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KGX.DE - Kion Group AG Annual Shareholders Meeting (German)

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CORPORATE PARTICIPANTS

Gordon Riske *KION GROUP AG - CEO & Member of Executive Board*

Michael Macht *KION GROUP AG - Chairman of the Supervisory Board*

PRESENTATION

Michael Macht - *KION GROUP AG - Chairman of the Supervisory Board*

Ladies and gentlemen, I welcome you very warmly. My name is Michael Macht. As Chairman of the Supervisory Board and Chairman of the meeting, I am opening the Annual General Meeting of KION Group AG.

Unfortunately, due to the COVID-19 pandemic, you, our shareholders, will not be able to attend this year's Annual General Meeting here in Frankfurt. Due to the special circumstances, the meeting will be held this year as a virtual general meeting in accordance with the provisions of the German act on measures to combat the effects of the COVID-19 pandemic. We ask for the understanding for this measure, which we have taken, in particular, to protect the health and safety of you and of all those involved in the meeting in the best possible way.

This virtual Annual General Meeting will be broadcast in full length for you, dear shareholders and shareholder representatives, through our online service. Until the start of the answers to the questions of shareholders and shareholder representatives, the transmission of the Annual General Meeting is also generally accessible online. Shareholders and proxies who wish to follow the Annual General Meeting until the end will, therefore, have to log into the online service. Thank you very much for following the video and audio transmission of the Annual General Meeting.

I would like to welcome the other members of the Supervisory Board who will participate in this virtual Annual General Meeting via video and audio transmission. Mr. Ring has been appointed Deputy Chairman of the Meeting and will follow the Annual General Meeting via audio and video transmission from another room in this building. I would also like to welcome the members of the Executive Board who are sitting here next to me. The Chairman of the Board, Gordon Riske, Ms. Anke Groth and Dr. Eike Böhm.

I would also like to welcome our other Executive Board Member, Mr. Ching Pong Quek. Due to the COVID-19 pandemic and the associated worldwide official restrictions, Mr. Ching Pong Quek will unfortunately not be able to attend this year's Annual General Meeting and will follow the meeting by video and audio transmission. I also welcome notary Ronald Gerns, who is present in the meeting room and will take the minutes of today's meeting.

I note, today's Annual General Meeting was convened in due form and time by an announcement in the Federal Gazette of the 9th of June 2020, which was distributed throughout Europe. A copy of the publication is in the hands of the notary public. The invitation and agenda were communicated to shareholders, banks and shareholders' associations in accordance with Section 125 of the German Stock Corporation Act.

The documents to be made available were accessible on the company's website from the time of the convening of the Annual General Meeting. The documents are also available on the company's website during the virtual Annual General Meeting. The company has neither received any requests for supplements to be announced nor any counter motions or election proposals.

Ladies and gentlemen, I will now give you an overview of the proceedings of today's Annual General Meeting. First of all, I will present the report of the Supervisory Board to the Annual General Meeting. Then Mr. Riske will explain the documents presented under agenda item 1, in particular the annual and consolidated financial statements for the 2019 financial year. We will then respond to questions submitted by shareholders and shareholder representatives prior to the virtual Annual General Meeting. Finally, we will comment on the resolutions on the individual agenda items.

You dear shareholders and shareholder representatives may also use our online service to cast or change possible votes or to grant or change authorizations and instructions to the proxies appointed by the company in the course of the Annual General Meeting until the beginning of the counting of the votes. You can also make changes online for postal voter authorizations and instructions to the proxies nominated by the company, which you had submitted by post, by fax or by e-mail.



One important details and instructions for the further proceedings, including the options for voting and objecting to resolutions, are provided in the invitation on the company's website and in our online service. I will also provide you with further information in the course of the Annual Shareholders' Meeting. Finally, I would like to point out that recordings of the transmission of today's Annual General Meeting are not permitted.

Ladies and gentlemen, let us now turn to the agenda. The agenda was published together with the administration's proposed resolutions in the Federal Gazette on the 9th of June 2020. Let us move to Item 1 of the agenda: Presentation of the annual financial statements of the consolidated financial statements and of the combined management report.

I hereby declare the annual financial statements, the consolidated financial statements and the combined management report for KION Group AG and for the group have been audited by the auditors who gave their unqualified audit opinion. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements. The annual financial statements are thus adopted.

The consolidated financial statements and the combined management report for KION Group AG and for the group are printed in the company's 2019 annual report. The 2019 annual report and the annual financial statements of the KION Group AG have been available on the company's website since the convening of the Annual General Meeting. These documents are also available there today during the virtual Annual General Meeting.

Dear shareholders, under Item 1 of the agenda falls also the report of the Supervisory Board. And although the current environment in the markets in which our company is active are very much determined and characterized by the consequence and effect of the COVID-19 pandemic, the report of the Supervisory Board will be looking back at the past reporting year. For this, let me first refer you to the explanations given in the annual report on Pages 16 to 23, and I'll be happy to address some of the key points of that report here today.

2019 was the year before this unparalleled health crisis, which is being followed by one of the most severe economic crisis of recent times. One is almost tempted to say 2019, long, long time ago. Now the KION Group proved to be a reliable performer again in 2019. Let me remind you, every aspect of the outlook for the past reporting year was borne out by the results achieved and, in some cases, comfortably exceeded.

The company enjoyed a successful year, although 2019 was not always easy. Economic conditions prove challenging, especially international trade disputes and uncertainty surrounding other major issues, such as Brexit, took their toll on the investment climate in markets important to our company. And yet the KION Group was able to keep the effects of these difficult conditions in check, and that's thanks to the fantastic efforts of the entire workforce.

The group was able to outperform the market as a whole and to strengthen its own market position. Thus, KION has proven to be a reliable and trusted partner for all stakeholders, and that is something that deserves our particular gratitude. Global demand for highly efficient industrial trucks remains firmly at an unprecedented high level. Individual regional markets have indeed seen different types of development. There was robust demand for integrated, connected and, increasingly, automated intralogistics solutions for customers in industry, retail and wholesale.

On the one hand, this is a confirmation of the disciplined operational management. And on the other hand, the clear focus on the field of action defined in the KION 2027 strategy is yielding success. In 2019, your KION Group AG, thus, has impressively confirmed that the company, with its strategy, is indeed the right track.

Against this background, one of the main focus points of the Supervisory Board's work lay in the consistent implementation of that strategy. In particular, that included setting the path for the fields of action, energy, digitalization, automation, innovation and performance. The overall objective is to secure profitable growth for the company. And for that reason, the Supervisory Board encouraged the Executive Board in preparing measures, projects and initiatives which will provide lasting and sustainable added value for customers in the future.

One visible element of this next phase of KION 2027 is the consistent growth strategy for the Chinese market. This contains a very new modular product line of material handling equipment for the mid-priced product segment. Those will be developed and produced locally in a new factory in China.



The Supervisory Board held extensive and in-depth discussions with the Executive Board on the willingness to invest, while economic conditions are proving and continuing to be difficult to forecast. The volume of the capital expenditure programs means that the company will have to take a short break from improving its profitability. However, the Supervisory Board and Executive Board agreed that, in the past financial year, it was the right time to take action for the future.

And also, the persisting burden in the face of the ongoing economic crisis do not lead us to second-guess this decision. As we are preparing for a lengthy phase of economic recovery, some adjustments will certainly become necessary to one or the other of our elements for strategic development. But the Supervisory Board and the Executive Board remain convinced that it was the right and the logical decision to initiate those measures now.

Dear shareholders, another focus of the work of the Supervisory Board was with governance topics for our company. Thus, the regulatory initiatives to implement the second shareholders' rights directive and work towards a new corporate governance code were pursued quite intensely.

To prepare the necessary review of the remuneration system for Executive Board members, the Supervisory Board established a separate working group comprised of 4 members of the Supervisory Board. From the shareholder side, that's the Chairman of the Audit Committee, Mr. Ring and myself; and on the side of the employee representatives, it's the Deputy Chairman of the Supervisory Board, Mr. Pancarci and Ms. Schädler.

To support this review of the remuneration system, we've obtained support by an experienced consultant. The working group has met various times and looked at the new regulatory requirements. And at the end, these new regulations, with a view to the remuneration system of our Executive Board given the transition rules in place, were not yet implemented in 2019. Rather, these transition rules set forth that a revised remuneration system for the Executive Board members is to be determined until next year's Annual General Meeting.

Nevertheless, the Supervisory Board has already taken very key preparations in order to appropriately implement these new requirements for listed companies in Germany. Accordingly, the company will present a revised Executive Board remuneration system at the 2021 Annual General Meeting for approval by the shareholders.

Another governance topic affecting the Supervisory Board was also initiated in the past financial year. And that is also one item on today's AGM agenda. The terms of office for the shareholder representatives in the Supervisory Board are to end on different dates rather than on the very same date. The aim of introducing such a staggered Board is to ensure that not all shareholder representatives have to be elected or reelected by the general meeting at the same time. The main reason for this change is because holding elections for the full contingent of shareholder representatives can result in major changes and, thus, the loss continuity of experience and expertise on the Supervisory Board.

The cooperation between Supervisory Board and Executive Board has always been constructive, open and based on a very frank dialogue. The Supervisory Board was involved in essential decisions for the company in a timely and comprehensive manner. In between the meetings, the Chairman of the Supervisory Board and the Audit Committee remained in close contact at all times with the Chief Executive Officer and the Chief Financial Officer. Likewise, there were also regular contacts between the Chairman of the Audit Committee and those responsible for internal audit and compliance in the company.

The Supervisory Board and its committees held in-depth discussions on the Supervisory Board's own obligations in relation to the company's corporate governance decisions and declarations before adopting unanimous decisions. These include the declaration of conformity with the Corporate Governance Code, the review of the nonfinancial group report as well as the Executive Board's report on relations with affiliated entities. The results of those reviews are covered in great depth and detail in the written report submitted by the Supervisory Board.

The Supervisory Board raised no objections with any of the results. This written report also contains information on the meetings of both the full Supervisory Board and of its committees. By way of summary, I would, therefore, like to state that all Supervisory Board meetings, with one exception, were attended at least 15 of the 16 Supervisory Board members and all but 2 meetings of the committees were attended by all of the committee members.

In the year under review, there were some personnel changes in both the Executive Board and the Supervisory Board. Mr. Ching Pong Quek was reappointed as a member of the Executive Board and Chief Asia Pacific Officer for another 5 years. And this secures, on the personnel side, the

successful implementation of the new strategy for the Asia Pacific region. Mr. Quek will be assuming a key role in the strategic realignment of the company in the Chinese market over the coming years.

To achieve its very ambitious targets, our company needs an experienced and successful officer in the region, who is familiar with its day-to-day business and its strengths and weaknesses, and who's able to implement the strategic path that has been set out, and Mr. Quek meets this brief in all respects.

Due to different views on corporate strategy, the Supervisory Board and Ms. Mr. Schneeberger, whose responsibility in the Executive Board included the Supply Chain Solutions segment and digitalization topics, reached an agreement that she stepped down as a member of the Executive Board with effect of 12 January 2020. The Supervisory Board would like to thank Ms. Schneeberger for her contributions.

And as regards to personnel changes in the Supervisory Board, I'd like to cover that now. And after last year's AGM, there was a change at the helm of the Supervisory Board. After Dr. John Feldmann stepped down as a shareholder representative to the Supervisory Board and thus also its Chairman, the Supervisory Board then elected me as its new Chairman at its constituent meeting on 9th May 2019.

We owe a great debt of gratitude to Dr. Feldmann for his great dedication and his significant contribution during his tenure as the Chairman of the Supervisory Board. Moreover, the Annual General Meeting also elected Mr. Tan, Xuguang as shareholder representative on the company's Supervisory Board on 9th May 2019.

Dear shareholders, I'm reaching the end of my report on the past reporting year. The entire Supervisory Board would like to express its sincere gratitude to our entire workforce, who, under the management of our Executive Board, have always guaranteed the success of KION in the year 2019. You have mastered the manifold challenges of the day-to-day business. And with the products, manufacturers and the services rendered, you have increased the benefit for our customers. You have thus made sure that our company was successful in competing in the various regions of the global market and have thus created value for the shareholders. And that deserves all of our respect.

I would like to also point out that the current reporting year will prove a true stress test for all stakeholders of our company. And the Supervisory Board remains in an open dialogue with the Executive Board regarding the current situation. We discussed the situation in the markets, the needs and requirements of our customers in the crisis, the expectations of our shareholders and the requirements of our employees with whom the company will also withstand this crisis.

We noted with tremendous relief that none of our employees became infected inside the factories and installations of our companies with COVID-19 virus. The precautionary measures initiated by the company have made their contribution to this. The health of our employees and the appropriate provisions come first for us, too. We -- in the interest of all stakeholders, we encourage the Executive Board to precisely analyze the situation and to then adopt the right measures in order to, despite this unprecedented crisis, advance our company further into a future characterized by sustainable and successful economic growth.

Thank you very much for your attention. Ladies and gentlemen, I now give the floor to Gordon Riske for the Executive Board of Management report. He will take you through the documents, will report on the company's situation and will also provide you with an outlook on the current reporting year. Additionally, he will explain the profit and loss pooling agreement, which is on the agenda under Item 11 of today's agenda.

Mr. Riske, the floor is yours.

Gordon Riske - KION GROUP AG - CEO & Member of Executive Board

Thank you very much. Ladies and gentlemen, shareholders, friends and supporters of the KION Group, on behalf of our 35,000 employees and the whole Executive Board, welcome to this year's Annual General Meeting.



I am welcoming you today in somewhat unusual circumstances. Holding the Annual General Meeting as a purely online event is a first for KION, as it is for many other companies. Statutory requirements have been changed as a result of the coronavirus crisis. As a result, we can now hold an Annual General Meeting without our shareholders being physically present.

The decision to hold the meeting in this form was not one that we made lightly. However, we firmly believe that by doing so, we are helping to contain the spread of the virus. Health and safety is the highest priority for the KION Group, and naturally, that also applies to all participants in the Annual General Meeting.

The past few weeks and months have been an enormous challenge for all of us. But this pandemic has shown what a critical role the KION Group plays in society, specifically in maintaining supplies to the general public. Customers can always rely on our material handling equipment come what may. The industrial trucks from Linde, STILL, Baoli and Voltas and the supply chain solutions from Dematic helped to keep logistics processes running smoothly in systemically important sectors such as food production and health care.

We are helping to meet the basic needs of the population. We are keeping supply chains up and running so that critical supplies get through to the supermarkets and the health care sector. And we stand ready with our customers with our truck fleets. The same applies to our service technicians and those involved with the supply of spare parts as both of these areas are of vital importance for customers, especially in a crisis situation. So as you can see, as shareholders, you are invested in a company that plays a pivotal role for the whole of society.

Our #1 priority in recent months has always remained the same, making the workplace as safe as possible for our employees. Our crisis management teams have been extremely effective. And we have only had a tiny number of coronavirus cases within the KION Group.

Crucially, none of them contracted the illness at work. This is partly due to the measures we introduced at a very early stage. We also benefited from the experience of our Chinese colleagues and partners who were confronted with COVID-19 before we were. We were very quick to implement rules on minimum distances between people and on hand hygiene. These rules apply to our shop floor workers in the plants, to our service engineers when they visit customers and to our staff in the offices.

We're also making increased use of video and telephone conferencing, conference calls, and we're working from home whenever possible. These measures have proven effective in helping to contain spread of the virus. We have even come up with our own solutions for protecting our workforce from the pandemic. Our subsidiary, Linde Material Handling, has developed a new warning vest that can be used in production areas to help maintain physical distancing. Linde uses this vest in its own plants.

If an employee comes too close and breaches the 1.5 meter distancing rule, the vest does not only sound a warning tone, but also flashes and vibrates. And in the theoretical event of work contracting the virus, the vest makes it possible to track and trace anyone who has been in close contact with them recently. This avoids having to put the entire workforce into quarantine if someone becomes infected. All data is deleted after a short time, which means that data protection is, of course, guaranteed.

Nonetheless, dealing with the new normality is not easy. To take firm action to counteract the challenging business conditions, we introduced a raft of measures back in March to reduce costs and to improve our liquidity situation. This included postponing all nonessential capital expenditure and other spending. Other measures included localized suspension of production and personnel measures such as using up our vacation, reducing accumulated hours in working time accounts and introducing short time working.

The KION Group will, therefore, be able to respond flexibly as the pandemic evolves. And we can adapt production levels at our advance worldwide in line with the availability of materials, regional demand patterns and local rules imposed by the authorities. We can also ensure optimum deliveries to customers, the supply of spare parts, and the service business have continued and will continue in accordance with local rules imposed by the authorities.

In May, the KION Group took a further precautionary measure to maintain its usual financial strength during the coronavirus crisis. We reached an agreement with our core group of banks on the provision of an additional liquidity line at standard commercial terms with the Kreditanstalt für Wirtschaftsprüfung und Unternehmensberatung (KfW).

Wiederaufbau or KfW, which is Germany state-owned development bank, providing a substantial share of the funding. Of the total credit facility of EUR 1 billion, which KION can draw upon as and when required, EUR 800 million is being put up by KfW and EUR 200 million by our core banks.

One of the countermeasures we have had to take to protect our financial strength also directly affects you, our shareholders, and that is the reduction of the 2020 dividend to EUR 0.04 per share. That was also a precondition of the KfW credit facility, by the way. I assure you that this was not an easy decision for us. I hope you understand why we had to make it. And I do hope that in this most exceptional circumstances, you will understand and approve our proposal.

Our environment will be shaped by the effects of the coronavirus pandemic for a long time to come. We want to maintain our ability to act within this changed environment and be able to operate on the basis of a strong cash position. We do not know nor can we currently predict what course the coronavirus pandemic will take, how long it will last or what impact it will have on the global economy. That is why at the end of March, we retracted the outlook for 2020 provided in the 2019 annual report.

Coronavirus has gripped the world since then. It is still impossible to say with any certainty what will happen to the global economy. Most economists agree that a V-shaped recovery is no longer realistic. What they cannot agree on is how wide the bottom of the U will be, or in other words, how long the crisis will last. Some are even suggesting we can expect an L-shaped recession or maybe even a W if there will be a second wave.

For the KION Group, it is clear that the reluctance to invest in industrial trucks caused by the pandemic, coupled with the temporary restrictions in the service business, will have a noticeable impact on our key figures this year, particularly in the trucks business. On the other hand, we firmly believe that our innovative products, services and solutions, especially in the automation and supply chain segment, mean we can emerge stronger from the crisis in the medium term.

In the second quarter of 2020, therefore the first complete quarter affected by the coronavirus, the broad strategic positioning of the KION Group has paid off. This can be seen from the strength of order intake, which provides a preview of future operating performance. What is notable is that in the period from April to June, the market for automated material handling solutions remained intact and continued to grow. And that applies to all corners of the world and to practically all important customer industries.

According to the interim figures published just last Monday, the total value of our order intake rose by over 11% over the prior year. While order intake in the Industrial Trucks & Services segment declined sharply by around 20%, the Supply Chain Solutions segment saw a doubling of order intake. Our Dematic business recorded its highest ever order intake in 1 quarter. This was due in large part to big ticket orders from e-commerce customers, including companies in North America and Europe.

As a group, we have, therefore, succeeded in compensating, at least in part, for the very difficult market conditions in the Industrial Trucks business through growth in our automation systems business. It is also notable that we generated an operating profit in the second quarter in both segments. Even our free cash flow was just into positive territory in the second quarter, thanks to the strict spending discipline.

This success is clear affirmation of our KION 2027 strategy. Diversification through strong operating segments, coupled with a focus on automation, digitalization, energy, innovation and performance is the right approach. As a full-service provider with a strong presence on every continent, we are able to exploit opportunities even during a global crisis. The coronavirus crisis is demonstrating that the KION Group has a highly resilient business model.

We aim to publish the interim report of the KION Group for the period, which ended on the 30th of June 2020, and we'll publish the final figures on the 30th of July.

Ladies and gentlemen, we are operating from a position of strength, and we should not forget what we achieved in 2019. Last year, your KION Group recorded its best results ever. We delivered what we had promised. Let's take a brief look at the numbers for the 2019 financial year. The most important metrics are order intake, revenue, adjusted EBIT and free cash flow. And all of these key categories, ladies and gentlemen, we achieved, and in some cases, even exceeded our own targets.



Despite a market environment that was becoming increasingly difficult even in the previous year, in 2019, the KION Group improved its order intake by 5.3% year-on-year to EUR 9.11 billion. This is a record figure and was achieved even though the global market of industrial trucks contracted by 2.1% compared with the prior year. Our strong order intake was helped by very high level of orders towards the end of the year in our Supply Chain Solutions segment and a solid performance in the Industrial Trucks & Services segment.

The group's revenue jumped by 10.1% to EUR 8.81 billion in 2019. Both segments played their part in this. Adjusted EBIT rose by 7.7% to EUR 850.5 million. And the adjusted EBIT margin stood at 9.7%, only a fraction below the prior year margin of 9.9%.

One of the main reasons for this was the disproportionately strong growth in the new truck business and project business where the margins are lower, and another reason was greater expenditure on R&D.

Our net income amounted to EUR 444.8 million, a year-on-year rise of 10.7%. This improvement in net income compared with 2018 was one of the main factors behind the increase in free cash flow, which went up by 9.3% from 2018, which was already a strong year to EUR 568.4 million. In short, we made 2019 a success.

We have also made progress along our path of profitable growth despite increasingly difficult conditions for the industry that were brought about by macroeconomic challenges, several delays through Brexit, trade disputes and the introduction of bilateral protectionist tariffs. The results for 2019 prove that even when times are tough, our business model is robust and we are highly resilient, a core objective of our successful KION 2027 strategy.

We have more than 34,000 people to thank for our success. With immense dedication and amazing passion and with the support of our partners and suppliers, our employees work hard every day to do their very best for our customers. In a physical meeting, we would all thank them and show our respect and appreciation with a big round of applause, and we would like to say thank you to them. Today, this has to be virtual, and I will do it on behalf of all of our shareholders. Thank you very much for your great performance.

We are very well placed to face a challenging future. With its 5 fields of action, energy, digitalization, automation, innovation and performance, our strategy was the foundation of our economic success in 2019 and will carry us forward into the future. By focusing on these fields of action, we anticipated key trends in our industry at an early stage and it is clear that this foresight paid off last year.

What have we achieved in concrete terms? Let me give you some excellent examples. In the area of energy, STILL set a new standard with the introduction of its RX 60 electric forklift truck. With its great performance and agility, both indoors and outdoors, it is an e-truck that offers all the benefits of an internal combustion vehicle. The RX 60 will help us to meet the increasing demand from industry for electric trucks.

Our joint venture, KION Battery Systems with BMZ in Karlstein am Main in Germany is also making good progress. The objective of this joint venture is to develop and manufacture lithium-ion batteries for counterbalance trucks. This collaboration will strengthen our position in energy-efficient drive technology and help us to secure a sustainable future. Bear in mind that 86% of the new trucks we sell are now equipped with an electric drive.

In the area of digitalization, Linde has launched its new H20-H35 generation of trucks with the introduction of the 1202 counterbalance truck packed with innovative features. The new truck offers full connectivity, which means that software updates can be carried out via the Internet or our KION cloud, and a huge range of digital services can be enabled. This makes the model a unique proposition in the current market.

And in March, the KION Group acquired DAI, a British software firm that specializes in logistics applications. This is an important addition to the software offering of our Dematic subsidiary in the Supply Chain Solutions segment.

Another key aspect of our strategy is automation. You will all have seen from the news of the last weeks and months just how strongly the online shopping trend has grown. After just 6 months of development, in September 2019, Dematic unveiled its new so-called micro-fulfillment solution, which can be set up at customers' premises within a few weeks. The micro-fulfillment solution features a small automated warehouse that helps



retailers with limited available space to meet increased demand from consumers for fast order processing. It can be installed in the parking lot at the back of a grocery store, for example.

The second example relates to the internal processes of the KION Group. We're preparing our financial organization for an increasingly digital future and are trimming it for efficiency. An important milestone was reached just a few weeks ago when we acquired a shared service center for finance and accounting in the Polish city of Kraków. This new center of excellence will enable us to make our operational financial processes even more efficient, not least because our new colleagues will bring extensive expertise in the area of process automation to the table.

Here's another example, this time from the area of innovation. In March, STILL introduced a new autonomous helper for warehouses, the OPX iGo neo. It is the latest addition to the broad cross-brand portfolio of automated guided vehicle systems that Linde, STILL and Dematic offer our customers. The iGo neo acts as an independent assistant following its operator around and always stopping in the optimal picking position. Its state-of-the-art sensors and sophisticated communication technology make it a reliable partner for its operator.

And finally, let's talk about performance. The clear focus on our 5 fields of action has been crucial in the successful strengthening of our position as a market leader in recent years. We have also continued to improve our flexibility and we have expanded our production. We are, therefore, continuing to rigorously pursue our strategy. Although we have had to postpone some of our plans as a result of the coronavirus pandemic, we are continuing to invest in our new truck plants in China and Poland. 2 further plants, 1 in Pune in India and 1 near the city of Xiamen in China were recently completed.

The expansion of our business in China, one of the fastest-growing and most important markets in the world, plays a key part in our growth strategy. We are very confident that nothing will lessen China's growing importance as a market in the long term, and that is good for us as China has been part of the KION Group's DNA for quite some time. More than 1/4 of a century ago, we were one of the first Western companies to invest in setting up proprietary production, development, sales and service facilities in China. And now we are building an additional counterbalance truck plant in the Eastern Chinese city of Jinan and extending our product portfolio.

The equity investment in the plant by our anchor shareholder, Weichai Power, ensures that KION will have a strong local presence in the region. And at the same time, this step is an expression of our successful and trusting partnerships. By building this plant, we will be making the biggest investment in China ever undertaken by any global company in the material handling industry for the second time. We want to seize opportunities for growth in the value segment and benefit from the trend towards the electrification of industrial trucks in China.

Capital expenditure on this new plant will amount to around EUR 100 million. More than 800 new jobs will be created at our new site in Shandong province by 2025. The new plant will be built from scratch, and it will be highly automated. It will be our most high-tech facility to date. The site will also include the KION Value Competence Center with global responsibility for this truck segment. And over the coming years, we will invest significant amounts of capital in our sales and service network in China. This will enable us to harness the potential of this important market even more effectively, and to consolidate our position as the leading international intralogistics company in China. At the same time, we will strengthen our global offering in the value segment.

Ladies and gentlemen, as you can see, even in this time of crisis, we are looking ahead to the future. The 2017 authorized capital was used very successfully for the acquisition of Dematic. We now need to replenish this. Under agenda item 7, I will, therefore, ask for your consent to create a new 2020 authorized capital, 11,809,000 no par value shares, which is equal to 10% of our share capital. We want to enable you to participate in this important financial instrument aimed at creating additional flexibility during the crisis and have, therefore, decided not to disapply preemption rights.

This measure will allow us to create new equity and thus liquidity. This will help us to protect or improve our ability to secure funding. With your consent, the share capital of the KION Group AG can be increased up to the level of the aforementioned cap until the 15th of July of 2025. To ensure that KION will be able to take advantage of attractive funding opportunities in the future, the company is also seeking a new authorization for the issue of warrant linked or convertible bonds or profit sharing rights, and for the creation of new conditional capital. The total nominal amount is capped at EUR 1 billion until the 15th of July 2025.

In 2017, you agreed to the creation of new conditional capital. Authorized and conditional capital should only be used as alternatives and cannot be used together. Details are provided under Item 8 on the agenda.

Under agenda Item 11, we will be asking you to approve a control and profit and loss transfer agreement between KION Group AG, the controlling company, and Dematic Holdings GmbH, the dependent company. Dematic Holdings GmbH is a wholly owned subsidiary of KION Group AG. Under the agreement, KION Group AG is entitled to issue the Management Board of Dematic Holdings GmbH with instructions on how the subsidiary should be run. The agreement will make managing Dematic Holdings GmbH more practical and efficient. It will also enable closer cooperation between KION Group AG and Dematic Holdings GmbH.

The agreement can also establish an income tax sharing agreement between KION Group AG and Dematic Holdings GmbH. The agreement is therefore financially advantageous for the KION Group. In particular, it reduces the overall tax rate of the KION Group and reduces the risk of losses remaining unutilized for tax purposes. Entering into the control and profit and loss of transfer agreement also reinforces the existing organizational integration of Dematic Holdings GmbH into KION Group AG that is required for VAT affiliation.

You can find further details regarding the control and profit and loss transfer agreement with Dematic Holdings GmbH in the joint report prepared by the Executive Board of KION Group AG and the management Board of Dematic Holdings GmbH, concerning the conclusion and the content of the agreement and the profit and loss transfer agreement.

Ladies and gentlemen, with our strategy and our high-performing product portfolio, we are confident that we will emerge from the crisis even stronger than before. The main drivers of our business are the growing tendency of consumers to buy online and the fragmentation of supply chains. Neither the coronavirus pandemic nor trade disputes, nor Brexit will have a lasting impact on these trends.

Another main driver is the global desire for new drive technologies and energy sources to make logistics and intralogistics more sustainable. The coronavirus pandemic has clearly demonstrated how critical, well-functioning supply chains are. The mega trend of e-commerce is also growing more strongly than ever in this exceptional situation. There's no turning the clock back.

Many of the things we're currently doing may be new to us in these crisis times, but many of these will soon be habits that will become ingrained. The coronavirus crisis has clearly shown us the importance of our automation and digitalization initiatives and how urgent it is that we press ahead with them with even greater intensity, just think about automated guided vehicle systems, fully automated warehouses or 1-hour delivery.

This is why KION is increasingly transitioning from a hardware to a software company. Innovative software is key to our future success, as data is the commodity of the future. By bringing together market-leading hardware and software, we can use our role as an integrated systems provider to generate significant competitive advantages for our customers. We keep the world moving, and we'll continue to do so in the future.

(presentation)

Michael Macht - KION GROUP AG - Chairman of the Supervisory Board

Mr. Riske, thank you very much for your report.

Those in the audience who are following this AGM via the Internet, I would like to inform that this marks the end of the public transmission.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]



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