and published on April 29, 2022, and also for the preparation of the review of the upcoming report for 2022. 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 2022 non-financial Group report, which will take place in April 2023, 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 2023.

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 56 of this annual report and on the KION GROUP AG website at www.kiongroup.com/governance.

The Company supports the members of the Supervisory Board in the performance of their tasks by providing suitable training and development opportunities. New members of the Supervisory Board are given special onboarding information in order to familiarize them with the KION Group and its internal structures and processes. The Company continues to provide the members of the Supervisory Board with suitable training and development opportunities after their initial introduction to the role. As explained above, sustainability will be a particular strategic focus for the KION Group in the future. Accordingly, the Supervisory Board was updated on the Company's activities in this area on multiple occasions during the reporting year. As well as addressing these matters at its regular meetings, the Supervisory Board received detailed insights into the relevant legal frameworks and legislative initiatives and into the sustainability topics of relevance to the Company at a total of three additional events organized by representatives of the Company with the support of external consultants. The content of these events included in-depth information, provided by external and internal experts, concerning the German Supply Chain Due Diligence Act (LkSG) and the further development of the Company's governance model in respect of the sustainability management system.

The Supervisory Board members and, in particular, the members of the Audit Committee wish to carry on receiving detailed information on sustainability as a matter of priority. The Company has already promised to continue arranging for this detailed information to be provided to the Supervisory Board members in 2023.

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, 2023 The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed on February 22, 2023, 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 1, 2023, after the auditors had presented their report in person. The Supervisory Board approved the findings of the audit conducted by the independent auditors and, based on the final outcome of its own review, did not raise any objections to the Executive Board's declaration at the end of the dependency report.

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

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, 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, 2022 following their engagement by the Annual General Meeting on May 11, 2022. 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 22, 2023, 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 September 21, 2022. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 26, 2022.

The auditors submitted their report and the documents relating to the 2022 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, 2023. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2022, 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 1, 2023 and did not raise any objections. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended December 31, 2022 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on March 1, 2023, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.19 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 Supervisory Board would like to thank its auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, for the long-standing relationship that ends with the publication of this annual report, after which Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, will have audited the Company's financial statements for ten consecutive years since the Company's initial public offering.

Personnel changes on the Supervisory Board of KION GROUP AG

The following personnel changes were made on the employee representative side of KION GROUP AG's Supervisory Board last year:

The Supervisory Board members Stefan Casper, Olaf Kunz and Dr. Frank Schepp, who had all served as employee representatives on the Supervisory Board of KION GROUP AG, stepped down from the Supervisory Board with effect from the end of the Annual General Meeting on May 11, 2022. The employee representative bodies elected Jan Bergemann, Dominique Lembke and Thomas Mainka to the Supervisory Board of KION GROUP AG in their place with effect from the end of the Annual General Meeting on May 11, 2022. Alexandra Schädler was elected to the Executive Committee to succeed Olaf Kunz with effect from the end of the Annual General Meeting on May 11, 2022.

The Supervisory Board members expressed their deep gratitude to the departing members for their many years of excellent and constructive work.

The remaining employee representatives as well as the shareholder representatives Birgit Behrendt, Dr. Alexander Dibelius, Dr. Michael Macht, and Tan Xuguang were re-elected for a further term of office at the Annual General Meeting on May 11, 2022.

The details of this report were discussed thoroughly at the Supervisory Board meeting on March 1, 2023, when it was adopted.

Dr. Michael Macht

Chairman

KION shares

Equity markets under pressure

The German equity markets closed 2022 a little weaker than where they started it after a rollercoaster ride of a year. The DAX reached its high for the year of 16,272 points on January 5, 2022 before following a rocky but ultimately downward descent that lasted until the end of the third quarter of 2022. Investors were very much rattled by the fundamental shift in the geopolitical order resulting from the outbreak of war in Ukraine in February 2022 and this caused prices to tumble in the first quarter of the year.

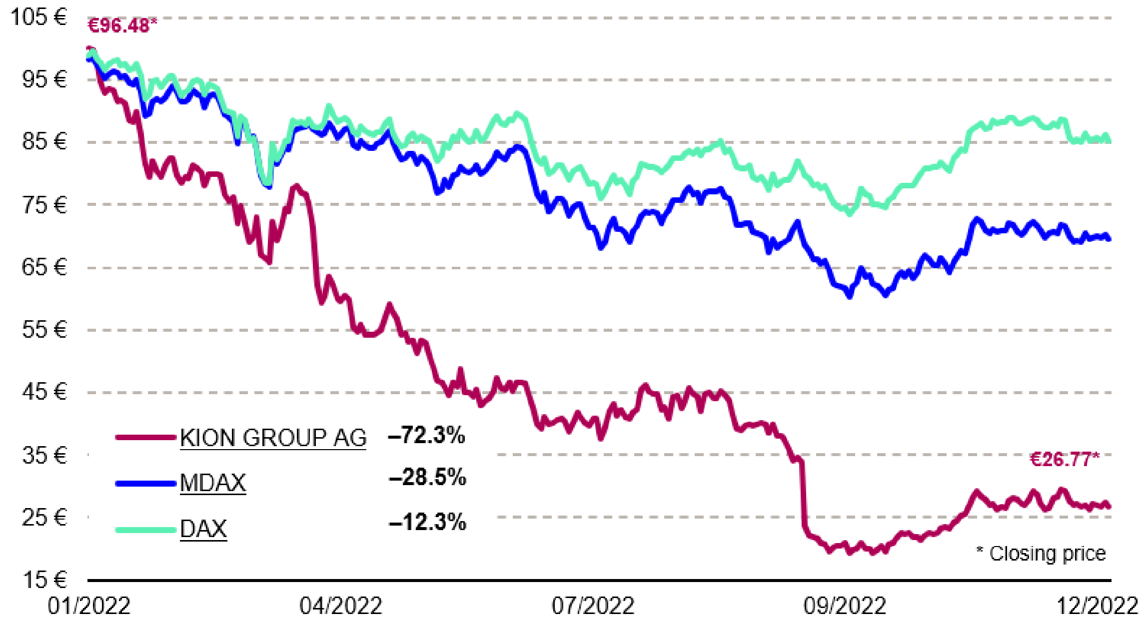
Selling pressure persisted into the second and third quarter of 2022 because of rising inflation and because the war massively exacerbated the disruptions and bottlenecks that were already affecting supply chains. There were growing fears of a recession as well, driven mainly by increases in commodity prices and the threat of shortages in the supply of energy. The sharp rises in interest rates aimed at curbing inflation further fueled the negative expectations for the economy and also meant that fixed-income asset classes were given higher investment weightings. On September 29, 2022, the DAX slid just below the 12,000 point mark, which turned out to be its low for the year. In the fourth quarter of 2022, the emergence of hopes that interest rates would not rise quite as steeply going forward and that inflation would slow ultimately pushed the DAX back up to 13,924 points, which limited its overall loss for the year to 12.3 percent. The MDAX closed the year at 25,118 points, a year-on-year decline of 28.5 percent.

Disproportionately sharp fall in the KION share price in a challenging trading environment

Amid generally negative conditions for the stock markets, KION shares registered a very substantial decline of 72.3 percent last year based on a closing price of €26.77 on December 30, 2022. This was partly attributable to the tense geopolitical situation and the markets' resulting concerns about a recession. The share price was also adversely affected by the KION Group's withdrawal of its outlook on April 4, 2022– combined with lower earnings expectations – and a changed risk situation with respect to procurement. On September 13, 2022, KION GROUP AG announced that higher costs in the project business of the Supply Chain Solutions segment would have a significant negative impact on its earnings. It also issued a new outlook for the year as a whole, with ranges much lower than those provided in the outlook that had been withdrawn in April 2022. On October 7, 2022, the KION share price therefore slumped to a low for the year of €18.66 over the course of the day. However, it staged a moderate recovery during the final trading weeks of 2022.

The closing price on December 30, 2022, based on around 131.1 million shares, equates to market capitalization of €3.5 billion, of which approximately €1.9 billion was attributable to shares in free float.

Share price performance in 2022 compared with the DAX and MDAX (both indexed to KION)



Continuity in the dividend policy

KION GROUP AG's 2022 Annual General Meeting on May 11, 2022 again took place as a virtual event without shareholders being physically present. Approximately 70 percent of the share capital was represented and all of the motions were approved by a majority of votes. This included the distribution of a dividend of €1.50 per share, resulting in a total distribution to shareholders of around €196.7 million. With earnings per share for 2021 of €4.34, this equates to a dividend payout rate of about 35 percent.

The Executive Board and Supervisory Board of KION GROUP AG will propose a dividend for 2022 of €0.19 per share (2021: €1.50) to the Annual General Meeting on May 17, 2023. This gives a total dividend payout of €24.9 million. The amount is significantly lower than in the prior year because of the deterioration in earnings and free cash flow. With earnings per share for 2022 of €0.75, this equates to a dividend payout rate of around 25 percent, which is within the target corridor of between 25 percent and 40 percent.

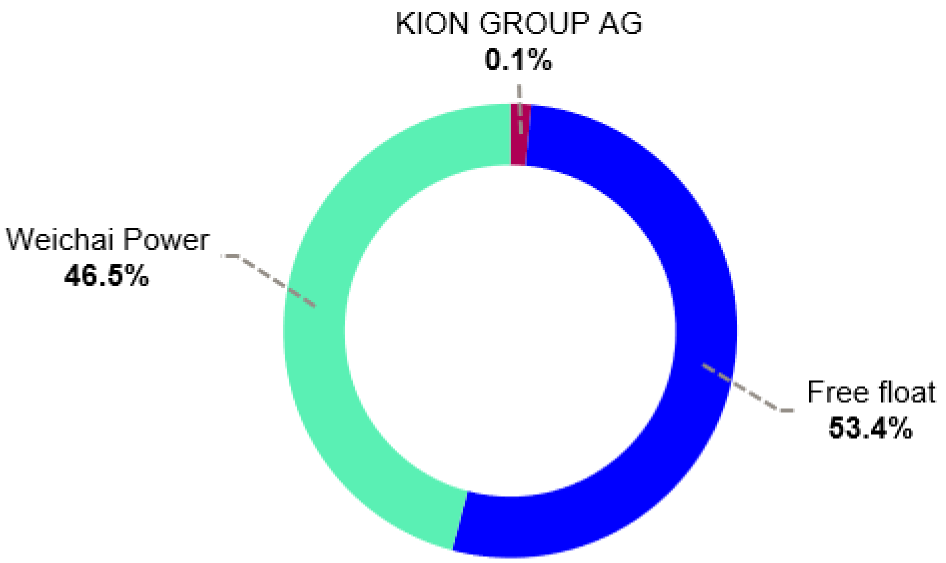
Basic information on KION shares

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

Stable shareholder structure

As far as the Company is aware, the shareholder structure remained largely unchanged in the reporting year. Weichai Power Co., Ltd., Weifang, People's Republic of China, held an indirect stake of 46.5 percent as at the end of 2022 (December 31, 2021: 45.2 percent), which means it is still the biggest single shareholder, while KION GROUP AG's shareholding remained unchanged at around 0.1 percent. A total of 22,348 shares (2021: 15,953 shares) were acquired by staff under the KION Employee Equity Program (KEEP). Consequently, the number of shares held in treasury stood at 73,876 as at the reporting date (December 31, 2021: 96,224). The free float therefore remained virtually unchanged at 53.4 percent at the end of 2022 (December 31, 2021: 54.7 percent).

Shareholder structure as at December 31, 2022



KION shares mainly recommended as a buy

As at December 31, 2022, 22 brokerage houses were following and reporting on the KION Group (December 31, 2021: 21). Of this total, 16 analysts recommended KION shares as a buy, five rated them as neutral, and only one brokerage house advised selling them. The average target price specified by the sell-side analysts was €37.17 (December 31, 2021: €107.00).

Share data

Closing price at the end of 2021	€96.48
High for 2022 (intraday)	€100.85
Low for 2022 (intraday)	€18.66
Closing price at the end of 2022	€26.77
Market capitalization at the end of 2022	€3,510.2 million
Performance in 2022	–72.3%
Average daily XETRA trading volume in 2022 (no. of shares)	466.4 thousand
Average daily XETRA trading volume in 2022 (€)	€18.0 million
Share capital	€131,198,647
Number of shares as at Dec. 31, 2022	131,198,647
Earnings per share for 2022[1]	€0.75
Dividend per share for 2022[2]	€0.19
Dividend payout rate for 2022[2]	25%
Total dividend payout for 2022[2]	€24.9 million
Equity ratio as at Dec. 31, 2022	33.9%

1 Calculated on the basis of the average number of shares outstanding of 131,107,933
2 Proposed dividend for 2022

Solid financing situation with credit ratings still good

The credit ratings awarded to the KION Group held their ground on a solid basis last year despite the performance of the business. This was partly due to the measures taken to stabilize free cash flow and the successful outcome of the financing activities in 2022. In order to secure its financial flexibility, KION GROUP AG increased its commercial paper program by €250 million to €750 million and arranged a total of six bilateral loan facilities, each of which amounted to €100 million. In December 2022, the volume of the revolving credit facility linked to ESG criteria was increased by around €0.4 billion to around €1.4 billion and its term was increased by one year to the fourth quarter of 2027, which further improves the maturity profile.

In October 2022, Fitch Ratings confirmed the Group’s long-term issuer default rating of BBB with a stable outlook. Fitch Ratings had already confirmed the short-term issuer default rating of F2 in September of the reporting year.

Standard & Poor’s kept the issuer rating at BBB–, but put the outlook on CreditWatch Negative.

Services for investors

Active investor relations

The KION Group continued to expand its investor relations work in 2022 with the objective of ensuring and strengthening continuous dialogue with the capital markets even in times of economic uncertainty. The investor relations team was a reliable point of contact for the capital markets, particularly in the context of the ad hoc disclosure in September 2022 on the deterioration in business performance during the year and the issuance of a new outlook for 2022. Despite the ongoing restrictions resulting from the coronavirus pandemic, mainly in the first quarter of 2022, the Executive Board and the investor relations team were available for even more active, direct communications with investors and analysts. Overall, the KION Group provided information about its performance during 22 in-person and 13 virtual conference and roadshow days, which included meetings with experts. As in the previous year, this included participation in a conference focusing on environmental, social, and corporate governance (ESG) aspects. In the fourth quarter of 2022, an additional week for bond investors was put on during one of the virtual roadshows.

The Annual General Meeting of KION GROUP AG, held on May 11, 2022, was watched by around 200 people. A total of around 70 percent of the share capital was represented. In line with the extended German COVID-19 Measures Act, the meeting was again held as a purely virtual event. Questions could be submitted online by May 9, 2022 and all of them were answered individually during the meeting. There were no countermotions, nominations, or requests for additions to the agenda. The complete webcast of the 2022 Annual General Meeting can be accessed from the KION Group's website.

To coincide with the publication of the 2021 annual report on March 3, 2022, the Executive Board of KION GROUP AG held a conference call to explain the results. In addition, the Executive Board held conference calls to report on each set of quarterly results and on the exceptional circumstances in September 2022. Transcripts from the conference call for the annual conference for 2021 and from the conference calls for the quarterly results for 2022, 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 corporate governance in accordance with the accepted standards is essential to the Company's long-term success. Compliance with these standards also promotes the trust that investors, employees, business partners, and the public have in the management and supervision of the Company.

In accordance with principle 23 of the German Corporate Governance Code (GCGC) as amended on April 28, 2022, the Supervisory Board and Executive Board jointly 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 Supervisory Board and Executive Board are each responsible for the parts of the report that relate to them. As a key tool for reporting on corporate governance, the corporate governance statement pursuant to section 289f and section 315d HGB is included in 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 auditors. Instead, the auditors merely check whether all of the required disclosures have been included in the corporate governance statement.

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

Section 161 (1) of the German Stock Corporation Act (AktG) requires the executive board and supervisory board of a publicly listed company to issue an annual declaration stating that the company has complied with, and intends to comply with, the recommendations in the prevailing version of the 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 9 / 15, 2021.

Both decision-making bodies again considered the recommendations of the GCGC in detail and, on December 12 / 14, 2022, 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 2021, KION GROUP AG has complied with all recommendations of the German Corporate Governance Code in the version dated December 16, 2019 with the following exception and, in the future, will comply with all recommendations of the German Corporate Governance Code as amended on April 28, 2022 with the following exception:
>
> In deviation from recommendation G.10 sentence 2, according to which an executive board member should not be able to access the long-term variable bonus amounts until after four years, the Executive Board remuneration system of KION GROUP AG provides that Executive Board members should have access to 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.
>
> KION GROUP AG also complies with most of the non-mandatory suggestions of the German Corporate Governance Code.
>
> Frankfurt am Main, December 12 / 14, 2022
>
> For the Executive Board:
>
> Dr. Rob Smith   Dr. Henry Puhl
>
> 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. KION GROUP AG's declarations of conformity for the previous ten years are also permanently available via this link to the KION GROUP AG website.

2. Corporate governance practices

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

These fundamental principles are combined with the KION Group's own understanding of transparent, responsible, and sustainable corporate governance, taking account of the societal expectations of all stakeholders in each of the markets in which the Company operates. One of the KION Group's objectives under its KION 2027 strategy is to use the resources available to it in the individual parts of the Company responsibly and sustainably. The KION Group's actions are therefore guided by environmental, social, and economic considerations. Details of the KION Group's sustainability strategy and non-financial Group report as required by law can be found in the 2022 sustainability report, which will be published at www.kiongroup.com/sustainability.

2.1 Human rights

The KION Group acknowledges its general responsibility as a corporate citizen for respecting human rights worldwide. In its employment and commercial relationships – and therefore both internally and in the supply chain – the KION Group views human rights as the minimum standard to be upheld as a matter of course. It follows the definition set out in the United Nations' Guiding Principles on Business and Human Rights, i.e. in the Universal Declaration of Human Rights (available on the UN website), as codified by the signatory states in the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and the eight principles and rights at work prescribed in the fundamental conventions of the International Labour Organization (ILO) (available from the ILO website).

Details of the processes used by the KION Group to protect human rights can be found in the 2022 sustainability report, which is published at www.kiongroup.com/sustainability, and on the KION Group website at www.kiongroup.com/responsibility, under 'Sustainable development goals – decent work and economic growth (SDG 8)).

2.2 Compliance, risk management, and internal control system

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

Compliance management system

As a company with operations around the world, the KION Group has corporate social responsibility toward its customers, suppliers, employees, financial backers, other business partners, and the general public. This corporate social responsibility requires the KION Group, everywhere and at all times, to comply with all applicable laws and internal policies, some of which go further than the law, to respect ethical values, and to act in a sustainability-oriented manner. To help it do this, the KION Group has put in place a comprehensive compliance management system, centering around the KION Group Code of Compliance.

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

Internal control system

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

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

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.

Risk management system

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

The 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. The policy features a comprehensive risk catalog, which also covers environmental, social, and corporate governance (ESG) risks. Specific individual risks are then reported by each Group entity. Reporting on cross-segment risks and groupwide risks is carried out by Corporate Controlling and the relevant Group functions.

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

Appropriateness and effectiveness

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

Based on its examination of the internal control and risk management systems and on the reporting of the Internal Audit function, the Executive Board of KION GROUP AG is not aware of any circumstances that would call into question the appropriateness and effectiveness of these systems.

2.3 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 client 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.

2.4 Avoiding conflicts of interest

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

Every Executive Board member must disclose potential conflicts of interest to the chairman of the Supervisory Board and the Chief Executive Officer 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 46.5 percent (as at December 31, 2022) in KION GROUP AG. The Company achieves these aims by avoiding business scenarios or personnel structures that could give the impression of a possible conflict of interest and by setting internal rules for communications. Every year, the Executive Board also publishes a dependency report in line with the relevant requirements that is reviewed by the Supervisory Board and the statutory auditors. The report contains information on all legal transactions and activities conducted in the reporting year between KION GROUP AG and Weichai Power Co., Ltd., as well as their subsidiaries, and on any requirement to compensate for disadvantages that have arisen.

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

2.5 Managers’ transactions

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

KION GROUP AG was notified of the following transactions in 2022:

Directors' dealings in 2022

Transaction date	Name of person required to disclose transaction	Governing body	Financial instrument	Purchase / sale	Quantity	Price (€)[1]	Transaction volume (€)[1]
Nov. 04, 2022	Hasan Dandashly	Executive Board	Share	Purchase	3,000	€23.50	€70,485.41
Sep. 15, 2022	Andreas Krinninger	Executive Board	Share	Purchase	4,165	€22.86	€95,203.96
May 02, 2022	Dr. Richard Robinson Smith	Executive Board	Share	Purchase	25,000	€52.22	€1,305,570.00
Mar. 04, 2022	Dr. Henry Puhl	Executive Board	Share	Purchase	6,500	€69.00	€448,500.00

1 Aggregate information

As far as KION GROUP AG is aware, the only members of the Supervisory Board with shares in KION GROUP AG as at December 31, 2022 were Mr. Martin Fahrendorf and Mr. Jan Bergemann. Members of the Supervisory Board have not entered into any commitment to purchase shares in KION GROUP AG.

2.6 Corporate communications and transparency

Regular and timely information about the KION Group's situation is provided to shareholders, financial analysts, and other capital market participants, relevant media, members of the public with an interest in the Company, and employees. The separate financial statements of KION GROUP AG, the consolidated financial statements of the KION Group, and the combined management report are published within 90 days of the end of the financial year to which they relate. The half-year financial report and the quarterly statements of the KION Group are published within 30 days of the end of the quarter to which they relate. KION GROUP AG makes further information available at the 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

For most of 2022, the Executive Board of KION GROUP AG comprised five members, with the Chief Executive Officer (CEO) filling the vacant post of Chief Financial Officer (CFO) and Labor Relations Director on an interim basis from April 1, 2022 to the end of the reporting period. The Executive Board 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. It 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, 2022

Executive Board member	Areas of responsibility
Dr. Richard Robinson Smith	**CEO KION GROUP AG**
	Corporate Office
	Corporate Strategy
	Corporate Communications
	KION GROUP IT
	Business Transformation
	Internal Audit
Dr. Richard Robinson Smith (interim)	**CFO / Labor Relations Director KION GROUP AG**
	Corporate Accounting & Tax
	Corporate Controlling
	Corporate Finance/M&A
	Corporate Human Resources
	Legal
	Corporate Compliance
	Investor Relations
	Finance KION ITS EMEA
	Finance KION ITS APAC
	Finance KION SCS

Responsibilities within the KION Executive Board as at December 31, 2022 (continued)

Executive Board member	Areas of responsibility
Dr. Henry Puhl	**CTO KION GROUP AG**
	Product Strategy & New Technologies
	Product Creation Processes, Tools & Data
	Module & Component Development
	Product Development
	Procurement
	Quality
	New Energy
	Sustainability & HSE
	Mobile Automation
Andreas Krinninger	**President KION ITS EMEA**
	OU KION ITS EMEA
Ching Pong Quek	**President KION ITS APAC & Americas**
	OU KION ITS APAC & Americas
Hasan Dandashly	**President KION SCS**
	OU KION SCS
	KION Digital Solutions

In January 2022, Dr. Richard Robinson Smith took over the role of Chief Executive Officer of KION GROUP AG from Gordon Riske. The schedule of responsibilities for the Executive Board was amended in July 2022 due to the transfer of responsibility for KION Mobile Automation to the Chief Technology Officer. Marcus A. Wassenberg took over as Chief Financial Officer on January 1, 2023. The schedule of responsibilities was amended accordingly on January 1, 2023. Valeria Gargiulo will become Chief People & Sustainability Officer (CPSO) no later than May 1, 2023.

The rules of procedure laid down by the Supervisory Board define the areas of responsibility of the Executive Board members and the way in which they work together. The full Executive Board normally meets every 14 days and meetings are chaired by the Chief Executive Officer. Due to the international composition of the Executive Board and the ongoing coronavirus pandemic, the meetings of the Executive Board in 2022 were mainly held in a hybrid format (i.e. with a combination of attendance in person and telephone / video conferencing). At the meetings, the board members discuss measures and business that, under the Executive Board's rules of procedure, must be approved by the full Executive Board. Resolutions of the full Executive Board are passed by simple majority unless a greater majority is required by law. The Chief Executive Officer has a casting vote in the event of a tied vote. Resolutions of the Executive Board may also be adopted between meetings. All resolutions are documented. The Corporate Office carries out the preparations and follow-up work for all Executive Board meetings. Company employees regularly participate in the meetings as guests.

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

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. There is also a list of transactions for which the Executive Board requires approval. The Executive Board and Supervisory Board of KION GROUP AG have a close and trusting working relationship focused on ensuring the sustained success of the Company. The Supervisory Board also met regularly without the Executive Board during the reporting period.

The Supervisory Board 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 of KION GROUP AG. They were last amended on December 14, 2022. These rules of procedure are published on the KION GROUP AG website at www.kiongroup.com/Rules-of-Procedure. According to these rules, the chairman of the Supervisory Board coordinates its work and the cooperation with the Executive Board, chairs the meetings of the Supervisory Board, and represents it externally. The Supervisory Board generally meets in person at least twice in each half of a calendar year, and adopts its resolutions at these meetings. In 2022, there were eight Supervisory Board meetings in total. The focus of the Supervisory Board's advisory activities in 2022 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 Corporate governance in the Executive Board and Supervisory Board

In 2022, the Executive Board and the Supervisory Board (or its committees) regularly discussed corporate governance issues in accordance with a rolling schedule of topics. This ensured that the key elements of corporate governance within the KION Group were always on the agenda at meetings of the Company’s main decision-making bodies. The Supervisory Board in particular complied with the supervisory duties incumbent upon it under the German Stock Corporation Act. The Supervisory Board’s Audit Committee, which was appointed to support this task in relation to finance, accounting, and auditing, received regular reports on the accounting standards and associated processes, on changes to the regulatory environment and the internal control and risk management systems, and on the audit of financial statements and the effectiveness and quality of this, and then reported back to the Supervisory Board on these matters.

3.4 Self-assessment by the Supervisory Board

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

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

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

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

The chairman of each committee reports regularly to the full Supervisory Board on the committee’s work. The minutes of the committee meetings are made available to all Supervisory Board members. The standing committees have each drawn up their own rules of procedure that define their tasks and working methods. Details of the committees' activities and working methods in 2022 can be found in the Supervisory Board report.

Executive Committee

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

Members of the Executive Committee as at December 31, 2022:

- Dr. Michael Macht (chairman)
- Özcan Pancarci (deputy chairman)
- Dr. Alexander Dibelius
- Jiang Kui
- Jörg Milla
- Hans Peter Ring
- Alexandra Schädler
- 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, 2022:

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

Audit Committee

The Audit Committee comprises four members, all of which are elected by the Supervisory Board. 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 preparing the engagement of the independent auditors, determining the focus of the audit, and agreeing the fee. On a regular basis, the Audit Committee evaluates and reviews the quality of the audit and discusses with the auditors the assessment of the audit risk, the audit strategy, the audit planning, and the audit findings. It advises and monitors the Executive Board with regard to the sustainability topics of relevance to the Company in the areas environment, social, and corporate governance (ESG). These topics include the Company's sustainability strategy, the sustainability-related opportunities, risks, and objectives of the Company's business activities, and sustainability reporting and its auditing. The further expansion of sustainability management is a particular priority. This can be understood as the structures and processes that will help to systematically develop and anchor the social, environmental, and economic aspects of sustainability within the Company. It also prepares all Supervisory Board resolutions required in this regard. In addition, the Audit Committee exercises the rights in investee companies set forth in section 32 (1) MitbestG.

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

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

The heads of the internal audit and corporate compliance departments regularly report to the chairman of the Audit Committee outside the Audit Committee meetings and without the participation of the Executive Board.

Members of the Audit Committee as at December 31, 2022:

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

The members of the Supervisory Board's Audit Committee are all familiar with the sector in which KION Group operates. The Supervisory Board member and chairman of the Audit Committee, Hans Peter Ring, is a Supervisory Board member who is independent of the Company, the Executive Board, and the controlling shareholder. The many years of service he has given as a CFO for large companies – some of which are publicly listed – mean that he has the required expertise in accounting specified in section 100 (5) alt. 1 and section 107 (4) AktG. Another member of the Supervisory Board and Audit Committee, Ms. Alexandra Schädler, has the required expertise in auditing specified in section 100 (5) alt. 2 and section 107 (4) AktG on account of her long period of service for a major auditing firm. Their expertise also relates to sustainability reporting and its auditing. Appropriate training is provided on an ongoing basis in order to deepen and expand the expertise of the Audit Committee members – as well as the Supervisory Board as a whole – in the field of sustainability and sustainability reporting and its auditing. In 2022, the Supervisory Board and, in particular, the Audit Committee, participated in several dedicated sessions where they were provided with in-depth information on the sustainability topics of relevance to the Company and on the ESG-related requirements and real-world practices of listed companies in Germany and other jurisdictions, in some cases with the support of external advisors. Further training is planned for the first half of 2023.

Remuneration Committee

The Remuneration Committee, which was formed in March 2021, 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, 2022:

- 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, 2022:

- Dr. Michael Macht (chairman)
- Dr. Alexander Dibelius (deputy chairman)
- Birgit A. Behrendt
- Jiang Kui

3.6 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.

The Annual General Meeting in 2022 was, as in 2021, held as a virtual event without the physical presence of the shareholders or their proxies due to the special circumstances created by the ongoing coronavirus pandemic. This was in accordance with section 1 (1) and (2) of the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic (COVID-19 Act). The shareholders and their proxies were able to submit their questions in writing via a password-protected web service provided by the Company up to one day before the Annual General Meeting. The Company answered all submitted questions in a structured manner by category.

4. Remuneration of the Executive Board and Supervisory Board

KION GROUP AG's remuneration report for 2022 and the related opinion of the independent auditors pursuant to section 162 AktG, a full description of the remuneration systems that are currently in place for the Executive Board and Supervisory Board, and the Annual General Meeting's voting on (a) the remuneration system of the Supervisory Board of KION GROUP AG pursuant to section 113 (3) AktG, (b) the remuneration system of the Executive Board pursuant to section 120a (1) AktG, and (c) the 2022 remuneration report pursuant to section 120a (4) AktG are published on the KION GROUP AG website at www.kiongroup.com/remuneration. The remuneration reports published since 2021, including the related opinion of the independent auditors, are also available under this link. Remuneration reports for years prior to 2021 are contained in the respective annual reports.

5. Diversity

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

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

Composition of the Supervisory Board

Composition of the Supervisory Board from a diversity perspective

	Dr. Macht	Pancarci	Behrendt	Bergemann	Dr. Dibelius	Fahrendorf
Length of service						
– Member of Supervisory Board since	10/2018	06/2013	01/2015	05/2022	03/2007	05/2018
Diversity						
– Year of birth	1960	1969	1959	1966	1959	1965
– Gender*	m	m	f	m	m	m
– Nationality	German	German	German	German	German	German

	Jiang	Lembke	Mainka	Milla	Dr. Reuter	Ring
Length of service						
– Member of Supervisory Board since	12/2012	05/2022	05/2022	11/2015	05/2016	06/2013
Diversity						
– Year of birth	1964	1987	1982	1967	1985	1951
– Gender*	m	m	m	m	f	m
– Nationality	Chinese	German	German	German	German	German

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

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

Objectives for the composition of the Supervisory Board

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

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

A further target set by the Supervisory Board with regard to its composition is a standard age limit of no more than 70 at the time of appointment / election.

All of the current Supervisory Board members meet these requirements.

Profile of skills and expertise for the Supervisory Board

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

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

The Supervisory Board believes that, in its current composition, it covers all areas of the profile of skills and expertise with regard to practical experience (skills) and / or professional / academic training and knowledge (expertise). However, broadening the extent of knowledge in the field of sustainability management will be a particular priority in the near future.

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

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

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

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

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

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

Independence of the Supervisory Board members

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

In 2020, the Supervisory Board therefore defined what it considers to be an adequate number of independent Supervisory Board members. Accordingly, five shareholder representatives on the Supervisory Board should be independent of the Company and Executive Board (see recommendation C.7 of the GCGC). 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 (including the representatives of the German Metalworkers' Union), the Supervisory Board believes their role as representatives of the employees does not, per se, compromise their independence.

Diversity of the Supervisory Board

Section 96 (2) AktG stipulates that at least 30 percent of the Supervisory Board members must be female and at least 30 percent must be male. The KION GROUP AG Supervisory Board met this statutory requirement regarding gender representation on supervisory boards in 2022 as 31.25 percent of its members were female (five of the 16 members).

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

Nomination of Supervisory Board members

In the process to nominate suitable candidates for the Annual General Meeting's election of four shareholder representatives to the Supervisory Board in 2022, 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

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

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

It is also the job of the Supervisory Board to ensure that the composition of the Executive Board meets the statutory requirement for minimum gender representation. The statutory requirement pursuant to section 76 (3a) AktG, which came into force on August 1, 2022, stipulates that in a listed company with a supervisory board on which shareholders and employees are equally represented, the executive board must have at least one woman and one man as members if it has more than three members in total.

The Executive Board of KION GROUP AG comprised six members in 2022. From the time that Ms. Anke Groth stepped down from the Executive Board at the end of March 2022 until the end of 2022, the remaining five Executive Board members were all men. The position of Chief Financial Officer / Labor Relations Director was vacant until the end of the reporting period; the Company's Chief Executive Officer carried out the relevant duties on an interim basis.

In October 2022, when filling the vacant position, the Supervisory Board decided that the Executive Board of KION GROUP AG would be expanded to seven members from 2023. Ms. Valeria Gargiulo has been appointed to the newly created role of Chief People and Sustainability Officer (CPSO), while the vacant position of Chief Financial Officer has been filled by Mr. Marcus A. Wassenberg. As it will have one female member and six male members in the future, the KION GROUP AG Executive Board therefore continues to meet the statutory requirement regarding gender representation on executive boards in 2023.

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 vacant position of Chief Financial Officer / Labor Relations Director after Ms. Anke Groth stepped down from her role as Chief Financial Officer / Labor Relations Director with effect from March 31, 2022. To reflect the growing importance of the strategic objectives focused on sustainability and social issues, the Supervisory Board decided to add the position of Chief People and Sustainability Officer to the KION GROUP AG Executive Board. In October 2022, Ms. Valeria Gargiulo was recruited for the newly created role of Chief People and Sustainability Officer, which she will take up by no later than May 1, 2023, while Mr. Marcus A. Wassenberg was taken on as the Group's new Chief Financial Officer with a start date of January 1, 2023.

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 KION 2027 strategy to increase the proportion of women in management positions. Going forward, the KION Group intends to fill more management positions with candidates with an international background in order to better match the Company's increasingly global focus and complexity.

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

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

At the end of 2022, two of the 20 executives at the first management level (equivalent to 10.0 percent) and 18 of the 86 executives at the second management level (20.9 percent) were female.

Action to increase the proportion of women

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

A range of instruments is used for the development of high-potential employees within the Group. The structure and supervision of these instruments prevent potential discrimination against female employees or systematically help women to build on their personal strengths. The main instruments in the first category are the annual Organization Capability Talent Review (OCTR) and structured employee development programs, such as the KION Transition to Management Program (KTMP). The latter include the 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.

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

KION GROUP AG is also a member of the initiative ‘Chefsache. Drive the Change – For Men and Women’, in which it is represented by Andreas Krinninger. 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 2022 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, MSCI Germany Small Cap, STOXX Europe 600, FTSE Euro Mid, and other indices. It is also included in sustainability indices, namely the FTSE4Good Index Series, STOXX Europe Sustainability, and DAX 50 ESG.

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), a subsidiary of Weichai Power Co. Ltd., Weifang, People's Republic of China, which, to the knowledge of the Company, held 46.5 percent of the shares at the end of 2022. The free float accounted for 53.4 percent of the shares, while the remaining 0.1 percent were treasury shares. Details of treasury shares (pursuant to section 160 (1) no. 2 of the German Stock Corporation Act (AktG)) are 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 in the KION Group. The corporate governance standards that the Group applies, which go further than the legal requirements, are set out in the corporate governance statement in accordance with section 289f and section 315d of the German Commercial Code (HGB). This statement also contains the declaration of conformity pursuant to section 161 AktG, which was issued by the Executive Board and the Supervisory Board of KION GROUP AG on December 12 and 14, 2022 respectively, and the corporate governance report pursuant to principle 23 of the GCGC. The corporate governance statement can be viewed and downloaded on the Company's website. It also forms part of this annual report and is a component of the combined management report.

The essential features of the remuneration system are presented in KION GROUP AG's separate 2022 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. The risks and opportunities for the KION Group associated with climate-related aspects and other social and environmental factors as well as the environmental and social impact of the Company's activities are recorded, assessed, and taken into account systematically and on an ongoing basis, including in the financial reporting.

In accordance with the statutory disclosure deadlines defined in section 325 HGB, the KION Group 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 as a whole is collectively responsible for key operational and strategic decisions and for the allocation of resources.

The Executive Board of KION GROUP AG had five members as at the end of the reporting year. Dr. Richard Robinson Smith was appointed Chief Executive Officer with effect from January 1, 2022. He also performed, on an interim basis, the duties of Anke Groth, Chief Financial Officer (CFO) and Labor Relations Director of KION GROUP AG, who ended her work for KION GROUP AG with effect from March 31, 2022, before the end of her contract, in order to pursue new challenges outside the Group. Dr. Henry Puhl is Chief Technology Officer (CTO) of KION GROUP AG. The Operating Units of the KION brand companies are represented on the Executive Board by Hasan Dandashly, President of KION Supply Chain Solutions, Andreas Krinninger, President of KION ITS EMEA, and Ching Pong Quek, President of KION ITS Asia Pacific & Americas.

The schedule of responsibilities for the Executive Board was amended with effect from July 1, 2022 due to the transfer of responsibility for KION Mobile Automation to the Chief Technology Officer. On October 17, 2022, the Supervisory Board of KION GROUP AG appointed two new members of the Executive Board. Marcus A. Wassenberg took over the role of Chief Financial Officer (CFO) from Dr. Richard Robinson Smith with effect from January 1, 2023. Several points of the schedule of responsibilities were revised accordingly on January 1, 2023. Valeria Gargiulo will become Chief People & Sustainability Officer (CPSO) no later than May 1, 2023. The schedule of responsibilities for what will be a seven-person Executive Board of KION GROUP AG is to be amended over the course of 2023 as the newly created Executive Board roles are taken up. The current schedule of responsibilities is available on the KION Group's website at www.kiongroup.com/Executive-Board-Responsibilities.

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. This includes monitoring and providing advice on sustainability topics.

In the reporting period, to increase the efficiency of its work, the Supervisory Board was supported by five standing committees (Nomination Committee, Executive Committee, Audit Committee, Mediation Committee, and Remuneration Committee).

All of the shareholder representatives on the Supervisory Board have been elected for a term of five years. The Annual General Meeting on May 11, 2022 re-elected Birgit A. Behrendt, Dr. Alexander Dibelius, Dr. Michael Macht, and Tan Xuguang to the Supervisory Board of KION GROUP AG. In addition, elections were held for all employee representative seats on the Supervisory Board of KION GROUP AG for the term of office commencing May 11, 2022. The newly elected employee representatives Jan Bergemann, Dominique Lembke, and Thomas Mainka replaced Stefan Casper, Olaf Kunz, and Dr. Frank Schepp, who all stepped down from the Supervisory Board. All other employee representatives were re-elected to the Supervisory Board.

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 2022: KION ITS EMEA, KION ITS APAC, KION ITS Americas, and KION SCS. The KION ITS EMEA Operating Unit focuses on the ITS business in Europe, the Middle East, and Africa across all brands. 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 activities other than those of the operating business and the holding functions of the KION Group. These include service companies that provide services such as IT and general administration across all segments.

Industrial Trucks & Services segment

The KION Group's portfolio of industrial trucks and services make it one of the world's leading providers of industrial trucks, based on the number of units sold and backed by data from research institute Interact Analysis. 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 2022 from the new business with 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 to ensure a high standard of quality at competitive costs. The segment has its own manufacturing facilities for key modular components, notably lift masts, axles, counterweights, and safety equipment. This allows it to ensure security of supply for special customer requirements and to provide a reliable supply of major components for its spare parts business. Energy-efficient lithium-ion battery systems are manufactured by the joint venture KION Battery Systems GmbH (KBS). Other standard modules – such as hydraulic components, electronic components, conventional rechargeable batteries, engine components, and industrial tires – are purchased through the global procurement organization.

As 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, 2022, this network comprised around 2,000 outlets in over 100 countries and was staffed by some 8,700 service employees and a large number of external service engineers. A 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 1.7 million industrial trucks at the end of 2022, 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 2021 and data from Interact Analysis.

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) are designed to 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, 2022, there were over 1,900 employees and further external engineers on hand to provide modernization work and services (customer services), which usually cover the entire lifetime of an installed system, to customers at their sites in a total of around 30 countries.

Production sites of the KION Group

Industrial Trucks & Services

Brazil	
Indaiatuba/São Paulo:	Counterbalance trucks with electric drive or IC engine, warehouse trucks
People's Republic of China	
Jinan:	Counterbalance trucks with electric drive or IC engine
Jingjiang:	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 electric drive or IC engine
Czech Republic	
Český Krumlov:	Component production
Stříbro:	Warehouse trucks
United States	
Summerville:	Counterbalance trucks with electric drive or IC engine, warehouse trucks

Supply Chain Solutions

Australia	
Sydney:	Conveyor and sortation systems, automated guided vehicle systems, system components and racking
Belgium	
Zwijndrecht:	Automated guided vehicle systems
People's Republic of China	
Suzhou:	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, pouch systems
United States	
Grand Rapids:	Automated guided vehicle systems
Salt Lake City:	Conveyor, sortation, storage and retrieval 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 (2017–2022), despite the impact of the coronavirus pandemic, the war in Ukraine, and ongoing disruption to supply chains. 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 play an important role in 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 key growth drivers. Global megatrends – such as automation, 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 increased again in 2022 because they help to make intralogistics processes safer and more resilient.

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 solid long-term demand for e-commerce fulfillment strategies. 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 over the past five years (2017–2022).

Because the relevant trade association has changed the publishing dates for market data on order intake for industrial trucks, there is currently no data on the overall market that covers the full reporting period.

Measured in terms of units ordered, around 30 percent of the global market was attributable to IC counterbalance trucks in the first nine months of 2022, while electric forklift trucks accounted for roughly 17 percent and warehouse technology 53 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, including in the first nine months of 2022, 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. In the first nine months of 2022, IC counterbalance trucks continued to make up a comparatively high but falling 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 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, among other things, 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. The degree of automation in the chosen solution, which ranges from manual or semi-automated to fully automated, is determined by the customer's processes. Furthermore, the competitive pressure remains high around the world as some manufacturers in the economy and volume segments based in China have been pursuing an international expansion strategy for a number of years now. 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 faster than the market for industrial trucks and services in recent years (2017–2022), 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. Moreover, the complexity of the systems, the greater costs associated with downtime, and fast-changing customer requirements mean that regular maintenance and upgrades are becoming more important than ever.

The growth of e-commerce in recent years has had 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 19 percent in recent years (2017–2022). At the same time, omnichannel approaches are becoming more prevalent in all sectors, with general merchandise and grocery acting as the main drivers of growth. 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. This trend is supported by the fact that the level of automation in warehouses is currently still low and by customers' desire 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 growing shortage of skilled workers is also having a positive impact on demand for automated intralogistics solutions. Many businesses feel the lack of specialist personnel leaves them with no choice but to automate their processes.

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 in urban areas that speeds up delivery times and, due to automated processes, reduces personnel expenses and floor space costs. Consequently, the research institute Interact Analysis is predicting above-average growth in the market for micro-fulfillment automation in the years ahead. At the same time, the focus of technological progress is increasingly shifting toward software and robotics solutions. Interact Analysis anticipates that this will lead to disproportionately strong growth in the market for AMRs and AGVs.

Market position

In the first nine months of 2022, the Industrial Trucks & Services segment had a 13.4 percent share of the global market based on order intake measured by the number of units (2021: 12.8 percent). Measured in terms of units sold in 2021, and backed up by data from Interact Analysis from 2022, the KION Group continues to be the number one in the European market for industrial trucks in the EMEA region. And based on its revenue in 2021, it is the world's second-largest supplier. In China, the KION Group 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 2021. This is supported by data from 2022 gathered by Interact Analysis. Broken down by customer sector, Dematic has achieved particularly strong market share in the general merchandise, grocery, and apparel sectors. Studies by Interact Analysis also ranked KION as one of the leading vendors in the fast-growing AMR segment in 2021.

Strategy of the KION Group

Objectives of the KION 2027 strategy

Last year, the KION Group updated its KION 2027 strategy, which provides the framework for profitable growth across the Group and specifies groupwide targets.

Under the revised strategy, the full extent of the KION Group's intralogistics portfolio is being aligned even more closely to the specific requirements of the various industries in which its customers operate. The integration of the hardware (industrial trucks and automation solutions), software (from control center to vehicle control), and services (from repair to financing) into a single offering is being driven forward as part of this strategy.

A sustainability target was added to the financial and non-financial strategic objectives specified for 2027. The implementation of the strategy is based on six newly defined fields of action, which are intensifying the focus on the cross-brand approach to sales, on the more ambitious sustainability program, and on cost efficiency.

The refinement of the strategy also led to a new and modified vision for the KION Group, one that more closely reflects the breadth and value offered by its sustainable, future-focused solutions: "We understand what our customers require for their intralogistics and supply chains better than any other company in the world and we supply them with long-term solutions that are the right ones for them, both today and in the future."

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

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

Strategic fields of action and measures in 2022

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

Multi-branded Go-to-Market

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

Across the segments, the Group is moving forward with multi-brand solutions built on the use of networked trucks and AMRs and including a shared software platform and integrated services. It is also stepping up its multi-brand strategies on the sales side. Thus, KION intends to expand the dealer network in the fast-growing Chinese market covering all brand companies.

Growth plans for specific regions

The KION Group is helping to drive growth across its business through regional growth strategies that are flexible, efficient, and targeted at the requirements of the local market. Because a high level of market penetration has already been achieved in Europe, the focus here is on the APAC and Americas regions. To ensure maximum proximity to its customers, the KION Group is concentrating its efforts to achieve this regional growth on increases in local production capacity and further expansion of the sales and service network.

In China, the plant for the Industrial Trucks & Services segment in Jinan commenced volume production of counterbalance trucks in February 2022. An 'Intelligent Experience Center', where customers can see KION technology in action, was added to this production and development facility last year. A plant is also being built in Jinan for the Supply Chain Solutions segment.

The presence of the Industrial Trucks & Services segment in the North American market is to be increased significantly from 2023 through continued expansion of the local sales and production capacities.

Sustainability

Acting sustainably and responsibly is one of the key principles by which the KION Group operates. The Group's focus on sustainability in the dimensions 'people, products, and processes' 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.

Further objectives and initiatives are specified in and pursued through eight fields of action that address the Company's contribution to a climate-neutral, circular economy, its product portfolio, and its employees.

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

From a product perspective, the focus last year was on the ongoing development of energy-efficient solutions. The KION Group is forging ahead with the development and refinement of energy-efficient drive solutions, from internal combustion engines to various electric drive systems and fuel cells. In 2022, KION Battery Systems GmbH launched a second production line for lithium-ion batteries that will be used to power mobile warehouse trucks. At the same time, the KION Group's brand companies broadened the use of lithium-ion batteries to include additional load ranges and applications. Through a minority stake in software specialist ifesca GmbH, the KION Group also continued to develop AI-based energy management solutions.

Further information can be found in the section 'Non-financial performance indicators – Sustainability' and, in particular, in the Group's 2022 sustainability report, which will be published in April 2023.

Automation and software

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

New AMRs designed to transport materials horizontally in warehouses and factories were added to the portfolio of automation solutions last year. Substantial orders underline the sales potential for the KION Group's AMR solutions, which is partly being fulfilled through a strategic partnership with Chinese AMR specialist Quicktron. One to watch in this context is the LoadRunner. This AGV, which uses AI-based swarm technology, was developed in conjunction with the Fraunhofer Institute for Material Flow and Logistics and was successfully trialed at a leading logistics company in 2022. Launched in the reporting year, the IMOCO research project is aimed at enabling AI-assisted trucks to navigate autonomously in fast-moving intralogistics environments.

The implementation of these AMR solutions is supported by cloud-based control software. Dematic also expanded its portfolio through a partnership with Google Cloud aimed at accelerating cloud innovations and using these to develop the next generation of warehouse management solutions. And in the third quarter of 2022, Dematic entered into a strategic partnership with Dexterity in order to integrate the North American company's software as a service platform for robotics intelligence into its own system-based solutions and software.

Performance and agility

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

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

The focus in the Industrial Trucks & Services segment is on developing a global platform for the value segment. At the heart of this is a modular platform that will make it possible to manufacture more cost-effectively and thus be more competitive on price. 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. Product types in the load capacity range of 2–2.5 tonnes, which constitute the bulk of the volume segment, were launched onto the market in 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.

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

Both segments also took decisive action to minimize the adverse impact on financial performance caused by the supply chain disruptions and by the increases in the prices of bought-in parts (see ‘Business performance in the Group’).

Values, people, and leadership

The KION Group’s corporate values of integrity, collaboration, courage, and excellence guide our individual actions and how we work together.

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

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

Management system

Core key performance indicators

The KION Group's strategy, which centers on value and growth, is reflected in how the Company is managed. The performance targets of the Group and the segments are based on selected financial indicators, as is the performance-related remuneration paid to managers. 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	2022	2021
Order intake	11,707.6	12,481.6
Revenue	11,135.6	10,294.3
Adjusted EBIT[1]	292.4	841.8
Free cash flow	–715.6	543.8
ROCE	2.9%	9.1%

1 Adjusted for PPA items and non-recurring items

From the 2023 financial year, revenue, adjusted EBIT, free cash flow and ROCE have been defined as the core key performance indicators for managing the KION Group. Accordingly, order intake will no longer be a core key performance indicator from the 2023 financial year onwards.

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.

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.

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 (INOD)

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

Leverage on industrial net operating debt

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

Industrial net debt (IND)

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

Leverage on industrial net debt

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

Capital employed

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

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.

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 spending on property, plant, and equipment and on intangible assets including capitalized development costs (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

The ongoing war in Ukraine, global inflation, the rising interest rates aimed at tackling this inflation, and the rapid spread of coronavirus in China all weighed on the global economy in 2022. Despite these negative factors, the International Monetary Fund (IMF) has determined that real GDP growth in 2022 was higher even than the figure assumed in its October forecast. This was mainly due to numerous economies, including the US and eurozone, experiencing a stronger third quarter. A general slowdown in economic activity was observed in the fourth quarter of 2022.

The IMF puts the global rate of inflation for 2022 at 8.8 percent, which is well above the levels recorded in recent decades. Further sharp increases in energy and food prices caused by the war in Ukraine and disruption to global supply chains were the main drivers of inflation for many countries and regions. The surge in demand associated with the economic recovery following the pandemic-induced global recession also created sustained upward pressure on prices.

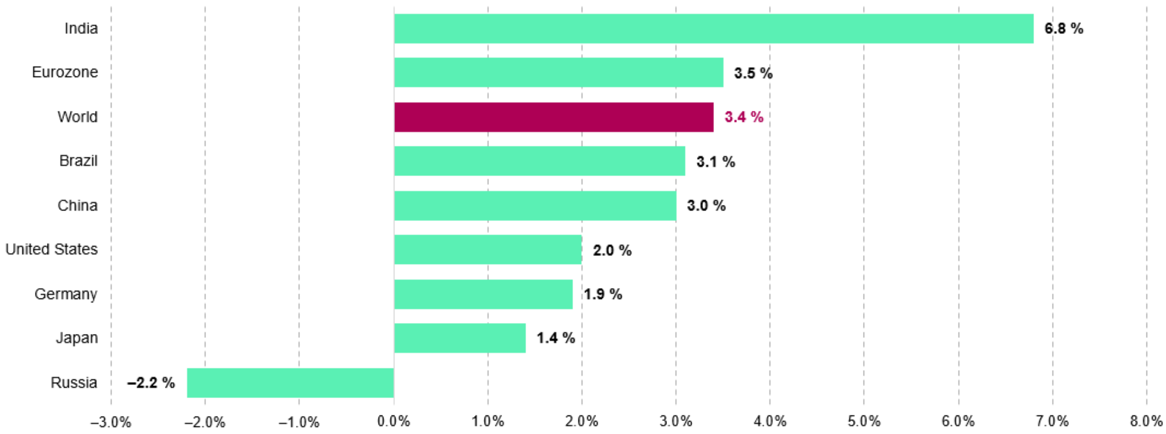
Because of the adverse factors described above, the IMF estimates that global economic output increased by only 3.4 percent last year. This means the rate of growth halved compared with 2021 (6.2 percent), which had been boosted by pent-up demand in connection with the coronavirus pandemic.

The developed countries increased their economic output by just 2.7 percent in 2022 (2021: 5.4 percent). The decline in the eurozone from 5.3 percent to 3.5 percent was more moderate than in the US, which recorded growth of only 2.0 percent (2021: 5.9 percent).

The emerging markets and developing countries recorded growth of 3.9 percent, compared with 6.7 percent in the prior year. China saw its growth drop from 8.4 percent to 3.0 percent due to the rapid spread of coronavirus in the country and the strict lockdowns that were imposed to contain it.

The volume of global trade increased by just 5.4 percent, which meant that it too was unable to match the growth achieved in the prior year (10.4 percent).

Gross domestic product 2022 – real year-on-year change



Source: International Monetary Fund (as at January 31, 2023).

Sectoral conditions

Based on the KION Group's assessment, the global material handling market was unable to maintain the relatively high level of growth that it recorded in 2021 (measured by revenue). But growth remained at a very high level on the back of significant price increases in the Industrial Trucks & Services market and the processing of the backlog of orders from 2021 in the Supply Chain Solutions market. Demand was dented, however, by the war in Ukraine, by the downturn in the global economy and simultaneous surge in inflation, and by the ongoing measures to contain the coronavirus pandemic in Asia. In the KION Group's view, the energy crisis in Europe, tighter monetary policy at the central banks, and ongoing supply restrictions also had a negative impact on the market as a whole.

Industrial Trucks & Services

Based on the KION Group's estimates, the global market for industrial trucks including services grew in value terms compared with the prior-year period, mainly driven by the effect of general price increases and despite lower demand. The economic conditions took an increasing toll on demand for industrial trucks over the course of 2022. Order numbers in the first quarter were actually higher year on year, but the rate of growth then dropped off sharply as the months went on. According to the KION Group's estimates, the second half of the year was marked by a steep decline compared with the second half of 2021, which meant that it was not possible to match the prior-year volume during the reporting year.

Order numbers for the reporting period are likely to be much lower than in the prior-year period in the EMEA region. For the Americas region, the KION Group anticipates a modest year-on-year decrease. In the APAC region, order numbers were probably also down substantially compared with the prior-year period, partly due to the measures taken in Asia up to the end of the year to contain the coronavirus pandemic.

The KION Group expects the share of the global market attributable to IC counterbalance trucks to have fallen again in line with the growing shift toward electrification, driven in part by environmental requirements. The share of global orders attributable to electric forklift trucks and warehouse trucks increased accordingly.

Supply Chain Solutions

According to the KION Group, and backed up by research institute Interact Analysis, the global market for supply chain solutions saw further year-on-year growth in 2022 (measured by revenue) despite a generally uncertain macroeconomic climate, with rising interest rates pushing up the cost of capital, for example. Although there was a sharp fall in demand in the e-commerce segment, this was offset by a higher volume of investment in other customer segments.

In the breakdown by customer segment in the project business, the food and beverage, and grocery retail/wholesale sectors were the main driving forces in the anticipated expansion in the supply chain solutions market in 2022. There was a modest decline in general merchandise, the biggest customer segment by volume, which was due solely to a lower level of demand from pure e-commerce providers. All regions (EMEA, Americas, and APAC) saw their markets grow.

Procurement markets

On the whole, prices for the commodities used by the KION Group went up over the course of 2022. International sanctions on Russia and Belarus led to sharp rises in prices, particularly for energy commodities, on average over the year. For example, the oil price surged to over US$ 100 at the end of February and remained at this level until the middle of 2022 before approaching the US$ 80 mark again before the end of the year. After reaching a high for the year in April, the steel price went on a steep decline as the economy weakened and ultimately fell short of the average price achieved in 2021. The nickel price quickly dropped back down after surging at the start of the war in Ukraine. However, the average for 2022 was still much higher than in the prior year. Copper surpassed its price level in 2021. The price of rubber fell.

Financial markets

In the reporting year, the KION Group billed 53.9 percent (2021: 54.3 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. In 2022, based on the averages for the year, the euro depreciated by a significant 10.9 percent against the US dollar, by 7.2 percent against the renminbi, and by a modest 0.8 percent against pound sterling. This resulted in positive currency effects that were reflected in the KION Group's operating performance.

Financial position and financial performance of the KION Group

Business performance in the Group

Significant challenges resulting from macroeconomic conditions and sources of uncertainty

The cost of materials, energy, and logistics, along with bottlenecks in procurement markets, took a heavy toll on business in the KION Group in the reporting year. The situation had already been difficult at the start of the year and was then greatly exacerbated by the ongoing war in Ukraine and coronavirus lockdowns, particularly in Asia.

In the Industrial Trucks & Services (ITS) segment, orders took much longer to be shipped to customers due to limited availability of parts and materials. This also resulted in higher logistics costs owing to the growing number of unfinished industrial trucks. The KION Group introduced dynamic price increases for new trucks during the year in order to cope with the sharp rise in manufacturing costs, but the price increases did not work through to the ITS segment's revenue and earnings in any noticeable way in 2022 because of the extended delivery times and the already sizeable order book. In addition, orders already on the books but not yet executed were successfully renegotiated with various customers in the EMEA region. The volume of unfinished trucks for which only individual components were missing was reduced significantly from its peak for 2022 by the end of the year by making production more flexible, creating inventory buffers of critical parts, redesigning electronics components, and expanding the pool of reliable suppliers.

In the Supply Chain Solutions (SCS) segment, the overall project costs expected in the long-term project business surged owing to higher delivery prices, limited availability of key parts and resources at the project sites, and the resulting inefficiencies caused by project delays. It was possible to pass on only a small proportion of these additional costs to customers in respect of existing orders, which significantly squeezed earnings from these long-term project orders in the third quarter. Countermeasures were implemented promptly in order to manage the higher costs more effectively throughout the project cycle. These included adding updated price adjustment clauses to new contracts, expanding the supplier base, and initiating major improvements in project execution and project management. In the fourth quarter, the SCS segment came close to breaking even in terms of adjusted EBIT.

In response to the war in Ukraine, business activity in Russia was restricted to local sales activities and carried out in compliance with the applicable international sanctions in 2022. Both operating segments stopped shipping products to Russia and Belarus entirely. Impairment losses were recognized on a significant proportion of the assets of the Russian subsidiaries in the ITS segment. Furthermore, the Executive Board of KION GROUP AG decided that the Group would withdraw from all business in Russia as quickly as possible. Owing to ongoing negotiations on the sale of the ITS segment's business in Russia, the assets and liabilities that are classified as held for sale have been recognized separately in the consolidated statement of financial position. The bulk of local business in the Supply Chain Solutions segment has already been wound down. Effects relating to the ITS and SCS segments' business in Russia reduced net income for 2022 by €36.8 million in total.

Systematically strengthening the market position and technological position

Due to its unsatisfactory adjusted EBIT and free cash flow, the KION Group has extended the timeline for its capital expenditure program. In the reporting year, it therefore focused on the main projects, which continued as planned despite the difficult situation in the procurement markets. In Jinan, in China's Shandong province, the new factory for Linde and Baoli counterbalance trucks went into regular operation in February 2022. It is designed for a capacity of up to 40,000 industrial trucks and supports the strengthening of the Group's market position in the fast-growing value segment. The KION Group is also aiming to use its new products 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. The state-of-the-art research and development center at the site opened in 2022 too.

Also in Jinan, construction has begun of a new plant for supply chain solutions for the warehouses and distribution centers of customers in the growing Asian market, especially those in China. 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 KION Group is building an ultra-modern distribution center in Kahl am Main, Germany, for the supply of spare parts for the two operating segments. It will feature high-bay storage facilities and automated, digitalized, and intelligently networked processes. Known as the Kahl Regional Distribution Center, it will occupy a total area of around 31,000 square meters. A sum of around €60 million is being invested in the center, which is due to commence operations at the start of 2025. In November 2022, the KION Group announced that it would be significantly increasing capacity at its plant in Reutlingen, Germany, which is home to the Group's global business in order picking stacker trucks.

In April 2022, as part of an investment in its existing facilities, KION Battery Systems GmbH (KBS) launched a second production line for inhouse production of lithium-ion batteries that are used to power mobile warehouse trucks.

Ensuring robust financing

Given the persistent uncertainties in the capital markets and the increased amount of capital tied up in the Group, due mainly to the high level of net working capital, KION GROUP AG took further steps to secure its funding requirements in the period under review. The commercial paper program was increased by €250.0 million to €750.0 million in April 2022. Of these funds, €305.0 million had been drawn down as at December 31, 2022.

A total of six bilateral loans were taken out with banks over the course of 2022. They have a total volume of €600.0 million and mature in 2023, 2024, and 2026. This borrowing was partly offset by the scheduled repayment of the short-term promissory note of €92.5 million in May 2022.

In September 2022, the term of the variable-rate syndicated revolving credit facility (RCF) with a total volume of €1,000.0 million was extended by one year until October 2027. Then in December, the RCF was increased to a total volume of €1,385.7 million. Of this available credit facility, €114.6 million was drawn down as at the reporting date.

Taking into account the total amount of €318.1 million resulting from the additional borrowing, cash and cash equivalents, and the credit facility that was still freely available, the KION Group had ensured financial flexibility for itself as at December 31, 2022 and therefore believes that, from the current perspective, it remains on a solid footing in terms of its future funding capability.

Overall assessment of the economic situation

The KION Group's financial performance in 2022 did not live up to its original expectations. Negative geopolitical and macroeconomic factors weighed heavily on the two operating segments. Thanks to the countermeasures taken across the Group, such as passing on cost increases to customers and expanding the network of suppliers, the KION Group is now more resilient as it enters 2023, a year that is likely to be marked by economic weakness.

Despite a noticeably more sluggish market, the value of the KION Group's order intake amounted to €11,707.6 million in 2022, which was just 6.2 percent short of the record figure of €12,481.6 million achieved in 2021. The Industrial Trucks & Services segment increased its order intake by 3.2 percent in the reporting year, benefiting from customers bringing orders forward – particularly in the first half of the year – due, in part, to the long delivery times. The sharp drop in orders in the second half of year was more than offset in monetary terms by the price adjustments for new trucks. It was clear that customers were unwilling to make capital expenditure decisions, especially as growth rates had returned to normal levels in the e-commerce sector, and this led to a slump in order intake of 22.3 percent in the Supply Chain Solutions segment. A few big-ticket orders that had already been confirmed were cancelled altogether, while some customer orders whose negotiations had been concluded were postponed until further notice. In contrast with the previous year, currency effects boosted the value of the KION Group's order intake overall.

Consolidated revenue amounted to €11,135.6 million, exceeding the figure for the previous year (2021: €10,294.3 million) by 8.2 percent. Both operating segments contributed to this growth, predominantly as a result of working through the sizeable order book built up in the previous year. In the Industrial Trucks & Services segment, revenue generated from external customers went up by 12.9 percent. The segment's new business benefited not only from the plentiful order book but also from progress made on completing the unfinished trucks and shipping them by the end of the year. The service business made a substantial contribution to the increase in revenue, primarily thanks to growing aftersales and rental business. In the Supply Chain Solutions segment, revenue from external customers edged up by 0.2 percent compared with the high prior-year level due to currency effects. Revenue in the service business enjoyed disproportionately strong growth, making up for the decrease in the long-term project business (business solutions).

At €292.4 million, adjusted EBIT was lower than the prior-year figure (2021: €841.8 million) due to the substantial cost pressures and disruptions to supply chains. The KION Group's adjusted EBIT margin stood at just 2.6 percent (2021: 8.2 percent).

Net income fell sharply year on year to €105.8 million (2021: €568.0 million). In addition to the decrease in operating profit, effects relating to the ITS and SCS segments' business in Russia reduced net income by €36.8 million in total.

With the number of shares remaining almost unchanged, basic earnings per share therefore decreased to €0.75 (2021: €4.34). KION GROUP AG will propose a dividend of €0.19 per share to the 2023 Annual General Meeting (2021: €1.50).

Free cash flow was firmly in negative territory at minus €715.6 million (2021: €543.8 million). This was due both to the sharp drop in earnings and the high level of net working capital. The resulting funding requirement was met by a net addition to financial debt. Net financial debt rose by €1,102.9 million to €1,670.5 million as at the reporting date, compared with €567.6 million at the end of 2021. This equated to 1.4 times adjusted EBITDA (2021: 0.3 times).

Comparison between actual and forecast performance

Due to the uncertain macroeconomic situation, the Executive Board of KION GROUP AG decided on April 4, 2022 to withdraw the outlook for 2022 that had been published in the 2021 annual report. A new outlook for 2022 was issued on September 13, 2022 and forms the basis for the comparison between actual and forecast performance.

The updated outlook was achieved for all of the KION Group’s key performance indicators. The Group’s order intake of €11,707.6 million was in the lower half of the target range of €11,600 million to €12,500 million. At €11,135.6 million, consolidated revenue was also within the target range of €10,450 million to €11,250 million. Adjusted EBIT amounted to €292.4 million and was thus at the upper end of the target range of €200 million to €310 million. Free cash flow came to minus €715.6 million, which was within the target range of minus €950 million to minus €700 million. ROCE was 2.9 percent, compared with a target range of 2.5 percent to 3.3 percent.

Comparison between actual and forecast business performance for 2022 – KION Group

	KION Group		
in € million	Outlook annual report 2021	Outlook adjusted	Actual business performance
Order intake	11,600 – 12,800	11,600 – 12,500	11,707.6
Revenue	11,000 – 12,000	10,450 – 11,250	11,135.6
Adjusted EBIT	1,010 – 1,150	200 – 310	292.4
Free cash flow	520 – 640	–950 – –700	–715.6
ROCE	11.0% – 12.0%	2.5% – 3.3%	2.9%

Order intake in the Industrial Trucks & Services segment amounted to €8,425.6 million, while the target range was €8,200 million to €8,600 million. At €7,356.1 million, revenue was slightly above the target range of €6,800 million to €7,200 million. Adjusted EBIT amounted to €420.5 million, which was also higher than the target range of €360 million to €410 million.

At €3,361.9 million, the order intake of the Supply Chain Solutions segment was slightly below the target range of €3,400 million to €3,900 million. Revenue amounted to €3,806.9 million, which was within the target range of €3,650 million to €4,050 million. Adjusted EBIT came to minus €45.6 million, which was within the target range of minus €60 million to €0 million.

Comparison between actual and forecast business performance by segment for 2022

	Industrial Trucks & Services			Supply Chain Solutions		
in € million	Outlook 2021	Outlook adjusted	Actual business performance	Outlook 2021	Outlook adjusted	Actual business performance
Order intake[1]	7,200 – 7,800	8,200 – 8,600	8,425.6	4,400 – 5,000	3,400 – 3,900	3,361.9
Revenue[1]	7,000 – 7,600	6,800 – 7,200	7,356.1	4,000 – 4,400	3,650 – 4,050	3,806.9
Adjusted EBIT[1]	655 – 735	360 – 410	420.5	465 – 525	–60 – 0	–45.6

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 was €11,707.6 million and therefore 6.2 percent below the record figure achieved in 2021 (€12,481.6 million). Currency effects boosted the value of order intake by a total of €391.2 million.

Despite the highly challenging market environment, the Industrial Trucks & Services segment increased the value of its order intake by 3.2 percent to €8,425.6 million in 2022, thereby exceeding the high prior-year figure of €8,166.3 million. The segment benefited from customers bringing orders forward – particularly in the first half of the year – due, in part, to the long delivery times. The sharp drop in orders in the second half of year caused by the loss of market momentum was more than offset in monetary terms by the price adjustments for new trucks. All sales regions registered a year-on-year rise in order intake. The fast-growing service business made a disproportionately strong contribution to the increase in order intake.

The Supply Chain Solutions segment was unable to match the very high level of order intake reached in 2021, when there had been a number of big-ticket orders. Although order intake held steady in the first six months of 2022, it dropped sharply by 22.3 percent to €3,361.9 million in the year as a whole (2021: €4,329.4 million). It was clear that customers were unwilling to make capital expenditure decisions, especially as growth rates had returned to normal levels in the e-commerce sector, and this led to the slump in order intake in the SCS segment. A few big-ticket orders that had already been confirmed were cancelled altogether, while some customer orders whose negotiations had been concluded were postponed until further notice. The reduction in new business (business solutions), which affected both North America and EMEA, was only partly offset by an encouraging rise in orders in the service business (customer services).

Despite the market losing momentum in the second half of the year, and even though the KION Group's order book had already been at a record level at the end of 2021, it swelled by a further 6.3 percent to stand at €7,077.8 million as at the reporting date.

Revenue

Consolidated revenue went up by 8.2 percent to €11,135.6 million (2021: €10,294.3 million), which included positive currency effects totaling €406.3 million. This jump in revenue was the result of working through the sizeable order book built up in 2021 and the good performance of the service business.

In the Industrial Trucks & Services segment, revenue generated from external customers grew by 12.9 percent to €7,344.2 million in 2022 (2021: €6,503.5 million). Shortages in the supply of bought-in parts – especially in the EMEA region – led to significant delays in the delivery of new trucks, particularly in the first six months of the year. However, the steps taken enabled the segment to greatly reduce the high volume of unfinished trucks that had built up – due to the unavailability of individual components caused by supply chain disruptions – and it had shipped a large number of trucks by the end of the year. Because revenue was predominantly generated by working through the orders on the books from the previous year, the price increases implemented during the year did not yet have much of an impact on segment revenue. The service business made a substantial contribution to the increase in revenue, primarily thanks to growing aftersales and rental business.

In the Supply Chain Solutions segment, revenue generated from external customers was influenced by positive currency effects and edged up by 0.2 percent year on year to €3,789.4 million (2021: €3,780.3 million). Revenue from business solutions was held back by project delays and an increase in the overall project costs expected. By contrast, revenue in the service business (customer services) rose sharply.

Overall, the proportion of consolidated revenue attributable to the service business increased to 42.1 percent (2021: 40.5 percent).

Revenue with third parties by product category

in € million	2022	2021	Change
Industrial Trucks & Services	**7,344.2**	**6,503.5**	**12.9%**
New business	3,623.2	3,104.7	16.7%
Service business	3,721.0	3,398.8	9.5%
– Aftersales	1,940.7	1,734.8	11.9%
– Rental business	1,105.9	1,000.5	10.5%
– Used trucks	418.0	412.7	1.3%
– Other	256.3	250.8	2.2%
Supply Chain Solutions	**3,789.4**	**3,780.3**	**0.2%**
Business solutions	2,827.6	3,006.7	–6.0%
Service business	961.8	773.7	24.3%
Corporate Services	**1.9**	**10.5**	**–82.0%**
Total revenue	**11,135.6**	**10,294.3**	**8.2%**

Revenue by sales region

In the Industrial Trucks & Services segment, the biggest contribution to revenue growth in terms of volume came from the main EMEA sales region in the reporting year. The volume of revenue also rose in the APAC region, while the Americas region recorded an exceptionally strong increase.

North America made a particularly strong contribution to the rise in revenue in the Supply Chain Solutions segment. Revenue was down significantly year on year in the EMEA region but up sharply in the APAC region (excluding China). Despite the shortages of materials, the segment was able to continue with ongoing customer projects, primarily in the e-commerce, general merchandise, and grocery sectors.

Revenue with third parties by customer location

in € million	2022	2021	Change
EMEA	**6,823.7**	**6,364.4**	**7.2%**
Western Europe	5,945.4	5,562.8	6.9%
Eastern Europe	759.3	713.0	6.5%
Middle East and Africa	119.0	88.7	34.2%
Americas	**3,014.6**	**2,751.4**	**9.6%**
North America	2,732.2	2,548.5	7.2%
Central and South America	282.4	202.9	39.2%
APAC	**1,297.3**	**1,178.5**	**10.1%**
China	739.1	686.1	7.7%
APAC excluding China	558.2	492.5	13.3%
Total revenue	**11,135.6**	**10,294.3**	**8.2%**

Earnings and profitability

EBIT, EBITDA, and ROCE

Earnings before interest and tax (EBIT) fell sharply, by €626.5 million, to €168.3 million (2021: €794.8 million). EBIT included budgeted purchase price allocation effects amounting to an expense of €92.7 million in the reporting year (2021: expense of €84.8 million). There were also non-recurring items amounting to a total expense of €31.5 million in 2022 (2021: expense of €37.8 million). These essentially reflected impairment losses recognized on assets in connection with business in Russia, although these were partly offset by a boost to earnings from plan adjustments that affected defined benefit obligations. The positive non-recurring items in 2021 had also mainly related to plan adjustments affecting defined benefit obligations, as well as to the reversal of provisions that had been recognized in connection with the capacity and structural program introduced in 2020 during the pandemic.

EBIT adjusted for non-recurring items and purchase price allocation effects (adjusted EBIT) decreased to €292.4 million (2021: €841.8 million). The adjusted EBIT margin fell sharply to 2.6 percent as a result (2021: 8.2 percent).

EBIT

in € million	2022	in % of revenue	2021	in % of revenue
EBIT	**168.3**	**1.5%**	**794.8**	**7.7%**
Adjustment by functional costs:				
+ Cost of sales	50.0	0.4%	12.6	0.1%
+ Selling expenses and administrative expenses	60.6	0.5%	39.9	0.4%
+ Research and development costs	–1.0	–0.0%	–4.0	–0.0%
+ Other costs	14.5	0.1%	–1.4	–0.0%
Adjusted EBIT	**292.4**	**2.6%**	**841.8**	**8.2%**
adjusted for non-recurring items	31.5	0.3%	–37.8	–0.4%
adjusted for PPA items	92.7	0.8%	84.8	0.8%

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to €1,201.8 million (2021: €1,735.7 million). Adjusted EBITDA decreased to €1,218.7 million (2021: €1,696.9 million), giving an adjusted EBITDA margin of 10.9 percent (2021: 16.5 percent).

EBITDA

in € million	2022	in % of revenue	2021	in % of revenue
EBITDA	**1,201.8**	**10.8%**	**1,735.7**	**16.9%**
Adjustment by functional costs:				
+ Cost of sales	8.6	0.1%	–26.0	–0.3%
+ Selling expenses and administrative expenses	9.4	0.1%	–6.7	–0.1%
+ Research and development costs	–1.0	–0.0%	–4.2	–0.0%
+ Other costs	–0.1	–0.0%	–1.9	–0.0%
Adjusted EBITDA	**1,218.7**	**10.9%**	**1,696.9**	**16.5%**
adjusted for non-recurring items	16.9	0.2%	–38.7	–0.4%
adjusted for PPA items	0.0	0.0%	0.0	0.0%

Return on capital employed (ROCE), which is the ratio of adjusted EBIT to capital employed, was down sharply year on year at 2.9 percent (December 31, 2021: 9.1 percent). This was due both to the significant drop in earnings and the increase in capital employed. The latter was attributable to the high level of net working capital, a situation that continued until the reporting date. The following > table ‘Return on capital employed (ROCE)’ shows how the figure for capital employed is calculated.

Return on capital employed (ROCE)

in € million	2022	2021
Total assets	16,528.4	15,850.9
– less selected assets[1]	–2,666.6	–2,740.1
– less selected liabilities[2]	–3,675.9	–3,887.8
Capital employed	**10,185.9**	**9,222.9**
Adjusted EBIT	**292.4**	**841.8**
ROCE	**2.9%**	**9.1%**

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

Key influencing factors for earnings

The cost of sales rose at a much faster rate than revenue, increasing by 16.0 percent to €9,011.5 million (2021: €7,770.7 million). The gross margin was significantly squeezed by the disruptions to supply chains, the resulting inefficiencies in production, and the surge in costs for materials, energy, and logistics in both operating segments. Costs were also driven up by project delays in the long-term project business caused by shortages of materials and resource bottlenecks.

In the Industrial Trucks & Services segment, the raising of list prices during the year did little to compensate for the increase in manufacturing costs as the segment was predominantly working through existing customer orders received before the prices were increased. Furthermore, shortages of materials led to significant inefficiencies, especially in the first half of the year. In the Supply Chain Solutions segment, a rise in the overall project costs expected in the long-term project business weighed heavily on earnings in the third quarter. The segment was able to pass on only a small proportion of the project-related cost increases to customers because adequate price adjustment clauses were not included in new project contracts until half way through the second quarter.

The KION Group’s gross margin therefore deteriorated to 19.1 percent in 2022 (2021: 24.5 percent).

The rise in other functional costs was largely due to the increased volume of business and was stronger than the rate of revenue growth. Selling expenses went up, partly because of the pick-up in travel and marketing activities. The reasons for the year-on-year increase in administrative expenses included the implementation of strategic projects. Selling expenses rose by 15.3 percent and administrative expenses by 6.7 percent, giving an overall increase of 11.9 percent. Research and development expenditure swelled by 16.4 percent in total, in part due to the targeted increase in staffing levels at the development sites. A decline in personnel expenses in connection with variable remuneration components and changes to pension plans helped to keep the cost increases in check.

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

Condensed consolidated income statement

in € million	2022	2021	Change
Revenue	11,135.6	10,294.3	8.2%
Cost of sales	–9,011.5	–7,770.7	–16.0%
Gross profit	**2,124.0**	**2,523.6**	**–15.8%**
Selling expenses and administrative expenses	–1,774.6	–1,585.2	–11.9%
Research and development costs	–203.3	–174.7	–16.4%
Other	22.1	31.1	–28.8%
Earnings before interest and tax (EBIT)	**168.3**	**794.8**	**–78.8%**
Net financial expenses	–30.2	–35.1	13.8%
Earnings before tax	**138.0**	**759.7**	**–81.8%**
Income taxes	–32.2	–191.7	83.2%
Net income	**105.8**	**568.0**	**–81.4%**

Purchase price allocation effects included in the cost of sales and in other functional costs were higher than in the previous year due to currency effects.

The ‘other’ item includes not only income and expense resulting from currency translation but also line items such as the share of profit (loss) of equity-accounted investments, which amounted to a profit of €14.1 million (2021: profit of €13.1 million).

EBIT also included an expense of €35.8 million for non-recurring items relating to business in Russia.

Net financial expenses

The net financial expenses, representing the balance of financial income and financial expenses, improved to €30.2 million (2021: €35.1 million). This was mainly attributable to the level of net interest income/expense from the lease business and positive changes in the fair value of the related interest-rate derivatives. Interest expense on financial liabilities increased to a total of €28.6 million (2021: €21.2 million) owing to borrowing during the year. Currency effects in connection with financing had a more negative impact than in the previous year.

Income taxes

Income tax expenses fell to €32.2 million (2021: €191.7 million), mainly owing to the lower level of earnings in the reporting year and due to tax rebates for previous years recognized in profit or loss. The use of tax reductions in connection with research and development (R&D) projects recognized as an expense also helped to reduce the tax expense compared with the previous year. The effective tax rate therefore stood at 23.3 percent for 2022. The low tax rate for the Group in the previous year (25.2 percent) had also been attributable to tax deductibles and tax credits received. No deferred tax assets were recognized in respect of the impairment losses on assets of the Russian subsidiaries in the year under review.

Net income and appropriation of profit

Net income amounted to €105.8 million (2021: €568.0 million) and included net income attributable to non-controlling interests of €7.8 million (2021: net loss of €0.3 million). Net income included an expense of €36.8 million for effects relating to business in Russia. The net income attributable to the shareholders of KION GROUP AG was €98.0 million (2021: €568.3 million). Basic earnings per share attributable to the shareholders of KION GROUP AG came to €0.75 (2021: €4.34) based on 131.1 million (2021: 131.1 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, also amounted to €0.75 (2021: €4.33) based on a weighted average number of shares of 131.1 million (2021: 131.1 million).

The distributable profit of KION GROUP AG for the 2022 financial year came to €111.0 million (2021: €197.1 million). The Executive Board and the Supervisory Board will propose to the Annual General Meeting in 2023 that an amount of €24.9 million be appropriated for the payment of a dividend of €0.19 per dividend-bearing share. This equates to a proposed dividend payout rate of around 25 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

The number of new trucks ordered in the Industrial Trucks & Services segment came to 268.2 thousand, which was down by 10.4 percent compared with the high volume in the previous year. Significantly longer delivery lead times prompted customers to bring their orders forward in the first half of 2022, while the market became increasingly sluggish as the year went on. The segment recorded moderate growth in the Americas and APAC regions during the reporting year, whereas there was a significant decline in the EMEA region.

The value of order intake rose by 3.2 percent to €8,425.6 million in 2022 (2021: €8,166.3 million) despite the fall in orders. The price increases introduced for new business ensured that order intake was close to the prior-year level. The main influence on the value of order intake in the Industrial Trucks & Services segment was the service business, which recorded a jump in orders of 9.1 percent. Almost all service categories contributed to this growth. The limited availability of used trucks meant that this was the only category where the value of order intake was merely at the prior-year level.

Currency effects boosted order intake by a total of €145.8 million.

Key figures – Industrial Trucks & Services

in € million	2022	2021	Change
Order intake	8,425.6	8,166.3	3.2%
Total revenue	7,356.1	6,514.0	12.9%
Order book[1]	3,817.6	2,877.8	32.7%
EBITDA	1,213.5	1,325.4	–8.4%
Adjusted EBITDA	1,241.7	1,297.9	–4.3%
EBIT	376.0	560.5	–32.9%
Adjusted EBIT	420.5	536.0	–21.6%
Adjusted EBITDA margin	16.9%	19.9%	–
Adjusted EBIT margin	5.7%	8.2%	–

1 Figures as at balance sheet date Dec. 31

Revenue

Total revenue in the Industrial Trucks & Services segment increased by 12.9 percent to €7,356.1 million (2021: €6,514.0 million). In the new industrial truck business, this was mainly due to the good progress made on working through the sizeable order book built up in 2021. During the second half of the year, the supply chains stabilized and the availability of materials improved, enabling the segment to ship more trucks to customers by the end of the year than had been anticipated. Another contributing factor was increased flexibility in production, which meant that many of the unfinished trucks were completed on time and shipped before the end of the year.

All product categories recorded a year-on-year rise, with electric forklift trucks notching up the biggest increase. However, customer orders secured in 2022 at the higher sales prices did not yet have a significant impact on segment revenue owing to the long delivery times. The service business generated encouraging growth of 9.5 percent, driven mainly by the aftersales and rental businesses. In the new business product category, revenue of €726.0 million was earned from the direct and indirect lease business (2021: €708.3 million). In the rental business product category, a sum of €560.2 million was attributable to direct and indirect lease business (2021: €537.5 million) and €545.7 million to the short-term rental business (2021: €463.0 million).

At 50.7 percent, the share of the segment's external revenue generated by the service business was virtually unchanged on the previous year (2021: 52.3 percent). Currency effects boosted segment revenue by €121.1 million.

Earnings

The adjusted EBIT of the Industrial Trucks & Services segment dropped sharply to €420.5 million (2021: €536.0 million). The adjusted EBIT margin fell to 5.7 percent in the year under review (2021: 8.2 percent).

The boost to earnings from revenue growth was offset by the substantial negative effect of much higher costs for materials, energy, and logistics as well as production inefficiencies. Although the increase in costs was contained thanks to the operational countermeasures, the segment's gross margin dropped significantly. Selling expenses and administrative expenses also went up year on year, with the rate of increase largely in proportion to the growth of revenue due to the volume of business.

After taking into account non-recurring items and purchase price allocation effects, the segment's EBIT declined to €376.0 million (2021: €560.5 million). It should be noted that the prior-year figure had included the positive effects of reversing the excess provisions recognized for the capacity and structural program. In 2022, the non-recurring items for the Industrial Trucks & Services segment amounted to an expense of €42.8 million and mainly consisted of the impairment losses recognized on business in Russia in an amount of €32.4 million.

Adjusted EBITDA was €1,241.7 million (2021: €1,297.9 million), giving an adjusted EBITDA margin of 16.9 percent (2021: 19.9 percent).

Supply Chain Solutions segment

Business performance and order intake

In the Supply Chain Solutions segment, the value of order intake fell by 22.3 percent to €3,361.9 million and was therefore down sharply compared with the high prior-year figure (2021: €4,329.4 million), which had been influenced by big-ticket orders. It was clear that customers were unwilling to make capital expenditure decisions, especially as growth rates had returned to normal levels in the e-commerce sector, and this led to the slump in order intake. Customers postponed orders to 2023, while a few big-ticket orders that had already been confirmed were cancelled altogether. The reduction in new business (business solutions), which affected both North America and EMEA, was only partly offset by an encouraging rise in order intake in the service business (customer services).

The marked decline in new e-commerce business meant a high proportion of orders was attributable to investment in new facilities by customers in the general merchandise and textile sectors. Further growth in the installed base of completed projects also resulted in a greater volume of orders in the high-margin service business.

Currency effects boosted order intake by a total of €245.6 million, mainly thanks to the strength of the US dollar.

Key figures – Supply Chain Solutions

in € million	2022	2021	Change
Order intake	3,361.9	4,329.4	–22.3%
Total revenue	3,806.9	3,796.2	0.3%
Order book[1]	3,327.5	3,792.2	–12.3%
EBITDA	22.2	469.8	–95.3%
Adjusted EBITDA	32.2	476.6	–93.2%
EBIT	–146.6	319.8	< –100%
Adjusted EBIT	–45.6	409.5	< –100%
Adjusted EBITDA margin	0.8%	12.6%	–
Adjusted EBIT margin	–1.2%	10.8%	–

1 Figures as at balance sheet date Dec. 31

Revenue

The total revenue of the Supply Chain Solutions segment amounted to €3,806.9 million, which was up by 0.3 percent year on year due to currency effects (2021: €3,796.2 million). Progress on working through the sizeable order book built up in 2021 was hampered by disruptions to supply chains and the resulting project delays. In addition, the revenue attributable to orders secured in 2022 was limited as resources were tied up in existing projects and there was a shortage of skilled workers in North America. In the service business (customer services), the rise in revenue was mainly due to the modernization and expansion of facilities and the supply of spare parts. At 25.4 percent, the service business made a disproportionately strong contribution to the segment's external revenue compared with the previous year (2021: 20.5 percent). Currency effects boosted the revenue of the SCS segment by a substantial €285.5 million.

Earnings

The adjusted EBIT of the Supply Chain Solutions segment was down sharply year on year at minus €45.6 million (2021: €409.5 million). The supply chain disruptions increasingly reduced the availability of key parts at project sites over the course of the year, resulting in inefficiencies due to project delays. The segment was able to pass on only a small proportion of the huge project-related cost increases to customers. As the overall project costs expected in the long-term project business rose sharply, earnings were squeezed significantly in the third quarter. Countermeasures were initiated at operating level, such as including updated price adjustment clauses in new contracts, initiating major improvements in project execution and project management, and expanding the supplier base.

Consequently, the SCS segment's adjusted EBIT for the year as a whole was in negative territory and the adjusted EBIT margin therefore stood at minus 1.2 percent (2021: 10.8 percent). After taking into account non-recurring items amounting to an expense of €10.1 million (2021: expense of €6.6 million), which were partly attributable to winding down the project business in Russia, and an expense of €90.9 million for purchase price allocation effects (2021: expense of €83.1 million), EBIT amounted to minus €146.6 million (2021: €319.8 million).

Adjusted EBITDA decreased to €32.2 million (2021: €476.6 million); the adjusted EBITDA margin was just 0.8 percent (2021: 12.6 percent).

Corporate Services segment

Business performance

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

Revenue and earnings

Total segment revenue came to €214.6 million (2021: €168.0 million) and, as in previous years, mainly resulted from internal IT services.

The segment's adjusted EBIT amounted to €308.1 million (2021: €274.2 million) and was largely attributable to internal income from equity investments. Excluding internal income from equity investments, adjusted EBIT amounted to minus €82.9 million (2021: minus €103.4 million). This improvement was largely due to significantly lower personnel expenses in connection with variable remuneration components.

Adjusted EBITDA stood at €335.4 million (2021: €300.2 million) or minus €55.6 million (2021: minus €77.3 million) if intra-group income from equity investments is excluded.

Key figures – Corporate Services

in € million	2022	2021	Change
Order intake	214.6	168.0	27.7%
Total revenue	214.6	168.0	27.7%
EBITDA	356.7	318.4	12.0%
Adjusted EBITDA	335.4	300.2	11.7%
EBIT	329.4	292.3	12.7%
Adjusted EBIT	308.1	274.2	12.4%

Net assets

The condensed consolidated statement of financial position as at December 31, 2022 showing current and non-current assets and liabilities together with equity is presented below:

Condensed consolidated statement of financial position

in € million	Dec. 31, 2022	in %	Dec. 31, 2021	in %	Change
Non-current assets	11,412.6	69.0%	11,153.0	70.4%	2.3%
Current assets	5,115.8	31.0%	4,697.9	29.6%	8.9%
Total assets	**16,528.4**	**100.0%**	**15,850.9**	**100.0%**	**4.3%**
Equity	5,607.8	33.9%	5,168.9	32.6%	8.5%
Non-current liabilities	6,040.8	36.5%	5,576.7	35.2%	8.3%
Current liabilities	4,879.9	29.5%	5,105.3	32.2%	–4.4%
Total equity and liabilities	**16,528.4**	**100.0%**	**15,850.9**	**100.0%**	**4.3%**

Non-current assets

Totaling €11,412.6 million, non-current assets as at December 31, 2022 were slightly lower than at the end of 2021 (December 31, 2021: €11,153.0 million). The carrying amount of intangible assets was €5,781.6 million (December 31, 2021: €5,710.7 million). Of this sum, €3,619.4 million was attributable to goodwill (December 31, 2021: €3,544.8 million). Most of the increase of €74.7 million in the carrying amount of goodwill was due to exchange rate movements. Other property, plant, and equipment rose to €1,585.2 million (December 31, 2021: €1,447.5 million) owing to capital expenditure on modernization and site expansion. Right-of-use assets related to procurement leases were up moderately compared with the end of the previous year, standing at €543.5 million as at December 31, 2022 (December 31, 2021: €513.6 million). Of this figure, €445.7 million was attributable to land and buildings (December 31, 2021: €401.6 million) and €97.9 million to plant & machinery and office furniture & equipment (December 31, 2021: €112.0 million).

The rental assets from the short-term rental business recognized in the statement of financial position came to €602.1 million as at December 31, 2022 (December 31, 2021: €542.8 million). Leased assets for direct and indirect leases with end customers that are classified as operating leases declined slightly to €1,367.7 million (December 31, 2021: €1,391.5 million). At €1,370.5 million, long-term lease receivables arising from leases with end customers that are classified as finance leases were a little higher than at the end of 2021 (December 31, 2021: €1,318.9 million).

The amount of deferred tax assets recognized in the statement of financial position decreased to €300.8 million as at December 31, 2022 (December 31, 2021: €449.3 million). This can primarily be explained by higher discount rates affecting defined benefit obligations.

Current assets

Current assets increased to a total of €5,115.8 million (December 31, 2021: €4,697.9 million). The ongoing supply chain disruptions and the resulting limited availability of bought-in parts led to a significant increase in inventories of unfinished trucks in the Industrial Trucks & Services segment, although the level was reduced again in the second half of the year. This was partly thanks to the countermeasures introduced in the second quarter, which helped to strengthen the supplier network and optimize production processes. In addition, the KION Group increased its stocks of materials and supplies during the year in order to maintain its ability to deliver to customers. As at the end of 2022, inventories totaled €1,804.6 million (December 31, 2021: €1,632.1 million).

Inventories

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Materials and supplies	512.2	442.0	15.9%
Work in progress	340.1	363.2	–6.4%
Finished goods and merchandise	890.3	761.6	16.9%
Advances paid	62.0	65.2	–4.9%
Total inventories	**1,804.6**	**1,632.1**	**10.6%**

Trade receivables rose to €1,596.4 million (December 31, 2021: €1,339.2 million), predominantly due to the larger volume of business. Contract assets, which largely related to project business in the Supply Chain Solutions segment, grew to €528.8 million (December 31, 2021: €519.1 million).

The KION Group's net working capital therefore rose sharply to €1,979.3 million (December 31, 2021: €1,192.0 million). This was due to the growth of inventories, trade receivables and, in particular, the much lower level of trade payables at the end of the year.

Current lease receivables from end customers increased from €465.1 million as at December 31, 2021 to €519.8 million as at December 31, 2022.

Cash and cash equivalents stood at €318.1 million, which was lower than at the end of 2021 (December 31, 2021: €483.0 million).

In connection with the planned sale of the Industrial Trucks & Services segment's business in Russia, assets classified as held for sale have been recognized in an amount of €27.4 million (December 31, 2021: €0.0 million) and mainly consist of cash and cash equivalents, inventories, leased assets, and rental assets.

Financial position

Principles and objectives of financial management

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

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

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

The KION Group's credit ratings remained more or less unchanged in the year under review. In October 2022, Fitch Ratings confirmed the Group's long-term issuer default rating of BBB with a stable outlook. Fitch Ratings had already confirmed the short-term issuer default rating of F2 in September. Standard & Poor's kept the issuer rating at BBB–, but put the outlook on CreditWatch Negative.

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

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

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

The revolving credit facility and a number of promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a defined maximum level of leverage. As contractually agreed, this calculation is currently suspended in respect of the revolving credit facility entered into in 2021, which was extended in 2022, because KION GROUP AG continues to have two investment-grade credit ratings.

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

The contractually agreed interest terms for the revolving credit facility are linked to KION GROUP AG's credit rating and to compliance with the Group's sustainability KPIs.

Main corporate actions in the reporting period

KION GROUP AG carried out various corporate actions to secure its funding requirements in the year under review, responding to the persistent uncertainties in the capital markets and the increased level of capital required, particularly in connection with net working capital.

The commercial paper program was increased by €250.0 million to €750.0 million in April 2022. Furthermore, a total of six bilateral loans were taken out with banks over the course of 2022. They have a total volume of €600.0 million and mature in 2023, 2024, and 2026. In September 2022, the term of the variable-rate syndicated revolving credit facility (RCF) was extended by one year until October 2027. Then in December 2022, a further amendment agreement was signed that increased the total volume from €1,000.0 million to €1,385.7 million. The borrowing was partly offset by the scheduled repayment of the short-term promissory note of €92.5 million in May 2022.

Analysis of capital structure

Non-current and current liabilities amounted to €10,920.7 million as at December 31, 2022, which was €238.7 million higher than the figure as at December 31, 2021 of €10,682.0 million. This rise was largely due to the increase in financial liabilities, which was partly offset by lower defined benefit obligations as a result of changed discount rates. Non-current liabilities included deferred tax liabilities of €492.8 million (December 31, 2021: €523.5 million).

Financial debt

Non-current and current financial liabilities rose to a total of €1,988.6 million (December 31, 2021: €1,050.5 million). Non-current financial liabilities stood at €1,361.8 million (December 31, 2021: €898.7 million). The carrying amount of the corporate bond issued, which is included in this line item, amounted to €496.8 million (December 31, 2021: €495.6 million). In addition to the non-current promissory notes, which had a carrying amount of €319.2 million (December 31, 2021: €326.1 million), non-current financial liabilities predominantly comprised liabilities to banks. The new long-term loans granted, which have a total volume of €500.0 million, meant that liabilities to banks increased to €515.1 million (December 31, 2021: €46.6 million).

Current financial liabilities rose to €626.7 million as at December 31, 2022 (December 31, 2021: €151.9 million). The increase was mainly due to paper issued under the commercial paper program; the volume issued as at December 31, 2022 was €305.0 million (December 31, 2021: €0.0 million). Current liabilities to banks stood at €304.2 million, which was also higher than at the end of 2021 (December 31, 2021: €57.4 million). They included, for example, the new short-term loan of €100.0 million granted in June 2022 and the amount of €114.6 million that was drawn down from the revolving credit facility (RCF) as at the reporting date. The unused portion of the RCF therefore stood at €1,271.1 million (December 31, 2021: €1,000.0 million).

Net financial debt (non-current and current financial liabilities less cash and cash equivalents) rose sharply to €1,670.5 million as at December 31, 2022 (December 31, 2021: €567.6 million). This equated to 1.4 times adjusted EBITDA on an annualized basis (December 31, 2021: 0.3 times). To reconcile the net financial debt with the industrial net operating debt (INOD) of €2,799.7 million as at December 31, 2022 (December 31, 2021: €1,600.1 million), the liabilities from the short-term rental business of €544.2 million (December 31, 2021: €488.9 million) and the liabilities from procurement leases of €584.9 million (December 31, 2021: €543.6 million) are added to net financial debt.

Industrial net debt

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Promissory notes	319.2	418.5	–23.7%
Bonds	496.8	495.6	0.2%
Liabilities to banks	819.3	104.0	> 100%
Other financial debt	353.3	32.4	> 100%
Financial debt	**1,988.6**	**1,050.5**	**89.3%**
Less cash and cash equivalents	–318.1	–483.0	34.1%
Net financial debt	**1,670.5**	**567.6**	**> 100%**
Liabilities from short-term rental business	544.2	488.9	11.3%
Liabilities from procurement leases	584.9	543.6	7.6%
Industrial net operating debt (INOD)	**2,799.7**	**1,600.1**	**75.0%**
Net defined benefit obligation	618.9	1,185.6	–47.8%
Industrial net debt (IND)	**3,418.5**	**2,785.7**	**22.7%**
Adjusted EBITDA[1]	1,218.7	1,696.9	–28.2%
Leverage on net financial debt	1.4	0.3	> 100%
Leverage on INOD	2.3	0.9	> 100%
Leverage on IND	2.8	1.6	70.9%

1 Adjusted for PPA items and non-recurring items

Retirement benefit obligation and similar obligations

The KION Group maintains pension plans in many countries. These plans comply with legal requirements applicable to standard local practice and thus the situation in the country in question. They are either defined benefit pension plans, defined contribution pension plans, or multi-employer benefit plans. As at December 31, 2022, the retirement benefit obligation and similar obligations under defined benefit pension plans amounted to a total of €712,8 million, a substantial year-on-year fall of €552.4 million that was primarily due to higher discount rates (December 31, 2021: €1,265.3 million). The net obligation under defined benefit pension plans decreased year on year to €618.9 million (December 31, 2021: €1,185.6 million). Changes in estimates relating to defined benefit pension entitlements resulted in an increase in equity of €410.6 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 2022 in connection with the main pension plans totaled €35.5 million, primarily comprising €22.3 million for direct pension payments along with €13.2 million for employer contributions to plan assets.

Liabilities from lease and short-term rental business

Non-current and current liabilities from the lease business came to €3,214.6 million as at December 31, 2022 (December 31, 2021: €3,070.8 million). Of this total, €3,048.4 million was attributable to financing of the direct lease business (December 31, 2021: €2,858.3 million) and €166.3 million to the repurchase obligations resulting from the indirect lease business (December 31, 2021: €212.6 million).

Non-current and current liabilities from the short-term rental business totaled €544.2 million (December 31, 2021: €488.9 million).

Other provisions

Non-current and current other provisions rose to €370.2 million as at December 31, 2022 (December 31, 2021: €340.3 million). In addition to provisions for product warranties and for personnel-related obligations, this includes provisions for onerous contracts mainly related to project business in the Supply Chain Solutions segment and provisions for other obligations.

Other financial liabilities

Non-current and current other financial liabilities stood at €693.7 million as at December 31, 2022 (December 31, 2021: €652.0 million). This item included liabilities from procurement leases amounting to €584.9 million (December 31, 2021: €543.6 million), for which right-of-use assets were recorded.

Contract liabilities

Contract liabilities, which mainly relate to prepayments received from customers in connection with the long-term project business in the Supply Chain Solutions segment, decreased to €826.1 million (December 31, 2021: €854.8 million).

Equity

Consolidated equity went up by €438.9 million to €5,607.8 million as at December 31, 2022 (December 31, 2021: €5,168.9 million). The net income of €105.8 million earned during the year under review contributed to the rise in equity, as did the actuarial gains and losses arising from the measurement of pensions, which amounted to a net gain of €410.6 million (after deferred taxes) and were recognized in other comprehensive income. The currency translation gains of €92.6 million, also recognized in other comprehensive income, had a positive impact on equity too. KION GROUP AG's dividend payout reduced equity by €196.7 million. The equity ratio improved to 33.9 percent (December 31, 2021: 32.6 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 €382.7 million (2021: €333.8 million). The focus in the Industrial Trucks & Services segment was on the expansion and modernization of production and technology facilities. Capital expenditure in the Supply Chain Solutions segment predominantly related to development costs and the construction of a new plant for supply chain solutions in the Chinese city of Jinan, Shandong province.

Analysis of liquidity

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

Cash and cash equivalents declined to €318.1 million as at the reporting date (December 31, 2021: €483.0 million). In addition, an amount of €14.1 million has been recognized for restricted cash under assets classified as held for sale. Taking into account the credit facility of €1,271.1 million that was still freely available (December 31, 2021: €1,000.0 million), the unrestricted cash and cash equivalents available to the KION Group at the end of 2022 amounted to €1,577.3 million (December 31, 2021: €1,473.7 million).

Cash flow from operating activities amounted to a net cash outflow of minus €345.9 million in 2022, which was down sharply compared with the net cash provided by operating activities of €881.7 million in the previous year. The main factors in this decrease were the fall in earnings and the considerable rise in net working capital of €804.5 million (2021: €201.9 million). The latter was primarily due to the much lower level of trade payables at the end of the year and the volume-related growth of receivables from customers. The build-up of unfinished trucks in the Industrial Trucks & Services segment, which was caused by the supply chain disruptions, had been reduced significantly by the end of 2022 thanks to the measures introduced during the year to strengthen both the supplier network and production processes. However, inventories of materials and supplies – particularly steel and electronics – were increased in order to counter procurement risks.

Net cash used for investing activities amounted to minus €369.7 million and was therefore higher than in the previous year (2021: minus €337.8 million). Within this total, cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment rose to minus €382.7 million (2021: minus €333.8 million). Net payments for acquisitions had amounted to minus €17.0 million in 2021; the equivalent figure for the year under review was minus €4.9 million.

Free cash flow – the sum of cash flow from operating activities and investing activities – was significantly negative at minus €715.6 million (2021: positive cash flow of €543.8 million).

Net cash provided by financing activities amounted to €562.8 million in 2022 (2021: net cash used of minus €386.1 million). The net addition to financial debt of €942.4 million (2021: net repayment of minus €148.8 million) mainly related to the commercial paper program and to the drawdown and subsequent repayment of amounts under the revolving credit facility (RCF) during the reporting year. Furthermore, new bank loans were arranged during the reporting year and, as scheduled, the fixed-rate tranche of the promissory note was repaid. There was a moderate increase in payments made for interest portions and principal portions under procurement leases to minus €151.7 million (2021: minus €145.1 million). Current interest payments also went up, rising to minus €32.6 million on the back of higher financial debt (2021: minus €29.5 million). The payment of a dividend to the shareholders of KION GROUP AG resulted in an outflow of funds of minus €196.7 million, which equates to €1.50 per share.

Condensed consolidated statement of cash flows

	in € million	2022	2021	Change
	EBIT	168.3	794.8	–78.8%
+	Amortization / depreciation[1] on non-current assets (without lease and rental assets)	469.7	415.2	13.1%
+	Net changes from lease business (including depreciation[1] and release of deferred income)	–27.6	14.9	< –100%
+	Net changes from short-term rental business (including depreciation[1])	–7.4	–11.7	36.3%
+	Changes in net working capital	–804.5	–201.9	< –100%
+	Taxes paid	–160.0	–201.4	20.6%
+	Other	15.6	71.8	–78.2%
=	**Cash flow from operating activities**	**–345.9**	**881.7**	**< –100%**
+	Cash flow from investing activities	–369.7	–337.8	–9.4%
	thereof changes from acquisitions	–4.9	–17.0	71.2%
	thereof changes from other investing activities	–364.8	–320.9	–13.7%
=	**Free cash flow**	**–715.6**	**543.8**	**< –100%**
+	Cash flow from financing activities	562.8	–386.1	> 100%
+	Effect of exchange rate changes on cash	2.1	10.8	–80.8%
=	**Change in cash and cash equivalents**	**–150.8**	**168.5**	**< –100%**

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 (IFRS). Differences between the accounting policies in accordance with HGB and those in accordance with IFRS arise primarily in connection with the accounting treatment of financial instruments, provisions, deferred taxes, and procurement leases.

Management system, 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 2022

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 €100.1 million reported for 2022 (2021: €73.7 million) largely arose from the performance of services for affiliated companies.

Other operating income rose by €57.4 million to €85.2 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 €52.5 million, a year-on-year reduction of €23.6 million. This decline was primarily attributable to a decrease in variable, performance-related salary components, such as short-term incentives and share-based remuneration.

Other operating expenses rose by €120.8 million to €236.9 million. This increase was primarily attributable to exchange rate losses resulting from the measurement of bank accounts and cash pools in foreign currencies amounting to €111.5 million (2021: €19.1 million). In addition, KION GROUP AG saw its expenses for consultancy and other third-party services go up by €27.8 million to €98.7 million in 2022.

The rise in depreciation expense by €12.3 million to €12.8 million is attributable to the current crisis in eastern Europe and the associated inability to collect financial receivables from Russian subsidiaries.

Net financial income fell by €14.7 million to €337.5 million in 2022 (2021: €352.2 million). This was the net result of the following factors in particular:

- The total income from profit-transfer agreements mainly related to Linde Material Handling GmbH in an amount of €172.6 million (2021: €179.7 million) and Dematic Holdings GmbH in an amount of €138.2 million (2021: €150.0 million).
- Interest expense and similar charges, which totaled €52.5 million (2021: €34.0 million), included an amount of €18.3 million resulting from interest charged on intercompany liabilities (2021: €3.0 million) and an amount of €27.5 million arising from external financing (2021: €25.4 million). On a smaller scale, they included expenses of €6.7 million from the unwinding of the discount on pension provisions (2021: €5.7 million).
- Other interest and similar income amounting to €84.1 million (2021: €56.3 million) for the most part consisted of interest income on intercompany receivables.

KION GROUP AG recorded tax income of €0.2 million as a result of its role as the parent company of the tax group for nearly all domestic subsidiaries in 2022 (2021: tax expenses of €50.6 million). This change was due to the much poorer earnings situation of the tax group last year and to the effects of a reassessment of tax circumstances from previous years.

Total net income of €220.6 million was generated in the year under review (2021: €210.1 million). The distributable profit of KION GROUP AG for the 2022 financial year came to €111.0 million (2021: €197.1 million).

Financial performance

in € million	2022	2021	Change
Revenue	100.1	73.7	35.9%
Other operating income	85.2	27.8	> 100%
Material expenses	–0.2	–0.2	0.0%
Personnel expenses	–52.5	–76.1	31.0%
Other operating expenses	–236.9	–116.1	< –100%
Depreciation, amortization & impairment expense	–12.8	–0.5	< –100%
Operating loss	**–117.1**	**–91.5**	**–28.0%**
Net financial income	337.5	352.2	–4.2%
Income taxes	0.2	–50.6	> 100%
Net income	**220.6**	**210.1**	**5.0%**

Net assets

The total assets of KION GROUP AG increased by approximately 3.6 percent to €8,165.3 million as at December 31, 2022.

At €4,238.2 million, financial assets were 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 fell by €151.9 million to €48.1 million as at the reporting date.

Receivables and other assets amounted to €3,873.9 million (December 31, 2021: €3,438.8 million). The bulk of this total, €3,797.7 million, consisted of loans and cash pool receivables due from other Group companies (December 31, 2021: €3,372.4 million). The total also included the Company’s entitlement to the transfer of profits from Linde Material Handling GmbH in an amount of €172.6 million (December 31, 2021: €179.7 million) and to the transfer of profits from Dematic Holdings GmbH in an amount of €138.2 million (December 31, 2021: €150.0 million). There were long-term loans to Group companies of €433.8 million (December 31, 2021: €427.9 million).

Net assets

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Assets			
Property, plant and equipment	1.5	1.9	–20.0%
Financial assets	4,238.2	4,238.2	0.0%
Receivables and other assets	3,873.9	3,438.8	12.7%
Cash and cash equivalents	48.1	200.0	–75.9%
Deferred income	3.5	4.1	–14.6%
Total assets	**8,165.3**	**7,883.0**	**3.6%**
Equity and liabilities			
Equity	4,813.1	4,788.8	0.5%
Retirement benefit obligation	73.0	63.6	14.7%
Tax provisions	0.3	0.3	–
Other provisions	25.7	65.7	–60.9%
Liabilities	3,253.2	2,964.6	9.7%
Total equity and liabilities	**8,165.3**	**7,883.0**	**3.6%**

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 €24.3 million in the reporting year. After taking into account the dividend payment of €196.7 million, the net income for the year of €220.6 million, and the profit carried forward of €0.4 million, equity rose to €4,813.1 million (December 31, 2021: €4,788.8 million). The equity ratio was 58.9 percent as at the reporting date (December 31, 2021: 60.7 percent).

Provisions went down by €30.6 million to €99.0 million, mainly because personnel provisions decreased by €37.9 million to €20.9 million. This decrease was primarily due to the reduction in the provision for short-term incentives and share-based remuneration. The Company added €9.4 million to pension provisions, however, taking them to a total of €73.0 million.

Liabilities amounted to €3,253.2 million (December 31, 2021: €2,964.6 million) and predominantly consisted of loan liabilities and cash pool liabilities to other Group companies amounting to €1,411.6 million (December 31, 2021: €2,035.1 million), liabilities to banks of €1,024.9 million (December 31, 2021: €421.8 million), and the corporate bond of €500.0 million (December 31, 2021: €500.0 million). After deduction of cash and cash equivalents, the resulting net debt amounted to €1,476.8 million as at the reporting date (December 31, 2021: €721.8 million).

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

Given the persistent uncertainties in the capital markets and the still elevated level of capital tied up, due mainly to the rise in net working capital, KION GROUP AG took further steps to secure its funding requirements in the year under review.

The commercial paper program was increased by €250.0 million to €750.0 million in April 2022. Of these funds, €305.0 million had been drawn down as at December 31, 2022. In addition, a total of five bilateral loans, each with a volume of €100.0 million, were taken out with banks in June and July 2022. The loans mature in 2023, 2024, and 2026. In October 2022, an additional longer-dated loan of €100.0 million with a two-year term was agreed. This borrowing was offset by the scheduled repayment of the short-term promissory note of €92.5 million in May 2022 and the early partial repayment of a long-term loan of €25.0 million.

Then in September 2022, the term of the variable-rate revolving credit facility (RCF) with a total volume of €1,000.0 million was extended by one year until October 2027. In December 2022, its volume was extended by €385.7 million to €1,385.7 million. The facility has a variable interest rate; the contractually agreed interest terms are linked to KION GROUP AG’s credit rating and to compliance with the Group’s sustainability KPIs.

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

Employees

The average number of employees at KION GROUP AG in 2022 was 286 (2021: 276). KION GROUP AG employed 289 people as at December 31, 2022 (December 31, 2021: 279).

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, 2023

The Executive Board

Dr. Richard Robinson Smith	Marcus A. Wassenberg	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. The KION Group believes that considering both sets of factors in the round will be instrumental to its success in achieving the objectives of the KION 2027 strategy. The Company's relations with its customers and employees, its technological position, compliance, and general sustainability considerations are described below.

Employees

HR strategy

In 2021, the KION Group's HR strategy was brought into line with the updated KION 2027 strategy. The ultimate objective of the KION Group's HR strategy is to continue to provide the best possible support for the targeted implementation of the KION 2027 strategy, with which it has been closely aligned for a number of years. The KION Group's success in the implementation of KION 2027 is founded on the capabilities and motivation of its employees. Implementation of the updated HR strategy began in 2022.

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

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 40,781 in 2022 (2021: 37,954).

As at December 31, 2021, the KION Group companies employed 41,149 FTEs, 1,547 more than a year earlier.

Employees (full-time equivalents)[1]

Dec. 31, 2022	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**22,453**	**4,097**	**1,226**	**27,776**
Western Europe	18,955	3,599	672	**23,226**
Eastern Europe	3,469	491	554	**4,514**
Middle East and Africa	29	7	–	**36**
Americas	**962**	**5,660**	**–**	**6,622**
North America	357	4,664	–	**5,021**
Central and South America	605	996	–	**1,601**
APAC	**5,323**	**1,428**	**–**	**6,751**
China	4,560	491	–	**5,051**
APAC excluding China	763	937	–	**1,700**
Total	**28,738**	**11,185**	**1,226**	**41,149**
Dec. 31, 2021				
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**

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

Personnel expenses rose by 9.1 percent year on year to €2,848.7 million due to the growth in the average number of employees for the year and to general salary increases.

Personnel expenses

in € million	2022	2021	Change
Wages and salaries	2,274.9	2,098.2	8.4%
Social security contributions	500.1	453.7	10.2%
Post-employment benefit costs and other benefits	73.6	60.1	22.5%
Total	**2,848.7**	**2,612.0**	**9.1%**

Diversity

The KION Group, which has a direct presence in around 40 countries, sees itself as a global company with intercultural awareness: As at December 31, 2022, people of more than 110 nationalities were employed across the KION Group.

One of the ways in which the Company promotes international collaboration between employees is the KION expat program, which gives employees the opportunity to transfer to different countries where the KION Group is represented.

The KION Group is taking various steps to tackle the challenges of demographic change, for example by providing working conditions that are as well suited as possible 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, 2022, 23.8 percent of employees were over the age of 50 (December 31, 2021: 23.9 percent).

The proportion of the KION Group’s total workforce made up of women was slightly higher at 17.8 percent in 2022, compared with 17.1 percent in 2021. 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. A Diversity & Inclusion Council was set up in 2022 with members drawn from the ranks of international managers and the objective of making the Company even more focused on the various aspects of diversity, inclusivity and equality. In addition, various initiatives were continued in 2022 that are aimed at increasing diversity in the Company. The Group launched the Female Mentoring Program for its female managers in 2018, which also continued in 2022. 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 employees with common characteristics, interests, or backgrounds can forge contacts and share information.

Development of specialist workers and executives

In 2022, further good progress was made in the implementation of the new global process introduced in 2017/2018 for performance management and succession planning. Content was updated and measures to manage the performance of executives were strengthened, for example, and special attention was paid to identifying successor candidates for key positions. There was an additional focus on identifying high-potential candidates who will be put on targeted development programs. Since 2018, three cohorts of global high-potential candidates have successfully completed a training course to set them on the path to taking on an executive role. Some of them have already been promoted to an executive position. The fourth cohort started the course in autumn 2022. The first university graduates successfully completed their management trainee program in 2021. Further groups began the program both in autumn 2021 and 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 18 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 799 as at December 31, 2022 (December 31, 2021: 713).

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. The program was suspended in 2022 due to the coronavirus pandemic (as had also been the case in 2020 and 2021) and to the economic impact of the war in Ukraine.

The eligible participants received the matching shares that they were due in 2022.

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

All KION Group's companies aim to ensure a high level of employee commitment. A second global employee survey was conducted in 2022, following on from the first one in the prior year. 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 77 percent of the workforce completed the survey, a very encouraging increase in participation of 13 percentage points. The KION Group achieved an unchanged engagement score of 74 on a scale of 0 to 100 in the second year of the survey, which meant it again 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

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

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

In 2022, activities were focused on rolling out the mandatory HSE standards at all sites. Employees can access these standards via the intranet. As the pandemic situation eased further, it became possible to resume more and more training and other advisory services in the area of occupational health and safety.

The audit program continued in 2022 as a means of ensuring the ongoing systematic management of critical functions. It is based on the ISO 14001, ISO 45001, and other standards and covers the KION Group's production facilities as well as sales, service, and installations. Corporate HSE audits were also carried out at multiple sites, including in Brazil, Poland, Germany, and Italy. All sites are scheduled to be certified to ISO 14001 and ISO 45001 by 2024. Implementation will be aided by a self-assessment tool that was developed in 2021 and rolled out across the Group's facilities during the reporting year. The tool allows the degree to which the HSE standards have been applied to be evaluated at site level. In combination with the Group-wide HSE risk assessment, this will provide a comprehensive picture of the HSE risks and the relevant risk management measures in place at the sites. Discussion and dialogue within the HSE expert network ensures that experience is shared and best practice is disseminated across the Group. This sharing of information is facilitated by meetings of HSE managers, regular conference calls, a groupwide HSE knowledge platform, and fixed appointments at the plants and sites.

Due to the ongoing potential for further waves of coronavirus, the KION Group rigorously kept up its measures aimed at preventing the spread of infection at the sites. This included the provision of protective equipment and disinfectant, and recommendations on hygiene and social distancing.

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 2022, are included in the KION Group's separate sustainability report, which will be published in April 2023 on the KION GROUP AG website (www.kiongroup.com/sustainability).

Research and development

Strategic focus of research and development

Under the newly refined 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 and sustainable supply chain solutions and mobile automation solutions. R&D activities are focused on the two strategic fields of action 'automation and software' and 'sustainability'.

R&D activities essentially take place on a cross-brand and cross-region basis, which makes it easier for research findings and technological know-how to be shared across the Group. 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 by 17.7 percent to €321.3 million in 2022 (2021: €273.0 million). This equates to 2.9 percent of revenue (2021: 2.7 percent). R&D costs totaling €203.3 million were expensed (2021: €174.7 million). There were also amortization charges on capitalized development costs of €112.6 million (2021: €99.9 million), which are reported under cost of sales (see note [16] in the notes to the consolidated financial statements).

Research and development (R&D)

in € million	2022	2021	Change
Research and development costs (P&L)	203.3	174.7	16.4%
Capitalized development costs	118.0	98.3	20.0%
Total R&D spending	**321.3**	**273.0**	**17.7%**
R&D spending as percentage of revenue	2.9%	2.7%	–

The number of full-time equivalents in R&D teams had risen by 7.9 percent to 2,000 employees as at the end of 2022 (December 31, 2021: 1,854). The KION Group pursues a dedicated patent strategy to protect against imitations of its technology. As at the end of 2022, the companies of the KION Group together held a total of 2,843 patent applications and issued patents (December 31, 2021: 2,804). They applied for 94 new patents in 2022, compared with 81 in 2021.

Focus of R&D in 2022

Automation and software

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

New AMRs designed for use in warehouses and factories were added to the portfolio of automation solutions last year. Linde Material Handling unveiled the Linde C-MATIC, for example, which is designed to transport materials horizontally and is highly maneuverable and rapid, even in tight spaces. The Linde C-MATIC HP improves operational processes by automatically detecting obstacles via a safety scanner and through its flexible load pick-up capabilities. Initial big-ticket orders underline the sales potential for the KION Group's AMR solutions, which is also being fulfilled through a strategic partnership with Chinese AMR specialist Quicktron. Developed in conjunction with the Fraunhofer Institute for Material Flow and Logistics (IML), the LoadRunner AGV, which uses AI-based swarm technology, was successfully trialed in 2022. The trial confirmed that the LoadRunner could achieve a high speed and exceptional sorting capacity. The KION Group obtained a license to use IML's LoadRunner technology internationally.

The European research project IMOCO (Intelligent Motion Control), which started in February 2022, is aimed at enabling intelligent trucks to navigate autonomously in fast-moving intralogistics environments.

Dematic widened its service portfolio to include visual inspections of intralogistics facilities carried out with the help of drone technology. This has the potential to reduce the time and work involved in performing mandatory checks on automated warehouse systems.

And in the third quarter of 2022, Dematic entered into a strategic partnership with Dexterity in order to integrate the North American company's software as a service platform for robotics intelligence into the KION Group's system-based solutions and software. The platform, which relies on highly sophisticated algorithms, can be used to help upgrade standard industrial robot arms into full-task robots that can tackle complex intralogistics challenges.

Linde Material Handling also uses cloud-based control software in its AMRs that greatly simplifies initial set-up and later adaptations. The cloud-platform supports the VDA 5050 interface standard, which the KION Group and its brand company STILL co-developed in a project with the German Association of the Automotive Industry (VDA) and the German Mechanical Engineering Industry Association (VDMA). VDA 5050 enables automated guided vehicle systems and control software supplied by different manufacturers to communicate with each other.

Sustainability

The KION Group is forging ahead with the development and refinement of energy-efficient drive solutions, from internal combustion engines to various electric drive systems and fuel cells. For example, it is working on solutions for the entire lithium-ion battery lifecycle, including charging management, reconditioning, and recycling. In April 2022, KION Battery Systems (KBS) launched a second production line for 24-volt batteries used to power mobile warehouse trucks.

At the same time, the KION Group's brand companies broadened the use of lithium-ion batteries to include additional load ranges and applications. Linde Material Handling launched new extra heavy-duty trucks in the 10–18 tonne load range and began marketing the T14–T20 series of pallet trucks in the 1.4–2.0 tonne load range with a fully integrated lithium-ion battery. Electric tow tractors that can tow up to 35 tonnes and electric platform trucks that can move up to 3 tonnes of payload are now also available. STILL launched the X-cellence line onto the market. The flagship RXE series reduces energy use by up to 17 percent compared with its RX predecessors. STILL also unveiled the new and compact RXE 10-16C electric forklift truck, which can move loads of up to 1.6 tonnes. For the volume segment, Baoli brought out the EP 15-03 hand pallet truck with a lithium-ion battery drive.

Through a minority stake in software specialist ifesca GmbH, the KION Group also continued to develop AI-based energy management solutions. 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 predict the availability and consumption of electricity and to schedule the charging times.

Important progress was also made in non-electric development. STILL began work on a 24-volt fuel cell system for warehouse trucks that is due on the market in 2023. It will be the only original equipment manufacturer thus far to produce these systems itself. Linde Material Handling completed its HVO diesel trials and was able to approve this fuel made of fully renewable hydrotreated vegetable oil for the engines used in its diesel truck fleet. Customers switching to HVO will be able to lower their carbon emissions compared with conventional diesel. They will also reduce local emissions such as fine particulate matter, nitrogen oxide (NO_X), hydrocarbons (HC), and carbon monoxide (CO), which will be beneficial to the working environment for employees. Other new safety features such as a visibility-optimized mast for reach trucks round off the sustainability-oriented developments in 2022.

Projects as part of R&D partnerships

Eight collaborative projects were taking place at various KION Group sites as at the end of 2022.

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. The 5Guarantee collaborative project is researching how 5G can be embedded in the Industrial Internet of Things. KION's role is to investigate how to control and locate fleets of industrial trucks in real time using 5G technologies. Throughput and latency in data transmission was one of the focal points.

The GRASS project is researching new approaches for the autonomous picking of orders by robots in warehouses. Its activities are centered around algorithms for identifying goods in warehouse racking and on the use and control of robot arms and grabbers. As part of KI.FABRIK, a project receiving public-sector support, concepts for a futuristic AI-controlled factory are being developed by the Technical University of Munich and industrial partners, among them Linde Material Handling. Key to this project are mobile robotic solutions and the networking of internal logistics and production. KION is also an industry partner in the European research project IMOCO4.E, which aims to significantly expand the autonomous capabilities of vehicles and open up a broader field of applications in the human-machine production environment. The objective of the joint Canadian-German undertaking ARIBIC is to demonstrate a platform that uses continuous AI-driven data analysis to create a real-time digital twin of a warehouse.

One further new collaborative project, CampusOS, was started in 2022. Its mission is to establish an ecosystem for open 5G campus networks using non-captive wireless technology and interoperable components. In addition, Dematic launched the joint AIGV project with the University of Edinburgh in 2022 with the aim of making person/robots-to-goods applications much more efficient, flexible and customer-oriented for the warehouses of tomorrow. Funded by the UK's Royal Academy of Engineering, the industrial fellowship partner will contribute its expertise in multi-agent reinforcement learning to the development of flexible planning and navigation algorithms based on artificial intelligence.

Customers

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

The KION Group is a global player operating in many customer sectors and enjoys established relationships with its customers. It 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 help Dematic to further consolidate its position in major customer sectors, including general merchandise, grocery wholesale and retail, apparel, and food and beverage manufacturing.

Following their pandemic-related hiatus, trade fairs and other industry events began to take place physically again in 2022. The KION Group and its brand companies took advantage of the opportunity to maintain relationships with customers and pursuade them of the benefits of its various material flow solutions. The virtual formats and online events continued as well.

At the flagship LogiMAT trade fair in Stuttgart, the KION Group's brand companies presented a broad range of new intralogistics solutions. Whereas STILL gave practical demonstrations of its ACH series of AMRs, Linde focused on the next generation of electric forklift trucks and fleet management solutions. Baoli was represented by three new industrial truck models, including its new electric hand pallet truck with a lithium-ion battery drive. Dematic unveiled the #Bringiton campaign, through which it is addressing the key challenges facing the intralogistics sector. Linde's World of Material Handling event returned for the first time in June. The KION Group was represented by its brand companies at various other trade fairs as well, such as CeMAT AUSTRALIA, the Logistics Summit in Hamburg, and ACHEMA, the world's leading trade show for the process industry. Linde and Dematic also jointly exhibited at the China International Import Expo (CIIE) in Shanghai.

The KION brand companies won further accolades for their product quality and innovation last year. Linde once again collected the ETM Award for 'Best Brand' in the industrial trucks category. And readers of trade magazine materialfluss voted the Linde X20 – X35 electric forklift trucks and the Linde logistic train controller (a cloud-based tugger train guidance system) as the best products of 2022 in their respective categories. The electric forklift trucks were also nominated for the Design prize of the German Sustainability Awards (DNP). Dematic was positioned in first place in a ranking of the 20 leading providers of warehouse automation compiled by the ARC Advisory Group.

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. The 'sustainability' field of action is part of the KION 2027 strategy and is defined by the key aspects of the sustainability strategy. The KION Group's values also have a clear link to sustainability.

In 2022, the Executive Board of KION GROUP AG approved the framework for the revised sustainability strategy. Still under the overarching theme of 'We take responsibility', the activities and strategic objectives in the three strategic dimensions – people, products, and processes – are now brought together in eight restructured fields of action that address the Company's contribution to a climate-neutral, circular economy, its product portfolio, and its employees.

As part of the ongoing evaluation by external independent auditors and rating agencies, the KION Group's sustainability performance was reaffirmed in 2022. Its rating from ISS remained at B–, which equates to prime status. The CDP Climate Change score improved to A- (Leadership). The rating from S&P Global CSA rose by a further five points to 62 points. EcoVadis awarded the KION Group its second-highest rating of Gold. The year under review also saw the KION Group achieve a total score of 26.6 in the ESG rating from Sustainalytics. In November, it notched up an ESG score of 48 as part of the broad rating from Vigeo Eiris. This put it in 48th place out of 51 companies in the peer group Industrial Goods and Services Sector.

The groupwide sustainability report for 2022, which will be published in April 2023, 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. The 2022 report is the first that discloses not only the taxonomy-eligible but also the taxonomy-aligned business activities of the KION Group in regard to the first two environmental objectives defined in the EU Taxonomy Regulation. Because of this separate detailed reporting, the KION Group has not provided additional information in the 2022 combined management report.

Compliance

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

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

Responsibilities

The Executive Board of KION GROUP AG bears collective responsibility for the functioning of compliance management within the Group; the compliance department reported to the Chief Financial Officer of KION GROUP AG in 2022 and will report to the Chief Executive Officer going forward. 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.

In 2022, no violations of the KION Group Code of Compliance were found within the KION Group that revealed a relevant gap in the compliance management system.

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, 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, by completing an online form, by sending an email or letter, by calling an internal KION Group hotline, or by contacting a compliance officer directly. The precise contact details can be found online at www.kiongroup.com/whistleblowing.

Outlook, risk report, and opportunity report

Outlook

Forward-looking statements

The forward-looking statements and information given below are based on the KION Group's current expectations and assessments up to the time of preparation of this combined management report. Consequently, they involve a number of risks and uncertainties. Many factors, some of which are beyond the control of the management, affect the Group's business activities and profitability as well as the earnings of the strategic management holding company, KION GROUP AG. Performance particularly depends on macroeconomic and industry-specific conditions and may be negatively affected by 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 forecasts below.

The prospects for 2023 are very uncertain in view of the severe ongoing disruption to global supply chains and the volatile macroeconomic and geopolitical situation at the time that this combined management report was prepared. The risk factors described below, as well as customers' unwillingness to invest, may have an adverse impact on procurement, production, and sales activities.

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

Assumptions

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

This outlook is based on the market assumptions of the International Monetary Fund (IMF) with regard to the expected economic fallout from the war in Ukraine, inflation and anti-inflationary measures, and the ongoing consequences of pandemic-related disruptions to supply chains.

Expected macroeconomic conditions

The IMF expects global economic growth to slow again in 2023 to 2.9 percent. It predicts that the developed economies will expand by just 1.2 percent, with growth in the eurozone (0.7 percent) projected to remain markedly lower than the rate in the US (1.4 percent).

The economies of the developing countries and emerging markets are likely to be much more stable, with their anticipated growth rate of 4.0 percent roughly on a par with the level achieved in 2022. This forecast is driven largely by the expectation of a rebound of growth in China to 5.2 percent following the lifting of its zero-COVID strategy.

The IMF believes that, in 2023, the inflation rate will drop to 6.6 percent as a result of the more restrictive monetary policy of the central banks and the slowdown in growth. Commodity prices are also primed to ease, with energy commodities likely to see the biggest falls.

The IMF expects the volume of global trade to expand by 2.4 percent in 2023, down sharply from the growth rate of 5.4 percent in 2022 due to the weakening of the economy.

According to the IMF, there is still risk associated with the macroeconomic outlook and the related deterioration in the economic climate. The main risk factors are a worsening of the coronavirus situation in China as restrictions are lifted, escalation of the war in Ukraine, and a debt crisis resulting from stricter funding conditions worldwide. Inflation could also be driven back up if the war in Ukraine or faster-than-expected growth in China leads to higher energy and food prices. A deepening of the crisis in the Chinese real-estate sector is regarded as a further risk. Should the crisis spill over to the banking sector, it would severely dent the country’s economic growth, with the fallout extending beyond China’s borders.

Expected sectoral conditions

In the KION Group’s view, the economic environment described above and the softening of the market in 2022 make it unlikely that the figures for the global material handling market in 2023 will match those achieved in 2022. However, the KION Group does believe that the long-term upward trend remains intact, with the market growing at a faster rate on average than global economic growth as a whole. The central drivers of this growth are the fragmentation of value chains and the automation of warehouses and distribution centers for faster delivery times to consumers. 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 that the number of new industrial trucks ordered in 2023 will see a steep decline in the high single-digit percentage range. This reduction in order intake will primarily be due to an anticipated decrease in the EMEA and Americas regions. By contrast, new orders are expected to increase slightly in the APAC region. In the long term, the KION Group currently expects to see continued market growth in the new truck business of around 4 percent.

Based on external analysis, the KION Group expects the market for supply chain solutions to also contract slightly in 2023. Huge sums have been invested in warehouse automation in recent years, a trend accelerated by the coronavirus pandemic, but 2023 is likely to see growth rates continuing to normalize, particularly in the e-commerce sector. This is mainly due to high interest rates and commodity prices – although these are expected to ease – and to the uncertain economic outlook amid a tense geopolitical environment.

The KION Group predicts that the long-term growth of the market for supply chain solutions will remain intact. According to the KION Group, and backed up by research institute Interact Analysis, e-commerce customers are likely to become much more willing to invest again after the end of 2023 as the trend toward automation advances and inflation eases. One of the key reasons for this prediction is that the importance of online sales remains high and customers continue to expect rapid delivery times.

Expected business situation and financial performance of the KION Group

In 2022, the KION Group took decisive steps in both operating segments in order to enhance the long-term resilience of its business model. The steps taken to structure contracts in a way that allows price adjustments and manages risk, along with the measures designed to improve processes in procurement, production, and project management, are expected to have an effect on gross margins as early as 2023.

The revenue growth anticipated in the Industrial Trucks & Services segment will be only partly affected by the weakening of the market as there is still a very high volume of orders on the books from 2022 to be processed. The likely lower level of demand for new business should provide the segment with an opportunity to shorten delivery times over the course of the year and reduce the remaining inventories of unfinished trucks. Revenue and the gross margin for new business will benefit from the list price increases that were introduced in 2022 in response to the growth of manufacturing costs. The segment is progressively working through its order book, which means that most of these positive price effects will not materialize until the second half of the year. Given that the availability of materials is predicted to improve, the segment should see year-on-year growth in revenue from new business. In the service business, the high number of industrial trucks in operation worldwide provides solid foundations for a small rise in revenue. The KION Group expects the adjusted EBIT of the Industrial Trucks & Services segment to improve markedly, mainly thanks to the positive price effects and the assumption that manufacturing costs for new business will remain largely stable.

In the Supply Chain Solutions segment, the focus is on continuing to strengthen operational resilience by structuring contracts in a way that minimizes risk and on improving processes in procurement, project delivery, and project management. The portfolio of integrated automation and software solutions is being systematically refined and provides the basis for a stable level of business in the key sales industries (general merchandise, apparel, food and beverage, and grocery). Nonetheless, the revenue that the segment earns from the project business (business solutions) is predicted to fall sharply, not least because there is likely to be less investment on the part of e-commerce providers. By contrast, further revenue growth is anticipated in the high-margin service business. The gross margin is expected to improve thanks to the higher proportion of new contracts with customers that contain adequate price adjustment clauses and thanks to the steps now under way to optimize project management processes. The adjusted EBIT of the Supply Chain Solutions segment is predicted to rise sharply, primarily on the back of the improved gross margin in the project business (business solutions).

Revenue, adjusted EBIT, free cash flow, and return on capital employed (ROCE) have been defined as the core key performance indicators that will be used to manage the KION Group from the 2023 financial year onward. Consequently, order intake is no longer included in the outlook.

The Executive Board expects the core key performance indicators of the KION Group and its operating segments to be at the following minimum levels in 2023:

Outlook 2023

	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	2022	**Outlook 2023**	**2022**	**Outlook 2023**	**2022**	**Outlook 2023**
Revenue[1]	€11.1 billion	minimum €11.0 billion	€7.4 billion	minimum €7.8 billion	€3.8 billion	minimum €3.2 billion
Adjusted EBIT[1]	€292.4 million	minimum €550 million	€420.5 million	minimum €600 million	€–45.6 million	minimum €65 million
Free cash flow	€–715.6 million	minimum €500 million	–	–	–	–
ROCE	2.9%	minimum 5.0%	–	–	–	–

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

Overall statement on expected performance

Overall, the KION Group believes that it is well prepared for the future in view of the steps that it has taken to boost its resilience. It expects an increase in revenue and a significant improvement in both adjusted EBIT and return on capital employed (ROCE) in 2023. As a result, it anticipates that free cash flow will be comfortably into positive territory. However, the aforementioned market-related and geopolitical risks continue to create uncertainty regarding the business performance of the Group and its operating segments.

Risk report

Risk strategy

The business activities of the KION Group necessarily involve risk. Dealing responsibly with risk and managing it in a comprehensive manner is an important element of corporate management. The overarching aim is to fully harness business opportunities while 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 in a timely manner 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, supported by 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

Risk management system

Under its KION 2027 strategy, the KION Group is consciously taking on a limited amount of risk in order to achieve its business objectives. In doing so, it follows a well-balanced risk strategy that is conditional upon it always being able to secure external funding. 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. In combination with the risk strategy, risk-bearing capacity provides the framework for the risk appetite of the Operating Units in respect of the different risk types. It is calculated as the ratio of adjusted EBITDA on an annualized basis to the simulated risk position. Monte Carlo simulation was introduced in 2022 in order to calculate the simulated risk position. 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, risks arising from the lease business, and compliance risk, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with 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. These risk roles are also established at the level of Operating Units. 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 scope of consolidation for the consolidated financial statements. 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. Following this discussion, the 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 KION GROUP AG Executive Board and the Audit Committee of the Supervisory Board of KION GROUP AG are informed of the Group's risk position once a quarter. The Internal Audit department audits the risk management system at regular intervals.

Internal control system

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

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

An effective and efficient internal control system is key to successfully managing risks in business processes. 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

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

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

The main objectives of the accounting-related internal control system are to avoid the risk of material misstatements in financial reporting, to identify material mismeasurement, and to ensure compliance with the applicable regulations and internal instructions. This includes verifying that the consolidated and separate financial statements and the combined management report comply with the relevant accounting standards.

For its (Group) accounting process, the KION Group has defined 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.

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. A team is responsible for monitoring the system-based controls, which it supplements with manual checks. 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.

Risk

Aggregate risk

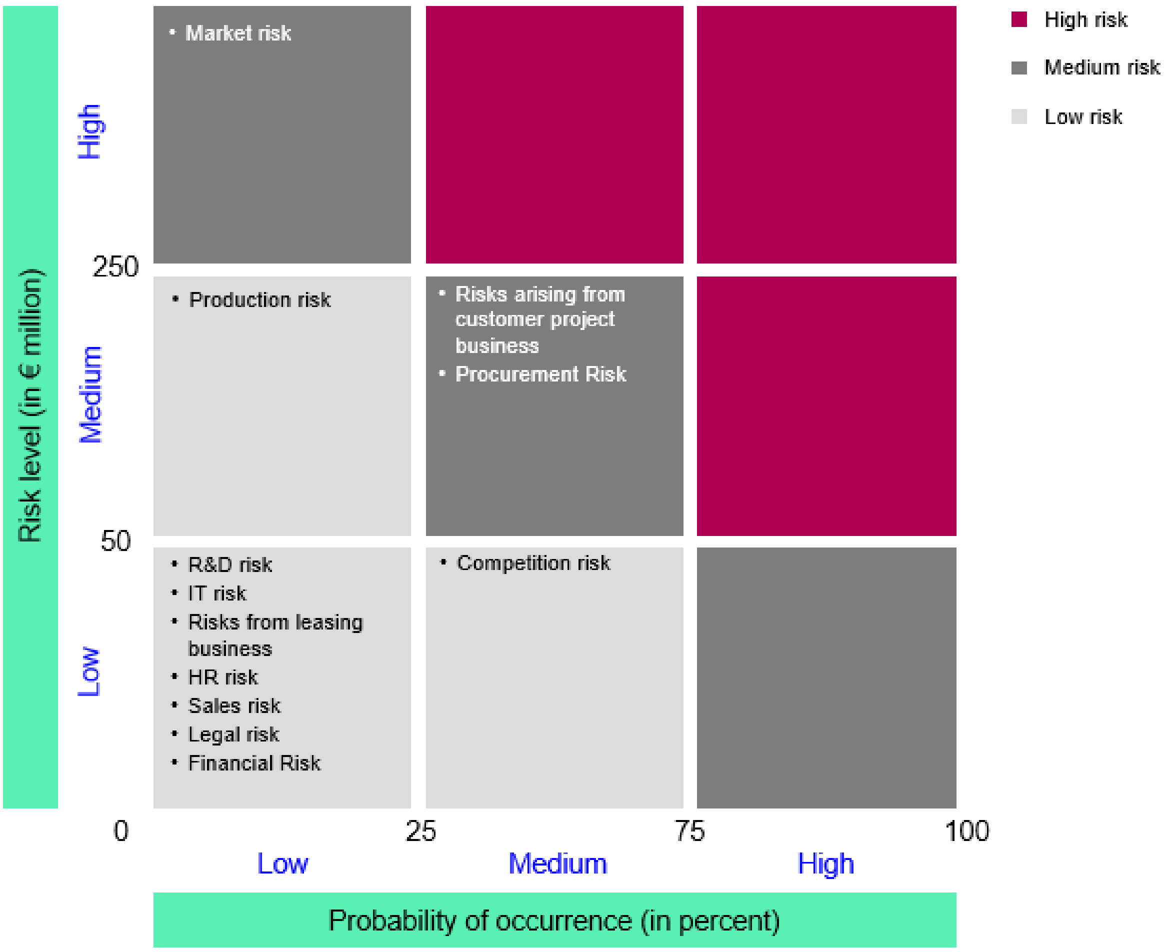
The fundamental shift in the geopolitical situation resulting from the war in Ukraine has increased economic risk. Particularly in the EMEA region, the main sales region for the KION Group, the shortages and increased price of energy commodities may trigger a recession that would affect the Company's key customer industries. There is also the risk of further inflation following the sharp price rises seen in 2022 and of a potential destabilization of the international financial markets if interest rates rise and a debt crisis unfolds in emerging markets and developing countries.

The war in Ukraine, meanwhile, has exacerbated the already severe disruption to supply chains and this has led to an increase in procurement risk for the KION Group. Despite an easing of the strict coronavirus restrictions in China, the situation remains uncertain, meaning that production delays or stoppages could result in an even more limited availability of parts and materials, and potentially also push up the cost of materials, energy, and logistics. The countermeasures initiated in 2022 on the supplier side, including the optimization of internal processes, are helping to contain procurement risk. The risk matrix below showing the relevant probabilities of occurrence and levels of risk from the Group's perspective remained unchanged compared with the end of 2021. The risk level for procurement risk was lowered to medium, having been high in the Q2 2022 interim report; the probability of occurrence remained unchanged.

Overall, the risk situation continues to be regarded as moderate. 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 individual or aggregated 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 known risks were reflected in the outlook for 2023.

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.

The KION Group also continuously identifies, assesses, and mitigates sustainability-related risks. Any of these risks that have a measurable financial impact are incorporated into an existing risk category as appropriate.

Market risks and competition risks

Market risks

Market risk can arise when the economy as a whole or the relevant sector does not perform as well as had been anticipated in the outlook. In the Industrial Trucks & Services segment, the outlook for 2023 with regard to new business assumes a noticeable decline in order intake, which due to the high level of orders on hand should have only a moderate impact on the anticipated level of revenue. In the Supply Chain Solutions segment, the KION Group is expecting a lull in investment in warehouse automation. The problems with the supply of materials and components that are persisting across various sectors worldwide may have an adverse impact on the material handling market. However, the KION Group believes that the probability of occurrence for such risk and the level of risk will remain unchanged in 2023 compared with the prior year.

Cyclical fluctuations in macroeconomic activity affect both the market for industrial trucks and the market for supply chain solutions, although the latter generally has greater immunity to economic cycles. 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 importance of the North American business in the Supply Chain Solutions segment and the prospective 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 KION Group's modeling of the market is based on a further slowdown in global economic growth and a recession in Europe, as explained in the outlook. In addition, there are significant sources of risk that could have an adverse impact on the market environment and, as a result, on the KION Group's business. These include a potential worsening of the supply chain problems, unexpected price increases, and financial market risks, for example in the form of higher risk premiums for emerging markets, making it more difficult to finance capital expenditure.

Risks in connection with trade disputes and geopolitical conflicts and tensions may also hinder some aspects of the global economy's recovery. As well as the war in Ukraine, the focus here is on a potential escalation in the trade dispute between the US and China. In the medium term, new barriers to trade could significantly hamper production and lead to renewed disruption to global supply chains.

All these factors could have a negative impact on customers' willingness to invest and thus on demand for the KION Group's products and result in a further deterioration of the already muted market outlook. 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 various sources of risk, including any knock-on effects, and the geopolitical situation are monitored closely. Measures have been taken in both operating segments to help contain the earnings risk arising from reductions in revenue as a result of economic conditions. Diversification of the customer base in terms of industry and region and the expansion of service activities also play a role in mitigating risk.

Moreover, the KION Group closely monitors the market and 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.

The KION Group mitigates such strategic risks by, for example, carrying out in-depth market research, conducting thorough evaluation procedures to assess political and economic conditions, and structuring contracts appropriately.

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 for the KION Group. This is especially the case in the volume and premium segments.

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

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 and services 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 through an integrated offering across the two operating segments. Overall, competition risks for 2023 continue to be regarded as having a medium to high probability of occurrence, while the level of risk is considered to be low.

Risks along the value chain

Research and development (R&D) risks

The KION Group's market success and business performance depend to a large extent on its ability to tailor its portfolio to the specific needs of the various industries in which its customers operate. Key to this is the integration of the hardware (industrial trucks and automation solutions), software (from control center to vehicle control), and services (from repair to financing) into a single offering. The Group therefore needs to continually develop products that meet customer expectations and comply with changing regulatory and technological requirements. To this end, the KION Group must anticipate customers' needs and changing market conditions and has to quickly bring new products to market. If the Company fails to do this, 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, inputs and intermediate products, logistics services, and energy.

The rises in the cost of materials, energy, and logistics, from an already high level, increased procurement risk for the KION Group in the reporting year. In 2022, the proportion of cost of materials for new trucks in the Industrial Trucks & Services segment directly influenced by changes in commodity prices increased. Moreover, conditions in the commodity markets typically affect component prices after a delay of three to six months.

Disrupted supply chains and the resulting reduction in the availability of parts and materials is being further exacerbated by the ongoing war in Ukraine. Uncertainty related to coronavirus, particularly in China, could also lead to further risks on the procurement side. Bottlenecks in suppliers' capacity could lead to backlogs in the supply of further raw materials and components to the KION Group at any time. 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.

It is very difficult to make predictions about how 2023 will unfold. However, countermeasures have been initiated at an early stage in order to mitigate problems with suppliers and in respect of sales to customers. For example, the supplier base has been diversified to an even greater extent in order to mitigate disruption in the supply chains and suppliers are being closely monitored in the context of a global procurement function. In addition, dedicated project teams are continually monitoring supply chains, the availability of materials, and suppliers' ability to fulfill orders. For critical materials, the KION Group has also increased its buffer of inventories.

Furthermore, the continued sharp rise in material, energy, and logistics costs is being passed on to customers – wherever possible and taking into account the competitive situation – through specially structured contracts that allow for appropriate increases in list prices, reflecting the prevailing market situation in each case.

Overall, the prevailing procurement situation is unchanged compared with previous year. The risk level for procurement risk was lowered to medium, having been high in the Q2 2022 interim report; the probability of occurrence remained unchanged.

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 level in respect of business process disruptions and production outages at individual sites, which had temporarily increased as a result of the coronavirus pandemic, is viewed as moderate for 2023, with a low probability of occurrence for such risk. 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. Once again, no production departments or entire sites needed to be closed in the reporting year.

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, and trains its staff. 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 an increase in project costs, to revenue and profit being recognized in subsequent years or, in isolated cases, to the imposition of contractual penalties. Another possible risk is that the technology deviates from the promised specifications, which may result in additional completion costs and contractual penalties. This is influenced by the customized development of sometimes innovative technologies at customer sites, which can increase the risk of technology failures and contractual penalties having to be paid as a result. 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 (or cannot be fully) passed on to the customer.

The wide-ranging measures that were taken in response to the unsatisfactory earnings performance in 2022, such as improvements to internal processes in project delivery and project management and the inclusion of price adjustment clauses in customer contracts, will help to mitigate risk in 2023. Project-specific risk management is also carried out. 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 mitigated to the greatest extent possible.

The potential risks that may arise in the project realization phase are monitored in every individual project using detailed continuous reviews based on the individual items of work that make up the project. This enables corrective measures to be taken at an early stage and thus keeps risks under control. In the customer project business, the aforementioned 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 remain at a moderate level in 2023. This is after factoring in the risk-mitigating effects of the measures that have been taken.

Sales risks

The main sales risks – besides a drop in demand caused by market conditions – result from dependence on individual customers and sectors. Despite the expected downturn in the macroeconomic environment, the risk that customers will cancel or postpone orders has not, in the assessment of the KION Group, significantly increased. Once again, there were no significant cancellations or problems resulting from other changes to orders in 2022. The risk level and probability of occurrence for sales risk are therefore both regarded as low for 2023, as was also the case in 2022. However, the KION Group is continuing to engage in dialog with its customers and is closely monitoring the geopolitical and market-related risks and their potential consequences.

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 risk

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 cyberattacks on IT systems of the KION Group. For example, 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. Events in 2022 gave no grounds to assume otherwise.

Financial risks

The main types of financial risk relating to corporate finance 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, 2022. It relates, for example, 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. There is a particular risk of exceeding the agreed maximum level of leverage as at a specific reference date, which would give lenders a right of termination.

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.

Goodwill and brand names with an indefinite useful life represented 27.6 percent of total assets as at December 31, 2022 (December 31, 2021: 28.3 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.

Overall, the level of financial risk remaining unchanged compared with the previous year.

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, where it makes commercial sense to do so.

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

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

Human resources risks and legal risks

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

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

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. There are also risks arising from the need to implement regulatory requirements intended to facilitate a circular economy and limit climate change. The level of these risks is regarded as low due to the KION Group's business model and to the standards that have already been achieved in the areas of energy-related emissions, occupational health and safety, and supply chain monitoring.

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 2023 than has been assumed for the purposes of the outlook. In a positive macroeconomic scenario, order intake and revenue could exceed the target ranges, which would have a positive effect on earnings too. A positive macroeconomic scenario could also mean that energy costs rise less steeply, making customers more willing to invest.

In its outlook for 2023, the IMF notes that the aforementioned obstacles to growth will diminish in the second half of the year. The expectation is that the effects of the pandemic will lessen 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 and an easing of interest rate policy due to falling inflation that were not factored into the planning.

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

- Commercial pressures and pressure from society and governments to forge ahead with the transition to a green economy mean that material handling solutions are increasingly required to be climate neutral. This is stimulating demand for industrial and warehouse trucks powered by electric motors, which is a particular area of strength for the KION Group, especially in regard to lithium-ion technology. The KION Group is also investing in fuel-cell technology as a further building block in the transition to a green economy and an opportunity to improve on its outlook for 2023.
- Despite an expected lull in growth in 2023, high rates of expansion are predicted for the KION Group's main customer segments in e-commerce in the next few years, accelerated by the change in consumer behavior. The increasing trend toward online shopping is driving demand for warehouse automation solutions, including networked automated guided vehicle systems, mobile robotics applications, and industry-specific system solutions.
- The 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.
- Demographic change is resulting in a shortage of workers. This is creating increased demand for warehouse automation, mobile automation, and robotics solutions.

Strategic opportunities

The positive impact of the strategic activities under the KION 2027 strategy is already appropriately reflected in the expectations regarding the KION Group's financial performance in 2023. 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 the KION Group's market-leading position in the EMEA region (measured in terms of units) and achievement of a stronger position in the APAC and Americas regions, in particular by the opening of new production facilities and technology centers, boosting its technological expertise through focused research and development activities, developing new equipment focused on the specific needs of customers in the individual regions, making greater use of shared modules, and harnessing potential for cross-selling between the two segments; and
- expansion of the service and financial services portfolio at every stage of the product lifecycle, taking advantage of the high number of trucks in use.

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

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

Business-performance opportunities

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

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

- Measures to improve the general cost structure and internal processes in procurement, production, logistics, and project management may help the KION Group to achieve growth more efficiently in the future. For example, continuing to implement the measures initiated in 2022 and passing on the increased cost of materials and energy to customers in the form of price rises could have a very positive impact on earnings and thus lead to a sustained improvement in the competitive position.
- Ongoing efficiency increases in the production network, including through the integration of additional sites, automation projects, and the relocation of production, may boost sales and improve the gross margin.
- In the Supply Chain Solutions segment, 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.
- Effective use and centralized coordination of global development capacities may create synergies and economies of scale.

Summary of opportunities

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

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, 2022. 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, 2022, the Company held 73,876 shares in treasury. The primary intention is to offer these treasury shares to staff as part of the KION Employee Equity Program (KEEP).

2. Restrictions on voting rights or the transfer of shares

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

In respect of the KION GROUP AG shares that they hold and are required to purchase in accordance with their individual Executive Board service contract, the members of the Executive Board have committed to a lock-up obligation for the duration of the term of their individual Executive Board service contract. As at December 31, 2022, the Executive Board members together held 27,934 shares in KION GROUP AG that they are required to hold under the share ownership guidelines. This equates to around 0.02 percent of the shares issued by the Company. Further details of the share ownership guidelines for the Executive Board members in office as at December 31, 2022 can be found in the 2022 remuneration report, which is published on the KION GROUP AG website at www.kiongroup.com/remuneration.

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

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

As far as the Company is aware, only Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg (‘Weichai Power’) directly held more than 10 percent of the voting rights in KION GROUP AG as at December 31, 2022 and its shareholding was 46.5 percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acquisition of shares for treasury

In 2022, the Company was authorized as follows to purchase shares for treasury:

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

The Company did not make use of this authorization in 2022.

From the shares already held in treasury, a total of 22,348 bonus shares were used during the reporting year as part of KEEP 2019 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 by the Annual General Meeting from the fully exhausted 2017 Authorized Capital has expired on May 10, 2022. Consequently, the Executive Board is currently authorized by the Annual General Meeting to use the 2020 Authorized Capital to increase the Company's share capital by up to €279,353 by issuing up to 279,353 new no-par-value bearer shares against cash contributions.

Debt instruments

On the basis of a resolution of the Annual General Meeting on 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. It expired on May 10, 2022, which means the 2017 Conditional Capital can no longer be used.

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, 2022) concluded between KION GROUP AG or Group companies of KION GROUP AG and third parties:

KION GROUP AG

- Sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021 (as amended), concluded between KION GROUP AG and, among others, Landesbank Hessen-Thüringen Girozentrale (outstanding nominal amount as at December 31, 2022: around €114.6 million).

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

- Sustainability-linked syndicated revolving credit facilities agreement dated April 20, 2022 (as amended), concluded between KION GROUP AG and, among others, Landesbank Baden-Württemberg (outstanding nominal amount as at December 31, 2022: around €703 million).

The provisions in the sustainability-linked syndicated revolving credit facilities agreement dated April 20, 2022 that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

As at December 31, 2022, the Company had promissory note agreements with a nominal amount of around €324.5 million outstanding:

- 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.

As at December 31, 2022, the Company had access to firmly pledged bilaterally agreed loan agreements totaling €575 million:

- Two bilateral loan agreements dated June 14, 2022, concluded between KION GROUP AG and the Frankfurt branch of Bank of China Ltd.;
- Bilateral loan agreement dated June 23, 2022, concluded between KION GROUP AG and the Frankfurt branch of Scandinaviska Enskilda Banken AB (PUBL);
- Bilateral loan agreement dated July 1/ July 4, 2022, concluded between KION GROUP AG and Landesbank Baden-Württemberg;
- Bilateral loan agreement dated July 20, 2022, concluded between KION GROUP AG and Landesbank Hessen-Thüringen Girozentrale;
- Bilateral loan agreement dated October 7, 2022, concluded between KION GROUP AG and ING Bank, a branch of ING DiBa AG.

The provisions in these bilateral loan 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 (outstanding nominal amount as at December 31, 2022: €500 million).

In the event that one person or multiple persons (the ‘relevant person[s]’), who are acting in concert within the meaning of section 34 (2) WpHG, or one or multiple third parties acting by order of the relevant person(s), at any time indirectly or directly hold(s) or has / have acquired (i) more than 50 percent of the outstanding share capital of the issuer or (ii) more than 50 percent of the shares of the issuer, to which more than 50 percent of the voting rights are assigned that can be exercised at an Annual General Meeting of the issuer under normal circumstances, and the credit rating is lowered due to a change of control within the change of control period, each beneficial owner has the right to demand repayment of their promissory note.

Group companies of KION GROUP AG

As at December 31, 2022, certain Group companies of KION GROUP AG also had finance totaling €1.351 billion outstanding in connection with the existing asset-backed securities documentation:

- Asset backed securities documentation in Italy dated September 14, 2016 (as amended), concluded between KION Rental Services S.p.A. and, among others, Commerzbank Aktiengesellschaft; the latter subsequently passed this on to its investors;
- Asset-backed securities documentation in the United Kingdom dated February 15, 2018 (as amended), concluded between KION Financial Services Ltd. and, among others, Commerzbank Aktiengesellschaft; the latter subsequently passed this on to its investors;
- Asset-backed securities documentation in Sweden dated June 5, 2019 (as amended), concluded between KION Financial Services Sweden AB and, among others, the Frankfurt branch of Scandinaviska Enskilda Banken AB (PUBL);
- Asset backed securities documentation in France dated July 17, 2019 (as amended), concluded between Fenwick Financial Services SAS, STILL Location Services SAS, and UniCredit Bank AG; the latter subsequently passed this on to its investors.

The provisions in this asset-backed securities documentation that apply in the event of a change of control are largely identical to those in the sustainability-linked syndicated revolving credit facility agreement dated October 4, 2021.

- Asset-backed securities documentation in Spain dated December 19, 2019 (as amended), concluded between KION Rental Services S.A.U. and, among others, Landesbank Hessen-Thüringen Girozentrale.

In the event of changes to the ownership of KION GROUP AG (the guarantor) that Landesbank Hessen-Thüringen Girozentrale (the buyer) legitimately believes could significantly hamper the ability of KION GROUP AG to meet its obligations arising from the framework agreement dated December 19, 2019 regarding the purchase and administration of receivables, the buyer is entitled to terminate the framework agreement without notice.

9. Compensation agreements that the Company has signed with the Executive Board members or employees and that will be triggered in the event of a takeover bid

No such agreements have been concluded between the Company and its current Executive Board members or employees.

Consolidated financial statements

Consolidated income statement

in € million	Note	2022	2021
Revenue	[7]	11,135.6	10,294.3
Cost of sales	[8]	–9,011.5	–7,770.7
Gross profit		**2,124.0**	**2,523.6**
Selling expenses	[8]	–1,118.6	–970.2
Research and development costs	[8]	–203.3	–174.7
Administrative expenses	[8]	–656.0	–615.0
Other income	[9]	138.9	99.4
Other expenses	[10]	–130.9	–81.4
Profit from equity-accounted investments	[11]	14.1	13.1
Earnings before interest and tax		**168.3**	**794.8**
Financial income	[12]	303.3	121.1
Financial expenses	[13]	–333.5	–156.2
Net financial expenses		**–30.2**	**–35.1**
Earnings before tax		**138.0**	**759.7**
Income taxes	**[14]**	**–32.2**	**–191.7**
Current taxes		–107.2	–203.8
Deferred taxes		75.0	12.1
Net income		**105.8**	**568.0**
Attributable to shareholders of KION GROUP AG		98.0	568.3
Attributable to non-controlling interests		7.8	–0.3
Earnings per share	**[15]**		
Average number of shares (in million)		131.1	131.1
Basic earnings per share (in €)		0.75	4.34
Diluted earnings per share (in €)		0.75	4.33

Consolidated statement of comprehensive income

in € million	Note	2022	2021
Net income		**105.8**	**568.0**
Items that will not be reclassified subsequently to profit or loss		**429.9**	**152.5**
Gains / losses on defined benefit obligation	[29]	410.6	150.9
thereof changes in unrealized gains and losses		587.7	212.5
thereof tax effect		–177.1	–61.6
Changes in unrealized gains / losses on financial investments	[22]	14.4	2.2
Changes in unrealized gains and losses from equity-accounted investments		4.9	–0.7
Items that may be reclassified subsequently to profit or loss		**99.7**	**231.6**
Impact of exchange differences		92.6	234.5
thereof changes in unrealized gains and losses		92.6	234.5
Gains / losses on hedge reserves	[42]	7.0	–3.3
thereof changes in unrealized gains and losses		–4.4	–11.2
thereof realized gains (–) and losses (+)		12.8	7.1
thereof tax effect		–1.3	0.8
Changes in unrealized gains / losses from equity-accounted investments		0.2	0.3
Other comprehensive income		**529.7**	**384.1**
Total comprehensive income		**635.5**	**952.1**
Attributable to shareholders of KION GROUP AG		627.9	946.3
Attributable to non-controlling interests		7.6	5.8

Consolidated statement of financial position – Assets

in € million	Note	Dec. 31, 2022	Dec. 31, 2021
Goodwill	[16]	3,619.4	3,544.8
Other intangible assets	[16]	2,162.1	2,165.9
Leased assets	[17]	1,367.7	1,391.5
Rental assets	[18]	602.1	542.8
Other property, plant and equipment	[19]	1,585.2	1,447.5
Equity-accounted investments	[20]	94.7	84.3
Lease receivables	[21]	1,370.5	1,318.9
Other financial assets	[22]	179.0	96.1
Other assets	[23]	131.1	111.8
Deferred taxes	[14]	300.8	449.3
Non-current assets		**11,412.6**	**11,153.0**
Inventories	[24]	1,804.6	1,632.1
Lease receivables	[21]	519.8	465.1
Contract assets	[34]	528.8	519.1
Trade receivables	[25]	1,596.4	1,339.2
Income tax receivables	[14]	103.2	58.6
Other financial assets	[22]	80.3	62.8
Other assets	[23]	137.3	138.0
Cash and cash equivalents	[26]	318.1	483.0
Assets held for sale	[27]	27.4	–
Current assets		**5,115.8**	**4,697.9**
Total assets		**16,528.4**	**15,850.9**

Consolidated statement of financial position – Equity and liabilities

in € million	Note	Dec. 31, 2022	Dec. 31, 2021
Subscribed capital		131.1	131.1
Capital reserve		3,826.7	3,826.4
Retained earnings		1,600.5	1,699.2
Accumulated other comprehensive income / loss		50.3	–479.6
Non-controlling interests		–0.9	–8.3
Equity	**[28]**	**5,607.8**	**5,168.9**
Retirement benefit obligation and similar obligations	[29]	712.8	1,265.3
Financial liabilities	[30]	1,361.8	898.7
Liabilities from lease business	[31]	2,314.2	1,793.5
Liabilities from short-term rental business	[32]	354.1	321.4
Other provisions	[33]	140.8	143.1
Other financial liabilities	[36]	478.3	433.2
Other liabilities	[37]	185.9	198.0
Deferred taxes	[14]	492.8	523.5
Non-current liabilities		**6,040.8**	**5,576.7**
Financial liabilities	[30]	626.7	151.9
Liabilities from lease business	[31]	900.4	1,277.3
Liabilities from short-term rental business	[32]	190.1	167.5
Contract liabilities	[34]	826.1	854.8
Trade payables	[35]	1,124.3	1,443.7
Income tax liabilities	[14]	42.4	51.4
Other provisions	[33]	229.4	197.2
Other financial liabilities	[36]	215.4	218.8
Other liabilities	[37]	697.8	742.9
Liabilities directly associated with assets held for sale	[27]	27.2	–
Current liabilities		**4,879.9**	**5,105.3**
Total equity and liabilities		**16,528.4**	**15,850.9**

Consolidated statement of cash flows

in € million	Note	2022	2021
Earnings before interest and tax		**168.3**	**794.8**
Amortization, depreciation and impairment minus reversals of impairment on non-current assets without lease and rental assets	[8]	469.7	415.2
Depreciation and impairment minus reversals of impairment on lease and rental assets	[8]	563.8	525.7
Non-cash reversals of deferred revenue from lease business		–115.3	–153.9
Other non-cash income (–)/expenses (+)		26.7	8.6
Gains (–)/losses (+) on disposal of non-current assets	[9], [10]	–4.9	–5.3
Change in leased assets (excluding depreciation) and receivables/ liabilities from lease business	[17], [21], [31]	–261.5	–171.7
Change in rental assets (excluding depreciation) and liabilities from short-term rental business	[18], [32]	–222.0	–196.9
Change in net working capital		–804.5	–201.9
thereof inventories	[24]	–163.2	–490.1
thereof trade receivables and trade payables	[25], [35]	–590.9	356.4
thereof contract assets and contract liabilities	[34]	–50.3	–68.2
Cash payments for defined benefit obligations	[29]	–35.5	–31.2
Change in other provisions	[33]	30.9	36.6
Change in other operating assets/liabilities		–1.5	63.1
Taxes paid		–160.0	–201.4
Cash flow from operating activities	**[39]**	**–345.9**	**881.7**
Cash payments for purchase of non-current assets	[39]	–382.7	–333.8
Cash receipts from disposal of non-current assets		7.5	16.8
Dividends received		10.5	8.2
Acquisition of subsidiaries/other businesses (net of cash acquired)		–4.9	–17.0
Cash receipts/payments for sundry assets		–0.1	–12.1
Cash flow from investing activities	**[39]**	**–369.7**	**–337.8**

Consolidated statement of cash flows (continued)

in € million	Note	2022	2021
Dividend of KION GROUP AG	[28]	–196.7	–53.7
Dividends paid to non-controlling interests		–2.5	–1.6
Financing costs paid		–3.2	–7.6
Transactions costs for carrying out the approved capital increase	[28]	–	–2.1
Proceeds from borrowings	[39]	2,699.7	623.9
Repayment of borrowings	[39]	–1,757.3	–772.7
Interest received		4.5	2.6
Interest paid	[39]	–32.6	–29.5
Interest and principal portion from procurement leases	[39]	–151.7	–145.1
Cash receipts/payments from other financing activities		2.5	–0.2
Cash flow from financing activities	**[39]**	**562.8**	**–386.1**
Effect of exchange rate changes on cash and cash equivalents		2.1	10.8
Change in cash and cash equivalents		**–150.8**	**168.5**
Cash and cash equivalents at the beginning of the year	[39]	483.0	314.4
Cash and cash equivalents at the end of the year	[39]	332.2	483.0
Less cash and cash equivalents included in assets held for sale at the end of the year	[27]	–14.1	–
Cash and cash equivalents at the end of the year (Consolidated statement of financial position)	[39]	318.1	483.0

Consolidated statement of changes in equity

in € million	Note	Subscribed capital	Capital reserves	Retained earnings
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	
Effects from the acquisition / disposal of non-controlling interests	[28]			
Balance as at Dec. 31, 2021		**131.1**	**3,826.4**	**1,699.2**
Balance as at Jan. 1, 2022		**131.1**	**3,826.4**	**1,699.2**
Net income				98.0
Other comprehensive income	[28]			
Comprehensive income		**0.0**	**0.0**	**98.0**
Dividend of KION GROUP AG	[28]			–196.7
Dividends paid to non-controlling interests	[28]			
Changes from employee share option program	[28]	0.0	0.3	
Changes from addition / disposal of non-controlling interests	[28]			
Balance as at Dec. 31, 2022		**131.1**	**3,826.7**	**1,600.5**

	Accumulated other comprehensive (loss) income							
	Cumulative translation adjustment	Gains / losses on defined benefit obligation	Gains / losses on hedge reserves	Gains / losses on financial investments	Gains / losses from equity-accounted investments	Equity attributable to shareholders of KION GROUP AG	Non-controlling interests	Total
	–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**
	–121.8	**–354.0**	**–4.5**	**3.8**	**–3.2**	**5,177.1**	**–8.3**	**5,168.9**
						98.0	7.8	105.8
	92.8	410.6	7.0	14.4	5.1	529.9	–0.2	529.7
	92.8	**410.6**	**7.0**	**14.4**	**5.1**	**627.9**	**7.6**	**635.5**
						–196.7	0.0	–196.7
						0.0	–2.5	–2.5
						0.3	0.0	0.3
						0.0	2.2	2.2
	–29.1	**56.6**	**2.5**	**18.3**	**2.0**	**5,608.7**	**–0.9**	**5,607.8**

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 2022, the Group and its approximately 41,000 employees generated revenue of €11,135.6 million (2021: €10,294.3 million).

The parent company of KION GROUP AG is Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power'), which holds 46.5 percent of the shares (2021: 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, 2023.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended December 31, 2022 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 2022 financial year have been applied in preparing the consolidated financial statements.

In order to improve the clarity of presentation, certain items are aggregated in the statement of financial position and the income statement. The items concerned are disclosed and explained separately in the notes. Assets and liabilities are broken down into current and non-current items. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The consolidated financial statements are prepared in euros, which is the Group's presentation currency. All amounts are disclosed in millions of euros (€ million) unless stated otherwise. Due to rounding effects, addition of the individual amounts shown may result in minor rounding differences to the totals. The percentages shown are calculated on the basis of the respective amounts, rounded to the nearest thousand euros. All of the separate financial statements of the subsidiaries included in the consolidation were prepared as at the same reporting date as the annual financial statements of KION GROUP AG. The comparative figures for the prior year were determined on the same basis.

Financial reporting standards to be adopted for the first time in the current financial year

The following financial reporting standards were required to be applied for the first time in 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' – The amendments relate to the recognition of proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. They also set out how to recognize the cost of producing such items.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' – The amendments relate to the costs to be considered by an entity in assessing whether a contract is onerous (loss-making).
- Amendments to IFRS 3 'Business Combinations' – The amendments update an outdated reference to the 2018 Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- Amendments to IFRS 16 'Leases' – These amendments relate to the extension of COVID-19-Related Rent Concessions.
- Annual Improvements to IFRSs (2018–2020).

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, 2022 but were not yet required to be adopted in 2022 will probably be applied by the subsidiaries in the basis of consolidation, and by KION GROUP AG, only from the time when they are required to be applied. Based on current assessments, the initial application of these financial reporting standards and interpretations will have no significant effect on the presentation of the financial position and financial performance of the KION Group.

[3] Principles of consolidation

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities assumed on the acquisition date are recognized separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognized as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree, and the fair value of all previously held equity interest at the acquisition date exceeds the fair value of the acquiree’s net assets. Any negative goodwill is recognized in profit or loss. KION GROUP AG recognizes non-controlling interests at the proportionate value of the net assets attributable to them excluding goodwill.

In the case of business combinations in stages, previously held equity interests are recognized at their fair value at the acquisition date. The difference between the carrying amount of the interests and the fair value is recognized in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units that are likely to benefit from the business combination.

Contingent consideration elements are included at fair value at the date of acquisition when determining the purchase consideration. Contingent consideration elements may consist of equity instruments or financial liabilities, depending on the structure.

On first-time consolidation of an acquisition, all identifiable assets and liabilities are recognized at their fair value at the acquisition date. The fair values of identifiable assets are determined using appropriate valuation techniques. These measurements are based, for example, on estimates of future cash flows, expected growth rates, exchange rates, discount rates, and useful lives.

The consolidated financial statements 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 investors. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary’s net assets are recognized in equity. Gains and losses arising from the disposal of interests are also recognized in equity, provided there is no change in control.

Associates and joint ventures that are of material importance to the presentation of the financial position and financial performance of the KION Group are accounted for using the equity method.

[4] Basis of consolidation

KION GROUP AG's equity investments consist of subsidiaries, associates and joint ventures, and financial investments.

In addition to KION GROUP AG, the consolidated financial statements of the KION Group include, using the acquisition method, all material subsidiaries over which KION GROUP AG exercises control. KION GROUP AG controls a subsidiary if it has decision-making authority over the main activities of the entity and can use this authority to affect the amount of the variable returns to which it is exposed as a result of the equity investment. 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.

A total of 27 (2021: 27) German and 109 (2021: 105) foreign subsidiaries were fully consolidated in addition to KION GROUP AG as at December 31, 2022.

In addition, seven associates (December 31, 2021: seven) and three joint ventures (December 31, 2021: three) were consolidated and accounted for using the equity method as at December 31, 2022. The last available annual financial statements or interim financial statements were generally used as the basis for measurement.

As at December 31, 2022, 53 (December 31, 2021: 58) companies were recognized at amortized cost or at fair value through other comprehensive income. The non-consolidated subsidiaries recognized at amortized cost and the associates and joint ventures that are not accounted for using the equity method were of minor importance to the presentation of the financial position and financial performance of the KION Group, both individually and as a whole.

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

Shareholdings by categories

	Jan. 1, 2022	Additions	Disposals	Dec. 31, 2022
Consolidated subsidiaries	**132**	**6**	**2**	**136**
Domestic	27	–	–	27
Foreign	105	6	2	109
Equity-accounted associates and joint ventures	**10**	**–**	**–**	**10**
Domestic	5	–	–	5
Foreign	5	–	–	5
Non-consolidated subsidiaries and other investments	**58**	**2**	**7**	**53**
Domestic	15	–	1	14
Foreign	43	2	6	39

Where other requirements were met, the fully consolidated companies listed below were exempt from the obligation to disclose annual financial statements and to prepare notes to the (consolidated) financial statements and (group) management reports in accordance with sections 264 (3), 264b, and 291 (2) HGB on account of their inclusion in the consolidated financial statements.

German subsidiaries exempt from disclosure requirements

Subsidiary	Registered office
BlackForxx GmbH	Stuhr
Dematic Holdings GmbH	Frankfurt am Main
Eisengießerei Dinklage GmbH	Dinklage
Eisenwerk Weilbach 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 Gesellschaft mit beschränkter Haftung	Hamburg
Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim

A detailed overview of all the direct and indirect shareholdings of KION GROUP AG can be found in note [49] (list of shareholdings).

[5] Currency translation

Financial statements in foreign currencies are translated in accordance with the functional currency concept. The functional currency is the currency of the primary economic environment in which a KION Group subsidiary operates. The modified closing-rate method is used for currency translation.

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the middle spot exchange rate, i.e. at the average of the bid or offer rates on the reporting date. Income and expenses are translated at the average rate. With the exception of income and expenses recognized as other comprehensive income, equity is 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	
	2022	**2021**	**2022**	**2021**
China (CNY)	7.0796	7.6304	7.3633	7.2209
United Kingdom (GBP)	0.8526	0.8597	0.8853	0.8413
USA (USD)	1.0533	1.1828	1.0705	1.1370

Source: Bloomberg

[6] Accounting policies

Judgments and estimates

The preparation of the IFRS consolidated financial statements requires the use of judgments and estimates for certain line items that affect recognition and measurement in the consolidated statement of financial position and consolidated income statement. The actual amounts realized may differ from estimates. Judgments and estimates are applied in particular:

- in determining the total estimated contract costs in order to evaluate the percentage of completion of contracts and in determining the estimated revenue from variable elements in the project business where the revenue is recognized over a period of time;
- 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; and
- in recognizing and measuring assets acquired and liabilities assumed in connection with business combinations.

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, penalties, and changes to the contractually agreed consideration as a result of price adjustment clauses. Variable elements are included in the transaction price only if it is highly unlikely that the revenue that has already been recognized will subsequently be reversed. 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 the direct lease business is recognized on the commencement date in the amount of the sale value of the leased asset for leases classified as finance leases; for leases classified as operating leases, revenue is recognized on a straight-line basis, generally in the amount of the lease payments.

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.

Short-term rental business is generally classified as an operating lease.

Project business contracts

In the project business, customer-specific assets without an alternative use are produced for the customer. 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. The KION Group has a legal right to payment for performance completed to date, plus a reasonable margin.

Contract costs are recognized as an expense in the period in which they are incurred. The total estimated contract costs are reviewed on an ongoing basis throughout the project and, in the event of changes to the estimates, are adjusted accordingly. This means that the percentage of completion calculated as at the reporting date, the revenue to be recognized, and the project's profit or loss may change.

Contract modifications and claims against customers are factored into the project costing provided that the parties to the contract have agreed to them and they do not give rise to any distinct performance obligation. If 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.

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

The interest income and expense included in net financial income/expenses are recognized in profit and loss in accordance with the effective interest method.

Goodwill

Goodwill has an indefinite useful life and is therefore not amortized. Instead, it is tested for impairment in accordance with IAS 36 at least once a year or on an ad hoc basis 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 KION SCS Operating Unit in the Supply Chain Solutions segment.

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. The 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 that was unchanged at 1.0 percent (2021: 1.0 percent). The long-term growth rate used for KION SCS was unchanged at 1.3 percent (2021: 1.3 percent).

The financial forecasts are also based on assumptions about the effects of climate change and the influence of other sustainability-related aspects on the KION Group's business performance. These assumptions relate, for example, to changes in demand from customers, regulatory requirements, and changes in production conditions. Overall, the climate-related risks faced by the KION Group in this regard, e.g. due to the need to fulfill regulatory requirements aimed at supporting a circular economy and limiting climate change, had no material impact on the calculation of the recoverable amounts for the CGUs / groups of CGUs. Thanks to its business model, market position, technological position, and product portfolio, the KION Group believes that it is already well placed to meet the higher standards of sustainability that are expected of material handling solutions.

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 [16].

Significant parameters for impairment testing

	Long-term growth rate		WACC after tax		WACC before tax	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Industrial Trucks & Services						
KION ITS EMEA	1.0%	1.0%	8.2%	6.5%	11.6%	9.2%
KION ITS Americas	1.0%	1.0%	9.9%	7.8%	12.9%	10.4%
KION ITS APAC	1.0%	1.0%	8.2%	7.4%	10.7%	9.5%
Supply Chain Solutions						
KION SCS	1.3%	1.3%	9.7%	7.9%	12.6%	10.1%

The impairment test carried out in the fourth quarter of 2022 did not reveal any need to recognize impairment losses for the goodwill allocated to the KION ITS EMEA, KION ITS APAC, KION ITS Americas, and KION SCS CGUs / groups of CGUs. Using sensitivity analysis, it was also verified that no impairment losses needed to be recognized for goodwill, even if key parameters vary within realistic limits, in particular variations in WACC after taxes of – / + 100 basis points or variations in the long-term growth rates of – / + 25 basis points.

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 items of property, plant, and equipment:

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 and 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 of 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 [17] Leased assets, [18] Rental assets, and [21] 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. Lease facilities are credit facilities for the specific purpose of financing the lease business and are contractually defined as such.

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.

To finance the short-term rental business, 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. The KION Group also finances its short-term rental business by means of rental facilities. Rental facilities are credit facilities for the specific purpose of financing the short-term rental business and are contractually defined as such.

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.

If there are certain indications of impairment of the property, plant, and equipment, the assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognized for an asset. The impairment losses on property, plant, and equipment are reported under other expenses.

If an impairment test for an item of property, plant, and equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill and, subsequently, the assets must be written down in proportion to their relative carrying amounts. If the reason for an impairment loss recognized in prior years no longer applies, the relevant pro rata impairment losses are reversed, but subject to a limit such that the carrying amount of the asset is no higher than its amortized cost. This does not apply to goodwill.

Equity-accounted investments

In accordance with the equity method, associates and joint ventures are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the KION Group's interest in the net assets of the investee. The KION Group's interest in the profit or loss generated after acquisition is recognized in income. Other changes in the equity of associates and joint ventures are recognized in other comprehensive income in the consolidated financial statements in proportion to the Group's interest in the associate or joint venture.

If the Group's interest in the losses incurred by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognized. Any goodwill arising from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the equity investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognized for the equity investment. If the reasons for the recognition of the impairment loss on the equity investment no longer apply, the impairment loss is reversed.

Financial instruments

Financial assets

In accordance with IFRS 9, the KION Group categorizes financial assets as debt instruments measured at amortized cost (AC category), debt instruments recognized at fair value through profit or loss (FVPL category), or equity instruments recognized at fair value through other comprehensive income (FVOCI category). 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 general impairment approach for debt instruments in the AC category, the KION Group recognizes the expected credit loss in profit or loss by recognizing valuation allowances, both upon initial recognition and subsequently. These valuation allowances amount to the twelve-month expected losses, provided no significant increase in credit risk (for example as a result of material changes to external or internal credit ratings) is observable at the reporting date. Otherwise, the lifetime expected loss is recognized. The expected loss is calculated using the probability of default, the amount at risk, and, taking into account any collateral, the estimated loss given default. The calculation draws on observable historical loss data, information on current conditions, and the economic outlook. A default is defined as the occurrence of a loss event, such as a borrower being in considerable financial difficulties or a contract being breached. A financial asset is 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.

The KION Group uses factoring programs as a way of managing working capital. In these programs, the underlying receivables are sold to the factor in return for payment. Because default risk and the other material risks and opportunities are passed to the factor, the receivables are derecognized in full when payment is received from the factor. The KION Group has assigned the portfolio of receivables under the factoring programs that are still recognized in its statement of financial position to the ‘sell’ business model in accordance with IFRS 9, which means that the receivables continue to be recognized at fair value through profit or loss until they are derecognized.

Equity instruments in the FVOCI category are recognized at fair value through other comprehensive income. Upon initial recognition at fair value, directly attributable transaction costs are included. Gains and losses recognized in accumulated other comprehensive income are not reclassified to profit or loss upon derecognition of these financial assets but instead remain in equity.

Financial liabilities

In accordance with IFRS 9, the KION Group differentiates between financial liabilities that are not held for trading and are thus recognized at amortized cost using the effective interest method (AC category) and financial liabilities that are held for trading and recognized at fair value through profit or loss (FVPL category). 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, 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 critical-terms-match method is used to measure the prospective effectiveness of the hedges. Ineffective portions can arise if the critical terms of the hedged item and hedge no longer match; this is determined using the dollar-offset method.

In addition, the KION Group uses amortizing interest-rate swaps to hedge the fair value of certain lease receivables at portfolio level in accordance with IAS 39. The effective portion of changes in the fair value of the interest-rate swaps is recognized in net financial income/expenses. These are offset by gains and losses on the change in the fair value of the hedged lease receivables, which result in an adjustment in profit or loss of the carrying amount of the hedged item in net financial income/expenses. The ineffective portion of the hedge is also recognized in net financial income/expenses.

The prospective and retrospective effectiveness of hedges is measured using a regression analysis with historical data. Ineffectiveness may arise in the hedged item in the event of default.

Income taxes

In the consolidated financial statements, current and deferred taxes are recognized on the basis of the tax legislation of the jurisdictions involved. Deferred taxes are recognized in other comprehensive income if they relate to transactions also recognized in other comprehensive income.

Deferred tax assets and liabilities are recognized in accordance with the liability method for all temporary differences between the IFRS carrying amounts and the tax base, as well as for temporary consolidation measures.

Deferred tax assets also include tax refund claims that arise in subsequent years from the expected utilization of existing tax loss carryforwards and interest carryforwards and from tax credits and whose utilization is reasonably certain according to current forecasts.

Deferred taxes are determined on the basis of the tax rates that will apply at the recovery date, or have been announced, in accordance with the current legal situation in each country concerned. Deferred tax assets are offset against deferred tax liabilities to the extent that they relate to the same taxation authority and there is an intention to settle them on a net basis.

Significant estimates are involved in calculating income taxes. These estimates may change on the basis of new information and experience (see also note [14]). Deferred tax assets on tax loss carryforwards and interest carryforwards are recognized on the basis of an 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].

Assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For such classification, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable.

Such assets or disposal groups are measured at the lower of their net carrying amount and fair value less costs of disposal. Amortization on intangible assets and depreciation on property, plant, and equipment cease to be recognized as soon as the assets are classified as held for sale.

Retirement benefit obligation and similar obligations

The retirement benefit obligation and similar obligations are calculated in accordance with the projected unit credit method, taking account of future increases in remuneration and pensions. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations, taking account – if applicable – of the rules on limiting the surplus of plan assets over the obligation (asset ceiling).

Remeasurements and changes in the effect of the asset ceiling are recognized in other comprehensive income, factoring in deferred taxes. The service cost and the net interest cost 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 direct lease business and the repurchase obligations resulting from the indirect lease business.

Liabilities from short-term rental business

In accordance with IFRS 9, liabilities from the short-term rental business are recognized at amortized cost using the effective interest method (AC category). Upon initial recognition, they are carried at fair value, including any relevant directly attributable transaction costs. 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.

Other provisions

In accordance with IAS 37, other provisions are recognized when the Group has a legal or constructive obligation to a third party as the result of a past event that is likely to lead to a future outflow of resources and that can be reliably estimated. Where there is a range of possible outcomes and each individual point within the range has an equal probability of occurring, the provision is recognized in the amount of the mean of the individual points. Measurement is at full cost. Provisions for identifiable risks and uncertain liabilities are recognized in the amount that represents the best estimate of the cost required to settle the obligations. The settlement amount also includes cost increases identifiable as at the reporting date. Provisions with a maturity of more than twelve months are discounted using the standard market interest rate. The discount rate is a before-tax interest rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability.

Provisions for statutory and contractual warranties and for goodwill cases are recognized on the basis of past or estimated future claim statistics and for known individual claims. In the case of product sales, the corresponding expense is recognized in cost of sales at the date on which the revenue is recognized. In the project business, the corresponding expense is recognized in cost of sales upon acceptance by the customer.

Provisions for onerous contracts and other business obligations are measured on the basis of the contractual obligations that are currently still to be fulfilled. In the case of contracts in the project business, a provision for onerous contracts is recognized if the total contract costs exceed the contract revenue. The expected loss is immediately recognized as an expense in the period in which the loss becomes apparent.

A restructuring provision is recognized when a KION Group subsidiary has prepared a detailed, formal restructuring plan and this plan has raised the valid expectation in those affected that the subsidiary will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring provision only includes the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity concerned.

The recognition and measurement of other provisions are based on an 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

[7] Revenue

The following table contains the product categories identified as material to the KION Group's financial performance and the timing of revenue recognition for each of these categories.

Timing of revenue recognition with third parties

Product category	Business model	Timing of revenue recognition
Industrial Trucks & Services		
New business	Sale of industrial trucks	At a point in time
	Direct and indirect lease business (in both cases where classified as finance lease)	At a point in time
Service business		
– Aftersales	Supply of spare parts	At a point in time
	Individual orders for repairs and maintenance work	At a point in time
	(Full) service contracts	Over a period of time
– Rental business	Direct and indirect lease business (in both cases where classified as operating lease)	Over a period of time
	Short-term rental business	Over a period of time
	Fleet management	Over a period of time
– Used trucks	Sale of used industrial trucks	At a point in time
– Other	Various business models, currently categorized as not material to the financial performance of the KION Group in the ITS segment	Mainly at a point in time
Supply Chain Solutions		
Business solutions	Project business	Over a period of time
Service business	Modernization work and upgrades	Over a period of time
	Supply of spare parts	At a point in time
	Service contracts	Over a period of time
	Various business models, currently categorized as not material to the financial performance of the KION Group in the SCS segment	Mainly over a period of time
Corporate Services		
	Services	Over a period of time

The following tables show revenue from contracts with customers, broken down by sales region, product category, timing of revenue recognition, and segment.

Disaggregation of revenue with third parties

	2022			
in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
EMEA	**5,920.7**	**901.1**	**1.8**	**6,823.7**
Western Europe	5,128.0	815.6	1.8	5,945.4
Eastern Europe	695.4	63.9	–	759.3
Middle East and Africa	97.4	21.6	–	119.0
Americas	**518.2**	**2,496.4**	**0.0**	**3,014.6**
North America	270.8	2,461.4	–	2,732.2
Central and South America	247.4	35.0	–	282.4
APAC	**905.3**	**392.0**	**0.1**	**1,297.3**
China	637.7	101.4	–	739.1
APAC excluding China	267.6	290.6	0.1	558.2
Total revenue	**7,344.2**	**3,789.4**	**1.9**	**11,135.6**
New business	3,623.2			3,623.2
Service business	3,721.0			3,721.0
– Aftersales	1,940.7			1,940.7
– Rental business	1,105.9			1,105.9
– Used trucks	418.0			418.0
– Other	256.3			256.3
Business solutions		2,827.6		2,827.6
Service business		961.8		961.8
Corporate Services			1.9	1.9
Total revenue	**7,344.2**	**3,789.4**	**1.9**	**11,135.6**
Timing of revenue recognition				
Products and services transferred at a point in time	5,612.5	432.8	–	6,045.3
Products and services transferred over a period of time	1,731.7	3,356.6	1.9	5,090.2

Disaggregation of revenue with third parties

in € million	2021 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	–	2,548.5
Central and South America	176.3	26.6	–	202.9
APAC	**829.1**	**349.4**	**0.0**	**1,178.5**
China	596.6	89.4	–	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

The table below shows the revenue that is expected as a result of performance obligations in existence at the reporting date. This consists only of revenue from contracts with customers as defined by IFRS 15. In the Supply Chain Solutions segment, this revenue is generated by the project and service business. In the Industrial Trucks & Services segment, it is generated through (full-)service contracts, each with an expected original term of more than one year.

Expected future revenue from existing performance obligations

in € million	2022	2021
Total of expected future revenue from existing performance obligations	**4,141.3**	**4,625.7**
due within one year	2,577.7	3,023.9
due in one to three years	1,310.8	1,299.2
due in more than three years	252.8	302.6

[8] Cost of sales and other functional costs

The total cost of materials recognized under functional costs in the consolidated income statement went up by €630.4 million to €5,717.5 million in 2022 (2021: €5,087.1 million), mainly due to the increase in revenue and higher prices for materials.

The total personnel expenses recognized under functional costs rose by €236.7 million to €2,848.7 million (2021: €2,612.0 million). This rise can be explained by the growth in the average number of employees for the year and general salary increases.

Personnel expenses included wages and salaries of €2,274.9 million (2021: €2,098.2 million), social security contributions of €500.1 million (2021: €453.7 million), and post-employment benefit costs and other benefits of €73.6 million (2021: €60.1 million). Post-employment benefit costs and other benefits comprised a current service cost from defined benefit pension plans of €47.7 million (2021: €57.3 million). The changes to the pension benefit conditions in Germany resulted in unrecognized past service income of €12.3 million in the reporting year (2021: €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 expense.

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 €1,033.5 million in the reporting year (2021: €940.9 million).

In 2022, the cost of sales and selling expenses included impairment losses of €10.9 million on inventories and impairment losses of €3.4 million on trade receivables and lease receivables of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold. Further information can be found in note [27].

[9] Other income

Other income breaks down as follows:

Other income

in € million	2022	2021
Foreign currency exchange rate gains	96.0	61.1
Income from reversal of provisions	8.7	3.8
Gains on disposal of non-current assets	5.7	6.1
Sundry income	28.5	28.3
Total other income	**138.9**	**99.4**

In 2022, other income went up by €39.5 million year on year to reach €138.9 million.

The rise in other income was predominantly 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 [10]).

[10] Other expenses

Other expenses break down as follows:

Other expenses

in € million	2022	2021
Foreign currency exchange rate losses	95.9	66.6
Impairment of non-current assets	20.2	2.3
Sundry expenses	14.8	12.5
Total other expenses	**130.9**	**81.4**

In 2022, other expenses went up by €49.5 million year on year to reach €130.9 million.

The rise in other expenses was predominantly due to the increase 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 [9]).

Of the impairment losses recognized on non-current assets in 2022, €15.1 million essentially related to assets of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold. Further information can be found in note [27].

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

The share of profit (loss) of equity-accounted investments amounted to a profit of €14.1 million in the reporting period (2021: profit of €13.1 million).

Further details on equity-accounted investments can be found in note [20].

[12] Financial income

Financial income breaks down as follows:

Financial income

in € million	2022	2021
Interest income from lease business	80.6	71.8
Foreign currency exchange rate gains (financing)	98.1	28.8
Net interest income from defined benefit plans and similar obligations	1.4	0.7
Changes in fair value of derivatives without hedge relationship and ineffectiveness	31.7	9.3
Income from fair value hedges	69.3	5.3
Other interest and similar income	22.3	5.4
Total financial income	**303.3**	**121.1**

One of the reasons for the €182.1 million rise in financial income to €303.3 million was higher interest income from the lease business (details of the countervailing interest expense from the lease business can be found in note [13]). The interest income from the lease business relates to the interest portion of lease payments in which KION Group subsidiaries operate as lessors and the arrangements are classified as a finance lease relationship.

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.

Financial income was also boosted by positive changes in the fair value of interest-rate derivatives that are used to manage interest-rate risk in the lease portfolio and are designated as part of a fair value hedge or are accounted for separately. This can be explained by the sharp rise in interest rates over the course of the year.

[13] Financial expenses

Financial expenses

in € million	2022	2021
Interest expense from loans	14.4	5.3
Interest expense from promissory notes	5.0	6.6
Interest expense from bonds	9.3	9.3
Interest expense from lease and short-term rental business	69.9	50.7
Interest expense from procurement leases	16.1	12.2
Net interest expense from defined benefit plans and similar obligations	15.1	10.3
Foreign currency exchange rate losses (financing)	120.5	40.6
Changes in fair value of derivatives without hedge relationship and ineffectiveness	9.9	0.7
Expense from fair value hedges	56.3	9.0
Other interest expenses and similar charges	17.1	11.5
Total financial expenses	**333.5**	**156.2**

In 2022, financial expenses swelled by €177.3 million year on year to reach €333.5 million.

Interest expense from loans, promissory notes, and bonds increased to €28.7 million. This rise of €7.5 million compared with 2021 was mainly due to further new loans being taken out in the reporting year.

Interest expense from the lease and short-term rental business, which totaled €69.9 million (2021: €50.7 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 €35.3 million (2021: €27.5 million). The income from corresponding customer leases and short-term rental agreements is a component of the lease and rental payments received and is therefore reported within revenue rather than as interest income.

The growth of net interest expense from defined benefit plans and similar obligations is attributable to the higher discount rate compared with the previous year.

Foreign currency exchange rate losses predominantly arise in connection with foreign currency positions in internal financing and the related hedging transactions that are not part of a formally documented hedge.

Furthermore, adjustments to the measurement of lease receivables designated as hedged items in fair value hedges also had an impact on the expense from fair value hedges owing to the rise in interest rates. There was a countervailing impact from positive changes in the fair value of the interest-rate derivatives that are used to manage interest-rate risk in the lease portfolio, which are recognized in income from fair value hedges.

[14] Income taxes

Current taxes

The income tax expense of €32.2 million (2021: €191.7 million) consisted of €107.2 million in current tax expense (2021: €203.8 million) and €75.0 million in deferred tax income (2021: €12.1 million).

The current corporate income tax rate in Germany is 15.0 percent plus a solidarity surcharge (5.5 percent of corporate income tax). Taking into account the average trade tax rate of 14.9 percent, the combined nominal tax rate for entities in Germany was 30.7 percent (2021: 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 2021.

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

Deferred tax assets

in € million	**Dec. 31, 2022**	**Dec. 31, 2021**
Intangible assets and property, plant and equipment	377.3	275.1
Other assets	224.5	170.2
Provisions	127.0	302.5
Liabilities	597.9	595.9
Deferred income	65.4	83.1
Tax loss carry forwards, interest carry forwards and tax credits	32.0	25.0
Offsetting	–1,123.3	–1,002.4
Total deferred tax assets	**300.8**	**449.3**

The amount of deferred tax assets recognized in the statement of financial position decreased to €300.8 million as at December 31, 2022 (December 31, 2021: €449.3 million). This can primarily be explained by changed discount rates and plan adjustments affecting defined benefit obligations.

Deferred taxes are recognized on deductible temporary differences and on tax loss carryforwards and interest carryforwards to the extent that taxable temporary differences exist or that it is probable that sufficient taxable income will be available in the future.

In 2022, KION GROUP AG and the consolidated subsidiaries that reported losses for 2022 or 2021 recognized net deferred tax assets on temporary differences, loss carryforwards, and tax credits totaling €18.5 million (2021: €24.1 million). The 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 €773.3 million (2021: €707.4 million) – of which €191.6 million (2021: €255.5 million) can only be carried forward on a restricted basis – or on interest carryforwards of €292.9 million (2021: €283.9 million). Consequently, the total amount of unrecognized deferred tax assets relating to loss carryforwards is €157.1 million (2021: €155.0 million), of which €109.4 million (2021: €92.8 million) concerns tax losses that can be carried forward indefinitely.

The KION Group's corporation-tax loss carryforwards in Germany as at December 31, 2022 amounted to €163.6 million (December 31, 2021: €109.3 million), while trade-tax loss carryforwards stood at €150.7 million (December 31, 2021: €98.5 million). There were also tax loss carryforwards outside Germany totaling €569.6 million (December 31, 2021: €571.4 million).

The interest that can be carried forward indefinitely in Germany as at December 31, 2022 amounted to €292.9 million (December 31, 2021: €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, 2022	Dec. 31, 2021
Intangible assets and property, plant and equipment	951.4	960.2
Other assets	461.1	421.0
Provisions	45.6	27.0
Liabilities	145.3	108.5
Deferred income	12.6	9.3
Offsetting	–1,123.3	–1,002.4
Total deferred tax liabilities	**492.8**	**523.5**

As had also been the case in 2021, the deferred tax liabilities essentially related to the purchase price allocation carried out in connection with the acquisition of Dematic, particularly for intangible assets and property, plant, and equipment.

The currency translation as at the reporting date gave rise to total net deferred tax assets and deferred tax liabilities of €13.4 million that were recognized in other comprehensive income (loss) under cumulative translation adjustment, resulting in a decrease in equity (2021: decrease in equity of €9.9 million).

No deferred taxes have been recognized on temporary differences of €199.1 million (2021: €210.6 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. Expected income taxes are calculated using the combined nominal income tax rate of 30.7 percent (2021: 30.7 percent), which is the rate applicable to the German tax group of the Group parent company KION GROUP AG. The Group reconciliation is an aggregation of the individual company-specific reconciliations prepared in accordance with relevant local tax rates, taking into account consolidation effects recognized in income.

Income taxes

in € million	2022	2021
Earnings before tax	**138.0**	**759.7**
Anticipated income taxes	–42.4	–233.2
Deviations due to the trade tax base	–3.6	–2.7
Deviations from the anticipated tax rate	13.9	34.6
Losses for which deferred taxes have not been recognized	–28.2	–3.9
Change in tax rates and tax legislation	–0.0	0.8
Non-deductible expenses	–27.9	–13.4
Non-taxable income/tax-exempt income/tax incentives	28.4	21.8
Taxes relating to other periods	17.5	2.6
Deferred taxes relating to prior periods	11.5	3.9
Non-creditable withholding tax on dividends	–1.5	–4.3
Other	0.2	2.1
Effective income taxes (current and deferred taxes)	**–32.2**	**–191.7**

[15] Earnings per share

Basic earnings per share (€0.75; 2021: €4.34) is calculated by dividing the net income accruing to the KION GROUP AG shareholders by the weighted average number of shares outstanding during the reporting year (2022: 131.1 million no-par-value shares; 2021: 131.1 million no-par-value shares). The net income accruing to the shareholders of KION GROUP AG was €98.0 million in 2022 (2021: €568.3 million).

Diluted earnings per share (€0.75; 2021: €4.33) 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 (2021: 131.1 million no-par-value shares).

Notes to the consolidated statement of financial position

[16] Goodwill and other intangible assets

Goodwill breaks down by Operating Unit (the Operating Units equate to the CGUs or groups of CGUs) as follows:

Goodwill broken down by Operating Unit

in € million	Dec. 31, 2022	Dec. 31, 2021
Industrial Trucks & Services	**1,513.2**	**1,516.4**
KION ITS EMEA	1,371.9	1,373.8
KION ITS Americas	22.6	21.3
KION ITS APAC	118.7	121.3
Supply Chain Solutions	**2,106.2**	**2,028.4**
KION SCS	2,106.2	2,028.4
Total goodwill	**3,619.4**	**3,544.8**

The change in goodwill was due to positive exchange rate effects of €74.8 million.

The total carrying amount for brand names as at December 31, 2022 was €939.4 million (December 31, 2021: €939.7 million). Of this figure, €576.3 million (December 31, 2021: €576.3 million) was attributable to the KION ITS EMEA Operating Unit (Linde, STILL, and OM brands) and €349.7 million (December 31, 2021: €349.8 million) to the KION SCS Operating Unit (Dematic brand).

The annual impairment test of goodwill and brand names with an indefinite useful life carried out in the fourth quarter of 2022 revealed no need to recognize impairment losses as at the reporting date (see also the information provided in note [6]).

The overall changes in intangible assets in 2022 and 2021 were as follows:

Intangible assets

in € million	Goodwill	Brand names	Technologies and developments	Sundry intangible assets	Total
Balance as at Jan. 1, 2021	**3,407.6**	**939.1**	**656.5**	**556.3**	**5,559.6**
Gross carrying amount as at Jan. 1	3,407.6	945.7	1,063.9	983.8	6,401.0
Accumulated depreciation as at Jan. 1	–	–6.6	–407.3	–427.5	–841.4
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
Balance as at Jan. 1, 2022	**3,544.8**	**939.7**	**680.6**	**545.7**	**5,710.7**
Currency translation adjustments	74.8	–0.2	20.8	22.5	117.9
Additions	–	–	118.0	26.8	144.7
Disposals	–	–	–0.3	–0.1	–0.4
Amortization	–	–0.0	–112.6	–76.3	–189.0
Impairment	–0.2	–	–0.2	–2.0	–2.4
Balance as at Dec. 31, 2022	**3,619.4**	**939.4**	**706.3**	**516.5**	**5,781.6**
Gross carrying amount as at Dec. 31	3,619.6	946.4	1,301.6	1,111.7	6,979.3
Accumulated amortization as at Dec. 31	–0.2	–7.0	–595.4	–595.2	–1,197.7

The total carrying amount for technology and development assets as at December 31, 2022 was €706.3 million (December 31, 2021: €680.6 million). Development costs of €118.0 million were capitalized in the reporting year (2021: €98.3 million).

Sundry intangible assets relate in particular to customer relationships amounting to €436.9 million (December 31, 2021: €467.6 million).

[17] Leased assets

Leased assets

in € million	2022	2021
Balance as at Jan. 1	**1,391.5**	**1,333.3**
Gross carrying amount as at Jan. 1	2,052.3	2,001.5
Accumulated depreciation as at Jan. 1	–660.7	–668.3
Group changes	–	24.0
Currency translation adjustments	–13.2	18.7
Additions	514.7	529.1
Disposals[1]	–176.0	–173.0
Depreciation	–340.6	–340.1
Impairment	–8.7	–0.5
Balance as at Dec. 31	**1,367.7**	**1,391.5**
Gross carrying amount as at Dec. 31	2,004.4	2,052.3
Accumulated depreciation as at Dec. 31	–636.6	–660.7

1 Contains reclassifications to assets held for sale

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 €1,077.3. million (December 31, 2021: €1,022.1 million) were provided to customers for their use. The indirect lease business resulted in assets with a carrying amount of €290.4 million (December 31, 2021: €369.4 million).

As at December 31, 2022, leased assets of €492.0 million (December 31, 2021: €413.8 million) were available as collateral for liabilities from the lease business.

Leased assets resulted in future lease payments expected to be paid by customers under operating leases amounting to €1,035.2 million (December 31, 2021: €955.8 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	2022	2021
Payments from lease business	**1,035.2**	**955.8**
due within one year	397.5	354.0
due in one to two years	287.1	271.1
due in two to three years	186.4	178.7
due in three to four years	107.9	103.0
due in four to five years	45.6	41.0
due in more than five years	10.7	8.0

[18] Rental assets

Rental assets

in € million	2022	2021
Balance as at Jan. 1	**542.8**	**529.6**
Gross carrying amount as at Jan. 1	1,043.4	990.4
Accumulated depreciation as at Jan. 1	–500.6	–460.8
Group changes	–	17.6
Currency translation adjustments	–4.1	8.6
Additions	358.1	367.1
Disposals[1]	–80.1	–195.0
Depreciation	–207.9	–185.2
Impairment	–6.7	–
Balance as at Dec. 31	**602.1**	**542.8**
Gross carrying amount as at Dec. 31	1,171.1	1,043.4
Accumulated depreciation as at Dec. 31	–569.0	–500.6

1 Contains reclassifications to assets held for sale

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

[19] Other property, plant, and equipment

Other property, plant and equipment

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Advances paid and assets under construction	Total
Balance as at Jan. 1, 2021	**724.5**	**492.4**	**99.8**	**1,316.6**
Gross carrying amount as at Jan. 1	1,439.9	1,439.4	99.8	2,979.0
Accumulated depreciation as at Jan. 1	–715.4	–947.0	–	–1,662.4
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 losses	–	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
Balance as at Jan. 1, 2022	**786.9**	**539.0**	**121.7**	**1,447.5**
Group changes	1.9	0.1	–	2.0
Currency translation adjustments	2.9	0.3	1.3	4.6
Additions	177.7	163.7	116.4	457.8
Disposals	–40.6	–7.1	–0.6	–48.4
Depreciation	–108.1	–167.8	–	–275.9
Impairment	–0.7	–1.7	–	–2.4
Reversals of impairment losses	0.0	–	–	0.0
Reclassification	32.4	63.0	–95.4	–
Balance as at Dec. 31, 2022	**852.5**	**589.3**	**143.3**	**1,585.2**
Gross carrying amount as at Dec. 31	1,720.3	1,716.7	143.3	3,580.3
Accumulated depreciation as at Dec. 31	–867.8	–1,127.4	–	–1,995.1

Land and buildings in the amount of €18.3 million (December 31, 2021: €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 €543.5 million for right-of-use assets related to procurement leases (December 31, 2021: €513.6 million). Of this figure, €445.7 million was attributable to land and buildings (December 31, 2021: €401.6 million) and €97.9 million to plant & machinery and office furniture & equipment (December 31, 2021: €112.0 million).

Other property, plant and equipment: thereof right-of-use assets

in € million	Land and buildings	Plant & machinery and office furniture & equipment	Total
Balance as at Jan. 1, 2021	**375.0**	**117.5**	**492.5**
Gross carrying amount as at Jan. 1	658.0	243.4	901.4
Accumulated depreciation as at Jan. 1	–283.0	–125.9	–408.9
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
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
Balance as at Jan. 1, 2022	**401.6**	**112.0**	**513.6**
Currency translation adjustments	3.8	–0.5	3.4
Additions	163.3	49.2	212.5
Disposals	–39.1	–6.2	–45.3
Depreciation	–83.2	–55.4	–138.6
Impairment	–0.7	–1.3	–2.0
Reversals of impairment losses	0.0	–	0.0
Balance as at Dec. 31, 2022	**445.7**	**97.9**	**543.5**
Gross carrying amount as at Dec. 31	847.6	248.0	1,095.6
Accumulated depreciation as at Dec. 31	–401.9	–150.1	–552.0

The expense recognized in 2022 for procurement leases with a term of up to twelve months came to €40.4 million (2021: €37.0 million); the expense for procurement leases that relate to low-value assets was €10.3 million (2021: €8.9 million).

As at December 31, 2022, there were also obligations of €14.9 million resulting from procurement leases that already existed but had not yet started (December 31, 2021: €39.6 million).

[20] Equity-accounted investments

The KION Group reported equity-accounted investments with a total carrying amount of €94.7 million as at December 31, 2022 (December 31, 2021: €84.3 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	**2022**	**2021**
Total carrying amount	49.3	40.8
Profit (+)/loss (–) from continuing operations	8.2	8.4
Other comprehensive income	5.0	0.3
Total comprehensive income	**13.2**	**8.8**

Summarized financial information on joint ventures

in € million	**2022**	**2021**
Total carrying amount	45.4	43.5
Profit (+)/loss (–) from continuing operations	5.9	4.6
Other comprehensive income	0.5	1.1
Total comprehensive income	**6.4**	**5.8**

The amounts in the tables are based on the share held by the KION Group in the relevant associate or joint venture.

[21] Lease receivables

Maturity analysis of lease receivables

in € million	Dec. 31, 2022	Dec. 31, 2021
Nominal value of outstanding lease payments	**1,818.7**	**1,705.4**
due within one year	556.4	505.0
due in one to two years	463.0	431.4
due in two to three years	351.7	340.6
due in three to four years	233.1	235.2
due in four to five years	133.8	128.1
due in more than five years	80.7	65.1
Plus unguaranteed residual values	302.5	248.9
Less unearned financial income	–174.8	–155.3
Present value of outstanding lease payments	**1,946.4**	**1,798.9**
Valuation allowances for lease receivables	–8.3	–9.2
Adjustment from hedge accounting	–47.8	–5.7
Total lease receivables	**1,890.3**	**1,784.0**

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 0.3 percent as at December 31, 2022 (December 31, 2021: 0.1 percent to 0.4 percent).

As at December 31, 2022, outstanding lease payments with a present value of €754.4 million (December 31, 2021: €654.4 million) were available as collateral for liabilities from the lease business.

Further information on hedge accounting adjustments can be found in note [42].

[22] Other financial assets

Other financial assets break down as follows:

Other financial assets

in € million	Dec. 31, 2022	Dec. 31, 2021
Financial investments	56.6	43.7
Financial receivables	17.5	17.4
Other financial investments	25.9	27.2
Derivative financial instruments	78.1	4.2
Sundry financial assets	0.8	3.5
Other non-current financial assets	**179.0**	**96.1**
Derivative financial instruments	20.5	8.9
Financial receivables	10.1	10.0
Sundry financial assets	49.7	43.9
Other current financial assets	**80.3**	**62.8**
Total other financial assets	**259.3**	**158.9**

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.

Finance receivables largely relate to loans to equity-accounted investments and loans to non-consolidated subsidiaries.

Other financial investments comprise long-term investments that are held in order to cover the defined benefit obligation and do not qualify as plan assets.

Derivative financial instruments comprise currency forwards and interest-rate swaps with a positive fair value that are used to reduce currency risk and interest-rate risk. Some of these derivative financial instruments are part of a formally documented hedge with a hedged item and are recognized in accordance with the hedge accounting rules. The increase in derivative financial instruments was primarily attributable to interest-rate swaps and to higher interest rates used for measurement in the currency areas relevant to the KION Group (see note [42]).

[23] Other assets

Other assets break down as follows:

Other assets

in € million	Dec. 31, 2022	Dec. 31, 2021
Investments in non-consolidated subsidiaries and other investments	23.8	24.1
Pension assets	94.0	79.7
Sundry tax receivables	13.3	8.0
Other non-current assets	**131.1**	**111.8**
Deferred charges and prepaid expenses	48.2	48.1
Sundry tax receivables	88.0	89.6
Sundry other assets	1.2	0.3
Other current assets	**137.3**	**138.0**
Total other assets	**268.4**	**249.8**

Pension assets related to asset surpluses from three defined benefit plans (2021: two) in the United Kingdom in which plan assets exceed the present value of the defined benefit obligation (see note [29]).

[24] Inventories

The reported inventories break down as follows:

Inventories

in € million	Dec. 31, 2022	Dec. 31, 2021
Materials and supplies	512.2	442.0
Work in progress	340.1	363.2
Finished goods and merchandise	890.3	761.6
Advances paid	62.0	65.2
Total inventories	**1,804.6**	**1,632.1**

In 2022, impairment losses of €50.2 million were recognized on inventories (2021: €30.1 million). Of this sum, €10.9 million related to inventories of the Russian subsidiaries in the Industrial Trucks & Services segment that are to be sold (further information can be found in note [27]). Reversals of impairment losses were recognized in an amount of €13.3 million (2021: €13.6 million) because the reasons for the impairment losses no longer existed.

[25] Trade receivables

Trade receivables break down as follows:

Trade receivables

in € million	Dec. 31, 2022	Dec. 31, 2021
Receivables from third parties	1,598.1	1,347.1
thereof receivables not due and overdue ≤ 90 days	1,429.9	1,189.3
thereof receivables overdue > 90 days ≤ 180 days	59.2	41.7
thereof receivables overdue > 180 days	31.9	55.9
thereof receivables adjusted for individual valuation allowances	77.1	60.1
Receivables from third parties measured at fair value through profit or loss (FVPL)	17.8	1.5
Trade receivables from non-consolidated subsidiaries, equity-accounted investments, other investments and other related parties	55.1	47.9
Valuation allowances for trade receivables	–74.7	–57.3
thereof valuation allowances for receivables not due and overdue ≤ 90 days	–6.1	–2.5
thereof valuation allowances for receivables overdue > 90 days ≤ 180 days	–1.5	–1.0
thereof valuation allowances for receivables overdue > 180 days	–3.1	–1.5
thereof individual valuation allowances	–64.0	–52.3
Total trade receivables	**1,596.4**	**1,339.2**

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

Change in valuation allowances for trade receivables

in € million	2022	2021
Valuation allowances as at Jan. 1	**57.3**	**57.9**
Additions	31.5	12.7
Reversals	–5.5	–6.0
Utilizations	–8.1	–7.3
Currency translation adjustments	–0.5	0.1
Valuation allowances as at Dec. 31	**74.7**	**57.3**

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 32.5 percent as at December 31, 2022 (December 31, 2021: 0.0 percent to 6.3 percent).

[26] Cash and cash equivalents

Cash and cash equivalents break down as follows:

Cash and cash equivalents

in € million	Dec. 31, 2022	Dec. 31, 2021
Balances with banks, cash and checks	306.2	473.7
Pledged cash	11.9	9.3
Total cash and cash equivalents	**318.1**	**483.0**

The change in cash and cash equivalents is shown in the > table ‘Consolidated statement of cash flows’. Further information can be found in note [39].

[27] Assets held for sale

In October 2022, the Executive Board of KION GROUP AG decided to withdraw from all business in Russia. Contract negotiations with potential buyers are currently taking place in respect of the two subsidiaries OOO 'Linde Material Handling Rus' and OOO 'STILL Forklifttrucks' in the Industrial Trucks & Services segment, together referred to below as a disposal group. The shares are expected to be sold in 2023.

Impairment losses of €29.4 million were recognized in 2022, primarily on the leased assets, rental assets, inventories, and trade receivables of the Russian subsidiaries.

The disposal group was measured at fair value less costs to sell, taking account of information from the ongoing contract negotiations. It was classified as Level 2 of the fair value hierarchy. As at December 31, 2022, the disposal group contained the following assets and liabilities:

Assets and liabilities of the disposal group

in € million	Dec. 31, 2022	Dec. 31, 2021
Leased assets	1.5	–
Rental assets	2.2	–
Inventories	5.0	–
Cash and cash equivalents[1]	14.1	–
Other assets	4.6	–
Assets held for sale	**27.4**	**–**
Liabilities from lease business	9.0	–
Liabilities from short-term rental business	8.1	–
Contract liabilities	5.9	–
Other liabilities	4.2	–
Liabilities directly associated with assets held for sale	**27.2**	**–**

1 Cash and cash equivalents were classified as restricted cash due to the international sanctions against Russia and the associated restrictions on payment transactions

A cumulative translation adjustment of minus €2.2 million for the disposal group was included in accumulated other comprehensive income (loss).

[28] Equity

Subscribed capital and capital reserves

As at December 31, 2022, 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.

The Executive Board is authorized by the Annual General Meeting held on July 16, 2020 to increase the Company's share capital by up to €0.3 million by issuing up to 279,353 new no-par-value bearer shares for cash (2020 Authorized Capital).

The total number of shares outstanding as at December 31, 2022 was 131,124,771 no-par-value shares (December 31, 2021: 131,102,423 no-par-value shares). Due to the issue of 22,348 bonus shares under KEEP 2019 (KEEP 2018: 15,953 bonus shares), KION GROUP AG held 73,876 treasury shares at the reporting date (December 31, 2021: 96,224). 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 €1.50 per share (2021: €0.41 per share) to the shareholders of KION GROUP AG resulted in an outflow of funds of €196.7 million in May 2022 (2021: €53.7 million).

Appropriation of profit

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 17, 2023 that the distributable profit of KION GROUP AG for the 2022 financial year amounting to €111.0 million be used for the distribution of a dividend of €24.9 million. This equates to €0.19 per dividend-bearing share, representing a dividend payout rate of around 25 percent of net income. It is also proposed that a further sum of €85.0 million be transferred to other retained earnings and that €1.1 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 unrealized gains/losses from equity-accounted investments contain the share of other comprehensive income (loss) from associates and joint ventures accounted for under the equity method.

[29] Retirement benefit obligation and similar obligations

Defined contribution plans

In the case of defined contribution pension plans, entities in the KION Group pay contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The total expense arising from defined contribution plans amounted to €152.7 million in 2022 (2021: €138.2 million). Of this total, contributions paid by employers into government-run schemes came to €116.8 million (2021: €107.5 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, 2022, the KION Group had set up defined benefit plans in 14 countries (December 31, 2021: 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 78.6 percent of the global defined benefit obligation (December 31, 2021: 83.3 percent) and 65.5 percent of the corresponding plan assets (December 31, 2021: 67.7 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, 2022, the guaranteed amount totaled €102.8 million (December 31, 2021: €108.0 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 significant weighted-average assumptions as at the reporting date:

Assumptions underlying provisions for pensions and other post-employment benefits

	Germany		UK		Other	
	2022	2021	2022	2021	2022	2021
Discount rate	4.20%	1.20%	5.04%	1.80%	4.42%	1.97%
Salary increase rate	3.05%	2.75%	4.25%	3.58%	0.71%	0.66%
Pension increase rate	2.34%	2.00%	2.97%	3.70%	0.06%	0.07%

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	
	2022	2021	2022	2021	2022	2021
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%

Statement of financial position

The change in the present value of the defined benefit obligation is shown in the following table:

Changes in defined benefit obligation

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Present value of defined benefit obligation as at Jan. 1	**1,346.5**	**1,477.5**	**414.0**	**424.3**	**353.7**	**357.6**	**2,114.2**	**2,259.4**
Exchange differences	–	–	–15.1	25.6	16.7	13.4	1.6	39.0
Current service cost	42.8	52.0	0.7	0.7	4.3	4.6	47.7	57.3
Past service cost (+) and income (–)	–12.3	–32.7	–	–	–	–	–12.3	–32.7
Interest expense	16.1	10.1	7.2	5.4	7.1	6.2	30.4	21.8
Employee contributions	3.7	4.3	–	–	1.3	1.2	5.0	5.4
Pension benefits directly paid by company	–19.8	–18.6	–	–	–2.5	–1.8	–22.3	–20.5
Pension benefits paid by funds	–2.6	–2.3	–18.5	–20.3	–11.2	–9.0	–32.3	–31.6
Liability transfer in (+)/out (–) to third parties	–0.5	–0.5	–	–	0.0	1.4	–0.5	0.8
Remeasurements								
Actuarial gains (-) and losses (+) arising from the change in demographic assumptions	–	–	–5.7	–6.3	3.3	–2.6	–2.4	–8.9
Actuarial gains (-) and losses (+) arising from the change in financial assumptions	–517.2	–141.7	–139.5	–6.4	–87.8	–18.6	–744.4	–166.8
Experience adjustments	–53.3	–1.5	7.7	–9.1	2.6	1.5	–42.9	–9.1
Present value of defined benefit obligation as at Dec. 31	**803.3**	**1,346.5**	**250.8**	**414.0**	**287.5**	**353.7**	**1,341.6**	**2,114.2**
thereof unfunded	31.8	45.8	0.0	0.0	36.0	39.0	67.8	84.8
thereof funded	771.5	1,300.6	250.8	414.0	251.5	314.7	**1,273.8**	**2,029.4**

With legal effect from December 8, 2022, individual pension benefit conditions were adjusted in Germany by introducing an additional option for pension recipients to have pension benefits paid out in installments (‘installment option’) instead of as a life-long annuity or as a one-off lump sum of capital (‘capital option’). The change to the pension benefit conditions resulted in unrecognized past service income of €12.3 million in the year under review, thereby reducing the present value of the defined benefit obligation. In 2021, the introduction of the capital option had resulted in unrecognized past service income of €32.7 million.

The defined benefit obligation in the other countries was predominantly attributable to subsidiaries in the US (€165.5 million; December 31, 2021: €203.7 million), Switzerland (€59.5 million; December 31, 2021: €70.5 million), and the Netherlands (€31.3 million; December 31, 2021: €39.9 million).

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

Changes in plan assets

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Fair value of plan assets as at Jan. 1	**137.7**	**121.5**	**491.7**	**471.6**	**300.1**	**266.4**	**929.6**	**859.4**
Exchange differences	–0.0	–	–19.7	29.2	15.8	15.5	–3.9	44.7
Interest income on plan assets	1.9	1.0	8.6	6.0	6.3	5.0	16.8	12.1
Employee contributions	3.7	4.3	–	–	1.3	1.2	5.0	5.4
Employer contributions	4.7	3.5	1.2	–0.0	7.3	6.7	13.2	10.2
Pension benefits paid by funds	–2.6	–2.3	–18.5	–20.3	–11.2	–9.0	–32.3	–31.6
Liability transfer in (+)/out (–) to third parties	–0.0	–0.0	–	–	–	1.4	–0.0	1.4
Remeasurements								
Gains (+) and losses (-) on plan assets excluding amounts already included in net financial expenses	–14.8	9.7	–117.2	5.3	–68.3	13.0	–200.4	28.0
Other changes	–	–	–1.3	–	–0.4	–	–1.7	–
Fair value of plan assets as at Dec. 31	**130.6**	**137.7**	**344.7**	**491.7**	**250.9**	**300.1**	**726.2**	**929.6**

Employees in Germany paid a total of €3.7 million from their salaries (2021: €4.3 million) into the KION pension plan in 2022.

The payments expected for 2023 amount to €40.5 million (in 2021: €34.7 million for 2022), which includes direct payments of pension benefits amounting to €27.5 million (in 2021: €25.9 million for 2022) 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, 2022 is shown in the following table:

Funded status and net defined benefit obligation

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Present value of the funded defined benefit obligation	–771.5	–1,300.6	–250.8	–414.0	–251.5	–314.7	–1,273.8	–2,029.4
Fair value of plan assets	130.6	137.7	344.7	491.7	250.9	300.1	726.2	929.6
Surplus (+) / deficit (–)	**–640.9**	**–1,162.9**	**93.9**	**77.7**	**–0.6**	**–14.6**	**–547.6**	**–1,099.8**
Present value of the unfunded defined benefit obligation	–31.8	–45.8	–0.0	–0.0	–36.0	–39.0	–67.8	–84.8
Effect of the asset ceiling	–	–	–	–	–3.4	–1.0	–3.4	–1.0
Net liability (–) / net asset (+) as at Dec. 31	**–672.7**	**–1,208.7**	**93.9**	**77.7**	**–40.0**	**–54.6**	**–618.9**	**–1,185.6**
Reported as ‘retirement benefit obligation and similiar obligations’	–676.7	–1,208.7	–0.0	–2.0	–36.1	–54.6	–712.8	–1,265.3
Reported as ‘Other non-current assets’	4.0	–	93.9	79.7	–3.9	–	94.0	79.7

Overall, the funding ratio (ratio of plan assets to the present value of the defined benefit obligation) in the KION Group was 54.1 percent (December 31, 2021: 44.0 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		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Balance as at Jan. 1	**1,208.7**	**1,356.0**	**2.0**	**3.1**	**54.6**	**91.2**	**1,265.3**	**1,450.3**
Exchange differences	0.0	–	–0.0	0.2	0.9	–2.2	0.9	–2.0
Total service cost	30.5	19.3	0.0	0.0	4.3	4.6	34.7	23.9
Net interest expense	14.2	9.1	–	0.0	0.8	1.2	15.0	10.3
Pension benefits directly paid by company	–19.8	–18.6	–	–	–2.5	–1.8	–22.3	–20.5
Employer contributions to plan assets	–4.7	–3.5	–	–0.4	–7.3	–6.7	–12.1	–10.6
Liability transfer out to third parties	–	–0.5	–	–	0.0	–	0.0	–0.5
Remeasurements	–555.6	–152.9	0.0	–1.0	–14.7	–32.8	–570.3	–186.7
Effect of the asset ceiling	–	–	–	–	3.4	1.0	3.4	1.0
Other changes	3.5	–	–2.0	–	–3.5	–	–2.0	–
Balance as at Dec. 31	**676.7**	**1,208.7**	**0.0**	**2.0**	**36.1**	**54.6**	**712.8**	**1,265.3**

Statement of cash flows

Payments totaling €35.5 million (2021: €31.2 million) were made in 2022 for the main pension entitlements in the KION Group. They mostly comprised pension benefits of €22.3 million (2021: €20.5 million) granted directly by the Company and employer contributions to plan assets amounting to €13.2 million (2021: €10.2 million). In addition, pension benefits of €32.3 million (2021: €31.6 million) were paid from plan assets.

Income statement

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognized in the income statement for 2022 is as follows:

Cost of defined benefit obligation

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Current service cost	42.8	52.0	0.7	0.7	4.3	4.6	47.7	57.3
Past service cost (+) and income (–)	–12.3	–32.7	–	–	–	–	–12.3	–32.7
Total service cost	**30.5**	**19.3**	**0.7**	**0.7**	**4.3**	**4.6**	**35.4**	**24.6**
Interest expense	16.1	10.1	7.2	5.4	7.1	6.2	30.4	21.8
Interest income on plan assets	–1.9	–1.0	–8.6	–6.0	–6.3	–5.0	–16.8	–12.1
Net interest expense (+) / income (–)	**14.2**	**9.1**	**–1.4**	**–0.6**	**0.8**	**1.2**	**13.7**	**9.7**
Total cost of defined benefit obligation	**44.7**	**28.4**	**–0.7**	**0.1**	**5.1**	**5.9**	**49.1**	**34.3**

The total service cost of €35.4 million was recognized in functional costs (December 31, 2021: €24.6 million). The year-on-year change in the total service cost is primarily attributable to the reduction in unrecognized past service income resulting from plan adjustments. The net interest cost of €13.7 million was recognized in net financial expenses (December 31, 2021: €9.7 million).

The actual return on plan assets in 2022, including the remeasurement recognized in other comprehensive income, was minus €185.3 million (2021: €40.1 million).

Other comprehensive income (loss)

The breakdown of the remeasurement of the defined benefit obligation recognized in the consolidated statement of comprehensive income in 2022 is presented in the following table:

Accumulated other comprehensive income (loss)

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated other comprehensive income / loss as at Jan. 1	**–514.8**	**–667.7**	**10.2**	**–16.4**	**–1.5**	**–34.5**	**–506.1**	**–718.6**
Exchange differences	0.0	–	–1.3	–0.4	1.0	1.1	–0.3	0.7
Gains (+) and losses (–) arising from remeasurements of defined benefit obligation	570.4	143.2	137.5	21.8	81.9	19.8	789.8	184.8
Gains (+) and losses (–) arising from remeasurements of plan assets	–14.8	9.7	–117.2	5.3	–68.3	13.0	–200.4	28.0
Change in the effect of the asset ceiling	–	–	–	–	–2.3	–1.0	–2.3	–1.0
Other changes	–	–	–	–	1.0	–	1.0	–
Accumulated other comprehensive income / loss as at Dec. 31	**40.8**	**–514.8**	**29.2**	**10.2**	**11.7**	**–1.5**	**81.7**	**–506.1**

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, 2022, the changes in estimates relating to defined benefit pension entitlements resulted in a €410.6 million increase in equity after deduction of deferred taxes (December 31, 2021: increase of €150.9 million).

Composition of plan assets

The plan assets of the main pension plans consisted of the following components:

Fair value of plan assets

	Germany		UK		Other		Total	
in € million	2022	2021	2022	2021	2022	2021	2022	2021
Shares	43.2	54.5	12.3	37.9	67.0	178.6	122.4	271.0
Fixed-income securities	52.9	40.5	321.2	415.1	121.9	57.4	496.0	513.0
Real estate	3.8	6.1	1.0	–	15.2	14.9	20.1	21.0
Insurance policies	2.5	–	–	–	31.7	40.5	34.2	40.5
Other	28.2	36.6	10.2	38.8	15.0	8.7	53.4	84.0
Total plan assets	**130.6**	**137.7**	**344.7**	**491.7**	**250.9**	**300.1**	**726.2**	**929.6**
thereof total assets that do not have a quoted price in active markets	**2.5**	**18.2**	**1.2**	**15.9**	**33.3**	**46.1**	**37.0**	**80.2**
Insurance policies	2.5	–	–	–	31.7	40.5	34.2	40.5
Other	–	18.2	1.2	15.9	1.6	5.6	2.8	39.7

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		2022	2021
Discount rate	Increase by 1.0 percentage point	–159.4	–345.5
	Reduction by 1.0 percentage point	202.4	464.1
Salary increase rate	Increase by 0.5 percentage point	4.4	18.1
	Reduction by 0.5 percentage point	–4.0	–17.8
Pension increase rate	Increase by 0.25 percentage point	24.8	47.6
	Reduction by 0.25 percentage point	–23.0	–44.0
Life expectancy	Increase by 1 year	38.9	90.6

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, 2022.

Expected payments for pension benefits

in € million	Germany	UK	Other	Total
2023	30.0	17.8	16.2	64.0
2024	30.8	17.8	14.3	62.8
2025	33.3	17.8	15.6	66.7
2026	35.1	17.8	15.9	68.8
2027	36.0	17.8	15.7	69.5
2028 to 2032	218.6	88.6	85.8	393.0

The expected pension benefits break down into future benefits to be paid directly by the employer (for 2023: €27.5 million) and future benefits to be paid from existing plan assets (for 2023: €36.5 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 15.4 years in Germany (December 31, 2021: 22.1 years), 10.2 years in the United Kingdom (December 31, 2021: 14.8 years), and 11.5 years in the other countries (December 31, 2021: 14.1 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 higher level of interest rates in all relevant currency areas is resulting in a smaller 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, 2022, 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, 2022	Dec. 31, 2021
Promissory notes	**319.2**	**418.5**
due within one year	–	92.5
due in one to five years	319.2	298.6
due in more than five years	–	27.5
Bonds	**496.8**	**495.6**
due within one year	–	–
due in one to five years	496.8	495.6
due in more than five years	–	–
Liabilities to banks	**819.3**	**104.0**
due within one year	304.2	57.4
due in one to five years	515.1	46.6
due in more than five years	–	–
Other financial liabilities	**353.3**	**32.4**
due within one year	322.6	1.9
due in one to five years	30.7	30.3
due in more than five years	–	0.1
Total current financial liabilities	**626.7**	**151.9**
Total non-current financial liabilities	**1,361.8**	**898.7**

Promissory notes

As at December 31, 2022, the total nominal amount of the issued promissory notes was €324.5 million (December 31, 2021: €417.0 million). The promissory notes maturing in 2024, 2025, 2026, and 2027 have fixed and variable interest rates (Euribor + margin). As scheduled, the fixed-rate tranche of the promissory note of €92.5 million was repaid in May 2022. The following table shows the nominal amounts of the promissory notes issued by KION GROUP AG:

Promissory note

in € million	Maturity date	Dec. 31, 2022	Dec. 31, 2021
Promissory note (7-year term)	April 2024	69.5	69.5
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, 2022, liabilities to banks related to drawdowns of credit lines and to loans from banks at central and local level.

KION GROUP AG has a syndicated revolving credit facility (RCF). In September 2022, the term of the RCF was extended by one year until October 2027. Then in December 2022, an amendment agreement was signed that increased the total volume from €1,000.0 million to €1,385.7 million. The facility has a variable interest rate; the contractually agreed interest terms are linked to KION GROUP AG’s credit rating and to compliance with sustainability KPIs.

The amount drawn down from the revolving credit facility was €114.6 million as at December 31, 2022 (December 31, 2021: €0.0 million). The unused portion of the RCF therefore stood at €1,271.1 million (December 31, 2021: €1,000.0 million).

As at December 31, 2022, there were also six bilateral bank loans that had been taken out centrally by KION GROUP AG in 2022. These variable-rate loans had a total volume of €575.0 million as at the reporting date (December 31, 2021: €0.0 million), which consisted of €600.0 million of new lending arranged in 2022 and an early repayment of €25.0 million. The bilateral bank loans have a variable rate and mature between 2023 and 2026. In addition, Group companies had drawn down bank loans of €129.7 million (December 31, 2021: €104.0 million). KION GROUP AG generally issues guarantees to the banks for Group companies' existing payment obligations. The liabilities to banks are not collateralized.

Other financial liabilities

KION GROUP AG launched a commercial paper program in November 2019 and increased the maximum program volume by €250.0 million to €750.0 million in April 2022. As at December 31, 2022, commercial paper of €305.0 million had been issued (December 31, 2021: €0.0 million).

Covenants

The revolving credit facility and a number of promissory notes taken out by KION GROUP AG stipulate adherence to covenants. The agreed financial covenant involves ongoing testing of adherence to a defined maximum level of leverage. As contractually agreed, this calculation is currently suspended in respect of the revolving credit facility entered into in 2021 because KION GROUP AG has two investment-grade credit ratings.

Exceeding the agreed maximum level of leverage as at a particular reference date gives lenders a right of termination.

[31] Liabilities from lease business

Non-current and current liabilities from the lease business totaled €3,214.6 million (December 31, 2021: €3,070.8 million) and could be broken down into a sum of €3,048.4 million (December 31, 2021: €2,858.3 million) that relates to the financing of the direct lease business and a sum of €166.3 million (December 31, 2021: €212.6 million) that relates to repurchase obligations resulting from the indirect lease business.

Liabilities from lease business

in € million	Dec. 31, 2022	Dec. 31, 2021
Non-current liabilities from lease business	**2,314.2**	**1,793.5**
thereof from sale and leaseback sub-lease transactions	727.0	766.0
thereof from lease facilities	482.2	5.2
thereof from securitizations	994.1	874.0
thereof from repurchase obligations (indirect lease business)	111.0	148.4
Current liabilities from lease business	**900.4**	**1,277.3**
thereof from sale and leaseback sub-lease transactions	324.8	342.7
thereof from lease facilities	152.4	583.8
thereof from securitizations	368.0	286.7
thereof from repurchase obligations (indirect lease business)	55.3	64.1

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 €1,051.7 million (December 31, 2021: €1,108.6 million). This amount still included liabilities of €33.5 million (December 31, 2021: €109.8 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 €634.5 million (December 31, 2021: €589.0 million) and liabilities from the issuance of notes (securitization) in an amount of €1,362.1 million (December 31, 2021: €1,160.7 million). The maturities of liabilities from lease facilities changed as at the reporting date, mainly due to the new revolving credit facility that was arranged.

The liabilities from the lease business had the following maturities:

Maturity analysis of liabilities from lease business

in € million	Dec. 31, 2022	Dec. 31, 2021
Total future payments from lease business (gross)	**3,473.6**	**3,158.3**
due within one year	996.5	1,311.3
due in one to two years	864.7	632.3
due in two to three years	671.1	531.4
due in three to four years	481.3	371.5
due in four to five years	355.3	224.6
due in more than five years	104.7	87.2

The future payments from the lease business still included payments amounting to €36.0 million (2021: €113.3 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.

[32] Liabilities from short-term rental business

Non-current and current liabilities from the short-term rental business totaled €544.2 million (December 31, 2021: €488.9 million) and related to the financing of industrial trucks for the short-term rental fleet.

Liabilities from short-term rental business

in € million	Dec. 31, 2022	Dec. 31, 2021
Non-current liabilities from short-term rental business	**354.1**	**321.4**
thereof from sale and leaseback sub-lease transactions	295.1	321.4
thereof from rental facilities	59.0	–
Current liabilities from short-term rental business	**190.1**	**167.5**
thereof from sale and leaseback sub-lease transactions	152.0	163.7
thereof from rental facilities	38.2	3.7

Liabilities from the financing of the short-term rental business encompassed liabilities arising from sale and leaseback sub-lease transactions with leasing companies in an amount of €447.1 million (December 31, 2021: €485.2 million). This amount still included liabilities of €12.8 million (December 31, 2021: €43.2 million) related to sale and leaseback sub-lease transactions entered into up to December 31, 2017.

Furthermore, liabilities from the financing of the short-term rental business included liabilities from rental facilities in an amount of €97.1 million (December 31, 2021: €3.7 million).

The liabilities from the short-term rental business had the following maturities:

Maturity analysis of liabilities from short-term rental business

in € million	Dec. 31, 2022	Dec. 31, 2021
Total future payments from short-term rental business (gross)	**584.2**	**512.8**
due within one year	205.0	177.1
due in one to two years	134.4	139.2
due in two to three years	99.3	94.6
due in three to four years	69.7	56.1
due in four to five years	54.0	33.5
due in more than five years	21.7	12.4

The future payments from the short-term rental business still included payments amounting to €13.0 million (2021: €44.3 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	Provisions for onerous contracts	Other obligations	Total other provisions
Balance as at Jan. 1, 2022	**97.8**	**172.2**	**26.7**	**43.5**	**340.3**
thereof non-current	23.4	98.5	2.9	18.2	143.1
thereof current	74.4	73.7	23.8	25.3	197.2
Group changes	–	0.0	–	0.0	0.0
Additions	80.4	28.5	88.3	46.8	243.9
Utilizations	–39.1	–54.1	–15.5	–11.2	–119.9
Reversals	–19.7	–38.4	–11.1	–15.4	–84.6
Additions to accrued interest	–0.0	–4.7	–	–0.3	–5.0
Currency translation adjustments	0.4	1.2	–2.6	0.1	–1.0
Other adjustments	0.0	–	–1.0	–2.6	–3.5
Balance as at Dec. 31, 2022	**119.7**	**104.7**	**84.9**	**60.9**	**370.2**
thereof non-current	30.1	60.3	24.6	25.8	140.8
thereof current	89.6	44.4	60.2	35.2	229.4

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.

Share-based remuneration obligations fell by €54.0 million to €4.9 million in the year under review owing to the significantly lower valuation of the performance shares compared with the previous year (see note [46]).

The provisions for onerous contracts as at December 31, 2022 mainly related to project business contracts in the Supply Chain Solutions segment; the payments expected in this context will be incurred within the next two years after the reporting date.

Other obligations included provisions for risks arising from lease business, for waste disposal and recycling obligations, and for litigation. It is expected that the bulk of the cash payments for the other obligations will be incurred within the next two years after the reporting date.

[34] Contract balances

Contract assets stood at €528.8 million (December 31, 2021: €519.1 million); most of this amount, €508.0 million (December 31, 2021: €504.2 million), was attributable to goods and services provided in the project business that have not yet been billed.

Of the contract liabilities, €640.3 million was attributable to project business contracts with a net debit balance due to customers (December 31, 2021: €675.0 million) and €185.8 million to prepayments received from customers (December 31, 2021: €179.8 million). The revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounted to €814.7 million (2021: €518.8 million).

[35] Trade payables

As at December 31, 2022, trade payables of €1,124.3 million (December 31, 2021: €1,443.7 million) included liabilities to non-consolidated subsidiaries, equity-accounted investments, and other equity investments of €31.7 million (December 31, 2021: €38.9 million).

[36] Other financial liabilities

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

Other financial liabilities

in € million	Dec. 31, 2022	Dec. 31, 2021
Liabilities from procurement leases	467.0	427.5
Derivative financial instruments	5.4	1.4
Sundry financial liabilities	5.8	4.3
Other non-current financial liabilities	**478.3**	**433.2**
Liabilities from procurement leases	117.9	116.2
Derivative financial instruments	11.5	15.2
Liabilities from accrued interest	6.8	5.4
Sundry financial liabilities	79.3	82.1
Other current financial liabilities	**215.4**	**218.8**
Total other financial liabilities	**693.7**	**652.0**

Liabilities from procurement leases had the following underlying maturities:

Maturity analysis of procurement leases

in € million	Dec. 31, 2022	Dec. 31, 2021
Total future payments (gross)	**696.5**	**615.3**
due within one year	135.6	127.7
due in one to two years	106.5	100.2
due in two to three years	81.3	76.7
due in three to four years	61.6	56.5
due in four to five years	46.8	42.8
due in more than five years	264.8	211.4

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, 2022	Dec. 31, 2021
Deferred income	180.6	184.7
Personnel liabilities	5.4	13.3
Other non-current liabilities	**185.9**	**198.0**
Deferred income	149.3	209.5
Personnel liabilities	352.1	357.5
Social security liabilities	57.5	57.1
Tax liabilities	138.9	118.8
Other current liabilities	**697.8**	**742.9**
Total other liabilities	**883.7**	**940.8**

Deferred income included deferred revenue and deferred gains on disposals of €189.0 million (December 31, 2021: €263.4 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.

Other disclosures

[38] Contingent liabilities and other financial commitments

Contingent liabilities

Contingent liabilities break down as follows:

Contingent liabilities

in € million	Dec. 31, 2022	Dec. 31, 2021
Guarantees and indemnities	**126.2**	**129.5**

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, 2022	Dec. 31, 2021
Commitments under long-term license and support agreements	231.1	160.3
Capital expenditure commitments in fixed assets	117.0	79.1
Sundry other financial commitments	6.3	2.1
Total other financial commitments	**354.4**	**241.4**

Sundry other financial commitments included potential future payment obligations to related parties amounting to €2.1 million (December 31, 2021: €2.1 million).

[39] Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the KION Group resulting from cash inflows and outflows in the year under review, broken down into cash flow from operating, investing, and financing activities. The effects on cash from changes in exchange rates are shown separately. Cash flow from operating activities is presented using the indirect method.

Cash and cash equivalents declined to €318.1 million as at the reporting date (December 31, 2021: €483.0 million). In addition, an amount of €14.1 million has been recognized for restricted cash under assets classified as held for sale. Taking into account the credit facility of €1,271.1 million that was still freely available (December 31, 2021: €1,000.0 million), the unrestricted cash and cash equivalents available to the KION Group at the end of 2022 amounted to €1,577.3 million (December 31, 2021: €1,473.7 million).

Cash flow from operating activities amounted to a net cash outflow of minus €345.9 million in 2022, which was down sharply compared with the net cash provided by operating activities of €881.7 million in the previous year. The main factors in this decrease were the fall in earnings and the considerable rise in net working capital of €804.5 million (2021: €201.9 million). The latter was primarily due to the much lower level of trade payables at the end of the year and the volume-related growth of receivables from customers. The build-up of unfinished trucks in the Industrial Trucks & Services segment, which was caused by the supply chain disruptions, had been reduced significantly by the end of 2022 thanks to the measures introduced during the year to strengthen both the supplier network and production processes. However, inventories of materials and supplies – particularly steel and electronics – were increased in order to counter procurement risks.

Net cash used for investing activities amounted to minus €369.7 million and was therefore higher than in the previous year (2021: minus €337.8 million). Within this total, cash payments for capital expenditure on production facilities, product development, and purchased property, plant, and equipment rose to minus €382.7 million (2021: minus €333.8 million). Net payments for acquisitions had amounted to minus €17.0 million in 2021; the equivalent figure for the year under review was minus €4.9 million.

Free cash flow – the sum of cash flow from operating activities and investing activities – was significantly negative at minus €715.6 million (2021: positive cash flow of €543.8 million).

Net cash provided by financing activities amounted to €562.8 million in 2022 (2021: net cash used of minus €386.1 million). The net addition to financial debt of €942.4 million (2021: net repayment of minus €148.8 million) mainly related to the commercial paper program and to the drawdown and subsequent repayment of amounts under the revolving credit facility (RCF) during the reporting year. Furthermore, new bank loans were arranged during the reporting year and, as scheduled, the fixed-rate tranche of the promissory note was repaid. There was a moderate increase in payments made for interest portions and principal portions under procurement leases to minus €151.7 million (2021: minus €145.1 million). Current interest payments also went up, rising to minus €32.6 million on the back of higher financial debt (2021: minus €29.5 million). The payment of a dividend to the shareholders of KION GROUP AG resulted in an outflow of funds of minus €196.7 million, which equates to €1.50 per share.

Currency effects in relation to cash and cash equivalents amounted to €2.1 million (2021: €10.8 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 2022

			Non-cash changes		
in € million	Jan. 1, 2022	Cash flows	Foreign exchange movement	Other changes	Dec. 31, 2022
Non-current financial liabilities	898.7	485.9	1.6	–24.3	1,361.8
Current financial liabilities	151.9	456.5	–3.0	21.4	626.7
Liabilities from accrued interest	5.4	–32.7	0.0	34.1	6.8
Derivative financial instruments for hedging purposes	–	0.1	0.1	4.4	4.7
Liabilities from procurement leases	543.6	–151.7	3.2	189.7	584.9
Total liabilities from financing activities	**1,599.5**	**758.0**	**1.9**	**225.4**	**2,584.9**

Reconciliation of liabilities arising from financing activities 2021

in € million	Jan. 1, 2021	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: 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	–
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**

[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 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 2022

Classes:	Carrying amount	Categories FVPL	AC	FVOCI	Fair Value
in € million					
Financial assets					
Lease receivables[1]	1,890.3				1,903.0
Trade receivables	1,596.4	17.8	1,578.6		1,596.4
Other financial assets	259.3				259.3
thereof financial investments	56.6			56.6	56.6
thereof financial receivables	27.6		27.6		27.6
thereof other financial investments	25.9	25.9			25.9
thereof sundry financial assets	50.5		50.5		50.5
thereof derivative financial instruments	98.7	10.8			98.7
Cash and cash equivalents	318.1		318.1		318.1
Financial liabilities					
Financial liabilities	1,988.6				1,940.2
thereof promissory notes	319.2		319.2		317.2
thereof bonds	496.8		496.8		447.1
thereof liabilities to banks	819.3		819.3		822.7
thereof sundry financial liabilities	353.3		353.3		353.3
Liabilities from lease business	3,181.1		3,181.1		3,155.6
Liabilities from lease business[1]	33.5				33.1
Liabilities from short-term rental business	531.4		531.4		522.1
Liabilities from short-term rental business[1]	12.8				12.6
Trade payables	1,124.3		1,124.3		1,124.3
Other financial liabilities	693.7				666.8
thereof liabilities from procurement leases[1]	584.9				558.0
thereof sundry other financial liabilities and liabilities from accrued interest	91.9		91.9		91.9
thereof derivative financial instruments	16.9	5.3			16.9

1 as defined by IFRS 16

Carrying amounts and fair values broken down by class 2021

Classes:	Carrying amount	FVPL	AC	FVOCI	Fair Value
		Categories			
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 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

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	2022	2021
Financial assets measured at amortized cost (AC)	–15.0	–19.4
Equity instruments measured at fair value through other comprehensive income (FVOCI)	18.3	3.8
Financial instruments measured at fair value through profit or loss (FVPL)	19.1	33.2
Financial liabilities measured at amortized cost (AC)	–135.8	–98.3

In 2022, the net gains and losses included interest income of €10.1 million (2021: €5.4 million) and interest expense of €109.8 million (2021: €70.3 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 2022

in € million	Fair Value Hierarchy Level 1	Level 2	Level 3	Dec. 31, 2022
Financial assets				**199.0**
thereof financial investments	0.7		55.9	56.6
thereof other financial investments		25.9		25.9
thereof trade receivables		17.8		17.8
thereof derivative financial instruments		98.7		98.7
Financial liabilities				**16.9**
thereof derivative financial instruments		16.9		16.9

Financial instruments measured at fair value 2021

in € million	Fair Value Hierarchy 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

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 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 €1,670.5 million as at December 31, 2022 (December 31, 2021: €567.6 million).

Default risk

In certain operating and finance activities, the KION Group is subject to credit risk, i.e. the risk that partners will fail to meet their contractual obligations. This risk is defined as the risk that a counterparty will default, and hence is limited to a maximum of the carrying amount. Default risk is limited by diversifying business partners based on certain credit ratings. The Group only enters into transactions with business partners and banks holding a good credit rating and subject to fixed limits. The potential default risk attaching to financial assets is also mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees, and potential netting agreements.

Counterparty risks involving our customers are managed by the individual Group companies. To reflect the default risk, valuation allowances are recognized for defaults that have occurred and for expected defaults (see note [25]).

Financial transactions are only entered into with selected business partners that have an investment-grade credit rating. The KION Group's default risk remains insignificant.

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 €1,577.3 million (December 31, 2021: €1,473.7 million). The age structure of financial liabilities is reviewed and optimized continually.

The credit ratings awarded to the KION Group by the two rating agencies remained essentially unchanged in the year under review. In October 2022, Fitch Ratings confirmed the Group's long-term issuer default rating of BBB with a stable outlook. Fitch Ratings had already confirmed the short-term issuer default rating of F2 in September of the reporting year. Standard & Poor's kept the issuer rating at BBB–, but put the outlook on CreditWatch Negative.

In 2022, the KION Group sold financial assets with a total value of €102.9 million (2021: €95.6 million) in factoring transactions. In some cases, the KION Group retains insignificant rights and obligations in connection with financial assets that are to be fully derecognized. 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, 2022 (December 31, 2021: €4.7 million).

The following tables show all of the contractually agreed undiscounted payments under recognized financial liabilities as at December 31, 2022 and 2021, including derivative financial instruments with negative fair values.

Liquidity analysis of financial liabilities and derivatives 2022

in € million	Carrying amount Dec. 31, 2022	Cash flow 2023	Cash flow 2024–2027	Cash flow from 2028
Primary financial liabilities				
Promissory notes	319.2	–9.3	–343.8	–
Bonds	496.8	–8.2	–516.5	–
Liabilities to banks	819.3	–332.5	–562.3	–
Other financial liabilities	353.3	–324.8	–31.2	–
Liabilities from lease business	3,214.6	–996.5	–2,372.4	–104.7
Liabilities from short-term rental business	544.2	–205.0	–357.4	–21.7
Trade payables	1,124.3	–1,124.3	–	–
Other financial liabilities (excluding derivatives)	676.8	–214.9	–302.0	–264.8
Derivative financial liabilities				
Derivatives with negative fair value	16.9			
+ Cash in		554.6	28.9	0.1
– Cash out		–567.5	–33.4	–0.2

Liquidity analysis of financial liabilities and derivatives 2021

in € million	Carrying amount Dec. 31, 2021	Cash flow 2022	Cash flow 2023–2026	Cash flow 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

Currency risk

The KION Group hedges currency risk both locally at the level of the individual companies and centrally via KION GROUP AG using prescribed hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

In the Industrial Trucks & Services segment, hedges are entered into at individual company level for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm commitments not reported in the statement of financial position. Currency risk arising from customer-specific project business contracts in the Supply Chain Solutions segment is hedged on a project-specific basis at individual company level. As a result, these hedges are classified as cash flow hedges for accounting purposes in accordance with IFRS 9 (see note [42]). In addition, foreign-currency forwards are employed to hedge the currency risks arising in the course of internal financing.

Significant currency risk arising from financial instruments is measured using a currency sensitivity method. Currency risks from financial instruments as defined by IFRS 7 are only included in calculating currency sensitivity if the financial instruments are denominated in a currency other than the functional currency of the Group company concerned. This means that currency risks resulting from the translation of the separate financial statements of subsidiaries into the Group presentation currency, i.e. currency translation risks, are not included.

Currency risk relevant to currency sensitivity in the KION Group arises mainly in connection with derivative financial instruments, trade receivables, and trade payables. It is assumed that the portfolio of financial instruments as at the reporting date is representative of the portfolio over the whole of the year. The sensitivity analysis for the relevant currencies (after tax) is shown in the following table:

Foreign-currency sensitivity

		Impact on net income		**Impact on other comprehensive loss**	
		Increase in the value of the euro of +10%	Fall in the value of the euro of –10%	Increase in the value of the euro of +10%	Fall in the value of the euro of –10%
in € million	**2022**				
GBP		–0.5	0.5	6.3	–11.2
USD		2.2	–3.0	3.4	–6.0
in € million	**2021**				
GBP		–0.4	0.4	10.1	–12.3
USD		0.7	–0.9	6.5	–7.9

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 payer interest-rate swaps. Overall, this results in a variable interest rate for the lease portfolio that is in line with the benchmark rate for the currency area in question; the variable interest rate thus equates to the variable rate used for the financing of the lease portfolio from an economic perspective. These hedges are accounted for as portfolio fair value hedges in accordance with IAS 39 (see note [42]).

The shift in the relevant yield curves was simulated to assess interest-rate risk. The effects after tax shown below resulted from the marking-to-market of interest-rate swaps and from variable-rate financial debt:

Interest-rate sensitivity

	+50 bps		–50 bps	
in € million	2022	2021	2022	2021
Net income	–21.4	4.5	21.5	–4.8
Other comprehensive loss	–	–	–	–

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, where it makes commercial sense to do so.

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

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

[42] Hedge accounting

Hedging currency risk

The KION Group applies cash flow hedge accounting in hedging the exchange rate risks arising (in various currencies) from highly probable future transactions and firm commitments not reported in the statement of financial position. Foreign-currency forwards with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges. The critical terms of the hedging instruments and the hedged items are therefore matched with each other. The hedge ratio, which is derived from the volume of hedged items and the hedging instruments used, is 1:1 for these hedges. Because the hedges are highly effective, the change in the fair value of the cash flows from the hedged items corresponds to the change in the fair value of the hedging instruments.

The main currency hedges relate to pound sterling and the US dollar. The foreign-currency forwards in existence as at December 31, 2022 were entered into at average hedging rates of £0.8607 to €1 (2021: £0.8608 to €1) and US$ 1.1004 to €1 (2021: US$ 1.1909 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 2024 at the latest. In total, foreign-currency cash flows of €414.0 million (2021: €644.2 million) were hedged and designated as hedged items, of which € 365.0 million is expected by December 31, 2023 (2021: €553.7 million expected by December 31, 2022). The remaining cash flows designated as hedged items, which amount to €49.0 million (2021: €90.5 million), fall due in the period up to December 31, 2024 (2021: December 31, 2023).

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, 2022	Fair value Dec. 31, 2021	Notional amount Dec. 31, 2022	Notional amount Dec. 31, 2021
Foreign-currency forwards (assets)	Cash flow hedge	10.9	5.5	282.4	270.1
	FVPL	8.5	3.5	733.9	487.3
Foreign-currency forwards (liabilities)	Cash flow hedge	6.2	10.1	131.6	374.1
	FVPL	5.3	4.8	447.0	499.5

Hedging interest-rate risk

The KION Group has issued variable-rate and fixed-rate promissory notes as part of its financing (see note [30]). It hedges the risk of a change in the fair value of a fixed-rate tranche of the promissory note that was issued in 2018 and will mature in 2025 using an interest-rate swap, thereby creating a Euribor-based variable-rate obligation. This is accounted for as a fair value hedge. The hedge ratio, which is derived from the volume of hedged items and the hedging instruments used, is 1:1. The critical terms of the hedging instrument and the hedged item are matched with each other. The interest-rate swap used as a hedge reflects the maturity profile of the hedged item and will mature in 2025. Because the hedge is highly effective, the change in the fair value of the hedged item (fair value hedge) corresponds to the change in the fair value of the hedging instrument. The carrying amount of the hedged promissory note tranche (€79.5 million), which is recognized under financial liabilities, included an adjustment of minus €5.1 million as at December 31, 2022 (December 31, 2021: €1.9 million) that was attributable to the change in fair value resulting from the hedged risk.

In addition, the KION Group uses amortizing payer interest-rate swaps in the same currency to hedge the risk of a change in the fair value of certain lease receivables. These hedges are accounted for as portfolio fair value hedges in accordance with IAS 39. The interest-rate swaps used as hedges reflect the notional amount and the maturity profile of the hedged portfolio and will mature in 2029. Overall, this results in a variable interest rate for the lease portfolio that is in line with the benchmark rate for the currency area in question; the variable interest rate thus equates to the variable rate used for the financing of the lease portfolio from an economic perspective. The carrying amount of the lease receivables, which stood at €1,890.3 million as at December 31, 2022 (December 31, 2021: €1,784.0 million), included a fair value hedge adjustment of minus €47.8 million (December 31, 2021: minus €5.7 million). The total volume of the corresponding interest-rate swaps of €1,684.6 million (December 31, 2021: €1,500.2 million) relative to the carrying amount of the lease portfolio gave a hedge ratio of 89.1 percent as at the reporting date (December 31, 2021: 84.1 percent). The total hedge gain from hedging amounted to €77.5 million in 2022 (2021: €10.6 million), while the hedge loss from the hedged items / lease portfolio amounted to €42.8 million (2021: €5.6 million). The resulting ineffectiveness of €34.7 million (2021: €5.0 million) mainly arose because there was no opportunity to designate operating leases as hedged items in portfolio fair value hedges in accordance with IAS 39.

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, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Interest-rate swaps (assets)	Fair value hedge	77.0	3.8	1,498.6	973.4
	FVPL	2.3	0.5	151.9	150.0
Interest-rate swaps (liabilities)	Fair value hedge	5.4	1.7	113.5	456.3
	Cash flow hedge	–	–	–	–
	FVPL	–	–	–	–

Change in the hedge reserves

The change in the hedge reserves within accumulated other comprehensive income (loss) is presented in the following tables.

Reconciliation of hedge reserves resulting from hedges of currency and interest-rate risks 2022

in € million	Currency risk	Interest-rate risk	Total
Balance as at Jan. 1, 2022	**–4.5**	**–**	**–4.5**
Changes in unrealized gains and losses	–4.4	–	–4.4
Changes in gains (–) and losses (+) to revenue	9.0	–	9.0
Changes in gains (–) and losses (+) to cost of sales	3.8	–	3.8
Tax effect of changes in reserves	–1.4	–	–1.4
Balance as at Dec. 31, 2022	**2.5**	**–**	**2.5**

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**

[43] Segment report

The Executive Board, as the chief operating decision-maker (CODM), manages the KION Group on the basis of the following segments: Industrial Trucks & Services, Supply Chain Solutions, and Corporate Services. The segments have been defined in accordance with the KION Group's organizational and strategic focus.

Description of the segments

Industrial Trucks & Services

So that it can fully cater to the needs of material handling customers worldwide, the business model of the Industrial Trucks & Services segment covers key steps of the value chain: product development, manufacturing, sales and service, truck rental and used trucks, fleet management, and financial services that support the core industrial truck business. The segment operates a multi-brand strategy involving the three international brands Linde, STILL, and Baoli plus the two regional brands Fenwick and OM.

Supply Chain Solutions

The Supply Chain Solutions segment, featuring its KION SCS Operating Unit, is a strategic partner to customers in a variety of industries, supplying them with integrated technology and software solutions with which to optimize their supply chains. Manual and automated solutions are provided for all functions along customers' supply chains, from goods inward and Multishuttle warehouse systems to picking, automated palletizing, and automated guided vehicle systems. Featuring the Dematic brand, this segment is primarily involved in customer-specific, 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 were 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 reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [6].

The following tables show information on the KION Group's operating segments for 2022 and 2021:

Segment report 2022

in € million	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Consoli-dation/ Reconci-liation	Total
Revenue from external customers	7,344.2	3,789.4	1.9	–	11,135.6
Intersegment revenue	11.9	17.4	212.7	–242.0	–
Total revenue	7,356.1	3,806.9	214.6	–242.0	11,135.6
Earnings before tax	**388.8**	**–174.4**	**314.2**	**–390.6**	**138.0**
Net financial income / expenses	12.8	–27.8	–15.3	–	–30.2
EBIT	**376.0**	**–146.6**	**329.4**	**–390.6**	**168.3**
+ Non-recurring items	42.8	10.1	–21.3	–	31.5
+ PPA items	1.7	90.9	–	–	92.7
= Adjusted EBIT	**420.5**	**–45.6**	**308.1**	**–390.6**	**292.4**
Segment assets	12,204.8	5,787.7	2,728.2	–4,192.4	16,528.4
Segment liabilities	8,423.6	2,877.9	3,811.1	–4,191.9	10,920.7
Capital expenditure[1]	267.5	87.3	28.0	–	382.7
Amortization and depreciation[2]	167.5	49.0	17.1	–	233.6
Order intake	8,425.6	3,361.9	214.6	–294.5	11,707.6
Order book	3,817.6	3,327.5	–	–67.3	7,077.8
Number of employees[3]	28,737	11,186	1,226	–	41,149

1 Capital expenditure in property, plant and equipment and intangible assets, including capitalized development costs
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at Dec. 31, 2022; allocation according to the contractual relationships

Segment report 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 / income	–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	–	–	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 in property, plant and equipment and intangible assets, including capitalized development costs
2 On intangible assets and property, plant and equipment (excluding right-of-use assets and PPA items)
3 Number of employees (full-time equivalents) as at Dec. 31, 2021; 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 2022, revenue in the most significant countries was as follows: €1,770.6 million in Germany (2021: €1,620.3 million), €2,343.7 million in the US (2021: €2,347.5 million), and €1,041.6 million in France (2021: €985.2 million).

In 2022, revenue of €1,366.2 million (2021: €1,634.8 million) was generated from one single external customer and predominantly in the Supply Chain Solutions segment.

Net financial income and expenses, including all interest income and interest expense, are described in notes [12] and [13].

The non-recurring items recorded in the reporting year across the Group amounted to a total expense of €31.5 million. In the Industrial Trucks & Services segment, an amount of €32.4 million essentially related to impairment losses on assets of the Russian subsidiaries. The negative non-recurring items in the Industrial Trucks & Services segment were partly offset by a boost to earnings from plan adjustments that affected defined benefit obligations. In the Supply Chain Solutions segment, the non-recurring items resulted from impairment losses on assets in connection with business in Russia. 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 €17.5 million in the ITS and SCS segments.

In 2021, the non-recurring items had amounted to total income of €37.8 million. This had included income of €32.7 million in connection with plan adjustments affecting defined benefit obligations. There had also been income from the reversal of excess provisions recognized for the capacity and structural program; taking account of the ongoing program costs, the positive non-recurring items had amounted to income of €8.2 million. In addition, the intra-group allocation of costs of KION GROUP AG to subsidiaries had resulted in negative non-recurring items amounting to an expense of €18.3 million in the ITS and SCS segments.

The effects from purchase price allocations comprised net write-downs and other expenses in relation to the step-ups and charges identified as part of the acquisition processes.

The regional breakdown of non-current assets, excluding financial instruments, deferred tax assets, and assets relating to defined benefit pension plans, is as follows:

Non-current assets broken down by company location

in € million	Dec. 31, 2022	Dec. 31, 2021
EMEA	**6,055.5**	**5,973.1**
Western Europe	5,481.3	5,421.5
Eastern Europe	573.5	550.6
Middle East and Africa	0.7	1.0
Americas	**2,494.5**	**2,372.5**
North America	2,393.4	2,282.9
Central and South America	101.1	89.6
APAC	**786.6**	**747.0**
China	478.1	439.2
APAC excluding China	308.5	307.8
Total non-current assets (IFRS 8)	**9,336.6**	**9,092.5**

As at December 31, 2022, non-current assets attributable to Germany amounted to €3,446.4 million (December 31, 2021: €3,372.4 million) and to the US €2,314.0 million (December 31, 2021: €2,200.5 million).

[44] Employees

The KION Group employed an average of 40,781 full-time equivalents (including trainees and apprentices) in the reporting year (2021: 37,954). The number of employees (part-time staff included on a pro rata basis) by region is as follows:

Employees (average)

	2022	2021
EMEA	**27,326**	**25,911**
Western Europe	22,843	21,880
Eastern Europe	4,444	3,970
Middle East and Africa	39	61
Americas	**6,830**	**6,034**
North America	4,986	4,330
Central and South America	1,844	1,704
APAC	**6,625**	**6,009**
China	5,009	4,562
APAC excluding China	1,616	1,447
Total	**40,781**	**37,954**

The KION Group employed an average of 692 trainees and apprentices in 2022 (2021: 689).

[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, 2022 (see note [49]).

Another related party is Weichai Power Co., Ltd., Weifang, People's Republic of China, which indirectly held a 46.5 percent stake in KION GROUP AG via Weichai Power (Luxembourg) Holding S.à r.l., Luxembourg ('Weichai Power', direct parent entity) as at December 31, 2022 (December 31, 2021: 45.2 percent). The distribution of a dividend of €1.50 per share for the 2021 financial year (2021: €0.41 per share) to Weichai Power resulted in a pro rata outflow of funds from KION GROUP AG of €89.0 million (2021: €24.3 million).

The revenue that the KION Group generated in 2022 and 2021 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, 2022	Dec. 31, 2021	2022	2021
Non-consolidated subsidiaries	21.4	16.8	32.8	26.7
Associates (equity-accounted)[1]	37.0	32.5	145.3	142.1
Joint ventures (equity-accounted)	19.4	12.5	75.2	55.5
Other related parties[1, 2]	4.7	6.1	18.2	24.3
Total	**82.6**	**67.9**	**271.5**	**248.5**

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

2 Previous year's figures were adjusted for related party transactions with KION Group's financial investments in the amount of minus €14.5 million, of which receivables accounted for minus €6.7 million

The figures for other related parties include transactions with Weichai Power and its affiliated companies; these comprise receivables of €3.8 million (December 31, 2021: €5.0 million) and sales of goods and services amounting to €11.1 million (2021: €18.2 million). The receivables from associates include a variable-rate loan that the KION Group has granted to Linde Hydraulics GmbH & Co. KG, Aschaffenburg. This involved a maximum commitment of €9.3 million (December 31, 2021: €9.3 million), from which the KION Group had a loan receivable with a nominal amount of €8.0 million as at December 31, 2022 (December 31, 2021: €8.0 million).

In 2021, 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, 2022 (December 31, 2021: €9.3 million).

The goods and services obtained from related parties in 2022 and 2021 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, 2022	Dec. 31, 2021	2022	2021
Non-consolidated subsidiaries	10.6	9.8	30.2	29.4
Associates (equity-accounted)[1]	8.1	11.1	104.4	79.3
Joint ventures (equity-accounted)	105.0	95.0	92.3	54.9
Other related parties[1, 2]	17.3	1.8	5.7	4.3
Total	**141.0**	**117.7**	**232.5**	**167.9**

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

2 Previous year's figures were adjusted for related party transactions with KION Group’s financial investments in the amount of minus €90.2 million, of which purchases of goods and services accounted for minus €76.3 million

The figures for other related parties include transactions with Weichai Power and its affiliated companies; these comprise liabilities of €16.0 million (December 31, 2021: €1.4 million) and purchases of goods and services amounting to €5.3 million (2021: €3.8 million).

The members of the Executive Board and Supervisory Board of KION GROUP AG, and their family members, are also related parties, as are the members of the Executive Board and Supervisory Board of Weichai Power and their family members. Details of the remuneration of the Executive Board and Supervisory Board of KION GROUP AG can be found in note [47].

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. The latter is owned by the State-owned Assets Supervision and Administration Commission of Shandong People’s Government of the People’s Republic of China, Jinan, People’s Republic of China. 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. The most recent active program, KEEP 2019, expired in 2022. There are no other programs currently running.

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 holding period for KEEP 2019 ended on October 2, 2022 and the bonus shares were issued to the eligible employees at no cost. The change in the number of bonus shares granted was as follows:

Development of the granted bonus shares

in units	2022	2021
Balance as at Jan. 1	**23,411**	**40,529**
Exercised bonus shares	–22,348	–15,953
Forfeited bonus shares	–1,063	–1,165
Balance as at Dec. 31	**–**	**23,411**

In 2022, an expense totaling €0.3 million was recognized under the relevant functional costs for bonus shares in connection with the Employee Equity Program (2021: €0.6 million).

KION performance share plan (PSP) for managers

The 2022 tranche of the long-term, variable remuneration component for the managers in the KION Group (LTI 2022) was granted with effect from January 1, 2022 and has a term of three years. For the 2022 tranche, 50 percent of the remuneration component (2020 and 2021 tranches: 50 percent) measured over the long term is based on the total shareholder return (TSR) of KION GROUP AG shares compared with the performance of the MDAX index (market-oriented measure of performance) and 30 percent (2020 and 2021 tranches: 50 percent) is based on return on capital employed (ROCE) (internal measure of performance). Starting with the 2022 tranche, 20 percent of the performance share plan is now linked to the achievement of ESG targets. The remuneration component also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2022 tranche ends on December 31, 2024 (2021 tranche: December 31, 2023). The 2020 tranche expired on December 31, 2022 and will be paid out in the first quarter of 2023.

At the beginning of the performance period on January 1, 2022 (2021 tranche: January 1, 2021; 2020 tranche: January 1, 2020), the managers were allocated a total of 266,172 phantom shares for this tranche (2021 tranche: 191,733 phantom shares; 2020 tranche: 264,191 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 (2021 tranche) and 250.0 percent (2022 tranche) 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, 2022	
Measurement parameters	**Tranche 2022**	**Tranche 2021**
Expected volatility of the KION share	50.0%	65.0%
Expected volatility of the MDAX	25.0%	25.0%
Risk-free interest rate	2.38%	2.23%
Expected dividend	€0.75	€0.30
Price of the KION share at valuation date	€27.03	€27.03
Price of the MDAX at valuation date	25,486.65 pts.	25,486.65 pts.
Initial value of the KION share (60-days average)	€94.32	€71.20
Initial value of the MDAX (60-days average)	34,820.06 pts.	28,518.18 pts.

Taking account of the remaining term of two years (2022 tranche) and one year (2021 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2022, the fair value of one phantom share was €10.41 for the 2021 tranche (December 31, 2021: €76.53) and €12.51 for the 2022 tranche. On that date, the total fair value was €2.0 million for the 2021 tranche based on 194,255 phantom shares (December 31, 2021: €15.9 million) and €3.8 million for the 2022 tranche based on 302,100 phantom shares. The amount of €1.0 million that is expected to be paid out for the 2020 tranche (2021: €22.5 million for the 2019 tranche) was calculated on the basis of a preliminary total target achievement rate.

In March 2022, a payment from the 2019 tranche was made on the basis of the achievement of the long-term targets that were defined in 2019 at the start of the performance period.

The total carrying amount for liabilities in connection with share-based remuneration was €3.6 million as at December 31, 2022 (December 31, 2021: €42.7 million). Of this amount, €1.0 million related to the 2020 tranche (2021: €15.0 million), €1.3 million to the 2021 tranche (2021: €5.3 million), and €1.3 million to the 2022 tranche. In 2021, there had also been an amount of €22.5 million relating to the 2019 tranche. In 2022, pro rata income for twelve months of €14.0 million in respect of the 2020 tranche (2021: expense of €10.6 million), income of €3.9 million for the 2021 tranche (2021: expense of €5.3 million), and an expense of €1.3 million for the 2022 tranche were recognized under the relevant functional costs. Furthermore, an expense of €13.1 million for the 2019 tranche had been recognized under the relevant functional costs in 2021.

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 2022 tranche are the relative total shareholder return (TSR) for the shares of KION GROUP AG compared with the MDAX (market-oriented measure of financial performance), with a weighting of 40 percent (2020 tranche: 50 percent; 2021 tranche: 40 percent), and return on capital employed (ROCE) (internal measure of financial performance), with a weighting of 40 percent (2020 tranche: 50 percent; 2021 tranche: 40 percent). For the 2021 and 2022 tranches, 20 percent of the performance share plan is linked to the achievement of ESG targets. The remuneration component also depends on the performance of KION GROUP AG shares during the relevant period.

The performance period for the 2022 tranche ends on December 31, 2024 (2021 tranche: December 31, 2023).

At the beginning of the performance period on January 1, 2022 (2021 tranche: January 1, 2021; 2020 tranche: January 1, 2020), the Executive Board members were allocated a total of 61,222 phantom shares for this tranche (2021 tranche: 96,785 phantom shares; 2020 tranche: 76,656 phantom shares) on the basis of the starting price of KION shares (60-day average). The shares were allocated on the basis of an allocation value in euros specified in each Executive Board member's service contract. At the end of the performance period, the number of the phantom shares is amended depending on the degree to which the relevant targets are achieved. The resulting final number of phantom shares multiplied by the smoothed price of KION GROUP AG shares at the end of the performance period determines the amount of cash actually paid. The Supervisory Board can also use a discretionary individual performance multiple to adjust the final payment at the end of the performance period by + / – 30.0 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 (2022 tranche) and one year (2021 tranche), the historic volatility of KION shares was used to determine the volatility on which the valuation is based. As at December 31, 2022, the fair value of one phantom share was €13.45 for the 2021 tranche (December 31, 2021: €78.76) and €13.07 for the 2022 tranche. On that date, the total fair value was

€0.9 million for the 2021 tranche based on 68,539 phantom shares (December 31, 2021: €6.3 million) and €0.7 million for the 2022 tranche based on 56,333 phantom shares.

The total carrying amount for liabilities in connection with share-based remuneration was €1.3 million as at December 31, 2022 (December 31, 2021: €16.2 million). Of this amount, €0.2 million related to the 2020 tranche (2021: €4.6 million), €0.8 million to the 2021 tranche (2021: €2.5 million), and €0.3 million to the 2022 tranche. In 2022, pro rata income for twelve months of €4.4 million in respect of the 2020 tranche (2021: expense of €3.2 million), income of €1.6 million for the 2021 tranche (2021: expense of €2.5 million), and an expense of €0.3 million for the 2022 tranche were recognized under the relevant functional costs. Furthermore, an expense of €5.3 million for the 2019 tranche had been recognized under the relevant functional costs in 2021.

The total carrying amount for liabilities in connection with share-based remuneration was €4.9 million as at December 31, 2022 (December 31, 2021: €58.9 million). In 2022, total income of €22.1 million for twelve months was recognized for share-based remuneration (2021: total expense of €40.5 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 'Working methods of the Executive Board and Supervisory Board and composition of the committees of the Supervisory Board; shareholders and Annual General Meeting').

Remuneration

The remuneration paid to the Executive Board comprises a fixed salary and non-cash benefits, pension entitlements, and performance-related components. The variable performance-related components comprise an annually recurring component linked to business performance and a multi-year performance-related component in the form of the KION performance share plan (see also note [46]). The pension entitlements consist of retirement, invalidity, and surviving dependants' benefits.

The total remuneration of the Executive Board members in the year under review pursuant to IFRS is as follows:

Remuneration of the Executive Board (IFRS)

in € million	2022	2021
Non-performance-related components	5.1	5.8
Performance-related components	1.7	6.6
Termination benefits	3.4	2.1
Total short-term remuneration components	**10.2**	**14.6**
Change in fair value of share-based payments	–3.2	11.0
Post-employment benefits	0.6	0.5
Total long-term remuneration components	**–2.6**	**11.5**
Total remuneration (IFRS)	**7.6**	**26.0**

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 €5.6 million (2021: €7.2 million). Furthermore, disclosure of the current service cost (€0.6 million; 2021: €0.5 million) is not required, nor is disclosure of the termination benefits (€3.4 million; 2021: €2.1 million). On this basis, the total remuneration of the members of the Executive Board pursuant to section 314 (1) no. 6a HGB came to €12.5 million (2021: €19.6 million).

As at December 31, 2022, no loans or advances had been extended to members of the Executive Board. This had also been the case as at December 31, 2021. The present value of the defined benefit obligation in respect of Executive Board members as at December 31, 2022 was €3.2 million (December 31, 2021: €13.2 million).

The total remuneration paid to former members of the Executive Board of KION GROUP AG and its legal predecessors amounted to €0.4 million (2021: €0.3 million). Pension entitlements of former members of the Executive Board or their surviving dependants amounting to €20.5 million (December 31, 2021: €13.1 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 2022 remuneration report, which is available on the KION Group website (www.kiongroup.com/remuneration).

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their tasks at the parent company and subsidiaries in 2022 amounted to €1.5 million (2021: €1.4 million) excluding VAT and consisted entirely of short-term benefits. There were no loans or advances to members of the Supervisory Board in 2022. Members of the Supervisory Board also received short-term employee benefits of €0.8 million for employee services (2021: €0.9 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 2022 remuneration report, which is available on the KION Group website (www.kiongroup.com/remuneration).

The total remuneration of the members of the Executive Board and Supervisory Board came to €9.0 million (2021: €27.5 million).

[48] Members of the Executive Board and Supervisory Board

Executive Board members

Dr. Richard Robinson Smith
Chief Executive Officer (since January 1, 2022) and Labor Relations Director (since April 1, 2022)

- Member of the Board of Directors of FLSmidth & CO A/S, Copenhagen, Denmark

Anke Groth
Chief Financial Officer and Labor Relations Director (from June 1, 2018 to March 31, 2022)

Marcus A. Wassenberg
Chief Financial Officer (since January 1, 2023)

Hasan Dandashly
President KION Supply Chain Solutions (since January 1, 2021)

Andreas Krinninger
President 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 (until March 2022)

Dr. Henry Puhl
Chief Technology Officer (since July 1, 2021)

- Member of the Board of Directors of Linde (China) Forklift Truck Corp., Ltd., Xiamen, People's Republic of China
- Member of the Board of Directors of KION (Jinan) Forklift Truck Co., Ltd., Jinan, People's Republic of China
- Member of the Shareholders' Advisory Board of KION Battery Systems GmbH, Karlstein, Germany
- Member of the Advisory Board of JULI Motorenwerk s.r.o., Moravany, Czech Republic

Ching Pong Quek
President KION ITS Asia Pacific & 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 (Jiangsu) 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
- 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

Supervisory Board members

Dr. Michael Macht (since October 9, 2018)
Chairman of the Supervisory Board (since May 9, 2019)
Freelance management consultant

- Member of the Supervisory Board of Mahle Behr GmbH & Co. KG, Stuttgart, Germany
- Member of the Board of Directors of McLaren Group Limited, Woking, United Kingdom
- Member of the Supervisory Board of Mahle GmbH, Stuttgart, Germany
- Chairman of the Administrative Board of Rosenberger Hochfrequenztechnik GmbH & Co. KG, Tittmoning, Germany
- 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
Chairman of the Works Council of Linde MH headquarters and Plant II at Linde Material Handling GmbH

[1] Employee representative

Deputy Chairman of the European Works Council of the KION Group

- 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

- Member of the Supervisory Board of Umicore SA, Brussels, Belgium
- Member of the Board of Directors of Infinium Holdings, Inc., Sacramento, USA
- 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

Jan Bergemann[1] (since May 11, 2022)
Senior Director Central Order Desk KION ITS EMEA at STILL Gesellschaft mit beschränkter Haftung, Hamburg

Stefan Casper[1] (from May 11, 2017 to May 11, 2022)
Chairman of the Works Council of KION Warehouse Systems GmbH
Member of the Group Works Council of the German KION Group

Dr. Alexander Dibelius (since March 12, 2007)
Managing Partner at CVC Capital Partners (Deutschland) GmbH

- Member and Chairman of the Board of Directors 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 (until January 2022)
- 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

[1] Employee representative

Jiang Kui (since December 27, 2012)
President of Shandong Heavy Industry Group Co., Ltd.

- 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 (until June 10, 2022)
- Member of the Board of Directors of SINOTRUK (Hong Kong) Limited, Hong Kong, People's Republic of China (until December 5, 2022)
- 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] (from September 1, 2014 to May 11, 2022)
Trade Union Secretary on the National Executive of IG Metall

- Member of the Supervisory Board of STILL Gesellschaft mit beschränkter Haftung, Hamburg, Germany (until February 10, 2022)

Dominique Lembke[1] (since May 11, 2022)
Head of Collective Bargaining at IG Metall District Office for the Coast, Hamburg

- Member of the Supervisory Board of STILL Gesellschaft mit beschränkter Haftung, Hamburg, Germany (since February 10, 2022)

Thomas Mainka[1] (since May 11, 2022)
Full-time works council chairman for the Hamburg/Bremen main branch at STILL Gesellschaft mit beschränkter Haftung
Member of the Group Works Council of the German KION Group

- Member of the Supervisory Board of STILL Gesellschaft mit beschränkter Haftung, Hamburg, Germany (since February 10, 2022)

Jörg Milla[1] (since November 16, 2015)
Chairman of the Works Council of STILL Gesellschaft mit beschränkter Haftung

- Member and Deputy Chairman of the Supervisory Board of STILL Gesellschaft mit beschränkter Haftung, Hamburg, Germany

Dr. Christina Reuter (since May 12, 2016)
Head of Digitalization in Operations at Airbus Defence and Space GmbH

Hans Peter Ring (since June 9, 2013)
Freelance management consultant

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[1] Employee representative

- Member of the Supervisory Board of Airbus Defence and Space GmbH, Ottobrunn, Germany

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

- 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] (from May 11, 2017 to May 11, 2022)
Senior Vice President of Operations at Linde Material Handling GmbH
Head of Production Unit Counterbalance Trucks KION

Tan Xuguang (since May 9, 2019)
Chairman of the Board of Directors and President of Shandong Heavy Industry Group Co., Ltd.

- Chairman of the Board of Directors of Weichai Lovol Intelligent Agricultural Technology Co., Ltd., Weifang, People's Republic of China (since August 30, 2022)
- 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 Ferretti S.p.A., Cattolica, Italy
- Chairman of the Board of Directors of Weichai Holding Group Co., Ltd., Weifang, People's Republic of China
- Chairman of the Board of Directors of Weichai Power Co., Ltd., Weifang, People's Republic of China

Claudia Wenzel[1] (since November 1, 2016)
Full-time member of the Works Council of Linde MH headquarters and Plant II at Linde Material Handling GmbH

Xu Ping (since January 1, 2015)
Senior Partner and member of the Management Committee at law firm King & Wood Mallesons

[1] Employee representative
[2] Executive representative

[49] List of the shareholdings of KION GROUP AG, Frankfurt am Main

The shareholdings of the KION Group as at December 31, 2022 are listed below.

List of shareholdings as at December 31, 2022

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
1	KION GROUP AG	Frankfurt am Main	Germany	EMEA			
Consolidated subsidiaries							
2	Actil Kungsbro AB	Linköping	Sweden	EMEA	100.00%	3	
3	Actil Warehouse Trucks AB	Linköping	Sweden	EMEA	100.00%	80	
4	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	EMEA	100.00%	125	
5	Baoli EMEA S.p.A.	Lainate	Italy	EMEA	100.00%	116	
6	BARTHELEMY MANUTENTION SAS	Vitrolles	France	EMEA	100.00%	47	
7	Bastide Manutention SAS	Bruguières	France	EMEA	100.00%	47	
8	BlackForxx GmbH	Stuhr	Germany	EMEA	100.00%	116	
9	Bretagne Manutention SAS	Pacé	France	EMEA	100.00%	47	
10	DAI Software Technology (Shanghai) Co. Ltd.	Shanghai	People's Republic of China	APAC	100.00%	38	
11	Dematic (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	29	
12	Dematic Corp.	Grand Rapids	United States	Americas	100.00%	15	
13	Dematic GmbH	Heusenstamm	Germany	EMEA	100.00%	18	
14	Dematic Group Ltd.	Banbury	United Kingdom	EMEA	100.00%	15	
15	Dematic Group S.à r.l.	Luxembourg	Luxembourg	EMEA	100.00%	16	
16	Dematic Holdings GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
17	Dematic Holdings Pty. Ltd.	Belrose	Australia	APAC	100.00%	18	
18	Dematic Holdings UK Ltd.	Banbury	United Kingdom	EMEA	100.00%	15	
19	Dematic International Trading Ltd.	Shanghai	People's Republic of China	APAC	100.00%	15	
20	Dematic Korea Ltd.	Seoul	South Korea	APAC	100.00%	18	
21	Dematic Logistic Systems S.A.U.	Coslada	Spain	EMEA	100.00%	18	
22	Dematic Logistics de Mexico S. de R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	25 & 21	
23	Dematic Logistics GmbH	Heusenstamm	Germany	EMEA	100.00%	18	
24	Dematic Logistics Systems Ltd.	Suzhou	People's Republic of China	APAC	100.00%	15	
25	Dematic Ltd.	Banbury	United Kingdom	EMEA	100.00%	18	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
26	Dematic Ltd.	Mississauga	Canada	Americas	100.00%	18	
27	Dematic NV	Antwerpen	Belgium	EMEA	100.00%	18 & 13	
28	Dematic Poland Sp. z o.o.	Poznań	Poland	EMEA	100.00%	13	
29	Dematic Pte. Ltd.	Singapore	Singapore	APAC	100.00%	18	
30	Dematic Pty. Ltd.	Belrose	Australia	APAC	100.00%	17	
31	Dematic S.r.l.	Cernusco sul Naviglio	Italy	EMEA	100.00%	18	
32	Dematic SAS	Bussy-Saint-Georges	France	EMEA	100.00%	18	
33	Dematic Services GmbH	Heusenstamm	Germany	EMEA	100.00%	13	
34	Dematic Sistemas e Equipamentos de Movimentação de Materiais Ltda.	Indaiatuba / São Paulo	Brazil	Americas	100.00%	15 & 13	
35	Dematic Suisse Sagl	Lugano	Switzerland	EMEA	100.00%	18	
36	Dematic Trading de Mexico S. de. R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	25 & 21	
37	Digital Applications GmbH	Basel	Switzerland	EMEA	100.00%	38	
38	Digital Applications International Ltd.	Stockport	United Kingdom	EMEA	100.00%	18	
39	DMTC Technology Services, S. de. R.L. de C.V.	Monterrey	Mexico	Americas	100.00%	25 & 21	
40	Egemin Asia Pacific Automation Ltd.	Causeway Bay - Hong Kong	People's Republic of China	APAC	100.00%	27	
41	Eisengießerei Dinklage GmbH	Dinklage	Germany	EMEA	100.00%	116	
42	Eisenwerk Weilbach GmbH	Frankfurt am Main	Germany	EMEA	100.00%	84	
43	Emhilia Material Handling S.p.A.	Modena	Italy	EMEA	100.00%	87	
44	Fahrzeugbau GmbH Geisa	Geisa	Germany	EMEA	100.00%	116	
45	FENWICK FINANCIAL SERVICES SAS	Elancourt	France	EMEA	100.00%	59	
46	FENWICK-LINDE OPERATIONS SAS	Cenon-sur-Vienne	France	EMEA	100.00%	47	
47	FENWICK-LINDE SAS	Elancourt	France	EMEA	100.00%	59	
48	Ha-Ma Ubbarp AB	Mjölby	Sweden	EMEA	100.00%	49	
49	Ha-Ma Verken AB	Mjölby	Sweden	EMEA	100.00%	80	
50	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	EMEA	100.00%	84	
51	KION (Jinan) Forklift Co., Ltd.	Jinan	People's Republic of China	APAC	95.00%	84	
52	KION ASIA (HONG KONG) Ltd.	Kwai Chung - Hong Kong	People's Republic of China	APAC	100.00%	84	
53	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jingjiang	People's Republic of China	APAC	100.00%	52	
54	KION Battery Systems GmbH	Karlstein am Main	Germany	EMEA	50.00%	1	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
55	KION Business Services Polska Sp. z o.o.	Kraków	Poland	EMEA	100.00%	1	
56	KION Financial Services GmbH	Frankfurt am Main	Germany	EMEA	100.00%	84	
57	KION FINANCIAL SERVICES Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	84	
58	KION Financial Services Sweden AB	Örebro	Sweden	EMEA	100.00%	80	
59	KION France SERVICES SAS	Elancourt	France	EMEA	100.00%	84	
60	KION India Pvt. Ltd.	Pune	India	APAC	100.00%	81	
61	KION Information Management Services GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
62	KION North America Corp.	Summerville	United States	Americas	100.00%	84	
63	KION Polska Sp. z o.o.	Kolbaskowo	Poland	EMEA	100.00%	84	
64	KION Regional Distribution Center EEU, s.r.o. (formerly: Linde Material Handling Parts Distribution CZ s.r.o.)	Český Krumlov	Czech Republic	EMEA	100.00%	84 & 116	
65	KION Regional Distribution Center Nordics AB	Jonköping	Sweden	EMEA	100.00%	84	
66	KION Rental Services S.A.U.	Barcelona	Spain	EMEA	100.00%	86	
67	KION Rental Services S.p.A.	Milan	Italy	EMEA	100.00%	5 & 87 & 125	
68	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Indaiatuba / São Paulo	Brazil	Americas	100.00%	116	
69	KION South Asia Pte. Ltd.	Singapore	Singapore	APAC	100.00%	84	
70	KION Supply Chain Solutions Czech, s.r.o.	Kostelec (Stříbro)	Czech Republic	EMEA	100.00%	18	
71	KION Warehouse Systems GmbH	Reutlingen	Germany	EMEA	100.00%	116	
72	K-LIFT S.A.	Luxembourg	Luxembourg	EMEA	-	-	[1]
73	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	People's Republic of China	APAC	100.00%	84	
74	Linde Holdings Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	84	
75	Linde Magyarország Anyagmozgatási Kft.	Dunaharaszti	Hungary	EMEA	100.00%	84	
76	Linde Material Handling (Ireland) Ltd.	Ballymount (Dublin)	Ireland	EMEA	100.00%	74	
77	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	EMEA	100.00%	84	
78	Linde Material Handling (Thailand) Co., Ltd.	Pathum Thani	Thailand	APAC	100.00%	81	
79	Linde Material Handling (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	74	
80	Linde Material Handling AB	Örebro	Sweden	EMEA	100.00%	84	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
81	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	APAC	100.00%	84	
82	Linde Material Handling Austria GmbH	Linz	Austria	EMEA	100.00%	84 & 4	
83	Linde Material Handling Česká republika s.r.o.	Prague	Czech Republic	EMEA	100.00%	84 & 116	
84	Linde Material Handling GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
85	Linde Material Handling Hong Kong Ltd.	Kwai Chung - Hong Kong	People's Republic of China	APAC	100.00%	84	
86	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	EMEA	100.00%	84	
87	Linde Material Handling Italia S.p.A.	Lainate	Italy	EMEA	100.00%	84	
88	Linde Material Handling Polska Sp. z o.o.	Warsaw	Poland	EMEA	100.00%	84	
89	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	84	
90	Linde Material Handling Rental Services GmbH	Aschaffenburg	Germany	EMEA	100.00%	84	
91	Linde Material Handling Rhein-Ruhr GmbH & Co. KG	Essen	Germany	EMEA	100.00%	84	
92	Linde Material Handling Schweiz AG	Dietlikon	Switzerland	EMEA	100.00%	84	
93	Linde Material Handling Slovenská republika s.r.o.	Trenčin	Slovakia	EMEA	100.00%	84 & 83	
94	Linde MH UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	
95	Linde Pohony s.r.o.	Český Krumlov	Czech Republic	EMEA	100.00%	84	
96	Linde Viličar d.o.o.	Celje	Slovenia	EMEA	100.00%	84	
97	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	EMEA	99.64%	84 & 98	
98	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	EMEA	94.00%	84	
99	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	84	
100	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	EMEA	100.00%	84	
101	LOIRE OCEAN MANUTENTION SAS	Saint-Herblain	France	EMEA	100.00%	47	
102	LR Intralogistik GmbH	Wörth a. d. Isar	Germany	EMEA	100.00%	116	
103	Manuchar SAS	Gond-Pontouvre	France	EMEA	100.00%	47	
104	Nordtruck AB	Örnsköldsvik	Sweden	EMEA	100.00%	80	
105	OOO "Dematic"	Moscow	Russian Federation	EMEA	100.00%	13 & 33	
106	OOO "Linde Material Handling Rus"	Moscow	Russian Federation	EMEA	100.00%	84 & 42	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
107	OOO "STILL Forklifttrucks"	Moscow	Russian Federation	EMEA	100.00%	84 & 116	
108	SM Rental SAS	Roissy-Charles-de-Gaulle	France	EMEA	100.00%	47	
109	Société Angoumoisine de Manutention (SAMA) SAS	Champniers	France	EMEA	100.00%	126	
110	STILL AG	Otelfingen	Switzerland	EMEA	100.00%	116	
111	STILL ARSER Iş Makineleri Servis ve Ticaret A.Ş.	Izmir	Turkey	EMEA	51.00%	116	
112	STILL ČR spol. s.r.o.	Prague	Czech Republic	EMEA	100.00%	84 & 116	
113	STILL DANMARK A/S	Kolding	Denmark	EMEA	100.00%	116	
114	STILL Financial Services GmbH	Hamburg	Germany	EMEA	100.00%	56	
115	STILL Gesellschaft m.b.H.	Wiener Neudorf	Austria	EMEA	100.00%	116	
116	STILL Gesellschaft mit beschränkter Haftung	Hamburg	Germany	EMEA	100.00%	84	
117	STILL Intern Transport B.V.	Hendrik-Ido-Ambacht	Netherlands	EMEA	100.00%	116	
118	STILL Kft.	Tatabánya	Hungary	EMEA	100.00%	116	
119	STILL Location Services SAS	Marne-la-Vallée	France	EMEA	100.00%	59	
120	STILL MATERIAL HANDLING ROMANIA SRL	Ilfov	Romania	EMEA	100.00%	84 & 116	
121	STILL Materials Handling Ltd.	Exeter	United Kingdom	EMEA	100.00%	84	
122	STILL Norge AS	Trondheim	Norway	EMEA	100.00%	116	
123	STILL NV	Wijnegem	Belgium	EMEA	100.00%	116 & 117	
124	STILL POLSKA Sp. z o.o.	Gądki	Poland	EMEA	100.00%	116	
125	STILL S.p.A.	Lainate	Italy	EMEA	100.00%	84 & 5	
126	STILL SAS	Marne-la-Vallée	France	EMEA	100.00%	59	
127	STILL SR, spol. s.r.o.	Nitra	Slovakia	EMEA	100.00%	116 & 112	
128	STILL Sverige AB	Malmö	Sweden	EMEA	100.00%	116	
129	STILL, S.A.U.	L'Hospitalet de Llobregat	Spain	EMEA	100.00%	86	
130	Superlift UK Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	84	
131	URBAN LOGISTICA S.R.L.	Lainate	Italy	EMEA	100.00%	134	
132	URBAN LOGISTIQUE SAS	Elancourt	France	EMEA	100.00%	134	
133	Urban Transporte spol. s.r.o.	Moravany	Czech Republic	EMEA	100.00%	134	
134	Urban-Transporte Gesellschaft mit beschränkter Haftung	Unterschleißheim	Germany	EMEA	100.00%	84	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
135	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	EMEA	74.00%	137	
136	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	EMEA	74.00%	137	
137	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	EMEA	74.00%	84	
Non-consolidated subsidiaries							
138	Castle Lift Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
139	Comnovo GmbH	Dortmund	Germany	EMEA	100.00%	84	
140	Creighton Materials Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
141	D.B.S. Brand Factors Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	162	[D]
142	Digital Applications International B.V.	Bussum	Netherlands	EMEA	100.00%	38	[D]
143	Fork Truck Rentals Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
144	Fork Truck Training Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
145	IBER-MICAR S.L.U.	Gavà	Spain	EMEA	100.00%	84	
146	JETSCHKE GmbH	Hamburg	Germany	EMEA	100.00%	84	
147	KION IoT Systems GmbH	Frankfurt am Main	Germany	EMEA	100.00%	1	
148	Lancashire (Fork Truck) Services Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	162	[D]
149	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	APAC	100.00%	79 & 84	[D]
150	Lansing Linde Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
151	Lansing Linde Trifik Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
152	Linde Castle Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
153	Linde Creighton Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
154	Linde Heavy Truck Division Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	
155	Linde Jewsbury's Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
156	Linde Material Handling (Malaysia) Sdn. Bhd.	Petaling Jaya	Malaysia	APAC	100.00%	81	
157	Linde Material Handling East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
158	Linde Material Handling Rhein-Ruhr Verwaltungs-GmbH	Essen	Germany	EMEA	100.00%	84	
159	Linde Material Handling Scotland Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
160	Linde Material Handling South East Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
161	Linde Severnside Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
162	Linde Sterling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
163	Linde Viljuškari d.o.o.	Vrčin	Serbia	EMEA	100.00%	82	
164	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	United Kingdom	EMEA	100.00%	153	[D]
165	OM Deutschland GmbH	Neuhausen a. d. Fildern	Germany	EMEA	100.00%	125	[D]
166	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	EMEA	100.00%	1	
167	QUALIFT S.p.A.	Verona	Italy	EMEA	100.00%	87	
168	Regentruck Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
169	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	EMEA	100.00%	84	
170	SCI Champ Lagarde	Elancourt	France	EMEA	100.00%	47	
171	Stephensons Enterprise Fork Trucks Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	162	[D]
172	Sterling Mechanical Handling Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	79	[D]
173	Transcend Fulfilment Solutions Ltd.	Banbury	United Kingdom	EMEA	100.00%	18	
174	Urban Logistics (UK) Ltd.	Basingstoke	United Kingdom	EMEA	100.00%	134	
175	Urban Logistyka Polska Sp. z o.o.	Kolbaskowo	Poland	EMEA	100.00%	134	
176	WHO Real Estate UAB	Vilnius	Lithuania	EMEA	74.00%	137	
177	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	EMEA	74.00%	137	
178	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	EMEA	74.00%	137	
Associates (equity-accounted investments)							
179	Carl Beutlhauser Kommunal- und Fördertechnik GmbH & Co. KG	Hagelstadt	Germany	EMEA	25.00%	84	

List of shareholdings as at December 31, 2022 (continued)

No.	Name	Registered office	Country	Region	Share-holding 2022	Parent com-pany	Note
180	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	EMEA	38.54%	86	
181	Labrosse Equipement SAS	Saint-Péray	France	EMEA	34.00%	47	
182	Linde High Lift Chile S.A.	Santiago de Chile	Chile	Americas	45.00%	84	
183	Linde Hydraulics GmbH & Co. KG	Aschaffenburg	Germany	EMEA	10.00%	84	
184	Normandie Manutention SAS	Saint-Etienne-du-Rouvray	France	EMEA	34.00%	47	
185	Pelzer Fördertechnik GmbH	Kerpen	Germany	EMEA	24.96%	84	
Joint Ventures (equity-accounted investments)							
186	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	EMEA	50.00%	84 & 116	
187	Linde Leasing GmbH	Wiesbaden	Germany	EMEA	45.00%	84	
188	Schwerter Profile GmbH	Schwerte	Germany	EMEA	50.00%	1	
Associates (at cost)							
189	Anhui Haiyuan X Drive Tech Co., Ltd.	Hefei	People's Republic of China	APAC	20.00%	73	
190	Chadwick Materials Handling Ltd.	Corsham	United Kingdom	EMEA	48.00%	79	
191	DEMATIC ELECTROMECHANICAL SYSTEMS MIDDLE EAST L.L.C.	Dubai	United Arab Emirates	APAC	49.00%	13	
192	ifesca GmbH	Ilmenau	Germany	EMEA	19.77%	84	
193	Linde Hydraulics Verwaltungs GmbH	Aschaffenburg	Germany	EMEA	10.00%	84	
194	MV Fördertechnik GmbH	Blankenhain	Germany	EMEA	25.00%	84	
195	Shaanxi KION Intelligent Warehousing Equipment Co., Ltd.	Xi'an	People's Republic of China	APAC	20.00%	73	
196	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Frankfurt am Main	Germany	EMEA	50.00%	84	
197	Supralift GmbH & Co. KG	Frankfurt am Main	Germany	EMEA	50.00%	84	
Financial investments							
198	Balyo SA	Ivry-sur-Seine	France	EMEA	5.40%	84	[2]
199	Shanghai Quicktron Intelligent Technology Co., Ltd.	Schanghai	Croatia	EMEA	7.70%	73	[2]
200	Zhejiang EP Equipment Co., Ltd.	Anji (Huzhou)	People's Republic of China	APAC	4.67%	73	[2]

[1] Consolidated in accordance with IFRS 10 as structured entity
[2] No material influence
[D] 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 2022 amounted to €2.2 million (2021: €2.2 million) for the audit of the financial statements, €0.4 million (2021: €0.3 million) for other attestation services, €0.0 million (2021: €0.0 million) for tax consultancy services, and €0.0 million (2021: €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

Between the end of the financial year and February 22, 2023, there were no events or developments that would have led to a material change in the recognition or measurement of the individual assets and liabilities reported as at December 31, 2022 or that it would be necessary to disclose.

[52] Information on preparation and approval

The Executive Board of KION GROUP AG prepared the consolidated financial statements on February 22, 2023 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, 2023

The Executive Board

Dr. Richard Robinson Smith | Marcus A. Wassenberg | 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 balance sheet as at 31 December 2022, the consolidated statement of profit and loss and other 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 2022, 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 2022. 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 2022 and of its financial performance for the financial year from 1 January to 31 December 2022, 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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. 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 and completeness of the provisions for onerous contracts 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 2022, the carrying amount of goodwill and brand names with indefinite useful life in the consolidated financial statements is mEUR 3,619.4 (21.9% of the Group’s total assets) and mEUR 939.4 (5.7% 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 (2023 budget and 2024 to 2025 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 Company on the goodwill and brand names with indefinite useful life, please refer to notes [6] and [16] to the consolidated financial statements.

b) During our audit, we, among other things, obtained 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 (2023) approved by the supervisory board and with the medium-term budget (2024 to 2025) 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 2022, the carrying value of receivables and assets under the lease agreements is mEUR 1,890.3 (11.4% of total assets) and mEUR 1,367.7 (8.3% of total assets), respectively.

Single-step leases are classified as finance leases or operating leases within the meaning of IFRS 16. For sale and leaseback 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' judgement. 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 Company on the accounting for leases, please refer to the notes [6], [17], [21], [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 Company'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 judgemental 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 and completeness of the provisions for onerous contracts regarding the project business in the Supply Chain Solutions segment

a) Total external revenue in the Supply Chain Solutions segment amounts to mEUR 3,789.4 in the financial year 2022 (prior year: mEUR 3,780.3). This means that this segment accounts for 34.0% (prior year: 36.7%) of the Group's total revenue. The revenue generated with the project business in the Supply Chain Solutions segment amounts to mEUR 2,827.6 (prior year: mEUR 3,006.7) making up 74.6 % (prior year: 79.5%) of the segment's total external revenue. The significant increase in cost of materials components, labour and logistics as well as the ongoing disruptions in the supply chains resulted in substantial additional charges leading to negative EBIT adjusted of mEUR -45.6 in the segment in the reporting year (prior year: mEUR 409.5).

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. If the estimated contract costs exceed the expected contract revenue, the expected loss is charged to expenses as soon as it is identified and recognised as a provision for onerous contracts under the balance sheet item other provisions.

The evaluation of the project and, consequently, the realisation of revenue and the completeness of the related provisions for onerous contracts from the project business are highly dependent on estimations subject to the executive directors, 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 and the increased risk of completeness regarding the provisions for onerous contracts as a result of the general cost increases in the reporting period we considered this matter to be of particular significance in the scope of our audit.

For information on the project evaluation in the Supply Chain Solutions segment, please refer to the notes [6], [7] and [33] to the consolidated financial statements.

b) As part of the audit, we acquired and/or deepened our knowledge of the processes concerning the project business including our understanding of the corresponding internal controls of the Group, and examined and assessed to what extent the project evaluation was influenced by subjectivity, complexity or other inherent risk factors. 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 arising, for example, from contract costs exceeding the contract revenue or from fines, as well as on changes to original assumptions and we requested explanations for unexpected project developments, which we compared with related supplementary evidence. In particular, we obtained an understanding of the expected assumptions for cost increases and examined them for plausibility on the basis of appropriate audit 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 2023.

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 (i.e., fraudulent financial reporting and misappropriation of assets) 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) and 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures 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 actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 file, which has the SHA-256 value 6B73CD1D0D4FFF6E0E8E27BD1C15D3633AF4CBC585689FEC8FDBE944E366A309, 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 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 2022 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 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 (06.2022)). 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 process for preparing the ESEF documents as part of the financial reporting process.

Group 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 judgement 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 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 2022. We were engaged by the supervisory board on 2/21 September 2022. We have been the group auditor of KION GROUP AG, Frankfurt am Main/Germany, which was 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 combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our 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 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Annika Deutsch	Stefan Dorissen
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for 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, 2023

The Executive Board

Dr. Richard Robinson Smith	Marcus A. Wassenberg	Hasan Dandashly
Andreas Krinninger	Dr. Henry Puhl	Ching Pong Quek

Additional information

KION Group quarterly information[1]

	Q4		Q3		Q2		Q1			
in € million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Order intake	**2,535.6**	**3,492.6**	**2,517.3**	**3,107.4**	**3,754.6**	**3,255.4**	**2,900.1**	**2,626.3**	**11,707.6**	**12,481.6**
ITS	1,693.5	2,435.2	1,904.9	1,710.0	2,745.1	2,220.7	2,082.1	1,800.4	8,425.6	8,166.3
SCS	882.3	1,061.9	614.4	1,398.7	1,022.0	1,038.9	843.2	829.8	3,361.9	4,329.4
Total revenue	**2,892.5**	**2,760.6**	**2,706.4**	**2,565.8**	**2,802.2**	**2,592.8**	**2,734.5**	**2,375.1**	**11,135.6**	**10,294.3**
ITS	2,067.8	1,764.2	1,838.9	1,630.1	1,731.0	1,601.0	1,718.4	1,518.7	7,356.1	6,514.0
SCS	836.5	1,001.9	874.4	937.0	1,076.2	996.5	1,019.8	860.7	3,806.9	3,796.2
Gross profit (adjusted)	**565.4**	**605.4**	**390.1**	**646.7**	**597.0**	**659.3**	**621.7**	**624.8**	**2,174.1**	**2,536.2**
ITS	478.6	427.2	451.7	446.7	415.9	444.0	440.5	433.3	1,786.7	1,751.2
SCS	98.6	179.0	–52.2	199.3	187.1	214.9	173.2	188.1	406.6	781.3
Selling- and administrative expenses (adjusted)	**–445.0**	**–411.9**	**–438.3**	**–380.1**	**–417.4**	**–380.7**	**–413.3**	**–372.6**	**–1,714.0**	**–1,545.3**
ITS	–337.0	–289.7	–319.0	–278.9	–312.0	–277.9	–303.4	–279.1	–1,271.4	–1,125.6
SCS	–97.8	–90.7	–106.3	–77.1	–94.6	–78.0	–84.9	–73.0	–383.7	–318.7
Research and development costs (adjusted)	**–58.0**	**–50.6**	**–49.9**	**–41.9**	**–49.4**	**–45.7**	**–47.0**	**–40.5**	**–204.3**	**–178.7**
ITS	–40.2	–30.7	–31.5	–27.4	–30.4	–32.8	–30.0	–28.5	–132.1	–119.5
SCS	–16.7	–16.6	–16.7	–12.9	–17.5	–11.6	–15.1	–10.6	–66.0	–51.7
Other income / expenses (adjusted)	**19.4**	**7.8**	**–2.9**	**4.2**	**11.2**	**14.4**	**8.9**	**3.3**	**36.6**	**29.7**
ITS	18.6	6.1	1.4	4.1	10.2	14.3	7.1	5.3	37.4	29.9
SCS	2.6	1.2	–6.8	–	0.8	0.2	0.8	–2.8	–2.6	–1.3
Adjusted EBIT	**81.8**	**150.8**	**–101.1**	**228.9**	**141.4**	**247.2**	**170.3**	**215.0**	**292.4**	**841.8**
ITS	120.0	112.9	102.6	144.5	83.6	147.6	114.2	131.0	420.5	536.0
SCS	–13.4	73.0	–182.0	109.3	75.8	125.5	74.0	101.7	–45.6	409.5
Adjusted EBIT margin	**2.8%**	**5.5%**	**–3.7%**	**8.9%**	**5.0%**	**9.5%**	**6.2%**	**9.1%**	**2.6%**	**8.2%**
ITS	5.8%	6.4%	5.6%	8.9%	4.8%	9.2%	6.6%	8.6%	5.7%	8.2%
SCS	–1.6%	7.3%	–20.8%	11.7%	7.0%	12.6%	7.3%	11.8%	–1.2%	10.8%
Adjusted EBITDA	**324.9**	**375.5**	**134.6**	**441.9**	**368.2**	**457.7**	**391.0**	**421.9**	**1,218.7**	**1,696.9**
ITS	336.6	313.7	309.8	333.5	285.2	335.6	310.1	315.2	1,241.7	1,297.9
SCS	6.9	90.3	–162.1	126.8	94.8	141.5	92.7	118.0	32.2	476.6
Adjusted EBITDA margin	**11.2%**	**13.6%**	**5.0%**	**17.2%**	**13.1%**	**17.7%**	**14.3%**	**17.8%**	**10.9%**	**16.5%**
ITS	16.3%	17.8%	16.8%	20.5%	16.5%	21.0%	18.0%	20.8%	16.9%	19.9%
SCS	0.8%	9.0%	–18.5%	13.5%	8.8%	14.2%	9.1%	13.7%	0.8%	12.6%
Earnings per share (€)										
Basic earnings per share (in €)	0.27	1.08	–0.73	1.04	0.60	1.17	0.61	1.04	0.75	4.34

1 Adjusted figures include adjustments for PPA items and non-recurring items

Multi-year overview from KION Group

in € million	2022	2021	2020	2019	2018
Order intake	11,707.6	12,481.6	9,442.5	9,111.7	8,656.7
Revenue	11,135.6	10,294.3	8,341.6	8,806.5	7,995.7
Order book[1]	7,077.8	6,658.5	4,441.3	3,631.7	3,300.8
Financial performance					
EBITDA	1,201.8	1,735.7	1,327.7	1,614.6	1,540.6
Adjusted EBITDA[2]	1,218.7	1,696.9	1,383.5	1,657.5	1,555.1
Adjusted EBITDA margin[2]	10.9%	16.5%	16.6%	18.8%	19.4%
EBIT	168.3	794.8	389.9	716.6	642.8
Adjusted EBIT[2]	292.4	841.8	546.9	850.5	789.9
Adjusted EBIT margin[2]	2.6%	8.2%	6.6%	9.7%	9.9%
Net income	105.8	568.0	210.9	444.8	401.6
Basic earnings per share (in €)	0.75	4.34	1.81	3.86	3.39
Dividends per Share (in €)[3]	0.19	1.50	0.41	0.04	1.20
Financial position[1]					
Total assets	16,528.4	15,850.9	14,055.7	13,765.2	12,968.8
Equity	5,607.8	5,168.9	4,270.8	3,558.4	3,305.1
Net Working Capital[4]	1,979.3	1,192.0	984.5	828.9	676.1
Net financial debt[5]	1,670.5	567.6	880.0	1,609.3	1,869.9
ROCE[6]	2.9%	9.1%	6.2%	9.7%	9.3%
Cash flow					
Free cash flow[7]	–715.6	543.8	120.9	568.4	519.9
Capital expenditure[8]	382.7	333.8	283.8	287.4	258.5
Employees[9]	41,149	39,602	36,207	34,604	33,128

1 Figures as at balance sheet date Dec. 31

2 Adjusted for PPA items and non-recurring items

3 For 2022: Proposed dividend for the fiscal year 2022

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

5 Key Figure comprises financial liabilities less cash and cash equivalents

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

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

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

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

Disclaimer

Forward-looking statements

This annual report contains forward-looking statements that relate to the current plans, objectives, forecasts, and estimates of the management of KION GROUP AG. These statements only take into account information that was available up to and including the date that this annual report was prepared. The management of KION GROUP AG makes no guarantee that these forward-looking statements will prove to be right. The future development of KION GROUP AG and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of KION GROUP AG and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic and industry-specific conditions, the competitive situation, and the political environment, changes in national and international law, interest-rate or exchange-rate fluctuations, legal disputes and investigations, and the availability of funds. This particularly applies in respect of currently unforeseeable further developments in connection with the war in Ukraine, and the geopolitical consequences of the war, and in respect of the coronavirus pandemic and the resulting impact on KION GROUP AG and its subsidiaries and on the wider economic and political environment in the markets in which KION GROUP AG and its subsidiaries operate. These and other risks and uncertainties are set forth in the 2022 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 2, 2023
Publication of 2022 annual report, financial statements press conference, and conference call for analysts

April 27, 2023
Quarterly statement for the period ended
March 31, 2023 (Q1 2023), conference call for analysts

May 17, 2023
Annual General Meeting

July 27, 2023
Interim report for the period ended June 30, 2023 (Q2 2023), conference call for analysts

October 26, 2023
Quarterly statement for the period ended
September 30, 2023 (Q3 2023), conference call for analysts

Subject to change without notice

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The content of the German version is authoritative.

kiongroup.com/ir

We keep

the world moving.

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