KION HOLDING 1 GmbH

Wiesbaden

Annual Report
31 December 2011

KION Holding 1 GmbH

Management report 2011

This is a translation of the German

„KION Holding 1 GmbH Konzernabschluss 2011“

Sole authoritative and universally valid version is the German language document.

Contents

Highlights in 2011

The KION Group can look back on a successful 2011. Strong demand and rigorous cost management led to significant year-on-year increases in revenue and earnings.

- Strong demand in Germany and the BRIC countries
- Order intake rises by 21 per cent to €4,682 million
- Revenue climbs by 24 per cent to €4,368 million
- Adjusted EBIT margin more than doubles to 8.3 per cent
- Negative net earnings due to one-off items
- Free cash flow before tax increases more than threefold
- Successful placement of a secured corporate bond with a volume of €500 million
- Leading position maintained in the global market: number one in Europe, number two worldwide

KION Group key figures

€ million	2011	2010	2009	Changes 2011/2010
Revenue	4,368	3,534	3,084	23.6%
In Germany	1,175	900	770	30.6%
Outside Germany	3,194	2,634	2,314	21.2%
Order intake	4,682	3,860	3,028	21.3%
Order backlog	953	801	533	18.9%
EBITDA	569	380	183	49.7%
Adjusted EBITDA[1]	665	462	311	43.9%
EBIT	213	35	-182	>100%
Adjusted EBIT[1]	365	139	-29	>100%
Loss for the year	-93	-197	-366	52.8%
Cash and cash equivalents[2]	373	253	463	47.7%
Financial debt after borrowing costs	2,997	2,872	2,918	4.4%
Financial debt	3,030	2,894	2,948	4.7%
Net financial debt	2,657	2,641	2,484	0.6%
Equity	-488	-400	-213	-21.9%
Adjusted EBITDA margin[1]	15.2%	13.1%	10.1%	-
Adjusted EBIT margin[1]	8.3%	3.9%	-0.9%	-
Free cash flow before tax[3]	282	83	34	>100%
Capital expenditures	133	123	108	7.7%
Total spending on R&D	120	103	101	16.3%
R&D spending/revenue (%)	2.8%	2.9%	3.3%	-
Employees incl. apprentices and trainees as at 31 December	21,862	19,968	19,953	9.5%
R&D employees	900	827	833	8.8%

[1] Adjusted for KION acquisition items and one-off items

[2] Cash and current securities

[3] Internal key performance indicator

Group management report of KION Holding 1 GmbH
for the year ended 31 December 2011

1. Milestones in 2011

2011 – growth markets continue to gain in importance

KION Group increases order intake to €4,682 million – growth markets account for almost one in three trucks delivered

Despite the European sovereign debt crisis and uncertainties in the financial markets, the global market for industrial trucks experienced a strong upturn in 2011. Two factors encouraged this positive trend: the recovery of demand in Europe and the rapid pace of economic growth in the emerging markets. The KION Group particularly benefited from the sharp rise in global demand for warehouse trucks and for efficient counterbalance trucks with electric motors or internal combustion (IC) engines. Aftersales business also expanded compared to 2010, and there was a year-on-year rise in revenue from rental and used trucks. Order intake for the KION Group rose to €4,682 million, representing a year-on-year increase of around 21 per cent (2010: €3,860 million). Revenue advanced by 24 per cent year on year to €4,368 million (2010: €3,534 million). The KION Group's earnings before interest and tax (EBIT), adjusted for non-recurring items, rose from €139 million in 2010 to €365 million in 2011. This represented an EBIT margin of 8.3 per cent, which was higher than the figure achieved in the record year of 2008 and represents a significant year-on-year improvement. The 2010 adjusted EBIT margin amounted to 3.9 per cent.

The KION Group successfully continued with its globalisation strategy in 2011. Germany, France, China and Brazil were the most important regions in terms of sales of new industrial trucks last year. Three in ten trucks supplied by the KION Group went to customers in emerging markets. The KION Group intends to make even greater use of the high potential for growth in these markets over the coming years, particularly in the BRIC countries.

On a global basis KION Group slightly lost market share to 14.8% (2010: 15.3%). By continuing to expand in fast-growing regions, the KION Group hopes to maintain its leading positions in the European and global markets for material-handling trucks in the long term. The KION Group is currently number one in the European market and number two worldwide.

Consolidation of the STILL and OM brands in the STILL brand segment

Back in 2010, the KION Group had begun to more closely integrate the sales activities and product portfolios of the STILL and OM brand companies in order to serve the markets more efficiently. OM focuses on its home Italian market and now incorporates STILL's activities in Italy. It also began to improve the breadth and depth of its own product range by adding products from STILL in 2011. This focused business expansion has enabled the OM brand to remain one of market leaders in Italy, while STILL is benefiting from stronger sales support, above all in eastern Europe and the emerging markets. OM has been operating under the brand name 'OM STILL' in Italy since January 2012.

Further improvements to efficiency in the production facilities

Last year the KION Group drew up various plans to safeguard the long-term competitiveness of its production facilities. The planned transfers of production within Europe, the further expansion of production and the existing sales and service networks in fast-growing markets are enabling the Group to become more flexible as well as strengthening its position in regional markets worldwide. A decision was made to concentrate the STILL brand segment's production of warehouse trucks and counterbalance trucks at individual European locations so that production facilities can focus on particular product series and optimise their capacity utilisation.
Production processes and product quality have also continued to be steadily improved at KION's Baoli brand production facility in Jingjiang near Shanghai. The three primary objectives were to step up inhouse training, modernise the production methods and workflows and optimise cooperation with suppliers. This involved providing employees with ongoing training on all aspects of quality management as well as standardising their work by introducing defined processes and guidelines.

Baoli has also restructured the production plant in order to make the material flows and production processes more efficient. In addition, Baoli has familiarised its suppliers with the new production processes. By selecting its suppliers carefully and continually developing its partnership with them, the brand company guarantees quality, a continuous supply of materials and compliance with technological standards. This results in better product quality, higher productivity and shorter delivery times.

The KION Group is also strengthening its presence in Brazil by setting up a plant geared to the manufacture of counterbalance trucks in São Paulo. Production is scheduled to start there in 2012. The existing Brazilian plant in Rio de Janeiro manufactures warehouse technology for KION's STILL and Linde brands. Counterbalance trucks with IC engines are the most popular form of industrial truck in South America. KION is expanding its South American distribution and service network so that it can continue to meet rising demand. The São Paulo site enables the KION Group's current sales offices in the region to intensify their relations with existing STILL and Linde customers.

Voltas Material Handling opening up the Indian market

As part of its continued focus on the world's emerging markets, the KION Group and the Indian conglomerate Voltas Ltd. founded Voltas Material Handling (VMH) in April 2011. The KION Group acquired a majority share of this company using existing funds. VMH develops, manufactures, sells and services forklift trucks and warehouse technology. KION will add truck and warehouse technology to the Voltas product range and, based on market demand, will focus above all on warehouse technology. India's material-handling market has grown rapidly in recent times, with a sharp rise in demand for warehouse technology solutions. Voltas has built a new plant in Pune, India, in order to fully exploit the strong future growth potential offered by the Indian market. Products from Voltas have enjoyed an excellent reputation in the Indian market for many years. The brand's 25 branches provide it with a strong distribution and service network even given India's material handling market today still being characterized by low volumes.

Successful expansion of sales and service network

The KION Group continues to enhance the position occupied by its two premium brands – Linde and STILL – in Russia. In 2011, the Linde Material Handling subsidiary acquired the business of its longstanding dealer partner Liftec in Russia and, on the basis of high growth forecasts for the region, also acquired Liftec's Kazakhstan business at the start of February 2012. The purchase of Liftec's business in Ukraine is planned for mid-2012. This provides Linde Material Handling with even better and direct access to the growth potential of these major eastern European markets. Russia is one of the most buoyant high-growth regions alongside Brazil, India and China. In 2011, it was the fifth largest market in Europe. STILL has strengthened its Russian market presence by opening an additional branch in St. Petersburg.

The KION Group is expanding and optimising its sales structures on an ongoing basis in western Europe. As part of this process, Linde Material Handling has acquired the outstanding 51 per cent of shares in the UK-based Linde dealer Linde Sterling Ltd. Linde Sterling is the leading provider of new and used industrial trucks, rental trucks and aftersales service in north-west England and north Wales. This transaction has enabled the KION Group to further strengthen the leading position of Linde and the brand's UK distribution and service network. In December 2011, Linde Material Handling also acquired the outstanding 25.5 per cent of shares in Linde Castle Ltd. and now holds 100 per cent of the shares either directly or indirectly.

Stable financial footing

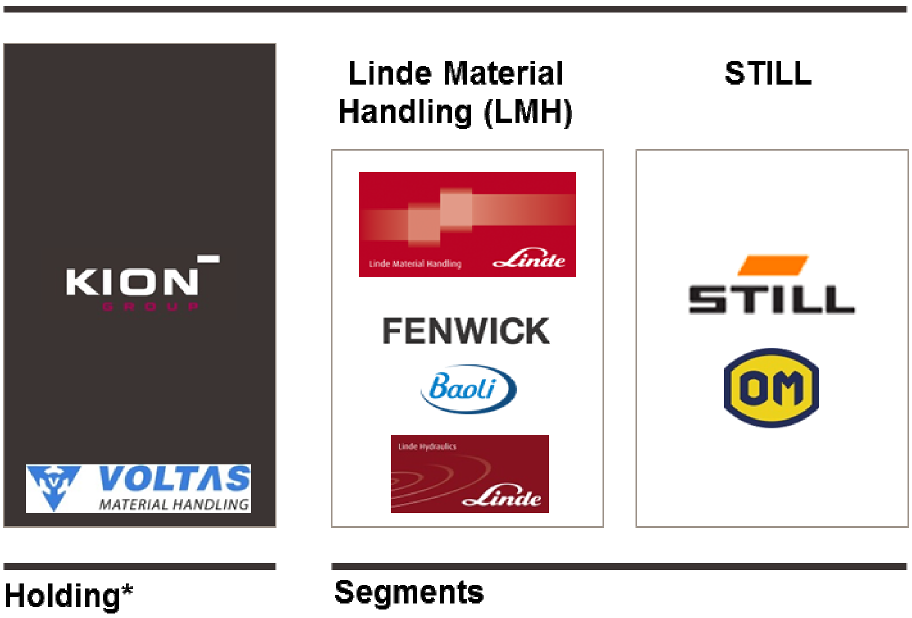
In spring 2011, KION successfully issued a secured corporate bond with a total volume of €500 million in the capital markets. This has enabled the KION Group to improve the maturity profile of its debt, with some financial liabilities being extended to 2018. It has also diversified its investor base. The Company used some of the cash from the issuance of the bond to fund existing loans. With a maturity date of 2018, the secured bond was issued at par in a tranche of €325 million at a fixed interest rate and in a tranche of €175 million at a variable interest rate. The interest rate for the fixed-interest tranche is 7.875 per cent per annum, while interest is charged annually on the floating-rate tranche at three-month Euribor plus 4.25 percentage points.

2. Company profile

2.1 Group structure

KION Holding 1 GmbH owns all the shares in KION Holding 2 GmbH, which in turn is the sole shareholder of KION GROUP GmbH. KION GROUP GmbH manages the brand companies as the strategic management holding company and operational parent company. In this report, 'the KION Group' refers to all the companies of the KION Group collectively. The KION Group pursues a multi-brand strategy so that it can optimally cater to the different market and customer requirements. The Group is represented in the markets by its Linde, Fenwick, STILL, OM, Baoli and Voltas brands. They each have different areas of focus in terms of regional presence and factors such as product range, services and technological expertise. In addition to its industrial truck business, the KION Group operates in the hydraulics sector through its Linde Hydraulics brand.

The KION Group's segment structure in 2011



* Holding incl. segment Other with the Indian company Voltas Material Handling (VMH)

KION GROUP GmbH acts as a strategic management holding company and is responsible for key head office functions, for which it defines Group-wide business standards. Strategic, financial, and market-specific objectives are agreed separately with the individual brand companies and monitored. These companies have full operational and commercial responsibility for their activities and for achieving the agreed objectives.

The operating segments of KION Group pursuant to IFRS 8 are Linde Material Handling (in which Baoli, Linde Hydraulics and the French brand Fenwick are managed) and STILL (in which the OM brand is also managed). In 2011, the KION Group integrated Voltas Material Handling Ltd. – in which it holds a majority stake – into the 'Other' segment.

2.2 Business activities of the KION Group

2.2.1 Overview of the KION Group

KION Group is a leading provider of industrial trucks. In 2011, it generated revenue of €4,368 million and an order intake of 144,774 units. In its home European market, the KION Group is the market leader with a market share of more than 30 per cent. KION Group is also one of the most successful companies of the sector in the emerging markets of China and Brazil. This market presence is particularly important from a financial perspective because three in ten forklift trucks sold by the KION brand companies are now delivered to customers in the emerging markets. Measured in terms of revenue and the number of trucks sold, the KION Group is the world's number two and the market leader in Europe.

The KION Group's origins go back to 1904 when Carl von Linde founded Güldner-Motoren-Werke in Aschaffenburg (Germany) with Hugo Güldner and other partners. In 1929, Güldner-Motoren-Werke was acquired by Linde AG. Then in 1973, Linde AG acquired STILL GmbH (founded in 1920), thus paving the way for both organic growth and growth through acquisitions. This enabled it to continually expand its portfolio and strengthen its market position. One of the most important acquisitions in the Group's history was the French company Fenwick in 1984. Fenwick is the local brand of the Linde Material Handling Group in France, where it is market leader. The long-established company OM, which was founded in 1917, was added to the brand portfolio in 1992. The material-handling division of Linde AG, Munich, was spun off as an independent company called the KION Group in August 2006 and was sold to investment funds advised by Kohlberg Kravis Roberts and Goldman Sachs Capital Partners in December of that year. Further acquisitions then took place to add to the existing brand companies. The KION Group acquired the Chinese company Baoli in 2009, before assuming complete management control the following year. The main aim with Baoli is to unlock the potential of the growth markets more effectively. In 2011, the KION Group acquired a majority stake in the Indian company Voltas Material Handling Ltd.

Across all its brands, the KION Group provides its customers with a complete portfolio for managing their internal goods flows. Besides warehouse trucks and counterbalance trucks with IC engines or electric motors, the KION Group also offers full-service solutions, for which demand is rising sharply. The services, financing and process management available to customers represent an increasingly significant line of business for the KION Group.

The KION Group is a global player and has around 1,200 sales outlets in 100 countries, forming one of the most extensive distribution and service networks in the entire industrial truck sector. The production facilities for industrial trucks, plus further component production sites and foundries, are situated at strategically beneficial locations within this broad network.

As at the end of 2011, the KION Group had 21,862 employees.

2.2.2 Segment overview

Linde Material Handling – Engineered for your Performance

The Linde Material Handling segment is synonymous with innovative trucks and services. It provides users of industrial trucks with product and service solutions that meet demanding technological requirements, while always taking into account efficiency improvements and complex stipulations in terms of functionality and design. The Linde and Fenwick brand companies supply high-quality material-handling products, while the Baoli brand serves the economy segment in the emerging markets. Linde Hydraulics focuses on hydraulic components that are used both in its own trucks and in the products of third-party manufacturers. Above all, the quality and diversity of its material-handling products and services enable the Linde brand to maintain its technology and innovation leadership as well as a global market share of 9 per cent. Linde Material Handling's portfolio contains a broad range of premium products for moving goods around.

The slogan of Linde Material Handling, 'Engineered for your Performance', reflects the company's objective of enabling customers to use its material-handling solutions to make sustained improvements to their efficiency. Linde Material Handling's warehouse trucks were therefore subjected to an efficiency test certified by TÜV Nord, a technical inspection, testing and certification organisation, and compared with the trucks of other providers in terms of costs and performance. This test, which looked at the overall cost of the loading cycle for a heavy-goods vehicle, found that Linde's trucks had 20 per cent lower costs than competitors' products.

In order to safeguard its technology and innovation leadership, it is essential that Linde Material Handling constantly develops new premium solutions in a diverse range of product areas. Linde Material Handling satisfies its customers' requirements firstly with a broad portfolio of products, ranging from warehouse trucks to heavy trucks and container handlers. Secondly, every product is based on user-friendly, ergonomic concepts and meets high standards of efficiency and sustainability. Moreover, the company's strong service expertise and extensive aftersales services boost customer loyalty.

In 2011, Linde Material Handling attended CeMAT, the world's leading intralogistics trade fair, which took place in Hannover from 2 to 6 May 2011, seizing this opportunity to showcase the LMH brand and numerous product innovations. The stars of the show were the new E 20 – E 50 series of electric forklift trucks, which have a load capacity of between 2 and 5 tonnes. Available in 19 standard model variants with different lengths, heights, and widths, they enable Linde Material Handling to offer trucks geared precisely to customers' needs. The driver's workstation with its new, ergonomic design is protected against vibration, jolts and noise as it is separated from the front axle and mast. This enables the driver to work for longer without becoming tired, even in harsh conditions. The new model series won *MM Logistik* magazine's logistics award at CeMAT. It also received two of the highest accolades for product design in 2011: the iF design award and the red dot award.

In the H40 – H50 range of IC trucks, which have a load capacity of 4 to 5 tonnes, a new variable displacement pump in the lift hydraulics is significantly reducing energy consumption and lowering noise emissions. Linde Material Handling's logistics train is a new product for optimising logistics in production. It is formed from the Linde P 50 C tow truck, which has a tractive force of 5 tonnes, and four trailers – making it ideal for use in just-in-time and just-in-sequence manufacturing. In the area of warehouse technology, Linde Material Handling presented solutions for the driverless transport of materials: an automated stacker crane and an automated tow tractor.

Early on, Linde Material Handling picked up on the trend for alternative drives that, as far as possible, produce zero emissions. At CeMAT, for example, the company featured a pallet truck with a fuel-cell drive system and a fully functioning prototype of a pallet stacker with a lithium-ion battery, thereby also proving its competence with alternative drives.

Besides its vast expertise in moving goods around, Linde Material Handling is also a major producer of hydraulic components and hydrostatic drives. The hydrostatic drive provides the basis for the Linde trucks' precise lifting and handling capabilities as well as their low fuel consumption. As a result, Linde Material Handling regularly generates synergies between truck development and drive technology development. Major brand manufacturers around the world install components from Linde Hydraulics in their equipment for the construction, agricultural and forestry sectors – proof positive of their performance and reliability.

Linde Hydraulics' growth was also stimulated by the development of new products, the market launch of electric technologies, and the global sales and distribution alliance that it had formed with EATON Corporation in mid-2010. This significantly improved Linde Hydraulics' access to the markets in 2011, in particular enabling it to win new projects with big-ticket customers in Asia and North America.

Last year, Linde Hydraulics set new standards in drive technologies with the MPR 50 medium-pressure pump and the LINC 2 electronic control unit. Both products are playing a key role in improving the efficiency and reducing the emissions of mobile machinery. Fuel savings of up to 20 per cent can be achieved thanks to the optimised interaction between the hydraulic and electric drive technologies combined with intelligent electronics.

Drive and power takeoff systems powered by electric motors represent a new growth market that is a valuable addition to Linde Hydraulics' traditional core business of high-pressure hydraulics. Concept projects have successfully gone into series production just a year after their launch on the market. One of these projects is the New Karabag 500 E electric car. The entirely electric drive system – including the engine, converter, fan and electronic control – was designed and supplied by Linde Hydraulics.

As at 31 December 2011, Linde Material Handling, which is headquartered in Aschaffenburg, employed 13,838 people worldwide. Driven by the upturn in the German market as well as in the emerging markets of China, South America and eastern Europe, order intake rose by 22 per cent to 88,300 units, generating revenue of €2,856 million. Adjusted EBIT increased by over 100 per cent to €283 million. Linde Material Handling has an extensive global distribution and service network with more than 700 sales outlets. Depending on the country and region, products are sold by Linde Material Handling's own sales outlets or via dealers that cover the market. The two sales channels account for roughly equal proportions of total revenue. International production sites are located in Châtellerault (France), where warehouse handling equipment is produced, and Merthyr Tydfil (UK), which focuses on extra heavy-duty trucks and container handlers. To cater to local needs and requirements, Linde Material Handling manufactures region-specific products in Summerville, South Carolina (USA), and in Xiamen (China).

Baoli operates as an independent brand in the market, focusing on the low-cost economy segment in China and other growth markets. The range of attractive and sturdy products, combined with the KION Group's excellent distribution network, enables Baoli to satisfy the high demand in emerging economic regions such as South America very effectively. As an integral part of the Linde Material Handling (LMH) segment, Baoli generated an order intake of 3,894 units in 2011. Worldwide, it has more than 120 distribution and service outlets, the majority of which are in Baoli's home Chinese market. The distribution network was expanded last year to include Europe, the Middle East and Africa (EMEA). Production is located at Baoli's head office facilities in Jingjiang, China. It employed 555 people at the end of 2011.

STILL – First in Intralogistics

The STILL brand positions itself as a leading supplier of intelligent intralogistics solutions. Besides its core range of forklift trucks, warehouse technology and tow tractors, STILL's wide-ranging portfolio also includes process-related value-added services for warehouse logistics, the design of internal logistics processes, goods flow management and fleet management. STILL is known for its sustainable and successful logistical innovations such as in the field of hybrid drives. In the electric forklift truck sector, the company has always been one of the top providers in Europe. In 2011, STILL's market share in the European focus markets was around 14 per cent. STILL already occupies an outstanding position in the high-growth South American region. It also pursues a successful market penetration strategy, above all in the Asian regions. Its global market share is approximately 5 per cent. Integration of OM into the STILL Group was largely completed in 2011. The STILL Group's portfolio is complemented by OM's products: the RC 40 diesel truck, the ECU and ECU-SF pallet trucks and the Xlogo low-level order picker are offering STILL new sales opportunities around the world, while OM is enhancing its own range of products in Italy with intralogistics solutions from STILL. Some of the two brands' strongest products are being offered jointly from 2012; they are marketed worldwide under the STILL brand and in Italy under the 'OM STILL' brand. This makes OM STILL one of the leading players in Italy.

The STILL Group uses its portfolio of industrial trucks, financial services, aftersales services, hardware and software to create customised packages of products and services tailored to customers' individual needs. That is why the company developed the interactive PartnerPlan tool, which helps it to select the best options for the customer from its entire range of products, technologies and services. The aim in putting together the packages is always to find a system-based solution that optimises the customer's logistics processes and thereby its efficiency and costs.

In 2011, STILL added innovative forklift trucks and warehouse technologies as well as services to its portfolio and presented them to the public. For example, it showcased fully automated material flow solutions at the LogiMAT trade fair in Stuttgart during the first quarter of last year. The broad range of trucks with various types of navigation ensures that STILL can always offer tailored solutions for any warehouse layout – including warehouses with challenging narrow aisles and racks at heights of up to 15 metres as well as horizontal transport systems. In the field of automated picking, STILL demonstrated a version of the EK-X high-level order picker that can drive automatically and combines a picking height of up to 3.90 metres with a pick-by-voice function. The innovative features of the EK-X significantly reduce the number of pick errors and boost picking efficiency by up to 25 per cent.

Another combination of STILL trucks and intelligent software for intralogistics systems was achieved in a benchmark project with Güldenkron, which produces fruit juice and other beverages. This involved using MX-Q turret order pickers and EGV-S pallet stackers to automate the entire flow of materials in fruit juice production, from putting away and retrieving goods in high-bay storage areas to planning the dispatch of goods. The customer benefits from the vehicles' flexible dual operating modes, which enable automated or manual operation at any time. STILL also provided the bay systems, thereby demonstrating that it can deliver end-to-end logistics solutions.

STILL presented its cubeXX concept truck at CeMAT, the world's leading intralogistics trade fair, which took place in Hannover. An efficient warehouse requires many different trucks to carry out the various logistics tasks. The cubeXX is an intralogistics solution of the future and combines six different applications in a single truck, serving as an order picker, pallet truck, pallet stacker and double-decker truck. It can also be converted into a tugger train or a forklift truck. Depending on how it is being used, the cubeXX can be operated automatically or manually with a driver as it is fitted with a retractable cab. The cubeXX therefore offers the highest degree of flexibility and compact dimensions, impressively underlining STILL's claim to be the 'first in intralogistics'.

STILL already caters to customers' requirements with fully integrated warehouse systems and a comprehensive range of products and services. In future it will increasingly work on solutions further up and down the supply chain. Development and refinement of products and services is always aimed at creating the maximum benefit for customers at all process stages. Besides being flexible and safe to use, the products must therefore be of outstanding quality so that they can withstand the heavy loads associated with warehouse logistics. That is why STILL regularly gathers feedback from its customers to ensure that its products meet their requirements. However, the company has also received objective confirmation of the high quality of its products in terms of their functionality, user-friendliness, ergonomics and design. In November 2011, for example, STILL received the 'Best Supplier of the Year Award' from retail chain SPAR for its special achievements in the areas of product innovation, sustainability, customer relationship management & support, quality and flexibility.

The market upturn, particularly in Germany, eastern Europe and Brazil, was of great benefit to STILL, which was able to boost its order intake by 15 per cent to 51,200 units. Revenue rose by 17 per cent to €1,666 million, enabling STILL to generate EBIT – adjusted for non-recurring items – of €102 million.

At its head office in Hamburg, Germany, STILL produces forklift trucks, reach trucks and tow tractors. The Reutlingen plant focuses on very narrow aisle (VNA) trucks. Counterbalance trucks are manufactured in Bari (Italy), in particular for the Italian market. Other types of warehouse technology are produced in the French Montataire plant and in Luzzara (Italy). The aim of the planned consolidation of the plants in Italy and France is to concentrate the production of product series at individual locations, which will also ensure greater capacity utilisation at each plant. Under these plans, the trucks currently produced in Montataire will be built at the Luzzara plant while the production of forklift trucks in Bari will shift to the counterbalance truck plant in Hamburg. As at 31 December 2011, STILL including OM employed 7,328 people worldwide.

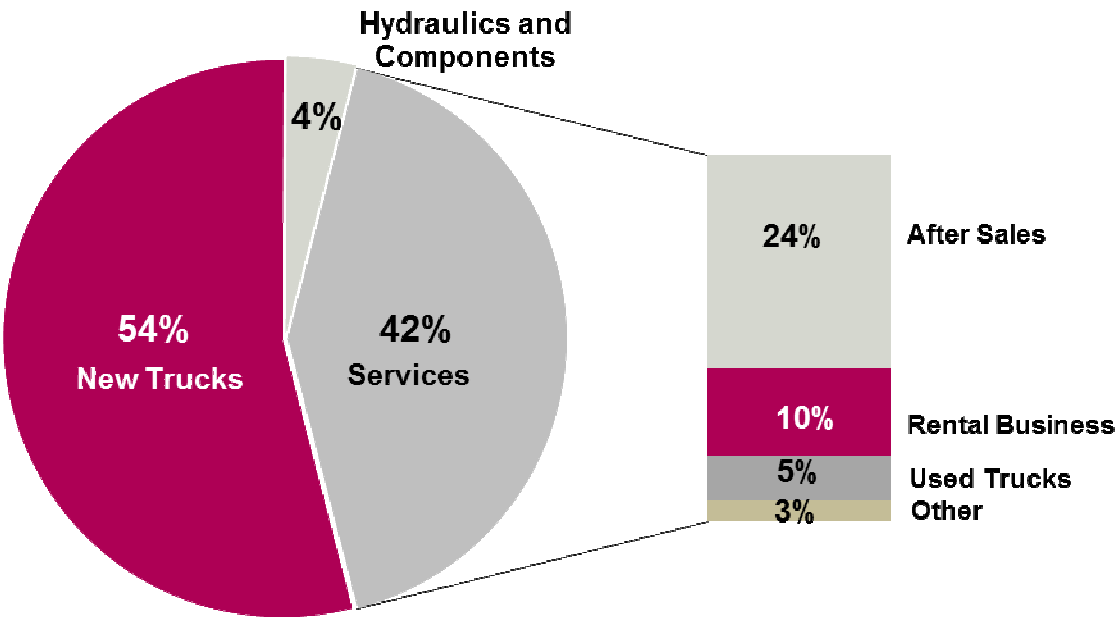
Germany remains the most important sales region for the STILL brand, followed by France and Italy. The German and French markets are served by a direct sales organisation. In its UK and Spanish markets, STILL uses dealers to supplement its own direct sales operations. This is also the case in Italy, which is OM's home market. All other European markets are largely served by direct sales organisations and, in some cases, by a highly efficient network of dealers. STILL opened new branches in St. Petersburg (Russia) and Katowice (Poland) as part of the expansion of its sales structure. At the same time, the successful integration of the STILL and OM dealers in Russia has enabled STILL to strengthen its market presence in eastern Europe. It has also gained market share in this region thanks to numerous projects with large international companies. In addition, expansion of the dealer network improved STILL's market position in high-growth countries during 2011, especially those in Asia. Equipwell (India), PT Power Trucks Mitra Perkasa (Indonesia) and TCJ Asia (Thailand) all became STILL sales partners last year. The sales network in south-east Asia has been managed by a new STILL office in Singapore since 1 November 2011.

BlackForxx GmbH, headquartered in Stuhr near Bremen (Germany), is a subsidiary of STILL which started up in 2008. Since then BlackForxx has been leasing special forklift trucks and warehouse trucks and selling used and reconditioned forklift trucks and warehouse trucks in Germany and abroad through its own online marketplace. On the back of strong domestic and international demand for industrial trucks, BlackForxx considerably expanded its customer base in the year under review and opened two further lease centres in Stuttgart and Paris. As a subsidiary of STILL, BlackForxx cooperates closely with the STILL sales organisation if required. In spring 2011, for example, it helped with the resale of two fleets containing 90 and 221 used STILL trucks respectively.

2.2.3 Service business improves customer retention

The scope and quality of the services offered is a key factor for many customers when they select a technology partner. That is why the service business is more than just a good source of revenue for the KION Group. It is also an important means of improving customer loyalty. Besides classic aftersales business such as spare parts sales or maintenance and repairs, the services offered by the KION Group include higher-value services, for example the complete planning and organisation of automated logistics processes. Along with these services, customers can also request IT solutions that enable them to manage their truck fleets and material flows reliably. This gives customers a rapid yet detailed overview of all their major performance and consumption figures and of the running costs for their fleets.

In 2011, service accounted for 42 per cent of revenue (2010: 46 per cent). This slight percentage decline is due to the disproportionately strong rise in the new trucks business on the back of the recovery in the industrial truck markets. The KION Group divides its service business into aftersales services, rental business and the used trucks trade. The 'other' product category also includes services such as consultancy, IT solutions and warehouse equipment systems.



Aftersales service levels tailored to customers' needs

The extensive dealer and service network enables the KION Group to offer its customers repair and maintenance services worldwide. The KION Group employs some 7,600 service staff, of whom 6,000 are service technicians. In places where the KION Group does not have its own staff, external dealers provide the aftersales services in accordance with the KION Group's specifications. Customers can access the service organisation of all KION brands round the clock. In Europe, spare parts are mostly guaranteed to be supplied within one working day.

An active fleet of currently over one million trucks plus the increasing presence of the KION brands worldwide provides a sound basis for the future growth of the KION Group's service business. To enable customers to budget for their service costs more accurately, the KION Group brands usually offer service contracts. Customers can decide on the scope of the services they require to meet their individual needs. For example, they can take out a contract that covers regular maintenance, a defined number of ad-hoc repairs within a defined response time and the replacement of any wearing parts required during the year. The KION Group also offers a wealth of finance, leasing and rental solutions so that it can fully cater to customers' varying needs at all times.

Used trucks open up new customer groups

Many customers opt to rent industrial trucks. As a result, used trucks come onto the market once the leases or fleet management contracts have expired – provided they are not extended or renewed. For customers interested in quality trucks at an affordable price, these high-quality used trucks offer an attractive alternative to new trucks from other providers with less sophisticated technology. Selling a used truck from the KION Group also opens up the possibility of future orders for new trucks.

The KION brands naturally offer aftersales services and financial services for the used trucks. All used trucks are reconditioned to ensure that they will operate properly once they have been sold to customers.

Rental trucks with variable services

In its truck rental business, the KION Group offers three variants: short-term rental, long-term rental and fleet management. Each of these generally also incorporates financing services.

- **Short-term rentals of up to twelve months**
  The KION Group's short-term rental business enables customers to meet short-term requirements such as seasonal spikes in demand. The term of the rentals offered can be anywhere between one day and twelve months. The KION Group's local subsidiaries and dealers maintain their own rental pools to ensure optimum availability of trucks.

- **Long-term rentals, including a comprehensive selection of products and services**
  Long-term leases run for an average term of four to five years and usually cover not just the financing itself but also services such as maintenance, repairs, spare parts and insurance. The package of services is tailored to meet the customer's individual requirements. At the end of the lease, the customer returns the truck, extends the old lease or signs a new one.

- **Customised fleet management particularly attractive to big-ticket customers**
  Fleet management is the most flexible form of leasing and is becoming increasingly popular with big-ticket customers. The KION Group takes on the comprehensive management and financing of customers' truck fleets and ensures, among other things, that trucks can always be used optimally. Fleet management includes analysing and optimising how the trucks are used and the methods used to replace old trucks that no longer meet requirements. The package of services is tailored to meet the customer's individual requirements. The KION Group has developed proprietary software applications, which it uses to analyse and implement fleet management processes.

Increasing importance of financial services as a sales function requires separate management structure

Around 60 per cent of the KION Group's total unit sales of new trucks are already supported by financial services activities. This segment caters to the increasing demand for one-stop solutions that, in addition to the trucks themselves, include finance and other services.

In 2011, the KION Group's leasing portfolio grew to a total of 230,500 trucks. This equates to a replacement value of €4,528 million as at the end of 2011. The core markets France, Germany, Italy, Spain and the United Kingdom accounted for 74 per cent of the total leasing portfolio at the end of the year under review. In the key markets, the proportion of the portfolio accounted for by long-term leasing declined slightly compared with the proportion at the end of 2010 to around 80 per cent.

The Financial Services (FS) segment encompasses key cross-brand functions for the two brand segments Linde and STILL. In terms of promoting sales and customer loyalty, it represents an important vehicle which the KION Group will be exploiting even further in the future.

The first separate FS companies were established in the core markets of the KION Group in 2011. Further countries with a high proportion of finance and leasing business will be integrated gradually.

The increasing importance of the FS segment is also reflected in separate management and control of the financial services business. (For more detailed information on the future segment structure, please refer to section 4.3 of the management report and to the notes starting on page 72.) The cross-brand FS segment brings together all the KION Group's services in connection with financing of short-term rental fleets and long-term leasing business by providing innovative and tailored finance solutions.

3. Economic conditions

3.1 General business environment

Global economic recovery continues in 2011

The year under review saw a further recovery in the macroeconomic environment. Global gross domestic product (GDP) grew by a further 2.7 per cent following the 4.1 per cent growth achieved in 2010. Emerging markets continued to be the key growth drivers and stabilising factors in the global economy. By contrast, growth in the industrialised nations was subdued. During the course of the year, various uncertainties in international markets resulted in a slowdown in the economic upturn overall. This represented a normal cyclical pattern following the strong growth in the previous year, although there were also other temporary contributory factors, such as the sovereign debt problems in the euro zone and in the USA, the earthquake in Japan, and the sharp increase in commodity prices. In view of the sovereign debt issues, and given the slackening pace of economic growth, most industrialised countries had already switched to the pursuit of policies focusing on savings and retrenchment, with expansionary monetary policies providing further stabilisation. In 2011, significant momentum in favour of capital expenditure in the private sector also cushioned the impact from a generally weak increase in output.

Gross Domestic Product 2011
Real change compared with the previous year

China	9.2%
India	6.5%
Russia	4.3%
Germany	3.0%
Brazil	2.7%
World	2.7%
USA	1.7%
EU	1.6%
Japan	-0.9%

Source: Eurostat, National statistics, World Bank (Status 07.03.2012)

The impetus behind the global economy's emergence from the crisis over the last two years eased off markedly during the course of the year under review. By the end of the year, financial market data and sentiment in the economy were pointing to a significant economic slowdown. In contrast, real economic data remained overwhelmingly positive until recently. According to an assessment by the International Monetary Fund, the global economic situation will continue to be fragile in 2012, the result of flagging growth in the real economy in all regions and uncertainty regarding the funding position in public finances and financial institutions.

Sovereign debt crisis in the euro zone leaves its mark – Germany remains the economic driving force

After starting the year strongly, the European economy cooled off noticeably during the course of 2011. Overall, GDP in the European Union grew by 1.6 per cent, although growth rates varied considerably from country to country, as in 2010. Germany continued to be the engine of the European economy, achieving robust growth of around 3.0 per cent for the year, during the course of which it exceeded pre-crisis levels. Economic performance was also fairly dynamic in countries such as Poland and Sweden, where growth rates of 4.0 per cent were achieved. In contrast, two of the largest economies, Spain and Italy, remained static. Growth in Greece and Portugal continued to weaken as a consequence of comprehensive austerity measures. In 2011, the uncertainty arising in connection with sovereign debt issues had a noticeable impact on the core countries of the euro zone for the first time, ultimately highlighting the extent to which European economies are interlinked.

A whole range of negotiations, rescue packages and austerity programmes were unable to restore investor confidence or stimulate the growth sorely needed by individual countries. In mid-2011, the sovereign debt crisis finally hit the Italian economy, which came under intense pressure. As a consequence, sentiment in both industry and on global capital markets disintegrated. However, general economic momentum was also hampered by retrenchment programmes and the tough labour market conditions that continued to prevail in many countries. There was an appreciable corresponding fall in government and consumer spending, as well as in domestic demand, particularly in the second half of the year.

As in the case of GDP growth, the labour market situation also varied from country to country. Germany recorded its lowest unemployment rate for years at 5.9 per cent; there were also sharp drops in the unemployment rates in Belgium and Sweden. However, many other euro zone countries saw unemployment rise: it increased threefold in Ireland in the course of the crisis; in Greece, the rate also climbed significantly to the current level of 21 per cent. The situation was particularly precarious in Spain, where the unemployment rate rose to nearly 22 per cent in 2011, yet another indicator of the structural problems in the country.

Economic indicators

	Gross domestic product		Unemployment rate (%)		Consumer Price Inflation		Industrial Production	
Changes %	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Advanced economies								
Germany	**3.0**	3.7	**5.9**	7.1	**2.5**	1.2	**7.5**	10.9
France	**1.6**	1.5	**9.7**	9.8	**2.3**	1.7	**2.4**	4.7
Italy	**0.5**	1.5	**8.4**	8.4	**2.9**	1.6	**0.0**	6.4
Spain	**0.7**	-0.1	**21.7**	20.1	**3.1**	2.0	**-1.5**	0.9
United Kingdom	**0.9**	2.1	**8.4**	7.8	**4.5**	3.3	**-1.2**	1.8
USA	**1.7**	3.0	**8.9**	9.6	**3.0**	1.5	**4.2**	5.3
Emerging economies								
Brazil	**2.7**	7.5	**6.0**	6.7	**6.5**	5.9	**0.3**	10.5
Russia	**4.3**	4.0	**7.0**	7.0	**6.1**	8.8	**4.7**	8.2
China	**9.2**	10.4	**4.1**	4.1	**5.4**	3.3	**13.9**	15.7

Source: Eurostat, Statistical Offices, World Bank (Status 07.03.2012)

Growth in the USA still weak

Economic growth in the USA was inconsistent over the course of 2011: after a weak start to the year, growth in the second half of the year was stronger and also higher than that in other industrialised nations. The primary growth driver in the US economy was strong domestic demand but the economic climate in the USA continued to be impacted by structural problems in terms of government debt, the real-estate market and unemployment. The argument between policymakers regarding government debt had a negative impact on investment in inventories, particularly at the start of the year. In contrast to the approach in 2010, companies therefore held back from further increases in inventories. On the other hand, capital spending on equipment continued to hold up well with growth of approximately 10 per cent. Overall year-on-year GDP growth was 1.7 per cent.

Emerging markets provide key stimulus for growth

Economic performance in the emerging markets was again excellent in 2011 and this acted as a stabilising force for growth in the global economy owing to the impact of increased global integration. Growth rates in emerging economies were more than double those in the industrialised countries on average, which meant that the BRIC countries (Brazil, Russia, India and China) contributed more than half of the growth in global output. Leading the way was the People's Republic of China, where growth of 9.2 per cent provided an important stimulus for the global economy, although the contribution from Brazil and India also continued to increase. Economic output in Russia saw a year-on-year rise of 4.3 per cent. However, this growth was based on the relative strength of the primary sector in Russia (energy, commodities); when adjusted for the steep rise in price of oil, the growth was actually weaker than in the years prior to the crisis. The general economic conditions in the large emerging markets, with their low levels of indebtedness, low unemployment, and in some cases significant currency reserves, proved to be particularly beneficial.

Having said all that, during the course of the year, the emerging markets were no longer able to escape the effects of the European debt crisis or the economic uncertainty in the USA and Japan and were thus also affected by an economic slowdown. The most obvious feature of this was a notable loss of momentum in exports to the industrialised countries.

3.2 Business environment in the sector

Sector boosted by willingness to invest

The global economic recovery in 2011 improved the level of orders on hand in many sectors – albeit with regional differences. According to the German Association of the Automotive Industry (VDA), the worldwide market for new cars expanded by around 6 per cent to 65.4 million units last year. Continued growth in world trade also benefited the logistics sector. The German Engineering Federation (VDMA) reported a 10 per cent rise in order intake for Germany's export-oriented engineering sector in 2011. The strong starting position and the ongoing recovery in some areas were accompanied by spending on capital equipment. This increase in investing activities had a positive impact on demand for industrial trucks.

Commodities price index reaches all-time high

Prices for many commodities rose sharply in 2011. Among the commodities relevant to the KION Group that increased in price, oil and metal particularly stood out – with at times substantial increases. Although prices declined during the last few months of 2011, having shot up at the start of the year, the commodities price index of the Hamburg Institute of International Economics (HWWI) reached its highest ever average for the year. Commodity prices, as measured by the HWWI index, climbed by 22.4 per cent in euros and 28.6 per cent in US dollars compared with 2010. The oil price – an indicator of the price of plastics and of energy costs – increased to over US$ 125 per barrel on the back of unrest in North Africa and the Middle East. Metal prices were pushed up by the improving global economy and strong demand from China for copper, steel and aluminium.

Euro loses value

Exchange rates proved highly volatile over the course of the year against the backdrop of the euro crisis and partly due to government intervention. The relative stability of the euro over the year as a whole was mainly due to its strong performance in the first six months. However, the euro fell against other reserve currencies at the end of 2011. A weaker euro is generally favourable for European exports but it also makes important input materials more expensive. Sharp fluctuations throughout the year were the major challenge in 2011 rather than the euro's absolute exchange rate.

The KION Group sells many of its products in the European Economic Area and issues invoices in euros even outside the European Monetary Union, depending on the sales structure. Owing to increasing unit sales in emerging markets, some trade receivables are denominated in foreign currencies. The most significant foreign currencies for the KION Group are the Chinese renminbi, pound sterling and the Brazilian real.

Currencies

Average rate per Euro	2011	2010
Brazil (BRL)	2.33	2.33
Switzerland (CHF)	1.23	1.38
China (CNY)	9.00	8.99
United Kingdom (GBP)	0.87	0.86
Russia (RUB)	40.89	40.32
USA (USD)	1.39	1.33

Source: Reuters

3.3 Market for industrial trucks

Global market sees record unit sales

Worldwide demand for industrial trucks remained relatively unaffected by economic uncertainties in 2011. Global sales rose by 23 per cent year on year to reach a record 977,000 units (2010: 796,000 units). The recovery in the markets seen in 2010 continued in the first six months of 2011, with order intake amounting to 506,500 units. There was a slowdown in the second half of the year however, and sales declined to 470,600 units. Over half of market growth was generated by the markets in western Europe and China. Eastern European markets also achieved high growth rates, driven above all by Russia. The high-growth regions underpinned their importance as markets and continued to stabilise in the global market. Order intake in the industrialised countries, above all Germany and the United States, was buoyant and grew at a faster rate than the global market.

German market above pre-crisis level

The western European market benefited from strong demand in the first half of 2011 and generated growth of 26 per cent over the year as a whole. Order intake in western Europe came to 278,400 units, a significant improvement on the 222,000 units achieved in 2010. Around 12,200 units were accounted for by the Turkish market, which has counted as part of western Europe instead of Asia since 2011 following a restructuring for statistical purposes. Making up 38 per cent of order intake in western Europe, sales of counterbalance trucks with electric motors or IC engines were driven by the benign investment climate and rose more sharply than sales of warehouse technology. Although the overall picture was positive in 2011, the situation was very mixed in the individual countries as it had been in 2010. Germany reported an order intake of 76,400 units, thereby surpassing the market volume seen in the record year of 2007 and remaining the biggest driver of growth in western Europe. Following only moderate growth in 2010, unit sales in the French market went up by 20 per cent to 55,800 units but was 10 per cent below the volume generated in 2007. In contrast, demand for industrial trucks in Spain and Italy was very subdued compared with 2010, rising by 4 per cent and 6 per cent respectively.

Global Industrial Truck Market (order intake)

in thousand units	2011	2010	2009	Changes 2011/2010
Western Europe[1]	278	222	181	26%
thereof				
Germany	76	62	45	24%
France	56	47	42	20%
United Kingdom	27	22	17	26%
Eastern Europe	54	40	21	36%
thereof				
Russia	23	15	3	51%
Europe	**333**	**262**	**202**	**27%**
North America	170	136	98	25%
thereof				
USA	155	124	89	25%
Central & South America	55	45	21	23%
thereof				
Brazil	23	23	8	-1%
China	238	200	118	19%
Rest of World	181	153	110	18%
World	**977**	**796**	**549**	**23%**

[1] 2011 incl. Turkey/Cyprus
Source: WITS/FEM

Continued upturn in eastern Europe

The positive trend in the eastern European markets seen in 2010 continued, with growth of 36 per cent to 54,500 units in the year under review. Russia was the main driver of the upturn with unit sales rising to 23,000, which equates to a year-on-year rise of 51 per cent. In Poland, the second largest market in eastern Europe, sales advanced encouragingly from 9,700 units to 12,000 units in 2011. While growth rates were generally high across all product segments, unit sales of counterbalance trucks with IC engines were especially buoyant owing to continued pent-up demand.

Brazil stagnates at a high level

The Brazilian market was slightly below the record level achieved in 2010 and, despite high growth in warehouse technology, suffered a small decline of 1 per cent to 22,600 units in 2011. However, the other markets in Central and South America were more upbeat and contributed to the region's year-on-year rise in demand of 23 per cent.

Encouraging growth in the USA

Against a background of increasing investment in capital equipment, the US industrial truck market expanded by 25 per cent to 155,000 units. All product types benefited from this upturn.

Chinese market continues to drive growth

China, which is the largest single market worldwide, accounted for almost two-thirds of Asia's entire order intake last year. While it did not grow at the same rapid pace as it had in 2010, the Chinese market expanded by 19 per cent to 238,400 units in the year under review. Classic IC trucks remained the dominant segment and the main source of growth in absolute terms. As far as warehouse technology was concerned, there was greater demand for efficient trucks and intralogistics solutions, as evidenced by extremely high growth of 41 per cent. Despite the difficult conditions in 2011, the Japanese market also increased by 15 per cent to 67,000 units, but was about a quarter down on the record figure reported in 2007.

3.4 Legal situation

The KION Group's material-handling products are machines that have to comply with certain legal requirements in all of the major geographical markets in which the Company operates. These requirements serve to minimise or eliminate the risks for users of the products and for other people, equipment and the immediate working environment. They also help to maintain the performance of the machines.

In the European Union, for example, the products are subject to the machinery directive (2006/42/EC), other technical regulations such as the emissions directives on noise (2000/14/EC) and exhaust gases (2004/26/EC) and the electromagnetic compatibility directive (2004/108/EC). Product-specific regulations also apply, for example the directive on products for use in potentially explosive atmospheres (94/9/EC) and the German Equipment and Product Safety Act (GPSG), which implements the requirements of the directive on general product safety (2001/95/EC) in Germany. The GPSG stipulates that manufacturers only put safe products on the market, i.e. those that satisfy the requirements regarding health and safety and other criteria applicable to these products.

As a manufacturer of material-handling products that are governed by these regulations, the Company must ensure that its products comply with the regulations and must verify and certify this compliance in the prescribed manner. The procedures stipulated by the regulations for the mandatory declaration of conformity vary depending on the product type. Corresponding regulations and standards apply in other countries around the world, and the Company's products sold in those markets must comply with them as well.

The Company has implemented processes that enable it to implement these legal requirements efficiently, document its compliance with them and incorporate any changes in the legal framework at an early stage of development. For example, the Company uses both self-certification (e.g. declarations of conformity) and third-party certification (e.g. EC type-examination certificates). As a result, when customers receive a product, they always have confirmation – in the form of the CE marking – that the product complies with all regulations in force. Many of the aforementioned legal requirements, especially the directives underlying the 'new approach to technical harmonisation and standardisation', are defined in precise terms in product-specific standards and other standards (e.g. EN, ISO and DIN). These standards provide simplified procedures for complying with the defined legal requirements in a verifiable manner, and the Company makes extensive use of them. As a technology leader, the KION Group endeavours to surpass the minimum standards defined for the products that it makes.

The construction and operation of production facilities is subject to certain legal requirements in the various jurisdictions relevant to the Company. In Germany, for example, a permit pursuant to the Federal Emissions Control Act (BImSchG) must be obtained. Many of these requirements impose stipulations on the operators of such facilities regarding matters such as the avoidance of air pollution, noise reduction, waste production & disposal and health & safety. Most of the Company's buildings also require planning permission, which governs not only their construction and conversion but also any changes in how they are used. In Germany, the operating permit pursuant to the BImSchG covers the relevant planning permissions, which means that separate planning permission is only required for buildings whose construction and operation are not subject to the BImSchG. The KION Group has also established stable processes in this regard to ensure that it complies with the regulatory requirements applicable to its plants.

Besides these product-specific and plant-specific rules and regulations, the Company's business activities are subject to the requirements typically placed on companies that have a strong export business (e.g. the relevant export controls) and that work with distribution partners (e.g. EU Block Exemption Regulation). Moreover, the Company's leasing activities in some jurisdictions are governed by particular regulatory requirements. In Germany, for example, a licence has been required for certain leasing activities since the introduction of relevant provisions under the German Banking Act (KWG) on 1 January 2009. STILL Financial Services GmbH obtained the licence in 2011, the year in which it was founded. The KION Group satisfies all the requirements for this licence, in particular certain stipulations regarding the qualifications of senior management, the quality of risk management and corporate reporting procedures. These regulations and the corresponding legislation in sales markets do not place any material restrictions on the Company's business activities.

Technical standards, product & plant safety regulations and environmental requirements are constantly being updated by the authorities responsible for them. Examples include the tighter emissions levels permitted for IC trucks and the requirements and limits placed on employers so that they protect their employees against excessive levels of noise and vibration. As a technology leader, the Company is well placed to more than simply fulfil these requirements. In fact, its products' existing technical advantages create potential for KION to successfully differentiate itself further from the competition. In addition, the KION Group is an active member of associations such as the German Engineering Federation (VDMA) and its working groups in which it helps to continually enhance standards and regulations. Overall, the KION Group does not expect the changing regulations to have any material negative effects on its business model.

4. Strategy

4.1 Strategic objectives

The KION Group's top priority is to deliver a sustained increase in shareholder value. It has therefore set itself four strategic objectives:

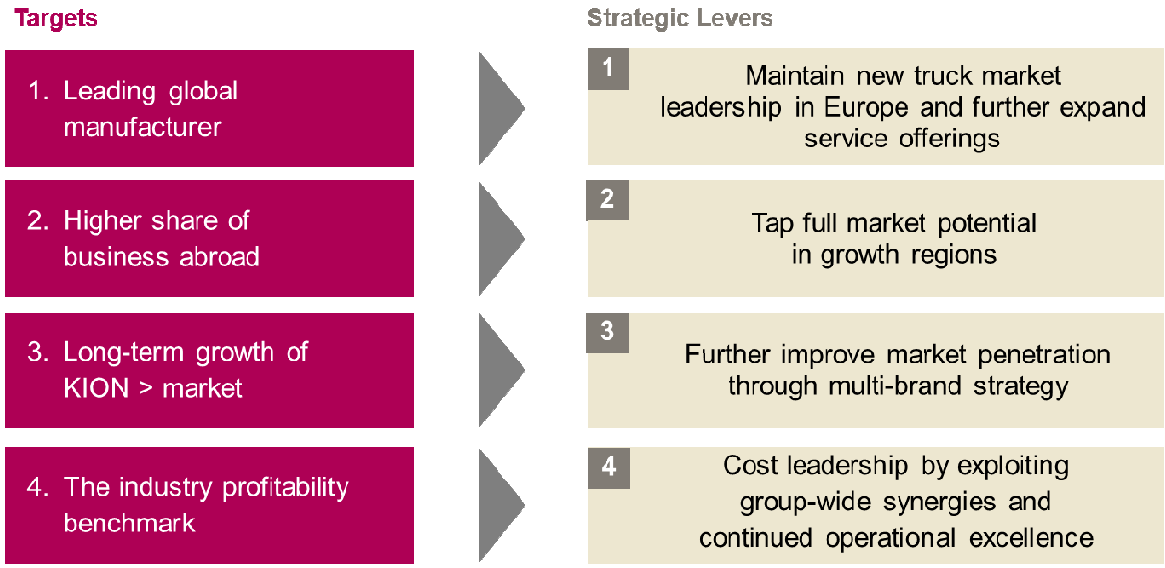
1. Become the global market leader
2. Increase market share in the high-growth markets
3. Generate sustained growth above the rate of market growth
4. Achieve the best profitability in the sector

The KION Group is already the world's second largest supplier of industrial trucks. By building on its leading competitive position in Europe and achieving continuous growth in the key markets of eastern Europe, South America and Asia, the KION Group aims to become the provider with the largest market share in the sector over the coming years. Market-leading technologies and strong service expertise are creating the foundations for achieving this best-in-class position. The KION Group intends to continue extending its range of products and services so that it is always able to optimally satisfy the needs of the logistics markets.

At the same time, the Company is continually taking steps to further improve its efficiency and profitability. One such measure is the standardisation of processes and structures – where practical across all locations and brands. However, the Company ensures that, although aiming for the highest possible degree of standardisation, it always takes account of the individual logistics markets' regional characteristics. In the year under review, the KION Group also continued to systematically implement its KIARA performance enhancement programme, which it launched in 2009.

To provide practical support with achieving its objectives, the KION Group has defined four points of leverage. It applies these in strategic projects and initiatives that are always under the direct control of the Executive Board.

Diagram showing the strategy of the KION Group



4.2 Strategic levers

1. Consolidation of market-leading position in Europe and expansion of range of services

The KION Group is the technological leader in the industry with a broad range of products and solutions across six brands and a constantly growing service offering at group level. It intends to undertake further consolidation of its market-leading position in Europe and to build on its competitive advantage.

The Group's range of highly efficient products enables customers to achieve significant improvements in their logistics operations in terms of consumption, performance and ergonomics. For 50 years, the Linde brand has enjoyed an outstanding market reputation with its hydrostatic drive and economical, efficient, low-maintenance units. Linde also has many years of experience and expertise in electric trucks and is continuously pressing ahead with new developments in its Linde Hydraulics business unit and the new Electronic Systems and Drives division. STILL is strongly placed in the high-potential market for hybrid drives with its diesel-electric drive system – a unique concept in the sector. In addition, STILL offers a broad selection of automated logistics vehicles, including vehicles for challenging warehouse environments.

The Linde and STILL brands are focusing a great deal of effort on separate concepts and development projects involving alternative power sources for drives such as hybrid, fuel-cell and lithium-ion technologies in order to ensure that they can benefit from the long-term trend towards 'green logistics'. In 2011, the KION Group's research and development expenditure amounted to 2.8 per cent of total revenue, or 4.7 per cent of revenue from new and hydraulics business. The research and development expenditure ratio in the KION Group is therefore at the upper end for the industry, allowing the Company to continue to consolidate its technological advantage and at all times offer its customers innovative logistics solutions that are fit for the future.

The KION Group aligns its range of products and services directly with the requirements of its logistics customers and thereby secures customer loyalty. The range therefore extends well beyond the straightforward sale of trucks to encompass a comprehensive service offering that covers customer requirements for solutions and services over their entire internal material flow. This includes the provision of, and ongoing support for, individual and fleet solutions as well as efficient, end-to-end material flow management including the necessary IT systems. Services worth highlighting in addition to conventional aftersales business include the sale and leasing of used trucks and the provision of finance and leasing services. In 2011, service business accounted for 42 per cent of total revenue.

Given an active fleet numbering more than one million units over the entire market, service business is of huge significance to the KION Group. This business represents a key driver for long-term customer loyalty and its importance to the Group will continue to grow in the future. This is the basis for continuous expansion of the range of support services and increasing service cover for the active fleet.

2. Developing the full potential in growth markets

The KION Group is already superbly positioned in all growth regions – eastern Europe, South America and Asia – and is endeavouring to consolidate its position primarily in the BRIC countries so that it can benefit from the potential for further growth in these regions. In two of these markets of the future, China and Brazil, the KION Group has established local production facilities. Regional research and development teams have also been set up. These teams take into account local market requirements early in the product development phase, thereby facilitating the development of solutions that are both customer-oriented and cost-effective. The KION Group will continue to target growth regions in terms of capital investment, expansion of its product range and strengthening of the sales and service network so that it is able to fully leverage the potential in the global logistics market.

3. Multi-brand strategy aimed at increasing market penetration

The KION Group has six brands. It is the market leader in Europe and the global number two in the industrial trucks market. Different regions as well as different markets and customer requirements are efficiently covered and supported by the brands Linde, Fenwick, STILL, OM (OM STILL from 2012), Baoli and Voltas. The KION Group operates globally with its premium brands Linde and STILL, which are complemented in Europe by Fenwick in France and OM STILL in Italy. The international Chinese brand Baoli, which has been part of the KION Group since 2009, and the local Indian brand Voltas (part of the Group since 2011) service the high-volume economy segment.

The multi-brand approach allows the KION Group to pursue a targeted sales and service strategy adapted to each particular market. This approach also means that the Group can offer a number of different options compared with competitors and thereby boost its market presence. In addition, the KION Group plans to expand and achieve further improvements in its global market position through selective acquisition of local providers.

4. Cost leadership through synergies and continuous operational excellence

Since the KION Group was hived off from the Linde Group in 2006, the Company has systematically exploited potential efficiency improvements and thereby enhanced its performance. The organisation is structured so that synergies can be realised across brands and a best-practice approach can be implemented throughout the Group. Despite the moves towards standardised processes and structures, one of the key strategic elements of marketing is a clear differentiation between the brands.

The corporate functions in the KION Group are managed centrally under the umbrella of Central Operations (COPS) in order to ensure that standards are established and expertise is made available throughout the Group. Efforts to improve efficiency focus both on continuous streamlining of production processes and on platform strategies and other modular concepts. Central purchasing generates cost benefits for the entire Group, cross-brand research and development activities pool resources and promote efficient utilisation of capacity; in turn, standardisation of IT systems and platforms reduces costs and facilitates maintenance. The KION Group plans to continue to improve its cost structures and thereby its market position over the long term by exploiting further potential synergies and enhancing operating performance on a continuous basis.

An approval process for capital expenditure projects has been implemented throughout the KION Group. It supports appraisal and decision-making for capital expenditure projects to ensure that such projects are efficient and economic over the long term. Capital expenditure projects in excess of €250,000 are presented individually in detail and are also subject to an investment appraisal using the discounted cash flow method. The results are reviewed to ensure that the internal rate of return and the payback period are acceptable. Capital expenditure projects aim to generate a sustained increase in enterprise value and must therefore achieve a higher internal rate of return than the cost of capital.

4.3 Financial Services segment

In the year under review, the KION Group laid the main foundations that will enable it to manage and report the Group's financial services activities as a separate segment (Financial Services, FS).

The reasons behind managing FS separately are the rising demand for innovative, tailored finance solutions and the resulting growth in the importance of such activities for the KION Group. Within the Group, the FS activities constitute a key cross-brand service function that cuts across the business of the Linde and STILL brands and acts as a valuable sales tool and means of customer retention. Other important factors behind the spin-off of the FS organisation include the different business models and value drivers in the industrial and finance businesses.

In future, the cross-brand FS segment will take over responsibility for the management of the following key areas of activity in the KION Group: financing of short-term rental fleets, long-term leasing as part of sales financing through the provision of innovative and tailored finance solutions, and risk management for the leasing business. Short-term rentals and indirect leasing arrangements will remain with the brand segments.

Separate financial services companies have been established in the core markets of France, Germany, Italy, Spain and the United Kingdom. Further countries with a high proportion of finance and leasing business will be integrated gradually.

During the course of 2011, the Group also developed a reporting model for the discrete recording and management of financial services business. Future reporting in the KION Group will be based on this model. Page 72 onwards in the notes to the financial statements in this annual report include voluntary additional disclosures based on the new reporting model and the associated revised breakdown of business activities in order to give prominence to the increasing importance of financial services activities in the KION Group and to the future segment structure. In doing so, the aim of the KION Group is to provide the highest possible degree of transparency for capital markets.

4.4 Initiatives to cut costs and improve efficiency

Since being spun off from Linde AG in December 2006, the KION Group has successfully initiated and implemented various restructuring programmes. Besides leading to considerable efficiency improvements, they have enabled us to leverage synergies throughout the Group and adapt to changing market conditions.

As a consequence of the financial and economic crisis that began in late 2008, the KIARA restructuring programme was launched in the second quarter of 2009 to make the KION Group less dependent on the business cycle. As a first step, rapid action was taken to reduced fixed costs.

The KIARA performance enhancement programme was terminated at the end of 2011 as most of the measures had already been implemented by that time. KIARA's main elements were the successful implementation of long-term structural improvements and efficiency increases. The planned savings were achieved as a result of regular and detailed reporting and ongoing evaluation of KPIs by the relevant managers in the KION Group and its brand companies. At the same time, the impact of the short-term measures tapered off much faster than had been estimated in the KIARA business case owing to the unexpectedly strong recovery in 2011.

Nonetheless, the KION Group will continue to implement long-term structural and efficiency measures. Structural changes will include the further consolidation of our European production sites by closing the plants in Bari (Italy) and Montataire (France). The production capacity of these plants will be shifted to other production facilities with the aim of improving the capacity utilisation of the European plants.

4.5 Financial KPIs for managing the Company's business

The management approach is based on six key performance indicators: order intake, revenue, adjusted EBIT, adjusted EBITDA, net financial debt and free cash flow before tax. These key figures are used for the KION Group as a whole and at segment level. They form the basis for the performance targets for both the KION Group and its segments as well as determining a significant proportion of senior managers' performance-related remuneration. The key performance indicators are determined once a month and submitted to the Executive Board as part of a comprehensive reporting package. Net financial debt is only relevant at Group level. The table below shows the key performance indicators used in the KION Group's internal financial reporting.

Key performance indicators

€ million	Order intake	Revenue	Adjusted EBIT[1]	Adjusted EBITDA[1]	Net financial debt	Free cashflow before tax
2011	**4,682**	**4,368**	**365**	**665**	**2,657**	**282**
2010	3,860	3,534	139	462	2,641	83
2009	3,028	3,084	-29	311	2,484	34

[1] Adjusted for KION acquisition items and one-off items

Order intake and revenue

Order intake and revenue are broken down by region, segment and product group in the KION Group's management reporting so that revenue growth drivers and pertinent trends can be identified and analysed in a timely fashion.

Adjusted EBIT

The key figure used for the operational management and analysis of the KION Group's financial performance is adjusted earnings before interest and tax (EBIT). The EBIT figure is shown net of depreciation for property, plant and equipment and leased assets and of amortisation for intangible assets. Non-recurring items are not included for the purposes of performance measurement; these items include the effect of purchase price allocation in connection with the KION acquisition, costs incurred in connection with the KIARA performance enhancement programme, redundancy schemes and severance pay. The EBIT margin is also used to measure the KION Group's operational efficiency. The EBIT margin is the ratio of adjusted EBIT to revenue.

Management reporting EBIT is a performance indicator used for internal management purposes that differed from adjusted EBIT for the last time in 2011 in that it did not take account of the share of profit (loss) of equity-accounted investments or other net financial income/expenses. From 2012, management reporting EBIT will correspond to adjusted EBIT.

Adjusted EBITDA

Unlike EBIT, the EBITDA figure is shown before deduction of depreciation for property, plant and equipment and leased assets and of amortisation for intangible assets. As with adjusted EBIT, the effects of the KION acquisition purchase price allocation and non-recurring items are not included for the purposes of performance measurement. Adjusted EBITDA constitutes an approximation of the cash flow KPI and provides information on the Company's long-term financial performance.

Net financial debt

Net financial debt – defined as the difference between liabilities to banks and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level. Lease liabilities and other financial liabilities are excluded from this figure.

Free cash flow before tax

Future free cash flows have a direct impact on the value of the Company. They are determined solely by the KION Group's operating activities and investing activities. Free cash flow before tax does not include tax payments or interest arising from financing activities, interest expense and similar charges from leases, or interest and similar income from leases. The performance measurement of free cash flow before tax is supported by the carefully targeted management of working capital and by detailed planning of capital expenditure.

4.6 Acquisitions and alliances

Foundation of a company with Voltas in India

The KION Group and Voltas Ltd. agreed to establish an Indian company to develop, manufacture, sell and service forklift trucks and warehouse trucks. It went into operation in May 2011 and is called Voltas Material Handling. As part of the transaction, Voltas incorporated its forklift truck and warehouse technology business into the new company, in which the KION Group holds a majority stake.

Voltas is the sixth brand in the KION Group and focuses primarily on India's high-volume market. Its product range includes diesel, gas and electric forklift trucks with load capacities of between 1.5 and 16 tonnes. In July 2011, Voltas commenced operations at a new plant in Pune (India) with the aim of better meeting the strong demand in this market. Voltas Material Handling intends to use its network of 25 branches and authorised dealers to exploit the future potential of one of the world's most attractive markets and, as part of the KION Group, to strength its market position considerably.

Acquisition of further shares in Baoli in China

In 2011, the KION Group acquired further shares in the Chinese company KION Baoli (Baoli), which is based in Jingjiang. The KION Group had established Baoli with Jiangsu Shangqi Group (formerly Jiangsu Baoli Group) and Jingjiang Baoli Forklift in January 2009. Baoli has been under the complete management control of the KION Group since 2010. Having acquired a further stake in Baoli in 2011 of 5.34 per cent, the KION Group now controls 97.34 per cent of the company. The Baoli brand occupies a global position in the economy segment and is helping drive the KION Group's rapid expansion into the world's emerging markets. Baoli's product range encompasses IC trucks, electric forklift trucks and warehouse trucks with loading capacities of between 1 and 10 tonnes. Its extensive distribution and service network serves customers in all provinces of China and in 80 other countries.

Expansion of sales footprint in eastern Europe

The KION Group aims to expand its presence in the emerging markets. With this in mind, the Linde Material Handling subsidiary acquired the business of its dealer partner Liftec in Russia in September 2011, thereby gaining well-established direct access to the fast-growing Russian market. Linde had been working successfully with Liftec in Russia for the previous 20 years. This means that, like STILL, Linde also now has its own distribution and service structure in Russia.

With sales of more than 23,000 new trucks in 2011, Russia is Europe's fastest-growing market and has become the fifth largest European market for industrial trucks in a very short space of time. Linde also wants to step up its activities in Ukraine and Kazakhstan and took over Liftec's business in Kazakhstan in February 2012; a similar transaction in Ukraine is planned for summer 2012.

Boost to market position in the United Kingdom

In June 2011, Linde Material Handling acquired the outstanding 51 per cent of shares in its UK-based dealer Linde Sterling. Linde Sterling is one of the largest exclusive dealers of Linde products in the United Kingdom. For the past 30 years it has been successfully supplying new and used trucks, rental trucks and related services in north-west England and north Wales. It employed around 300 people at its four sites at the end of 2011. In December 2011, Linde Material Handling also acquired the outstanding 25.5 per cent of shares in Linde Castle Ltd. and now holds 100 per cent of the shares either directly or indirectly. These acquisitions have boosted Linde's market position and customer service activities in the United Kingdom.

5. Notes on financial position and financial performance

5.1 Operating and financial performance

5.1.1 Order intake

Order intake (units)

The continued growth of the Chinese market, the larger volume of orders received from Russia and Brazil, and equally strong demand in Europe enabled the KION Group to further improve its intake of orders for new trucks in 2011. Global order intake rose by 19 per cent year on year to 144,800 units in 2011 (2010: 121,500 units). The KION Group therefore remained Europe's undisputed market leader and the second largest provider worldwide.

Electric and internal-combustion engine counterbalance trucks, which constituted almost half of the KION Group's order intake and are mainly used in industrial applications, benefited significantly from the economic recovery in western Europe, especially in Germany, and from the robust demand from the major emerging markets. These trucks generated much stronger growth than the Company's warehouse technology.

Order intake in China – the third-largest market for the KION Group's sales – rose by 23 per cent year on year to 14,500 units in 2011 on the back of the strong growth of the market as a whole and the introduction of additional market-specific products. Consequently, the KION Group achieved growth rates in excess of general market growth levels. China generated especially strong demand for low-priced IC trucks, which the KION Group sells under its Baoli brand. The KION Group also expanded its market share slightly in the technologically more sophisticated electric forklift truck segment, which is the second most important market segment. In China, the KION Group is represented by its Linde and Baoli brands, which cater to different market segments and customer needs. Overall, the KION Group is by far the most important international supplier in China, which is the largest single market.

Demand also increased in Brazil, rising by 12 per cent year on year to 5,200 units. It was particularly encouraging that the KION Group gained significant market share despite tough operating conditions. Almost one in four of the new trucks sold in Brazil in 2011 was manufactured by the KION Group. KION will be in an even better position to develop the South American market from 2012 once it has completed the construction of an additional production facility for IC trucks in São Paulo.

The KION Group managed to increase its market share in eastern Europe as well. Its enlarged footprint in Russia as a result of its acquisition of local dealer Liftec in 2011 had a particularly positive impact on its order intake, which doubled in Russia year on year to 2,700 new trucks. The KION Group's market share jumped to 12 per cent.

Order intake in western Europe also saw significant growth in 2011. The KION Group increased its total volume of orders by 19 per cent year on year to 100,000 units. Growth in Germany, the largest single market in the region, was especially impressive. Order intake here surged by 23 per cent to 36,400 units in 2011 compared with 29,600 new trucks in 2010. France remained the second-largest market with approximately 23,000 units sold. One in three of the new forklift trucks sold in western

Europe in 2011 once again bore a KION Group brand name. As market leader, the KION Group also benefits from its efficient distribution network in the industrial-truck markets of Germany, France, Italy, the United Kingdom and Spain.

Total order intake (€)

The total value of the orders received by the KION Group in 2011 rose by 21 per cent year on year to €4,682 million. This order value includes not only business in new trucks but also rental business, the sale of used trucks, and aftersales services. Order intake in all product categories rose year on year. The benign macroeconomic trends prevailing in 2011 increased industry's willingness to invest in capital equipment, thereby boosting KION's business in new trucks. The further rise in fleet capacity utilisation in the market also created an additional need for services and spare parts. Stronger demand for used and rental trucks generated further growth as well.

Order intake broken down by segment

€ million	2011	2010	Change
LMH	3,107	2,510	23.8%
STILL	1,752	1,518	15.4%
Other & consolidation	-178	-168	-5.5%
Total	**4,682**	**3,860**	**21.3%**

Linde Material Handling (LMH), which is the largest segment in the KION Group, saw its business in new trucks boosted primarily by China's economic growth. Demand from Germany also continued to strengthen, which enabled LMH to achieve the largest year-on-year increase in order intake in its domestic market. The intake of orders for new trucks in the LMH segment grew by 22 per cent compared with 2010 to 88,300 units. This corresponded to a total order intake value of €3,107 million – or a year-on-year increase of 24 per cent – in 2011.

The intake of orders for new trucks in the STILL segment amounted to 51,200 units in 2011, growing by 15 per cent year on year. This encouraging trend was largely driven by the German market, Brazil and the emerging markets of eastern Europe. The total value of orders received by STILL grew by more than 15 per cent from €1,518 million in 2010 to €1,752 million in the reporting year.

5.1.2 Order backlog

The KION Group's order backlog as at 31 December 2011 totalled €953 million, which represented a year-on-year increase of 19 per cent. The main reasons for the larger inventory of outstanding orders at the end of the year were the stronger demand for new trucks and the generally high utilisation of capacity at KION's production facilities.

5.1.3 Income statement

Revenue broken down by segment

€ million	2011	2010	Change
LMH	2,856	2,254	26.7%
STILL	1,666	1,420	17.3%
Other	223	160	39.7%
Consolidation	-376	-300	-25.6%
Total revenue	**4,368**	**3,534**	**23.6%**

The growth in order intake also boosted the KION Group's revenue, which rose by approximately 24 per cent from €3,534 million in 2010 to €4,368 million in the reporting year.

The LMH segment was once again the key revenue driver, generating 65 per cent of the KION Group's total revenue. This segment raised its revenue by almost 27 per cent year on year from €2,254 million to an impressive €2,856 million. STILL increased its revenue by 17 per cent from €1,420 million to €1,666 million over the same period. The 'Other' segment, which comprises the activities attributable to Voltas Material Handling – the KION Group's Indian company – as well as cross-segment services and IT services, contributed revenue of €223 million in 2011 prior to consolidation; in 2010 it contributed €160 million.

Revenue by customer location

€ million	2011	2010	Change
Germany	1,175	900	30.6%
EU w/o Germany	2,115	1,820	16.2%
Rest of Europe	204	152	34.1%
America	281	233	20.6%
Asia	435	302	44.0%
Rest of world	160	128	24.9%
Total revenue	**4,368**	**3,534**	**23.6%**

The revenue generated by the KION Group in Germany rose by more than 30 per cent year on year to €1,175 million; it therefore grew even more strongly than the revenue earned outside Germany, which increased by 21 per cent year on year. Of the KION Group's total volume of business, 73 per cent was transacted outside Germany, generating revenue of €3,194 million. The revenue earned outside Germany in 2010 amounted to €2,634 million and accounted for 75 per cent of total revenue.

The KION Group achieved its highest percentage revenue growth in Asia, where revenue rose by 44 per cent – or €133 million – year on year. The strongest year-on-year revenue growth in absolute terms came from the Company's European markets outside Germany, which increased their revenue by €346 million. Germany also generated encouraging revenue growth of €275 million.

The revenue generated by the KION Group from new trucks grew by 33 per cent from €1,776 million in 2010 to €2,364 million in the reporting year. This encouraging trend was largely driven by the significant market growth rates achieved in Germany, France, China and Brazil. The Company's business in new trucks was boosted by the continued rise in demand for counterbalance trucks. Its other product categories were also buoyed by the benign market environment and the generally more pronounced global demand for industrial trucks.

Revenue by product category

€ million	2011	2010	Change
New business	2,364	1,776	33.1%
Hydraulics	173	120	44.0%
Service offering	1,831	1,639	11.7%
- After sales	1,066	971	9.8%
- Rental business	441	402	9.6%
- Used trucks	219	187	16.9%
- Other	106	79	34.3%
Total revenue	**4,368**	**3,534**	**23.6%**

Service business grew by a total of around 12 per cent from €1,639 million in 2010 to €1,831 million in the reporting year. Aftersales business accounted for the largest share of service revenue, raising its revenue by approximately 10 per cent year on year to €1,066 million (2010: €971 million). Very similar growth rates were achieved by the rental business, which advanced from €402 million in 2010 to €441 million in the reporting year. The KION Group also earned revenue of €219 million from used trucks in 2011 compared with €187 million in the previous year. Revenue in the 'Other' category – which includes advisory services, IT solutions and warehouse technology systems – jumped by 34 per cent from €79 million in 2010 to €106 million in 2011. In percentage terms, the strongest growth was achieved by the hydraulic components business, which increased its revenue by 44 per cent year on year.

Condensed income statement of the KION Group

€ million	2011	2010	Change
Revenue	4,368	3,534	23.6%
Cost of sales	-3,256	-2,684	-21.3%
Gross profit	**1,112**	**850**	**30.8%**
Selling expenses	-521	-484	-7.6%
Research and development costs	-120	-103	-15.8%
Administrative expenses	-283	-248	-14.5%
Other	25	19	29.6%
Earnings before interest and taxes (EBIT)	**213**	**35**	**>100%**
Net finance cost	-272	-266	-2.3%
Loss before taxes	**-59**	**-231**	**74.6%**
Income taxes	-34	35	<-100%
Loss of the year	**-93**	**-197**	**52.8%**

Whereas the KION Group's revenue for 2011 rose by 24 per cent year on year, its cost of sales grew by only 21 per cent over the same period. In absolute terms, the cost of sales increased from €2,684 million in 2010 to €3,256 million in 2011. Consequently, the KION Group's gross profit for 2011 came to €1,112 million, which constituted a year-on-year increase of 31 per cent. The gross margin in relation to revenue improved accordingly by 1.4 percentage points year on year to 25.5 per cent. The main reasons for this performance were further efficiency gains in production, higher overall capacity utilisation, and improvements in gross operating revenue across all product categories.

Other functional costs also rose only modestly during the reporting year. Selling expenses grew by only 8 per cent year on year despite the sharp rise in revenue. Research and development costs increased by just under 16 per cent owing to the large number of new development projects and product innovations; administrative expenses grew by 14 per cent, which was also less than the percentage rise in revenue.

The sharp rise in revenue coupled with the only modest increases in functional costs and the cost of sales owing to the Company's successful cost management policies once again enabled the KION Group's earnings before interest and tax (EBIT) to improve significantly by €178 million to €213 million in the reporting year. EBIT for 2010 had amounted to only €35 million.

Adjusted EBIT

€ million	2011	2010	Change
Earnings before interest and tax (EBIT)	213	35	>100%
One-off items	115	76	52.6%
KION acquisition items	36	29	23.9%
Adjusted EBIT[1]	**365**	**139**	**>100%**

[1] Adjusted for KION acquisition items and one-off items

The KION Group's EBIT (adjusted for non-recurring items and KION acquisition items) also showed a highly impressive year-on-year improvement in 2011, advancing from €139 million in 2010 to €365 million in 2011. This presentation of adjusted EBIT included the profit from equity-accounted investments, other net investment income and other net financial income/expenses totalling €7 million (2010: €4 million). These investments relate almost exclusively to investments in dealers in the material-handling segment.

KION acquisition items and non-recurring items amounted to €151 million in the reporting year (2010: €105 million), €115 million of which was attributable to non-recurring items compared with €76 million in 2010. A significant proportion of these items related to restructuring costs in connection with the plans to relocate production facilities in France and Italy.

EBIT by segment adjusted[1]

€ million	2011	2010	Change
LMH	283	139	>100%
STILL	102	20	>100%
Other & consolidation	-20	-20	0.1%
Total	**365**	**139**	**>100%**

[1] Adjusted for KION acquisition items and one-off items

The KION Group's adjusted EBIT for 2011 was boosted by LMH's EBIT contribution of €283 million, which was twice as high as the figure of €139 million that it had reported for 2010. STILL also delivered an impressive earnings performance, with a five-fold increase in EBIT (net of KION acquisition items and non-recurring items) from €20 million in 2010 to €102 million in the reporting year. These considerable earnings improvements are essentially attributable to the optimised utilisation of capacities at the brand companies and to the KIARA performance enhancement programme that was successfully continued in 2011.

Net finance costs rose by €6 million year on year to €272 million in 2011. They included a net interest expense for the senior facilities agreement (SFA) of €117 million (2010: €129 million) and, for the first time, a net interest expense for the corporate bond of €25 million.

Even though its business performance was encouraging, the KION Group still incurred a net loss of €93 million owing to non-recurring items although this was a significant improvement compared with 2010. This was achieved despite a tax expense of €34 million (2010: tax income of €35 million). The KION Group had reported a net loss of €197 million for 2010.

5.2 Financial position

Principles and objectives of financial management

By pursuing an appropriate financial management strategy, KION Group GmbH ensures that sufficient liquidity is available at all times and mitigates the financial risk to its enterprise value and profitability. As an entity that operates worldwide, the KION Group is exposed to risks in respect of currencies, interest rates, prices, counterparties and countries.

The KION Group provides sufficient financial resources for its day-to-day business, optimises its financial relationships with customers and suppliers, ensures that the necessary liquidity is available to its companies, and manages any collateral security offered. A group of international banks and investors meets the Company's basic borrowing requirements. In addition, the Company availed itself of the funding facilities offered by the public capital markets by issuing its first corporate bond in April 2011. The financial resources required within the KION Group are provided through internal funding. The KION Group collects liquidity surpluses of the Group companies in central or regional cash pools and, where possible, covers subsidiaries' funding requirements with intercompany loans. This central source of funding enables the KION Group to present a united front in the capital markets and strengthens its hand in negotiations with banks and other market participants.

The Group occasionally arranges additional credit lines for KION Group companies with local banks or leasing companies in order to comply with legal, tax and other regulations.

The SFA, which is the main loan agreement, and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain undertakings and covenants among other things. The SFA also requires compliance with specific financial covenants during the term of the agreement. The financial covenants specify required ratios for the financial position and financial performance of the KION Group. The covenants are expressed in the form of key figures relating to net gearing, available liquidity, EBITDA, interest paid and capital expenditure. These loan terms and conditions were adjusted in line with prevailing market conditions and with the broad consent of the lenders in 2009. In return for adjusting the covenants, the lenders were granted an increase in the interest premium. This premium is mainly payable as a bullet payment at maturity, thereby ensuring that there is no additional adverse effect on the KION Group's liquidity in the meantime. If undertakings or financial covenants are breached, this may, for example, give lenders the right to terminate the SFA or permit bondholders to call the corporate bond prior to its maturity date. All the financial covenants were complied with in the past financial year.

In addition, investment funds advised by Kohlberg Kravis Roberts & Co. L.P. and Goldman Sachs Capital Partners loaned the KION Group a principal amount of €100 million under the terms of the SFA in order to offer the Company greater strategic flexibility. The loan amount and the associated interest are repayable as a bullet payment at maturity. For funding purposes, the KION Group also engages to a small extent in factoring. The volume of non-recourse factoring business amounted to €18 million at the end of 2011 (31 December 2010: €20 million); the Company only uses recourse factoring in isolated cases. KION Group disposes of a liquidity reserve through unrestricted, bindingly committed credit lines and cash to ensure that it remains solvent and financially flexible.

Cash flow

The key performance indicator for liquidity in the KION Group is free cash flow before tax, which does not include tax payments or interest arising from financing activities, or interest expense and similar charges from leases, or interest and similar income from leases. For further information about free cash flow before tax and other KPIs used to manage the KION Group, see section 4.5 'Financial KPIs for managing the Company's business'.

Condensed cash flow statement

€ million	2011	2010	Change
EBIT	213	35	>100%
Cash flow from operating activities	387	199	94.1%
Cash flow from investing activities	-153	-123	-23.8%
Free cash flow	**234**	**76**	**>100%**
Cash flow from financing activities	-115	-290	60.5%
Currency effects on cash	1	4	-71.1%
Change in cash and cash equivalents	**121**	**-211**	**>100%**
Net financial debt[1]	2,657	2,641	0.6%

[1] Before borrowing costs

Cash flow from operating activities jumped by €188 million to €387 million in 2011 (2010: €199 million). The underlying reason for this improvement was that earnings before interest and tax (EBIT) had increased to €213 million (2010: €35 million). The increase in working capital from €661 million in 2010 to €668 million in 2011, which was associated with the larger volume of business, was disproportionately low compared with revenue growth. This also had a positive impact on the cash flow from operating activities.

The net cash used for investing activities in the KION Group increased by 24 per cent to €153 million in 2011 (2010: €123 million). The reason for this was the higher capital expenditure on non-current assets and on property, plant and equipment (capex), for which the total cash payments amounted to €133 million (2010: €123 million). Cash payments relating to acquisitions rose by €25 million to €33 million in 2011. This amount essentially comprised cash payments of €16 million in connection with the acquisition of Voltas Material Handling, India, and payments of €10 million as part of the purchase of the remaining shares (51 per cent) in UK-based dealer Linde Sterling. In addition to a smaller acquisition in Italy, the KION Group invested a further €5 million, primarily in Liftec's business in Russia during the reporting year.

Cash flow from financing activities amounted to a total net cash outflow of €115 million in 2011 (2010: net cash outflow of €290 million). €483 million of the cash received from issuing the corporate bond was used to refinance the senior facility agreement (SFA). The Company also had to make cash payments of €12 million in connection with its bond issue in the reporting year. A further €54 million was used for the scheduled repayment of the credit line (capex facility). Interest payments rose by €13 million to €147 million due to higher interest rates for financial and capital market liabilities. This was counteracted by the €133 million drawdown of the revolving credit facility under the SFA. In 2011, there were also payments of €14 million for currency hedges (2010: 0).

The cash and cash equivalents reported on the face of the balance sheet as at 31 December 2011 amounted to €373 million (31 December 2010: €253 million).

For internal management purposes, free cash flow is much more narrowly defined as the total of cash flow from operating activities plus cash flow from investing activities.

Reconciliation to free cash flow before tax

€ million	2011	2010	Change
Cash flow from operating activities	387	199	94.1%
Cash flow from investing activities	-153	-123	-23.8%
Free cash flow	**234**	**76**	**>100%**
Taxes paid	43	13	>100%
Interest on lease receivables/liabilities	12	10	18.2%
Finance receivables incl. interest income	-6	-2	<-100%
Cash out from ownership interests (after control)	-1	-10	90.0%
Other items	-1	-4	75.0%
Free cash flow before tax[1]	**282**	**83**	**>100%**

[1] Internal key performance indicator

In contrast to the free cash flow of €234 million, free cash flow before tax (the figure used for management purposes) does not include any income tax payments (€43 million) or lease interest payments (€12 million). Cash receipts from financial receivables and interest income (€6 million) and other individual items that are treated differently in accordance with IAS 7 were also reclassified in 2011. Allowing for these items, the free cash flow before tax amounted to €282 million, which was a sharp year-on-year rise of €199 million.

5.3 Net assets

The Company's total assets had grown by €307 million year on year to €6,066 million as at 31 December 2011.

The structure of the KION Group's balance sheet continued to reflect its acquisition finance and the KION purchase price allocation. The net loss of €93 million reported for 2011 considerably increased the amount of negative equity reported on the balance sheet. The KION Group's equity came to minus €488 million as at 31 December 2011 (31 December 2010: minus €400 million).

Assets

Condensed balance sheet, assets

€ million	2011	in (%)	2010	in (%)	Δ in %
Non-current assets	**4,160**	**68.6%**	**4,105**	**71.3%**	**1.4%**
thereof:					
Goodwill	1,538	25.4%	1,507	26.2%	2.1%
Brand names	594	9.8%	591	10.3%	0.6%
Deferred tax assets	262	4.3%	242	4.2%	8.4%
Leased assets	540	8.9%	501	8.7%	7.7%
Lease receivables	243	4.0%	247	4.3%	-1.6%
Current assets	**1,906**	**31.4%**	**1,654**	**28.7%**	**15.2%**
thereof:					
Inventories	625	10.3%	536	9.3%	16.8%
Trade receivables	677	11.2%	633	11.0%	6.8%
Lease receivables	118	2.0%	121	2.1%	-2.1%
Cash	373	6.2%	253	4.4%	47.7%
Total assets	**6,066**		**5,759**		**5.3%**

Non-current assets rose by €56 million to €4,160 million, while current assets grew by €252 million to €1,906 million.

The increase of €31 million in goodwill, which is reported as a non-current asset, to €1,538 million as at 31 December 2011 was almost exclusively attributable to the acquisition of India's Voltas Material Handling (€15 million), the purchase of a non-controlling interest in UK-based dealer Linde Sterling (€9 million) and the acquisition of Liftec's business in Russia (€7 million).

The €20 million rise in deferred tax assets during the year under review was due in particular to the recognition of provisions in connection with restructuring activities.

The carrying amount of leased assets reported on the face of the balance sheet increased by €39 million to €540 million on the back of the larger volume of business.

Inventories, which are reported as current assets, grew sharply by €89 million to €625 million. The larger volume of business caused a rise in inventories of materials, supplies and finished goods. At 17 per cent, the rate of increase in inventories was lower than that of revenue growth. Even as its business in new trucks grows, the KION Group still aims to optimise its inventories by managing its working capital rigorously.

The larger volume of business also caused trade receivables to rise by €43 million to €677 million. The KION Group's optimised receivables management meant that there was no significant increase in valuation allowances and that receivables grew by less than revenue.

The KION Group's cash and cash equivalents advanced by €120 million year on year to €373 million as at 31 December 2011 (31 December 2010: €253 million). This significant jump was largely a result of the €133 million drawdown of the revolving credit facility. This line was drawn in November 2011 as a precautionary measure in view of the uncertain situation in economic and financial markets and, as at 31 December 2011, was held as liquidity.

Equity and liabilities

Condensed balance sheet, equity and liabilities

€ million	2011	in (%)	2010	in (%)	Δ in %
Equity	**-488**	**-8.0%**	**-400**	**-6.9%**	**-21.9%**
Non-current liabilities	**4,842**	**79.8%**	**4,800**	**83.3%**	**0.9%**
thereof:					
Shareholder loan	643	10.6%	615	10.7%	4.5%
Corporate bond	488	8.0%	–	0.0%	-
Financial liabilities	2,290	37.7%	2,772	48.1%	-17.4%
Deferred tax liabilities	339	5.6%	335	5.8%	1.2%
Lease liabilities	471	7.8%	411	7.1%	14.6%
Current liabilities	**1,711**	**28.2%**	**1,359**	**23.6%**	**25.9%**
thereof:					
Financial liabilities	227	3.7%	106	1.8%	>100%
Trade payables	634	10.5%	508	8.8%	24.8%
Lease liabilities	230	3.8%	251	4.4%	-8.1%
Total equity and liabilities	**6,066**		**5,759**		**5.3%**

The equity and liabilities side of the balance sheet primarily reflects the financial liabilities incurred by the KION Group's acquisition finance (SFA). KION Finance S.A., a recently established subsidiary based in Luxembourg, issued a corporate bond for €500 million in April 2011. The interest on the fixed-rate tranche of €325 million (7.875 per cent per annum) is paid semi-annually, while interest on the floating-rate tranche of €175 million (three-month Euribor + 4.25 percentage points per annum) is paid once a quarter. The bond's principal is redeemed as a bullet payment on maturity. €483 million of the total proceeds of €500 million was used in 2011 to repay existing SFA liabilities, which reduced current and non-current financial liabilities from €2,878 million in 2010 to €2,517 million in 2011. A capital market liability of €488 million was recognised in respect of the bond after borrowing costs of €12 million had been deducted.

Although the SFA funding was originally taken out in euros, some of it was converted into US dollars. The last dates for the repayment of amounts drawn down under the syndicated loan are between December 2013 and December 2016. In both currencies, the interest payable is based on a variable rate. The KION Group has entered into interest-rate and currency derivatives – primarily interest-rate swaps, currency swaps and currency options – to hedge some of the interest-rate and exchange-rate risk arising from the acquisition finance. About half of the currency and interest exposures were hedged as at the reporting date.

Financial liabilities before borrowing costs advanced by €136 million in 2011. As at 31 December 2011, current and non-current liabilities to banks amounted to €2,530 million (gross), while liabilities relating to the corporate bond totalled €500 million. The liabilities to banks alone therefore reduced by €364 million year on year. Net inflows of €483 million from the issuance of the corporate bond were used to repay the SFA liabilities to banks and make a scheduled repayment of €54 million under the multi-currency capex facility. However, this was counteracted by the precautionary €133 million drawdown of the revolving credit facility and by new SFA interest liabilities from deferred interest (PIK) of €34 million. In addition, exchange differences arising from translation of the US dollar tranche of the SFA increased liabilities to banks by €19 million.

Credit terms

€ million	Typ	Currency	Interest rate	Maturity	2011	2010
Term Loan Facility Term B	Bank Loan	EUR	EURIBOR + MARGIN	2014	691	911
Term Loan Facility Term B	Bank Loan	USD	LIBOR + MARGIN	2014	311	297
Term Loan Facility Term C	Bank Loan	EUR	EURIBOR + MARGIN	2015	663	870
Term Loan Facility Term C	Bank Loan	USD	LIBOR + MARGIN	2015	311	297
Term Loan Facility Term D	Bank Loan	EUR	EURIBOR + MARGIN	2016	202	201
Term Loan Facility Term G	Bank Loan	EUR	EURIBOR + MARGIN	2016	111	106
Term Loan Facility H1a (Corporate bond - fixed rate)			Fixed rate	2018	325	–
Term Loan Facility H1b (Corporate bond - floating rate)			3-M-EURIBOR+MARGIN	2018	175	–
Multicurrency Revolving Credit Facility	Bank Loan	EUR	EURIBOR + MARGIN	2013	133	–
Multicurrency Capex Restructuring and Acquisition Facility	Bank Loan	EUR	EURIBOR + MARGIN	2013	72	162
Other liabilities to banks	Diverse	Diverse	Diverse		38	50
Financial debt					**3,030**	**2,894**
./. Capitalized borrowing costs					-33	-22
Financial debt after borrowing costs					**2,997**	**2,872**

The total borrowing costs of €33 million incurred by the loan negotiations conducted in 2009 and in connection with the issuance of the corporate bond were allocated to the individual tranches on a pro-rata basis and deducted from the carrying amounts of the liabilities in accordance with IAS 39.

The weighted average interest rate on financial liabilities was 4.96 per cent at the reporting date (31 December 2010: 4.55 per cent).

Total net financial debt – including deferred refinancing costs – rose by €16 million to €2,657 million.

Net financial debt

€ million	2011	2010	Change
Corporate bond - fixed rate (2011/2018) - gross	325	–	–
Corporate bond - floating rate (2011/2018) - gross	175	–	–
Liabilities to banks (gross)	2,530	2,894	-12.6%
Financial debt	**3,030**	**2,894**	**4.7%**
./. Cash and cash equivalents	373	253	47.7%
Net financial debt	**2,657**	**2,641**	**0.6%**
./. Capitalized borrowing costs	33	22	49.7%
Net financial debt after borrowing costs	**2,624**	**2,619**	**0.2%**
Financial debt after borrowing costs	**2,997**	**2,872**	**4.4%**

Non-current lease liabilities grew by 15 per cent to €471 million owing to recently signed leases. This increase reflects operating conditions in the key western European markets. The volumes of business in all the key leasing markets in 2011 exceeded the levels achieved in the five years leading up to the crisis.

Trade payables advanced by 25 per cent to €634 million in line with rising production output and higher capital expenditure. Total lease liabilities also rose, from €662 million in 2010 to €701 million in 2011, owing to the increase in revenue from new trucks.

The net loss of €93 million gave rise to negative equity of €488 million (31 December 2010: minus €400 million). Exchange differences and other comprehensive income increased equity by €7 million. Dividends paid to non-controlling interests amounted to €2 million.

The equity calculated on the basis of these consolidated financial statements for the KION Group is of no relevance under the covenants agreed with the financing banks or under the German Commercial Code (HGB). The relevant figure under HGB in Germany is primarily the equity of KION Group GmbH as reported in that company's single-entity financial statements in accordance with HGB. This equity figure was €276 million as at 31 December 2011. The equity of KION Holding 1 GmbH reported in the single-entity financial statements of that company in accordance with HGB as at 31 December 2011 amounted to €201 million.

6. Research and development (R&D)

The KION Group stepped up its research and development activities and pushed ahead with important projects in the year under review. Its R&D team of 900 developers included over 70 additional employees compared with 2010. Spending on R&D in 2011 amounted to €120 million. This equates to 2.8 per cent of total revenue or 4.7 per cent of its relevant revenue from new trucks and hydraulics, making the KION Group an industry leader in this regard.

In 2011, the KION brands Linde, STILL and OM submitted more than 125 new patent applications, while almost 100 patents were registered for the applications already submitted. This enabled the brands to secure the fruits of their research for their own benefit – an important step in maintaining and enhancing the KION Group's technology leadership, as set out in its strategy.

Total R&D spending

€ million	2011	2010	Change
R&D expenses	120	103	15.8%
Amortisation	-53	-47	-11.0%
Capitalised development expenses	53	48	12.3%
Total R&D spending	**120**	**103**	**16.3%**
R&D spending as percentage of revenue	2.8%	2.9%	-

Research and development is a key corporate function in the KION Group. Ongoing, structured expansion of the product portfolio is crucial if the KION Group is to maintain its technology leadership in the sector over the long term. The KION Group's R&D team works steadfastly on designing the Company's material-handling solutions to be even more powerful, flexible and energy-efficient and on responding now to the logistics requirements of tomorrow. Valuable synergies have been generated in the KION Group thanks to its cross-brand, multi-site approach to research and development, intensive sharing of knowledge and experience between the individual R&D teams and close consultation with other areas of the Company such as procurement and production. For example, by developing modular components for forklift trucks, the Company has significantly lowered the manufacturing and product lifecycle costs of major system components. One of the main challenges of this was aligning the individual requirements of the individual brand companies and the region-specific market and customer needs with the common parts strategy so that the intended efficiency increases could be achieved within the KION Group's value chain. All of this contributes to the overarching objectives of rapid development, excellent product quality and sustained efficiency for KION trucks.

The focus of preliminary development, which the KION Group carries out in close cooperation with various universities, in particular the universities in Munich and Hamburg, is predominantly the use of alternative drive technologies and the continuous improvement of driver ergonomics and safety in the workplace. Hybrid engines, new types of lithium-ion batteries and fuel cells contribute to reducing CO_2 and noise emissions while lowering the costs of drive systems for industrial trucks. Intelligent energy recovery systems that make optimum use of the drive system's energy represent a key challenge for preliminary development, as does the application of the latest findings from medical and workplace research on improving the trucks' safety, comfort and user-friendliness.

To meet differing needs worldwide, the KION Group again expanded its international R&D sites in 2011. In October, for example, it inaugurated the newly built KION Asia development centre in Xiamen, which has more than 130 employees. Established more than ten years ago, the research and development unit hired new staff in 2011 to meet the growing demand for localisation and development. The new R&D centre brings together teams that were previously located in different places, thereby further improving the unit's efficiency. Furthermore, the larger premises enable various projects to be worked on simultaneously. This shortens development times considerably. The Asian market is seeing growing demand for warehouse technology solutions, which is why the KION Group expanded its range of such trucks in China last year, adapting them to the needs of the local market. This trend is repeated in nearly all emerging markets and is therefore an integral part of international development projects.

The KION Group has also taken on staff for electric and electronic development in order to maintain its pioneering role in this field. Continuous improvement of processes and the targeted application of expertise enable the Company to remain in its market-leading position. It has been working on implementing software standards from the automotive industry that can be flexibly deployed thanks to their modular design. The focus of preliminary development in the electronics field has been ways to make trucks even easier to operate and the introduction of safety systems. In addition, the KION Group has optimised its electronics testing unit, speeding up processes so that it can run the tests faster and at lower cost overall. The product innovations revealed at CeMAT, the world's leading intralogistics trade fair, which took place in Hannover in May 2011, reflected the Company's development work of recent years in the form of even more powerful, more energy-efficient and more ergonomic material-handling solutions. These achievements encompassed nearly all areas of the KION product portfolio.

The KION Group publicly showcased the Linde, STILL and Baoli brands' latest technological innovations at CeMAT in Hannover. A new generation of electric forklift trucks with load capacities of 2 to 5 tonnes was the main talking point at the Linde stand. The Linde E25 Li-Ion prototype is powered solely by rechargeable lithium-ion batteries and boasts a load capacity of 2.5 tonnes. The particularly small batteries, whose individual cells can be installed completely flexibly, resulted in extra space that was used to make improvements to the truck's ergonomics.

Another highlight was the presentation of the world's first series-production hybrid truck in the most important market: IC trucks with a load capacity of 2.5 to 3.5 tonnes. Sophisticated management of the energy flows in the truck, combined with intelligent energy storage technology, have reduced consumption by STILL's RX 70 Hybrid truck by up to 20 per cent. Energy efficiency and the reduction of CO_2 emissions represent one of the biggest challenges of the 21st century, one that STILL is tackling successfully with smart and resource-efficient product solutions. Besides its environmental benefits, hybrid technology has also become attractive from a commercial perspective. The higher investment will pay off within two years assuming that the truck is operated for 1,500 hours per year. Work on refining hybrid technology will be a key focus due to the exclusively beneficial effects of its use.

In 2011, KION presented a study of a tow tractor with fuel-cell technology and a new warehouse truck concept with a lithium-ion drive system. These innovations mean the warehouse trucks produce zero emissions and little noise, making it possible to use them in almost any area.

Besides the development of resource-efficient industrial trucks and warehouse trucks, the KION Group's R&D activities also focus on the intelligent use of software to manage and control intralogistics. STILL's Fleet Data Services offer various software solutions for capturing and preparing vehicle and driver data and making it available online. This enables the optimum coordination of maintenance and service because, for example, service-related data can be sent to the responsible service technician ahead of an appointment. The system's day-by-day monitoring of the total cost of ownership provides customers with good cost transparency and valuable information for calculating the profitability of their truck fleet.

7. Capital expenditure

Capital expenditure by the KION Group in the year under review amounted to €133 million, up by 7.7 per cent compared with 2010, owing to the continued market recovery in Europe and the additional business in China and Brazil. During 2011, capital expenditure (excluding equity investments and additions to leased assets) was focused on product development and the subsequent adjustments in production, on the streamlining of production and on IT systems. Other major capital expenditure projects – construction of the production facility in Brazil and the new KION Asia development centre in Xiamen – resulted from expansion.

In São Paulo, the KION Group began to build a new production site for counterbalance trucks last year. Significant capital was spent on the building and infrastructure in 2011. Good progress had been made on the construction work by the end of the year, and production at the new site is therefore expected to start up in mid-2012.

The KION Group uses an innovative and collaborative product development process for its trucks. This process shortens the development period, optimises the cost of both development and manufacturing and improves product quality. Duplication of work is avoided by making sure that all of the necessary departments are involved in the product development process at a very early stage. This forms the basis for financially viable, customer-focused products in existing markets and for the rapid expansion of the product range, especially in South America, Asia and eastern Europe.

At Linde's Aschaffenburg plant, one of the biggest projects in terms of capacity and cost was the refinement of the vehicle and mast concepts for reach trucks. This type of truck, which was built in Basingstoke (United Kingdom) until 2010, was significantly improved in terms of safety, performance, comfort, reliability and efficiency and has now moved into series development. Other capital expenditure in 2011 went on the new generation of electric forklift trucks with a load capacity of 2 to 5 tonnes; they have now gone into full production. There were also investments in the development of very narrow aisle trucks and in alternative drive technologies, such as hybrid technology, fuel cells and lithium-ion batteries.

The STILL brand's investing activities at its Hamburg site focused largely on the development of new trucks and refinement of existing ones as well on the integration of hybrid storage technology into its products. For example, the company pushed ahead with developing an IC/electric forklift truck with a load capacity of 6 to 8 tonnes and a STILL IC truck in the 2.2 to 3.5 tonne load capacity range with innovative hybrid storage technology. The enhanced compact electric/IC truck with a load capacity of 6 to 8 tonnes is designed especially to meet the requirements of the paper and beverage industries. This work is aimed at consolidating and expanding STILL's leading position in the fast-growing segment of heavy-duty and container trucks. The hybrid truck for the 2.2 to 3.5 tonne load capacity range is enabling STILL to steadfastly pursue its aim of minimising energy consumption and reducing CO_2 emissions. STILL also invested in a reach truck with a vastly improved lift mast incorporating a mast damping system. The lift mast is based on the platform of the Linde model, thereby considerably lowering development costs as approximately 50 per cent of the parts are the same.

New product developments and legal changes regularly require modifications to the manufacturing process. In response to the amended European regulations on exhaust emissions, the KION Group invested in a new paint shop at its site in Luzzara, Italy, which will go into operation in 2012. Capital expenditure on a new technology for diesel engines reduced the emissions of KION trucks with diesel engines. The centralised European distribution centre for Linde spare parts, which is located in Kahl (Germany), began to invest in expanding and optimising its warehouse capacity in 2011 so that it can cope better with the increase in the high-margin spare-parts business. Capital expenditure is also used to modernise production machinery and to exploit the potential for greater efficiency offered by lean manufacturing processes.

The Group-wide IT system used in sales is being continually refined and optimised as part of the 'KION ONE Sales & Services' project. The KION ONE Infrastructure project also continued in 2011. Its aim is to merge the European data centres and optimise the existing infrastructure hardware and software.

8. Purchasing

The far higher volume of orders taken in 2011 compared with 2010, the accompanying rise in material requirements and the generally high prices for commodities presented considerable challenges to the KION Group purchasing unit in the reporting year. Bottlenecks in the supply chain that had first emerged in mid-2010, particularly for electronic components, continued into 2011. The high level of order intake also generated bottlenecks in the supply of industrial tyres. There were only slight delays in engine deliveries as a result of the earthquake and tsunami in Japan, and this hardly affected the KION Group's supplies at all. Close partnership with suppliers protected the KION Group's procurement flow at all times.

Interdisciplinary teams in supply development had been set up in late 2010 to identify and systematically leverage potential for improving the Company's cooperation with suppliers. The teams offered workshops to the suppliers – particularly for small and medium-sized enterprises – as well as concrete support on refining lean management, redesigning the layout of their factories and improving supply sources and terms. The steps taken were very well received by the KION suppliers and proved exceedingly successful thanks to the great flexibility of the suppliers and their exceptional willingness to optimise processes.

The KION Group's costs for commodities in 2011 were very different to what they had been in 2011. Whereas steel plate rose by a moderate 7 per cent on average, prices for scrap and natural rubber rocketed by over 20 per cent and 26 per cent respectively in the middle of the year. However, the sovereign debt crisis caused the price of certain commodities to decline from mid-2011 onwards, although this did not compensate for the sharp year-on-year rises seen in the first half of the year. Steel accounts for the largest share of the volume of commodities purchased by the KION Group. Prices for steel peaked in the first half of 2011 and fell continuously after that. In contrast, prices for scrap only stopped climbing at the end of last year. Copper prices reached a record high in March 2011 but tended to decline as the year progressed.

As the KION Group mainly uses processed materials and components in the production of industrial trucks, increases in the market price for commodities do not impact fully and directly on the Group's cost of materials. The KION Group also has long-term agreements with its main suppliers, under which it obtains key components at fixed prices. As a result, sustained price increases are only felt at a later date. In some cases, for example batteries, rises in purchase prices can be passed on directly to end customers.

The cost of materials in the KION Group increased by 3.7 per cent overall in 2011 compared with 2010. As a result of the KIARA performance enhancement programme, the KION Group realised potential cost savings of 1.3 per cent. To ensure an uninterrupted supply of critical components, the KION Group secured additional capacities from some of its suppliers. However this was only possible by paying higher prices. By the end of 2011, the cost of materials had climbed to €2,244 million (2010: €1,714 million) due to the far higher order intake.

9. Employees

Positive business performance and acquisitions increase headcount

On 31 December 2011, the KION Group employed 21,862 people (including trainees and apprentices), roughly 62 per cent of whom worked outside Germany in 27 different countries. The number of employees a year earlier had been 19,968.

The significant increase in headcount was a result of the KION Group's strong performance and the acquisition of companies abroad. The United Kingdom and India saw particularly sharp rises owing to the acquisition of the UK dealer Linde Sterling and the establishment of Voltas Material Handling. Personnel resources were expanded in Germany and China, above all in production, to cope with increased demand. Across the Company as a whole, the number of employees increased by 9.5 per cent year on year.

Full-time equivalents

31/12/2011	LMH	STILL	Other	Total
Germany	4,334	3,646	436	8,416
France	2,234	902	107	3,243
Rest of Europe	3,674	2,404	1	6,079
China	2,857	0	0	2,857
Americas	161	376	0	537
Rest of World	578	0	152	730
Total	**13,838**	**7,328**	**696**	**21,862**
31/12/2010				
Germany	3,863	3,642	395	7,900
France	2,169	877	97	3,143
Rest of Europe	3,074	2,364	1	5,439
China	2,487	0	0	2,487
Americas	153	351	0	504
Rest of World	494	1	0	495
Total	**12,240**	**7,235**	**493**	**19,968**

In line with the expansion in headcount during 2011, personnel expenses advanced to €1,064 million (2010: €968 million) – an increase of 9.9 per cent. The personnel expenses ratio fell again, from 27.4 per cent in 2010 to 24.3 per cent in the reporting year, owing to the increased capacity utilisation in all segments of the Group on the back of increased market demand.

Consolidation of locations with minimum possible social impact

The KION Group has decided to further consolidate its production operations within Europe. As part of this, the Company plans to relocate the manufacture of warehouse trucks from Montataire (France) to Luzzara (Italy) and to shift production of counterbalance trucks from Bari (Italy) to Hamburg (Germany). The KION Group has been cooperating closely with the responsible employee representatives and other partners within the company from an early stage in order to implement the two projects. It is examining all the options to ensure that it consolidates the locations in the most socially compatible way.

Investing in the future with training

With a total of 621 (2010: 557) trainees and apprentices at the end of 2011, the Group continued to invest in training and development at the same high level to ensure that it can continue to recruit as many as possible of the skilled workers it requires inhouse. The proportion of trainees and apprentices in Germany remained stable at 5.1 per cent in 2011.

Securing tomorrow's potential with strategic executive development

The KION Group continued to establish talent and succession management in 2011 as a key element of strategic staff development. It has revised its annual management review so as to enable it to fill key positions across the Group with highly qualified executive talent. This tool is used to identify high-potential staff and young talent in the Group and then give them targeted support, such as participating in programmes in different brand companies and countries.

The KION Group uses 360-degree feedback for the development of its specialist workers and executives. In this scheme, employees assess their own skills and performance and receive feedback from colleagues. Based on the results, a personal development plan is then drawn up and put into action.

The Management Board of Linde Material Handling has initiated 'The Linde Way', a long-term corporate development programme for the brand that aims to bring business activities into line with the company's vision and strategic objectives. The concept, which was completed in 2011, will define management principles and guidelines for establishing a global performance culture and ensuring a high level of staff loyalty. Reports on the project's progress are produced each month, and the first results are expected as early as this year.

Partial retirement models and occupational pension scheme as voluntary employee benefits

The KION Group as an employer helps its employees to transition smoothly into retirement within the framework of local legal requirements. In Germany, for example, a partial retirement model consisting of two blocks is used: a working phase followed by a non-working phase. As at 31 December 2011, 412 employees of the KION Group in Germany were partially retired.

The KION Group regards offering an occupational pension scheme as an important element of the employee/employer relationship. It arranges and offers such schemes in the various countries depending on local legal requirements. For example, the KION Group offers its employees in Germany attractive occupational pension scheme options, including both direct insurance and a direct pension entitlement scheme.

Direct insurance comes in the form of a tax-privileged endowment insurance or pension insurance policy, which the employer takes out with an insurance company on behalf of the employee as a form of occupational pension scheme. The employee pays the insurance premiums in the form of deferred compensation, which means that part of his or her gross remuneration is paid directly into the insurance policy. The direct insurance policy is paid out to the employee when it matures, which will be no sooner than the employee's 60th birthday. The benefits are paid either to the employee or to his or her surviving dependants.

Under the direct pension entitlement scheme, which the KION Group operates in Germany in accordance with various pension benefit conditions and the pension plan, the employer pays the contributions into the occupational pension scheme directly. In contrast to direct insurance, the KION Group as employer undertakes to provide the entitled employee with benefits in the form of a lump sum or a pension when the employee retires dies or becomes unable to work.

The KION pension plan offers a further element to the occupational pension scheme for employees in the KION Group. The advantage is that employees can defer compensation and thereby taxation on it as well as making use of allowances for occupational pension schemes under collective pay agreements for the German metals industry. As at 31 December 2011, 1,181 employees were in the KION pension plan.

Outside Germany, the brand companies in the KION Group also offer occupational pension schemes, for example in the United Kingdom, Austria, Switzerland and the Netherlands.

Competitive advantages of diversity

As a global company, the KION Group benefits from national, cultural and social diversity. In the year under review, it employed people of more than 40 nationalities in Germany. Globally, employees of around 70 nationalities work for the KION Group. Because the Company is headquartered in Germany, people from this country make up the largest proportion of staff (36.6 per cent) – as they have in previous years. They are followed by French staff (14.9 per cent) and Chinese staff (12.9 per cent), which is in line with market share.

Female employees made up around 14.7 per cent of the KION Group's workforce as at the end of 2011. The proportion of female managers rose significantly year on year to 8.2 per cent.

Tackling demographic change with optimum working conditions

Demographic change is having an increasing impact on the competitiveness of many companies, particularly in Europe and North America. The KION Group has deliberately set itself the task of finding the best way to use the potential of older and experienced employees in the Company and to create the optimum working conditions for older employees.

At the end of the year under review, approximately 23 per cent of the KION Group's workforce were more than 50 years old and 57.5 per cent were aged between 30 and 50. Based on the situation at the end of 2011, more than a third of staff will be over the age of 50 by 2015. The KION Group began preparing itself for this predicted age structure at an early stage and has launched various age management projects. Its overarching aim is to always be able to offer all its employees the ideal conditions for their work.

10. Management

10.1 Key management team

The Executive Board of KION Group consists of Gordon Riske, Harald Pinger, Otmar Hauck and Klaus Hofer.

Gordon Riske has been Chief Executive Officer (CEO) since 2008 and is responsible, among other things, for strategy, communications, governance and compliance, market intelligence and the Group's Asian business. The CEOs of the brand parent companies Linde Material Handling, STILL and Voltas Material Handling report to him.

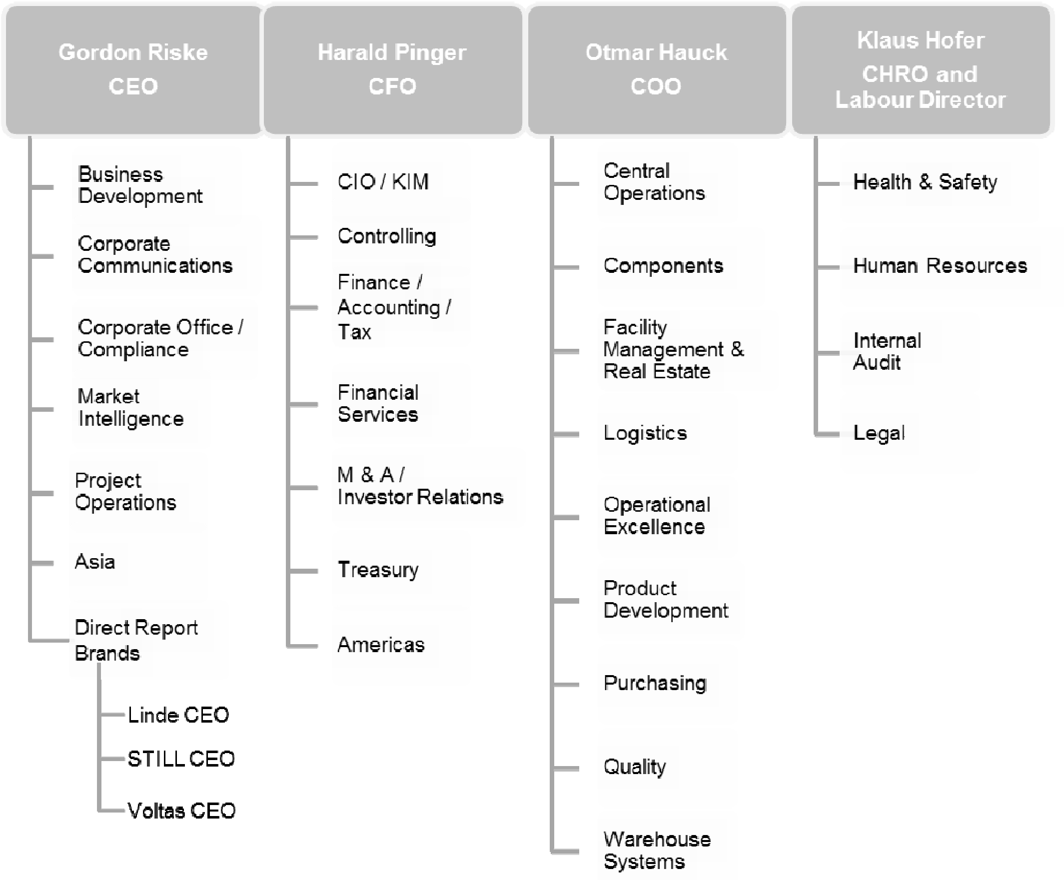
Harald Pinger has been Chief Financial Officer (CFO) since 2008 and is responsible for finance (accounting, controlling, tax, treasury), financial services, IT activities, mergers & acquisitions, investor relations and the Americas region. He held the post of Labour Relations Director until 30 September 2011.

Otmar Hauck has been Chief Operating Officer of KION Group GmbH since 2009. He is responsible for quality and central operations, purchasing, logistics and product development in the Group.

Klaus Hofer joined the Executive Board on 1 October 2011 and is responsible for human resources, legal affairs, health & safety and internal audit. He also took over as Labour Relations Director on that date.

The Executive Board normally meets every 14 days. Apart from preparing and taking all decisions relating to the day-to-day management of the Company, the Executive Board also uses these meetings to discuss and approve any transactions in the brand subgroups that require its consent. A list of the transactions requiring such consent is included in the rules of procedure for the relevant Management Boards. Under its rules of procedure, the Executive Board must have certain transactions approved by other decision-making bodies such as the Supervisory Board or the shareholders' meeting.

Diagram showing the responsibilities of the KION Group's Executive Board



10.2 Supervisory Board

The Company's Supervisory Board comprises six shareholder representatives and six employee representatives in accordance with the requirements of the German Commercial Code (HGB) and those of the German Codetermination Act (MitbestG). The Supervisory Board is responsible for the tasks specified by law, the memorandum and articles of association and the rules of procedure relating to the supervision of the management of the business by the Executive Board. It also advises and supports the Executive Board in its handling of significant matters and business transactions.

John Feldmann, a former member of BASF SE's Board of Executive Directors, has been the chairman of the Supervisory Board since 28 September 2011. He took over as chairman from Johannes Huth, the representative of Kohlberg Kravis Roberts & Co., New York, USA. Mr Huth had assumed the chairmanship of the Supervisory Board on an interim basis from 28 June 2011 to 28 September 2011 after Manfred Wennemer had stepped down from the Company's Supervisory Board.

In addition to a human resources committee and an audit committee, the Supervisory Board has set up an arbitration committee pursuant to section 27 (3) MitbestG. Shareholders and employees have equal numbers of representatives on all the Supervisory Board committees.

The Supervisory Board normally meets once during each quarter. The committees hold regular meetings (the audit committee meets four times a year, for example); although the arbitration committee only meets if required to do so in circumstances specified by law or by the memorandum and articles of association. If required, the committees also meet between the regular scheduled meetings. The remit of the Supervisory Board and its committees is defined by law, the memorandum and articles of association and the rules of procedure for the Supervisory Board and each committee.

10.3 Shareholders' meeting

A meeting of the Company's shareholders is held as required by the memorandum and articles of association or if demanded by other special circumstances. Resolutions may also be adopted by shareholders using a procedure conducted in writing.

10.4 Corporate governance

The KION Group publishes details of its corporate governance in a separate corporate governance report on its website: www.kiongroup.com.

11. Sustainability

The KION Group is aware of its responsibility towards society, the environment and the economy. That is why the KION Group goes above and beyond its legal duties to specifically promote sustainable development in matters of social and environmental importance. Prevention of climate change and conservation of resources therefore take top priority – and are an integral element of the Code of Compliance. Innovative products support the KION Group's role as one of the pioneers in the use of cutting-edge environmental technologies. The Linde and STILL brands have developed ground-breaking concepts for conserving resources.

Focus on the environment and efficiency

Linde attaches particular importance to ergonomics, the environment and efficiency. For example, ever since the first hydrostatic drive was developed in the 1950s, Linde has continually worked to improve the technology. Modern-day hydrostatic wheel motors operate at 170 revolutions per minute, instead of 3,500 as they used to do. Trucks need less fuel and produce fewer emissions, thereby enabling customers to operate more efficiently.

Linde also occupies a leading position when it comes to trucks powered by diesel engines. The particulate emissions of its diesel engines (H25D 392 model) are only approximately 35 per cent of those of competitors in the market. In addition, particulate filter systems are offered as optional extras. The H 40-50 series' energy consumption has been reduced by fitting a variable displacement pump for the lift hydraulics. The internal gear pump with a constant internal volume that was used previously has been replaced by an axial-piston pump developed by Linde Hydraulics. This new pump has a variable flow that can be controlled electronically depending on load and lift height and reduces fuel consumption by up to 18 per cent.

The electric forklift trucks developed by Linde also reflect its technology lead: energy recovery and three different eco modes enable the E 20-50 series to use up to 35 per cent less energy yet still score top marks as far as performance and efficiency are concerned. The Linde brand company has also succeeded in reducing the noise levels of these trucks by 30 per cent compared to the products of other manufacturers. The rate of wear is up to 20 per cent less for wearing parts. Moreover, the electric forklift trucks are low-maintenance, requiring a service every 1,000 hours and a hydraulic oil change only every 6,000 hours, while the encapsulated AC motors are entirely maintenance-free. In short, LMH generates benefits, not just for people but also for business and the environment.

STILL has also pursued a clear strategy of greater sustainability for many years. Three of the main elements of this strategy are the Blue-Q efficiency mode, which was launched in 2005, the drive technologies developed by STILL and process optimisation.

In 2011, STILL continued to press ahead with the introduction of the Blue-Q energy-saving feature, which is now available in electric and diesel trucks, the FM-X reach truck and the new MX-X order-picker truck. Blue-Q offers energy savings of up to 20 per cent through intelligent management of the drive and ancillary power consumption. Optimising the characteristics of the drive saves energy without impairing operation of the truck. STILL's RX 70 series, which already boasted the lowest energy consumption in its class, is now even more efficient thanks to the addition of the RX 70 Hybrid (rated capacity of 3.0 and 3.5 tonnes). The RX 70 Hybrid is the first series-production hybrid forklift truck. Electric energy is stored during braking and can then be used by the drive. The new RX 70 has two energy storage systems. This technology was first presented at CeMAT 2008 as ready for full production. Besides its environmental benefits, hybrid technology has also become attractive from a commercial perspective. The higher investment will pay off within two years assuming that the truck is operated for 1,500 hours per year. STILL continues to focus on refining hybrid technology. Considerable efficiency gains are possible when tugger trains are used to supply the production line. Although still new, this concept has proven in practice to cut energy consumption by up to 90 per cent. Trucks fitted with lithium-ion battery technology were showcased for the first time at CeMAT. The PalletShuttle is the first STILL product with a series-production lithium-ion battery and is designed to move pallets along a rack channel. It offers greater efficiency and saves energy.

Intelligent technology secures competitive edge

Pioneering technologies such as energy recovery in trucks, biodiesel, gas-powered trucks, the use of diesel particulate filters and adjustable pumps for lift drives, plus fuel-cell powered trucks, have a long tradition at the KION Group. Innovative drive concepts are the technology of the moment according to forecasts from industry experts at the 2010 Congress of the European Federation of Materials Handling (FEM) in Istanbul, where the future of industrial trucks was a major theme. The Industrial Truck Association, which represents forklift truck manufacturers and their suppliers in Canada, the United States and Mexico, expects that some 90 per cent of all trucks will be electric by 2025. A survey by the Engineering Committee of the Japanese Industrial Vehicles Association (JIVA) comes to similar conclusions and states that lithium-ion batteries and hybrid drives are the way forward.

LMH is taking a step in this direction by heading up the 'E-Log-Biofleet' research project in Austria. Working with prestigious partners, LMH is conducting an extensive field test in which a fleet of Linde industrial trucks with a fuel-cell hybrid solution and a range extender are being trialled in realistic operating conditions. The fuel cell replaces the conventional battery so that the trucks can be used for longer and efficiency is improved. A supply of hydrogen is integral to the system and is ensured by the installation of a new decentralised unit for producing hydrogen from biogas, a carbon-neutral energy source.

STILL is also responding to the trend for innovative drive concepts. Its new RX 70 Hybrid truck is pursuing the twin aims of low energy consumption and low CO_2 emissions. The concept is based on the RX 70 model, which itself previously earned the FLTA environment award from the UK's Fork Lift Truck Association. In 2011, Hamburg Port Authority (HPA) and Fraport AG, which operates Frankfurt Airport, received the first series-production hybrid forklift trucks. STILL also handed over a new-generation forklift to ALBA Nord GmbH in late 2011. ALBA Nord GmbH is a subsidiary of the ALBA Group, a Berlin-based environmental services provider and trader in raw materials. For STILL, the key to pioneering, innovative operations is above all sustainable business practices. The new hybrid drive makes it possible to reduce energy consumption by up to 15 per cent and thereby lower CO_2 emissions.

Responsible use of resources

The KION Group's innovative capabilities and the technological improvements it has made to its product portfolio enable it to constantly optimise the resource consumption of customers' truck fleets. Its responsible use of resources is also reflected in its use of recyclable materials, its energy-efficient products and manufacturing processes and its environmentally friendly workplaces.

One such example is the powder coating equipment used at STILL, which means that trucks only require one coat of paint. Solvents are not used in production. Any unused paint is collected and reused. Moreover, the STILL plant in Hamburg has been using just 32 per cent of its previous natural gas consumption since it switched to low-CO_2 district heating. As a certified member of Hamburg's environmental partnership, the plant is trialling the voluntary monitoring of CO_2. Electricity consumption has fallen considerably since 2004 due to intelligent energy management, in which electricity consumers are switched off at regular intervals. Hydraulic optimisation of the heating system has significantly cut the amount of water in circulation and reduced the return water temperature. The plant saves electricity and water by connecting the heating and ventilation systems to a control station.

A closed water circulation system, eco-friendly coating equipment, grease separators and efficient, powerful extraction systems in the production facilities and foundry are standard at Linde. Emissions checks, environmentally efficient production requirements and the need to comply with environmental and health & safety standards all result in continuous improvements to products and work processes. The recycling of a truck at the end of its lifetime is already taken into consideration when it is developed. As a result, 99 per cent of a Linde truck can be recycled. The cast iron, which accounts for 70 per cent, is used to make a new truck. Other materials, such as steel, copper, glass and service fluids, are almost 100 per cent recyclable.

Staff development programmes safeguard the Group's future

The KION Group's employees form the basis for its long-term success. That is why employee orientation lies at the heart of all processes. The corporate culture of the entire Group is characterised by mutual respect and appreciation. Managers and their staff live by these values. Their above-average loyalty to the Company shows that they appreciate this culture – and is a crucial competitive advantage for the KION Group. After all, the brands can only develop, manufacture and sell premium products if they have employees who see their work as more than just a job.

Professional training activities start with support for universities, work placements and apprenticeships, continue with professional development opportunities for the workforce and reach their apex with carefully structured personal development programmes to support managers and talented staff.

Linde Material Handling has cooperated with high schools in Aschaffenburg, the Aschaffenburg Chamber of Industry and Commerce, Aschaffenburg University of Applied Sciences and the Bavarian State Government for many years and has developed a pupil/engineer academy for high schools in which topics relevant to technological and scientific careers are incorporated into the curriculum for older pupils.

Work placements, discussions and school projects thereby forge links between business and schools. Support and development for the next generation of young professionals is provided by a wide range of work placement options for students at university and a close partnership with Aschaffenburg University of Applied Sciences.

Another example is Linde's alliance programme with the Karlsruhe Institute of Technology (KIT) in which business, engineering and science students gain key qualifications, preparing them to tackle future challenges in the world of work.

When it comes to vocational training, Linde Material Handling sets standards as the largest training provider in the Lower Main region of Bavaria. Besides professional training, other essential elements of the personal development plan for all trainees and apprentices are mutual appreciation and respect. These values are specifically taught and developed during training sessions.

One advantage of KION's training and professional development models is their flexibility. This can be seen in the opportunities for working and learning in other countries. The Linde expat programme, for example, enables employees to move from headquarters in Germany to almost any partner country and vice versa.

Last year, 27 Linde employees took part in the 'managerial driving licence' scheme. About half of them have already completed the programme and the remainder will do so this spring. The 'managerial driving licence' helps employees to optimally define and exercise their managerial responsibilities within their team. A modular series of seminars teaches new managers how to improve their leadership behaviour in practice.

Encouraging the next generation of young professionals is also a fundamental aspect of STILL's training activities. STILL is involved in a number of projects in this area, including an alliance with the Career Center Hamburg, the SMS programme (STILL moves students) and cooperation with Hamburg University of Applied Sciences (HAW), Kurt Körber High School and Helmut Schmidt University on the 'e-truck' robot construction project in Hamburg. These initiatives aim to establish ties with tomorrow's potential trainees, apprentices and employees while they are young.

The quality of the KION brands' training models has been recognised by external experts: a trainee at STILL was recognised by the Chamber of Crafts as 'Hamburg's best trainee 2011' for his outstanding exam results.

In the annual talent reviews, managers at STILL systematically identify staff with strong potential, high performers and experts in key functions and define development plans for them. Talented young professionals take part in various programmes that will enable them to flourish. One of these is STILL's International Junior Circle for international staff with high potential. Participants take part in various activities that will help them to develop, such as working on challenging projects as part of international teams and attending training courses on project and team management, change management and presentation skills. The Young Professional Programme in Germany is a chance for younger high performers to learn about a wide range of topics at STILL, providing them with an excellent insight into the company and the links between finance, marketing, production and development. This broadens their horizons and results in active STILL-wide networks.

Safety is an important topic, and the KION Group constantly provides initial and continuing training for its employees in this area. To improve safety at its sites, the KION Group conducted more than 1,000 training courses in Germany alone during 2011, including fire protection training, courses for safety officers and induction courses. In-depth analyses of accidents and detailed action plans are used to reduce risks in the workplace. Training for managers heightens safety awareness at all levels.

Standardised health, safety and the environment (HSE) audits are carried out at all production sites. The first step is to analyse the sites in detail. Local managers then work with their HSE auditor to define strategies and measures for making continuous improvements in the area of HSE.

At their annual international meeting with Klaus Hofer, Chief Human Resources Officer of the KION Group, the international HSE managers presented the activities they carry out regarding health, safety and the environment. The HSE experts were able to adopt good solutions for use at other sites. KION has also put in place an HSE policy that provides central guidelines on health, safety and the environment for all KION Group companies.

LMH responds to demographic change

The impact of demographic change on society poses a particular challenge to companies. LMH is developing healthy living programmes for an ageing workforce that will have to work for longer, flexible working-time models and attractive solutions that give women more options when it comes to combining a career and family. LMH's workplace support programme enables employees with problems in their personal or professional life to obtain counselling from qualified experts.
Good training and career development opportunities in an employee-oriented working environment that also meets changing expectations regarding work-life balance are key factors that help the brand companies to position themselves as attractive employers in the job market.

Brands and employees support society

Recognising their social responsibility, both the Executive Board and employees personally support numerous charities.

Following two earthquakes that devastated large areas of the eastern Turkish province of Van, KION and Linde Material Handling each donated around €35,000 to the rebuilding of the main lecture hall at Yüzüncü Yil University in Van. This gesture demonstrates the Group's support for education projects in its local markets.

STILL sponsors the Mittagskinder e.V. foundation, which looks after children from deprived areas of Hamburg, providing them with lunch and help with their homework on a regular basis as well as giving them the chance to take part in educational activities. Other associations supported by STILL are Kinderkrebs-Zentrum Hamburg e.V., which supports children with cancer, Switch e.V., which runs multicultural projects, and the Nordchance training programme, which helps young people with limited employment prospects. For more than ten years now, STILL has employed a group of workers from Winterhuder Werkstätten, an organisation that trains and integrates people with disabilities.

LMH established the StaplerCup hilft e.V. association in 2008 to support charities that look after children, young people and the elderly. The association arranges charitable events and collects donations at the final of the StaplerCup ('truck cup') tournament. In 2011, StaplerCup hilft e.V. donated €7,500 to Deutscher Kinderhospizverein, a children's hospice association in Germany, and the same amount to Suppenschule, which provides childcare in Aschaffenburg. LMH trainees organised a charity tombola at the 2011 StaplerCup, raising €15,000 for Initiative für Tapfere Kinder. This charity provides financial assistance for severely ill children, supports the integration of young people with disabilities into everyday life and helps orphans and street children.

A number of KION sites in various countries have stopped giving gifts to customers at Christmas and use the budget instead to support the work of charitable organisations. For example, Linde Lansing Fördertechnik AG (Dietlikon/Switzerland) donated five warehouse trucks to support the logistics processes of Schweizer Paraplegiker-Stiftung, a unique foundation in Switzerland that helps people with spinal paralysis.

12. Opportunities and risks report

12.1 Opportunities report

Recognising and seizing strategic and operational opportunities is an integral element of successful corporate management. To identify these opportunities, the Company systematically monitors and analyses its relevant markets and tracks overall and sectoral economic trends. Once it has analysed and evaluated the opportunities, the KION Group adopts and implements strategic initiatives. These are always aimed at profitable growth and a sustained increase in shareholder value.

The following developments open up significant potential opportunities:

Logistics trends offer good growth opportunities in industrialised nations

The market for industrial trucks is strongly correlated with industrial output – and therefore also with macroeconomic trends. Growth of the global economy, particularly in terms of world trade, has a corresponding positive effect on the demand for industrial trucks. Greater division of labour and rising inventory turnover rates in the major industrialised nations continue to increase the degree of mechanisation in logistics. These growing demands on warehouse organisation will, in turn, increase demand for efficient warehouse equipment and comprehensive intralogistics solutions. The KION Group is excellently placed in the industrial trucks market and will seize the opportunities presented by market growth, drawing on its outstanding portfolio of products and services.

Strong basis for future growth in the emerging markets

The KION Group is already very well positioned in the major emerging markets. It is a leading supplier in eastern Europe, the largest international manufacturer in China and the second largest manufacturer in Brazil. Since 2011, it has also had a stronger foothold in India. In the fast-growing markets of eastern Europe, South America and Asia, sales of industrial trucks will continue to benefit from more rapid overall economic growth and associated expansion investment and will therefore rise faster than in the more established markets. Trucks from the economy segment are predominantly offered in the fast-growing regions, enabling the high level of demand in these markets to be met yet also fulfilling the need for high-quality products at an affordable price. Thanks to its brand portfolio, the KION Group is very well placed to satisfy these requirements.

Different brands and products for differing customer requirements

Customers' requirements vary significantly depending on the situation in the individual market and other local characteristics. The KION Group is able to meet these requirements at all times with its six brands – Linde, Fenwick, STILL, OM (from 2012 OM STILL), Baoli and Voltas. They cover the entire spectrum of industrial trucks, from basic warehouse equipment to container handlers. Ergonomics and intelligent intralogistics are the hallmarks of products from Linde, Fenwick, STILL and OM STILL. These brands are industry leaders in technology and innovation thanks to their technologically sophisticated, solution-oriented product portfolios. Baoli und Voltas, on the other hand, cater to the economy segment in the high-growth markets. This broad-based structure enables the KION Group to benefit from growth in all market and product segments and thereby effectively build market share.

Service business improves revenue planning and increases customer retention

In contrast to new truck sales, the service business is largely independent of the economic cycle and gains further support and impetus from growth in the number of active trucks in the market. An increasingly important role is being played by services such as maintenance & repairs, spare-parts business, short-term & long-term truck rentals, the range of finance solutions and IT-based approaches to efficient fleet management. The KION Group's broad spectrum of services and an active fleet of more than one million trucks worldwide provide solid foundations for continued growth of its service volume. Service activities also improve customer loyalty and enable the Company to predict its revenue streams over a longer period. The KION Group will apply its expertise to further expanding its range of efficient service solutions, adapting them to local needs and thereby increasing its market share.

Ongoing evaluation of opportunities for growth by acquisition

Despite the increasing degree of consolidation, the market for industrial trucks remains highly fragmented and is dominated by suppliers with a regional focus. Besides potential for organic growth, the KION Group continuously evaluates opportunities for growth by acquisition in relevant foreign markets. The Company studies the markets on an ongoing basis, examining not only well positioned manufacturers but also service providers and distributors.

'Green logistics' remains a megatrend in the industry

Efforts to reconcile economic and environmental requirements are an important issue when it comes to logistics. As an innovation leader, the KION Group therefore examines eco-friendly, fuel-saving technologies in all product classes. Customers benefit from lower product lifecycle costs, which encompass the purchase, maintenance and repair costs as well as fuel consumption and labour costs. Linde Material Handling regularly looks at how protecting people and the environment can be optimised in each area of the company and is implementing projects to put this into practice. STILL offers forklift trucks with particularly low fuel consumption, while its hybrid technology has elevated it to a leading market position. Developing sustainable technologies and translating them into cost-effective yet environmentally sustainable products will remain a focus for the KION Group in future as they continue to generate further growth opportunities for the Company.

Greater competitiveness through operational excellence

The KION Group believes that its organisational structure with locations worldwide and various brand companies offers additional potential for synergies, above all in purchasing, development, production and logistics. The Company wishes to make the best possible use of the variety of options for boosting operational efficiency and thus profitability. Implementation of uniform production standards, consolidation of the product portfolio, design-to-cost initiatives and supplier management projects are just some examples of current efforts to improve operational excellence. Opportunities for improving efficiency and therefore the competitiveness of the entire Group are assessed and exploited on an ongoing basis.

12.2 Risk management

The KION Group encounters business risks that may jeopardise its business objectives. Risk management, like opportunity management, therefore forms an integral part of the Company's day-to-day management. To ensure that the risk management systems are fully integrated into the KION Group's overall financial planning and reporting process, they are located in the Group Accounting & Finance function. The procedures governing the KION Group's risk management activities are laid down in internal risk guidelines. For certain types of risk, such as financial risk or risks arising from financial services, the relevant departments also have guidelines that are specifically geared to these matters and describe how to deal with inherent risks.

Risk management is organised in such a way that it directly reflects the structure of the Group itself. Consequently, risk officers supported by risk managers have been appointed for each company and each division. 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 uniformly captured and evaluated.

The risk management process is organised on a decentralised basis. Firstly, a Group-wide risk catalogue is used to capture the risks attaching to each company. Each risk must be captured individually. If the losses caused by a specific risk or the likelihood of this risk occurring exceed a defined limit, the KION Group's Executive Board and its Accounting & Finance function are notified immediately. A specially developed module within the internet-based reporting system used for the entire planning and reporting process is used to document each risk.

The risks reported by the individual companies are combined to form divisional 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 at the quarterly business review meetings. The divisional risk reports are then used to compile an overall risk portfolio for the KION Group as a whole. To support this, additional meetings are held each quarter with relevant departments of the holding company in order to identify and assess risk, above all Company-wide, cross-brand risk affecting areas such as treasury, purchasing, tax, human resources and financial services. The Executive Board and the Supervisory Board's audit committee are informed of the KION Group's risk position at least once a quarter.

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

Principles

The main objectives of the special 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. There can, however, be no absolute certainty that these objectives are achieved in full and at all times.

Material processes and controls in the (Group) accounting process

For its (Group) accounting process, the KION Group has defined suitable structures and processes within its internal control and risk management system and implemented them in the organisation. Changes to the law, accounting standards and other pronouncements are continually analysed with regard to their relevance and effect on the consolidated financial statements; the relevant changes are then incorporated into the Group's internal policies and systems.

Besides defined control mechanisms, this special accounting-related internal control system includes, for example, system-based and manual reconciliation processes, separation of functions, the double-checking principle and adherence to policies and instructions.

The employees involved in the Group's 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. A consolidation department with specially trained employees carries out the consolidation activities, reconciliations and monitoring of the stipulated deadlines and processes. This team monitors the system-based controls and supplements them with manual checks. The entire accounting process contains a number of specific approval stages. Employees with the relevant expertise provide support on specialist questions and complex issues.

The central Internal Audit department also checks, among other things, the reliability of the accounting work by the subsidiaries in Germany and abroad. It focuses primarily on the following aspects:

- Compliance with legal requirements, directives from the Executive Board, other policies and internal instructions
- Integrity and effectiveness of the internal control systems for avoiding financial losses
- Correct performance of tasks and compliance with business principles
- Formal and material correctness of the accounting and of the financial reporting that is based on the accounting.

12.3 Types of risk

12.3.1 Risks arising from the sovereign debt crisis

Even though the markets performed very well overall in 2011, risk management continued to examine the possible impact of the financial crisis and of the performance of the real economy on the KION Group's financial position and financial performance. In addition to ongoing screening and monitoring, the risk reports therefore included a separate assessment of the risks arising from the sovereign debt crisis. The economic problems in Greece, Italy, Spain, Portugal and Ireland, the EU rescue packages and the undercapitalisation of European banks that has become apparent were all signs that the financial crisis – and in particular the economic crisis in southern Europe – has not yet ended. Furthermore, it may flare up again at any time and spread to other regions.

Government action to support economies and the financial system resulted in a rise in government indebtedness worldwide. In Greece, Italy, Spain, Portugal and Ireland, debt repayments and the consolidation of national budgets restrict future flexibility and increase the pressure on governments to take appropriate action in terms of both income and expenditure. It is impossible to predict the implications that this may have for the material-handling market and therefore also for the KION Group.

12.3.2 Market risks

Cyclical fluctuations in macroeconomic activity have always affected the market for industrial trucks. A downturn or stagnation in the industries and regions relevant to the KION Group represents a risk. Customers' decisions on whether to invest, particularly in new trucks, depend to a large degree on the economic situation. The KION Group mitigates this risk with its multi-brand strategy, comprehensive product portfolio and a diverse customer base consisting of companies of different sizes in different industries and regions. Market risk is also reduced by close monitoring of markets and competitors as well as any resulting necessary adjustments to production capacities. The KION Group takes measures to boost its sales and further expand less cyclical business activities such as services in order to counteract economic downturns.

Global economic prospects have been very varied in recent times, and the markets therefore remain fragile. The International Monetary Fund (IMF) believes the global economic situation is still at risk due to the decline in the pace of growth in all regions of the world and owing to uncertainties regarding the funding position of public finances and financial institutions. In addition to a high level of uncertainty in the euro zone, there is also a continuing risk of a slowdown in growth in the United States. Current developments, above all in Europe, are making it increasingly difficult to gauge demand patterns reliably. The precise timing and even the extent of any change in the markets remains uncertain. The KION Group therefore closely monitors macroeconomic and market conditions so that it is ready to promptly step up action already implemented or initiate additional measures if required.

12.3.3 Competition risks

Manufacturers from Asia, especially those from China and Korea, have cost advantages in production due to the currency situation and also because Asian labour costs are lower. Providers from Asia can create additional competitive pressures in Europe, especially in this market environment. However, customers' high quality expectations and performance needs form a barrier to growth for many of these manufacturers. Their lack of an established distribution and service network in Europe makes it more difficult for them to gain a foothold in this market.

Alliances, partnerships and acquisitions are playing an increasing role in improving competitiveness in terms of resources, market access and product range. The KION Group continually evaluates its options for strengthening and consolidating its market position. An example of this in 2011 was the establishment of Voltas Material Handling in India.

12.3.4 Procurement and sales risks

The KION Group is exposed to risks in its procurement and sales activities. In 2011, the Group rigorously maintained its more intensive management of receivables and procurement as a result of the economic crisis.

Procurement activities constitute a potential risk for the KION Group in terms of the lack of availability of parts and components and the rising cost of raw materials, energy, base products and intermediate products. As in 2010, the supply of components was a source of risk last year due to the surge in demand. Whereas there had still been isolated problems in the supply of electronic components at the start of the year, supplies of industrial tyres proved difficult as the year progressed. During the second half of 2011, the KION Group experienced sometimes considerable delays in the supply of plastic and electronic parts from individual suppliers. The shortage of parts had improved significantly by the end of the year due to the intensive efforts on the part of the Company's logistics staff and the new supplier development department, which works with suppliers on the ground to improve processes.

The earthquake and tsunami in Japan in spring 2011 did not lead to any major supply problems for the KION Group because it obtains just a small volume of goods directly from there. Only the supply of internal combustion engines was interrupted for a few weeks in May and June 2011. However, the Japanese suppliers had caught up with the delivery backlog by July.

Prices had been rising quickly from the second quarter of 2010 onwards as a result of the aforementioned increase in demand in the supplier markets. This trend continued into the first six months of 2011, but the second half of the year saw a much calmer price situation in the commodity markets.

As far as its sales are concerned, the KION Group is exposed to stiffer competition and therefore downward pressure on prices as a result of increasing globalisation and greater market transparency. Nevertheless, the KION Group was again able to maintain appropriate pricing for its customers in a competitive environment in 2011. At the same time, it is also optimising its cost structures and business processes. For example, the KION Group continued to systematically implement its KIARA performance enhancement programme, thereby significantly lowering its costs. The successful programme finished at the end of 2011. The brand companies in the KION Group are also steadily improving their services. Key factors for success here are the expansion of the distribution network, better logistics processes for spare parts and 24/7 availability of the service team.

The Baoli brand enables the KION Group to supply customers in low-price market segments who were previously difficult to reach. Baoli also provides the KION Group with a line of trucks with which to meet demand for basic products, particularly in developing markets. In addition, the KION Group has strengthened its position in the Indian market by establishing Voltas Material Handling.

12.3.5 Production risks

The KION Group's closely integrated manufacturing network presents a potential risk to its ability to deliver goods on time in the event of operational disruptions or lengthy periods of production downtime at individual sites. To mitigate these risks, the KION Group carries out preventive maintenance, implements fire protection measures, trains its staff and builds a pool of external suppliers.

The Company has taken out a commercially appropriate level of insurance cover against loss. 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.

12.3.6 Financial risks

The main types of financial risk managed by Group Treasury, including risks from funding instruments, are liquidity, exchange-rate, interest-rate and counterparty risk. Credit risk consists solely of counterparty risks attaching to financial institutions. Risk management procedures issued by Group Treasury stipulate how to deal with the aforementioned risks. In contrast, the individual Group companies directly manage counterparty risks involving customers.

The restructuring of the existing acquisition finance during 2009 continued to provide the Group with the flexibility needed to meet the requirements of the lending covenants. Accordingly, the KION Group has secured acquisition finance in the form of committed credit lines. The individual tranches have varying maturities, the longest bank liability extending until the end of 2016. Apart from that, €483 million of the original acquisition financing have already been repaid through the corporate bond of €500 million with maturity in 2018. The revolving credit facility has the shortest maturity expiring end of 2013 (cf. table credit terms on page 50, section 5.2 Financial position). The Company expects that it will be able to agree an extension with the banks before this date or that alternative refinancing schemes can be implemented. Further measures to ensure long-term financing are actively and continuously pursued by the company. As contractually agreed, the capex facility was reduced by approximately €54 million over the course of 2011.

The Company generally refers to credit ratings to manage counterparty risk when depositing funds with a financial institution. Deposits are also restricted to the limits covered by the deposit protection fund run by the Federal Association of German Banks. On 7 November 2011, the KION Group drew down €133 million from the revolving credit facility. Although sufficient liquidity was available for operational business, capital expenditure and debt servicing, a stronger cash position is considered sensible in view of the current volatility of the financial markets. The KION Group also established a further diverse group of creditors that is independent of the banks by issuing a corporate bond of €500 million in April 2011.

The KION Group only uses derivatives to hedge underlying operational transactions; they are not used for speculative purposes. Records are kept of the type of financial instruments used, the limits governing their use and the group of banks acting as counterparties. Group Treasury 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. Group Treasury checks the liquidity planning and uses it to determine the funding requirements of each company. Normally, at least 50 per cent of the exchange-rate risk related to the planned operating cash flows based on liquidity planning is hedged by currency forwards in accordance with the relevant guideline.

The KION Group uses interest-rate and currency-related derivatives – primarily interest-rate swaps and currency swaps, but also interest-rate and currency options – to hedge the interest-rate and currency risks arising in connection with the acquisition finance. Approximately 50 per cent of the currency risk arising from the US dollar tranche is hedged by currency forwards with an average €-US$ exchange rate of around 1.38. These derivative contracts expire in November 2012. When the currency hedges expire, there may be a material outflow of funds, depending on the US dollar exchange rate. At the end of 2011, around 60 per cent of the interest-rate risk was hedged by interest-rate swaps or was subject to a fixed rate of interest. The need to add new hedging instruments or replace ones that expire is reviewed on an ongoing basis.

The funds raised for acquisitions also give rise to risks for the KION Group in terms of compliance with certain financial covenants specified in the loan agreement. This risk continues to apply in view of the current uncertain economic and financial market environment. However, the Company is mitigating it by continuing steadfastly with steps to boost efficiency and by ensuring sufficient flexibility when defining new lending agreements. The KION Group complied with all the lending covenants in the reporting year.

12.3.7 Accounting risks arising from goodwill and the brands

In 2011, goodwill and the brands represented 35 per cent of total assets (2010: 36 per cent). Pursuant to IFRS, these assets are not amortised and their measurement depends, above all, on future expectations. If these future expectations are not fulfilled, there is a risk that impairment losses will have to be recognised on these assets.

12.3.8 Risks from financial services

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 further changes in its lines of credit or any excessive increases in margins.

The KION Group's leasing activities mean that it 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-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecast.

KION regularly assesses its overall risk position arising from financial services. The risks identified are immediately taken into account by the Company in the costing of new leases by recognising writedowns or valuation allowances and adjusting the residual values.

Risk-mitigating factors are the development and refinement of the KION Group's international used-truck marketing, the ongoing expansion of used-truck marketing to end customers, and the increase in demand accompanied by the optimisation of its profitability, which all stabilise the residual values of its industrial trucks. The majority of the residual values have underlying remarketing agreements that transfer any residual-value risk to the leasing company. This had a positive impact on the 2011 financial results. Group-wide standards to ensure that residual values are calculated conservatively, 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 by ensuring that most of its transactions and funding loans have matching maturities. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks ensure that the Group has sufficient liquidity. Moreover, the KION Group offers the majority of financial services via selected financing partners that bear the risks of the finance transaction.

In order to exclude exchange-rate risk, KION generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the KION Group. The Group has not identified any material changes between 2010 and 2011. KION also mitigates any losses from defaults by its receipt of the proceeds from the sale of repossessed trucks. It also primarily offers financial services indirectly via selected financing partners, and KION bears the counterparty risk in under 5 per cent of cases. The credit risk management system was updated during 2011 in preparation for the planned transfer of financial services activities to a separate segment. In particular, this involved revising the regulations concerning the process organisation as well as processes for risk management and control.

12.3.9 Human resources

For KION to secure its long-term success, it is vital that managerial staff and young professionals of sufficient quality and quantity to meet its future challenges are retained within the Company for a long period, particularly in key functions.

One of the critical challenges is to identify and develop young professionals with high potential who already work for the Company and to retain them over the long term, thereby enabling succession planning for key roles across the Group. The KION Group must also position itself in the external market as an employer of choice so that it can identify and recruit suitable talented candidates. This will enable it to make strategic additions to its portfolio of existing staff and, in this way, avert the risk of possibly losing expertise and thereby becoming less competitive.

In the year under review, the KION Group introduced plans to consolidate its European production facilities. These may have a negative impact on the Company's business and thus its financial position and financial performance if they lead to strikes or reactions of other kinds by the workforce, employee representatives or third parties. The planned consolidation will see the current production of warehouse technology at the site in Montataire (France) transferred to Luzzara (Italy), while the manufacture of STILL and OM counterbalance trucks will move from Bari (Italy) to the production site in Hamburg.

These plans are aimed at increasing capacity utilisation and improving flexibility in order to permanently safeguard the future of the European production sites. Even after these plans have been implemented, the KION Group will continue to have by far the highest number of European production facilities within the industry, with factories in all major markets in which demand is high. In 2011, the KION Group initiated the procedures necessary for such restructuring projects in conjunction with the employee representatives in France and Italy. The Company aims to implement the planned measures smoothly and in a socially compatible way as quickly as possible and in accordance with legal requirements.

12.3.10 IT

In order to process and manage its business transactions, the Group needs a reliable IT system landscape that is expandable and flexible enough to be adjusted in line with the requirements of the market. Complexity must be reduced so that differentiation is restricted only to those functions where it is absolutely required. This allows the KION Group to share existing expertise between the brands (on the basis of best practice) and strengthen its competitive position.

The rationalisation of the current brand-specific systems is being driven forward under the auspices of the 'KION ONE' project, which has three modules: 'KION ONE Factory', 'KION ONE Sales & Service' and 'KION ONE Infrastructure Consolidation'. Internal and external specialists with the necessary skills are implementing these action plans without impairing the day-to-day running of the business.

For this project, the KION Group is using its internal IT service provider KION Information Management Services (KIM), which was established in 2007 as a private limited company in Germany (GmbH). KIM pools internal IT resources and makes them available throughout the Group. The Group remains able to monitor risk via the Group-wide portfolio management and project planning & control system. Independent external audits are conducted to provide additional quality assurance.

Various technical and organisational measures protect the Company's data against unauthorised access, misuse and loss. The technical protection measures include virus scanners, firewall systems and access controls. Access to the Group's infrastructure is also validated and recorded.

12.3.11 Legal risks

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector.

The Company is a party in a number of pending lawsuits in various countries. It cannot assume with any degree of certainty that it 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 Company 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. The KION Group 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 centralised 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. These issues are also tackled by teams whose members come from a variety of functions. The aim of the teams is to identify and minimise risks, for example the 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.

12.3.12 External risks

External risks arise as a result of constant changes in the Company's political, legal and social environment. Because it operates in countries in which the political or legal situation is uncertain, the KION Group is exposed to the consequent risk of government regulation, capital controls and expropriations. Although fairly unlikely, natural disasters and terrorist attacks constitute a further risk to the KION Group's financial position and financial performance.

12.4 Overall risk

In 2011, the KION Group continuously analysed the risks arising, in particular, from the financial crisis and the performance of the real economy in addition to its normal quarterly risk reporting. Particular attention was paid to the potential impact of financial instability in some economies and financial institutions in the context of the sovereign debt crisis. As far as possible, risk prevention measures were initiated at an early stage where risks were identified – for example by using the revolving credit facility. Despite market growth in 2011, the situation in the global markets remains challenging due, in particular, to the uncertainties in the euro zone but also the possible slowdown in growth in the United States. As things stand at present, there are no indications of any risks that could jeopardise the Company's continuation as a going concern.

13. Events after the balance sheet date

No events of any importance occurred after the balance sheet date.

14. Outlook

The forward-looking statements and information given below are based on the Company's current expectations and assessments. Consequently, they involve a number of risks and uncertainties. Many factors, several of which are beyond the control of the KION Group, affect the Group's business activities and profitability. Any unexpected developments in the global economy would result in the KION Group's performance and profits differing significantly from those forecast below. 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.

14.1 Outlook for the global economy

The economic recovery lost momentum at the end of 2011. As a result, the robustness of the global economy will be closely scrutinised in 2012 and the risk of a downturn appears heightened in many countries. The prevailing uncertainty about what will happen is reflected above all in the variance between current economic forecasts. Two main trends can be observed: firstly the astonishingly strong data for the real economy in many countries and, secondly, significant political and economic imponderables. These relate primarily to the outcome of the euro crisis, further developments in the financial sector, unstable financial policy in the USA and the slackening pace of economic activity in the world's growth regions.

The economic risks are mirrored by the lower growth forecasts published in recent months and by the volatility of the financial markets. It is still not known how effective the additional consolidation measures taken by many industrialised countries will prove to be. Overall, there are signs that domestic demand will weaken in the advanced economies. The economic slowdown that has become apparent in recent months in the emerging markets, combined with declining momentum in the export sector, also point to a cooling off of the global economy. Commodity prices are also exhibiting a downward trend in line with general economic uncertainties and the falling level of global trade. Whereas prices for utilities that are not dependent on oil seem to be decreasing further, expectations regarding oil prices are less favourable due to the geopolitical situation.

On the basis of the aforementioned challenges and provided that no other uncertainties hold back the economy, the general assumption is that the global economy will grow at a slower pace in 2012 than it did last year. As long as economic conditions stabilise soon, experts anticipate that the European economy will stagnate this year, with France, Germany and the United Kingdom likely to have the better economic prospects among the western Europe countries. Based on the same assumptions, as well as recent developments, the outlook is more positive for the USA than for other large industrialised countries as US growth is forecast to stay at the same level. Demand in the emerging markets is likely to continue to normalise within a cyclical pattern, but at a high level, and will help bring relative stability to the world economy. In 2013, the economy is expected to pick up again.

14.2 Market outlook

The market for industrial trucks is closely correlated with macroeconomic conditions. The statements below should therefore be read in the context of the conditions described above. If the performance of the global economy is adversely impacted by unforeseen exogenous factors, the consequences will also affect the industrial trucks market. From the current perspective, it is not possible to determine the extent, the timing or the likelihood of these exogenous factors.

Based on the assumption that the global economy will cool off in 2012 and in view of the high market volume in 2011, growth prospects for industrial trucks will be lower this year in all regions. On the one hand, the market situation looks likely to adapt to the economic cycle while, on the other, investing activities are expected to be more subdued in a macroeconomic context. The KION Group therefore anticipates moderate growth of around 2 per cent in the global market for industrial trucks in 2012. As far as 2013 is concerned, the KION Group expects the sector's prospects to improve in line with economic forecasts.

The KION Group predicts that truck capacity utilisation and usage in 2012 will remain roughly the same in the western European market, although the situation will vary between the individual countries. In eastern Europe, the markets are expected to recover further and will therefore significantly stronger growth than western Europe. The US market points to continued stabilisation with moderate growth. The KION Group expects growth in the emerging markets to continue to normalise but to remain far higher overall than in the advanced markets.

14.3 Outlook for the KION Group

In 2012, the KION Group is likely to benefit from the further cost-structure improvements already begun as well as from last year's capital expenditure on developing new and additional products and on expanding the sales and service network – as long as market conditions remain broadly stable. Provided that they do, the planned restructuring of the production sites is expected to bring significant, lasting improvements to capacity utilisation at the Luzzara and Hamburg plants, thereby boosting the necessary long-term competitiveness of the Group as a whole.

Further improvement of margins

The KION Group began 2012 with a large order backlog and is currently cautiously optimistic that it will again generate a slight year-on-year increase in revenue. This assumes that no external events have a direct negative impact on either the global industrial truck markets or the Company. Moreover, demand for the Company's products must remain at the same high level as in 2011. In these circumstances, growth would be driven by all segments and business activities. Along with rigorous management of fixed costs, the improvements initiated – especially those designed to improve capacity utilisation at the production sites – would lead to a further increase in profitability from 2013. The brand companies in the KION Group responded to the increase in staff costs and commodity prices by raising their gross list prices in December 2011 and early 2012. Against this background, the KION Group believes another slight rise in its adjusted EBIT margin is possible. This positive trend would also be reflected in net income, although this figure will be affected by non-recurring items in 2012. These will mainly be related to expenses for consolidating the production of warehouse equipment and counterbalance trucks of the STILL brand at one European site. The KION Group therefore expects to achieve a significantly better financial performance this year, although falling just short of breaking even.

Provided that the global economy maintains its positive trajectory, the KION Group believes further slight growth in its revenue and margin and a continued gradual improvement in net income are possible for 2013.

Wiesbaden, 15 March 2012

Gordon Riske Klaus Hofer Harald Pinger

KION HOLDING 1 GmbH
Wiesbaden

Consolidated
Financial Statements
31 December 2011

KION Holding 1 GmbH

Consolidated statement of comprehensive income for the year ended 31 December 2011

Consolidated income statement

€ thousand	Note	2011	2010
Revenue	[8]	4,368,395	3,534,474
Cost of sales		-3,256,378	-2,684,353
Gross profit		**1,112,017**	**850,121**
Selling expenses		-520,547	-483,639
Research and development costs		-119,526	-103,255
Administrative expenses		-283,322	-247,526
Other income	[9]	81,503	59,585
Other expenses	[10]	-70,043	-45,879
Profit from equity investments	[11]	11,192	3,569
Other financial result		1,886	1,660
Earnings before interest and taxes		**213,160**	**34,636**
Financial income	[12]	73,664	88,349
Financial expense	[13]	-345,709	-354,405
Earnings before taxes		**-58,885**	**-231,420**
Income taxes	[14]	**-34,041**	**34,722**
Current taxes		-49,349	-14,997
Deferred taxes		15,308	49,719
Net loss		**-92,926**	**-196,698**
Attributable to shareholders of KION Holding 1 GmbH		-95,093	-198,655
Attributable to non-controlling interests		2,167	1,957

Consolidated statement of comprehensive income

€ thousand	2011	2010
Net loss	**-92,926**	**-196,698**
Impact of exchange differences	6,476	37,260
thereof changes in unrealised gains and losses	6,476	37,260
thereof realised gains and losses	0	0
Gains/losses on employee benefits	8,394	-28,658
thereof changes in unrealised gains and losses	13,995	-39,462
thereof tax effect	-5,601	10,804
Gains/losses on cash flow hedges	-8,149	10,022
thereof changes in unrealised gains and losses	7,071	52,818
thereof realised gains and losses	-18,452	-37,897
thereof tax effect	3,232	-5,369
Gains/losses from equity investments	532	-125
thereof changes in unrealised gains and losses	532	-125
Other comprehensive income (loss)	**7,253**	**18,499**
Total comprehensive income (loss)	**-85,673**	**-178,199**
Comprehensive loss		
Attributable to shareholders of KION Holding 1 GmbH	-87,840	-180,155
Attributable to non-controlling interests	2,167	1,956

KION Holding 1 GmbH

Consolidated statement of financial position at 31 December 2011

ASSETS

€ thousand	Note	2011	2010
Goodwill	[16]	1,537,996	1,507,010
Other intangible assets	[16]	977,555	986,410
Leased assets	[17]	539,731	501,164
Other property, plant and equipment	[18]	538,121	566,492
Equity investments	[19]	36,545	37,841
Lease receivables	[20]	242,840	246,808
Other non-current financial assets	[21]	25,732	17,474
Deferred taxes	[14]	261,963	241,772
Non-current assets		**4,160,483**	**4,104,971**
Inventories	[22]	625,369	535,529
Trade receivables	[23]	676,553	633,265
Lease receivables	[20]	118,381	120,950
Current income tax receivables	[14]	4,953	4,550
Other current financial assets	[21]	107,096	106,790
Cash and cash equivalents	[24]	373,451	252,884
Current assets		**1,905,803**	**1,653,968**
Total assets		**6,066,286**	**5,758,939**

EQUITY AND LIABILITIES

€ thousand	Notes No.	2011	2010
Subscribed capital		500	500
Capital reserve		348,483	348,483
Retained earnings		-806,429	-711,504
Accumulated other comprehensive income (loss)		-37,218	-44,471
Non-controlling interests		7,077	7,070
Equity	[25]	**-487,587**	**-399,922**
Shareholder loan	[27]	643,132	615,250
Retirement benefit obligation	[26]	382,914	374,063
Non-current financial liabilities	[27]	2,777,354	2,772,417
Lease liabilities	[28]	471,131	411,097
Other non-current provisions	[29]	96,168	164,299
Other non-current financial liabilities	[30]	132,719	127,870
Deferred taxes	[14]	339,054	334,930
Non-current liabilities		**4,842,472**	**4,799,926**
Current financial liabilities	[27]	227,376	106,470
Trade payables		634,092	508,108
Lease liabilities	[28]	230,381	250,552
Current income tax liabilities	[14]	15,439	6,661
Other current provisions	[29]	183,678	95,902
Other current financial liabilities	[30]	420,435	391,242
Current liabilities		**1,711,401**	**1,358,935**
Total equity and liabilities		**6,066,286**	**5,758,939**

Consolidated statement of cash flows

€ thousand	2011	2010
Net loss	-92,926	-196,698
+ income taxes	34,041	-34,722
+ net financial income/expenses	272,045	266,056
= Earnings before interest and taxes	**213,160**	**34,636**
Depreciation/Impairment of non-current assets (excl. leased assets)	186,569	169,013
Depreciation/Impairment of leased assets	169,452	176,558
Other non-cash income and expenses	9,943	12,295
Gain (-) / loss (+) on disposal of non-current assets	6,428	4,987
Change in leased assets	-208,691	-129,572
Change in lease receivables and lease liabilities	26,056	-57,440
Change in inventories	-75,242	-45,685
Change in trade receivables	-36,829	-103,890
Change in trade payables	114,886	145,491
Cash payments for defined benefit obligations	-21,038	-29,420
Change in other provisions	13,989	-14,994
Change in other operating assets	334	7,195
Change in other operating liabilities	30,346	43,072
Taxes paid	-42,553	-12,957
= Cash flow from operating activities	**386,810**	**199,289**
Cash receipts from disposal of non-current assets	3,408	4,177
Cash payments for purchase of non-current assets	-133,005	-123,462
Deposits from other loan claims	2,879	-1,799
Dividends received	6,599	2,854
Interest income received	3,397	3,623
Acquisitions of subsidiaries, net of cash acquired	-32,916	-7,638
Cash receipts (+) / cash payments (-) for sundry assets	-2,942	-1,003
= Cash flow from investing activities	**-152,580**	**-123,248**
Dividends paid to non-controlling interests	-2,209	-2,143
Cash paid for increased ownership interests (after control)	-1,461	-9,535
Cash receipts from decreased ownership interests (after control)	82	0
Proceeds from borrowings	632,691	56,742
Loan financing costs paid	-24,579	-5,978
Repayment of borrowings	-537,018	-152,447
Repayment of other capital borrowings	-21,052	-42,133
Cash payments for forward foreign exchange hedging contracts	-13,714	0
Interest paid	-147,455	-134,716
= Cash flow from financing activities	**-114,715**	**-290,210**
Effect of foreign exchange rate changes on cash and cash equivalents	1,052	3,645
= Change in cash and cash equivalents	**120,567**	**-210,524**
Cash and cash equivalents at the beginning of the year	252,884	463,408
Cash and cash equivalents at the end of the year	373,451	252,884

Consolidated statement of changes in equity

€ thousand

	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income (loss)				Total equity attributable to shareholders	Non-controlling interests	Total
				Cumulative translation adjustment	Gains/losses on defined benefit obligation	Gains/losses on Cash Flow Hedges	Gains/losses from equity investments			
Balance as at 1/1/2010	**500**	**348,483**	**-516,199**	**-79,286**	**41,156**	**-24,841**	**0**	**-230,187**	**17,144**	**-213,043**
Net loss			-198,655					-198,655	1,957	-196,698
Other comprehensive income (loss)	–	–	–	37,261	-28,658	10,022	-125	18,500	-1	18,499
Comprehensive loss			-198,655	37,261	-28,658	10,022	-125	-180,155	1,956	-178,199
Dividends									-2,143	-2,143
Effects on the acquisition of non-controlling interests			-1,496					-1,496	-10,419	-11,915
Other Changes			4,846					4,846	532	5,378
Balance as at 31/12/2010	**500**	**348,483**	**-711,504**	**-42,025**	**12,498**	**-14,819**	**-125**	**-406,992**	**7,070**	**-399,922**
Balance as at 1/1/2011	**500**	**348,483**	**-711,504**	**-42,025**	**12,498**	**-14,819**	**-125**	**-406,992**	**7,070**	**-399,922**
Net loss			-95,093					-95,093	2,167	-92,926
Other comprehensive income (loss)	–	–	–	6,476	8,394	-8,149	532	7,253	–	7,253
Comprehensive loss			-95,093	6,476	8,394	-8,149	532	-87,840	2,167	-85,673
Dividends									-2,209	-2,209
Other changes			168					168	49	217
Balance as at 31/12/2011	**500**	**348,483**	**-806,429**	**-35,549**	**20,892**	**-22,968**	**407**	**-494,664**	**7,077**	**-487,587**

Notes to the consolidated financial statements of KION Holding 1 GmbH for the year ended 31 December 2011

Basis of presentation

[1] General information on the Company

KION Holding 1 GmbH, whose registered office is at Abraham-Lincoln-Strasse 21, 65189 Wiesbaden, is the parent company of the KION Group in Germany. KION Holding 1 GmbH was formed with articles of association dated 24 October 2006, and entered in the commercial register at the Wiesbaden Local Court under reference HRB 22785 on 21 February 2007. The parent company of KION Holding 1 GmbH is Superlift Holding S.à r.l., Luxembourg.

The KION Group is a leading global supplier of industrial trucks (forklift trucks and warehouse trucks). It generated revenue of €4,368,395 thousand in the 2011 financial year from its Linde, Fenwick, STILL, OM, Baoli and Voltas brands (2010: €3,534,474 thousand).

The consolidated financial statements and the group management report were prepared by the Executive Board of KION Holding 1 GmbH on 15 March 2012.

[2] Basis of preparation

The consolidated financial statements of the KION Group for the financial year ended 31 December 2011 have been prepared in accordance with section 315a of the German Commercial Code (HGB) which requires the application of 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 IFRICs that were issued by the reporting date and that were required to be applied in the 2011 financial year have been applied in preparing the consolidated financial statements.

Financial reporting standards to be adopted for the first time in the financial year under review:

The following financial reporting standards and interpretations were adopted for the first time in 2011:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendments relating to the limited exemption from comparative IFRS 7 disclosures
- Revised version of IAS 24 'Related Party Disclosures'
- Amendments to IAS 32 'Financial Instruments: Presentation', classification of rights issues (rights, options and warrants)
- Amendments to IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', prepayment of minimum funding requirements
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to IFRSs in 2010

The first-time adoption of these standards and interpretations had no significant effect on the presentation of the financial position and financial performance of the KION Group.

Financial reporting standards released but not yet adopted

In its consolidated financial statements for the year ended 31 December 2011 the KION Group has not applied the following standards and interpretations, which have been issued by the IASB but are not yet required to be adopted in 2011:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', amendments relating to fixed transition dates and severe hyperinflation
- Amendments to IFRS 7 'Financial Instruments: Disclosures', disclosures relating to transfers of financial assets
- Amendments to IFRS 7 'Financial Instruments: Disclosures', offsetting of financial assets and financial liabilities
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- Amendments to IAS 1 'Presentation of Financial Statements', amendments relating to the presentation of items of other comprehensive income
- Amendments to IAS 12 'Income Taxes', limited amendment to IAS 12 relating to the recovery of underlying assets
- Amendments to IAS 19 'Employee Benefits', elimination of the use of the 'corridor' approach and amendments relating to the presentation of items of pension expense
- IAS 27R 'Separate Financial Statements'
- IAS 28R 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 'Financial Instruments: Presentation', offsetting of financial assets and financial liabilities
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'

These standards and interpretations will only be applied by the companies included in the KION Group from the date at which they must be adopted for the first time. Their effects on the financial position and financial performance of the KION Group are expected to be insignificant.

The various amendments issued in May 2011 as part of the annual improvement project mainly relate to terminology and editorial aspects. They are not expected to have any significant effect on the presentation of the financial position and financial performance.

In order to improve the clarity of presentation, certain items are aggregated on the face of the statement of financial position and income statement. The items concerned are disclosed and explained separately in the notes. In accordance with IAS 1.60, assets and liabilities are classified into current and non-current items. The consolidated income statement is prepared in accordance with the cost of sales (function-of-expense) method.

The reporting currency is the euro. All amounts are disclosed in thousands of euros (€ thousand) unless stated otherwise. The addition of the totals presented may result in rounding differences of +/- €1 thousand. The separate financial statements included in the consolidation were prepared on the same reporting date as the annual financial statements of KION Holding 1 GmbH.

[3] Principles of consolidation

Acquisitions are accounted for using the acquisition method. In accordance with IFRS 3R, the identifiable assets acquired and the liabilities assumed on the acquisition date are recognised 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 recognised as goodwill is calculated as the amount by which the sum of the consideration transferred, 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 group's interest in the acquiree's net assets. If the cost of acquisition is lower than the fair value of the acquiree's net assets, the difference is recognised in income.

For each acquisition, the group decides on a case-by-case basis whether the non-controlling interest in the acquiree is recognised at fair value or as a proportion of the net assets of the acquiree. The option to recognise non-controlling interests at fair value is not currently exercised. Consequently, non-controlling interests are recognised at the proportionate share of the fair value of the net assets attributable to them excluding goodwill.

For acquisitions achieved in stages, previously held equity interests are recognised at their fair value on the date they were acquired. The difference between their carrying amount and fair value is recognised in the consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Transaction costs are immediately recognised in the income statement. 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 classification, changes in their fair value are reflected in subsequent measurements.

The consolidated financial statements include all of the parent company's subsidiaries. Intragroup balances, transactions, income and expenses, and gains and losses on intercompany transactions are eliminated in full. Deferred taxes are recognised on temporary differences resulting from consolidation entries.

Transactions with non-controlling interests are treated as transactions with the Group's equity providers. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognised in other comprehensive income. Gains and losses arising from the sale of non-controlling interests are also recognised in other comprehensive income, provided there is no change in control.

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

[4] Basis of consolidation

KION Holding 1 GmbH's equity investments include subsidiaries, joint ventures, associates and financial investments.

In addition to KION Holding 1 GmbH, the consolidated financial statements of the KION Group include all material subsidiaries in which KION Holding 1 GmbH holds a majority of the voting rights, either directly or indirectly, or in which it exercises control i.e. has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiaries acquired in the course of the financial year are consolidated from the date at which control is transferred, i.e. the date from which it is possible to determine their financial and operating policies such that benefit is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

A joint venture is an equity interest in which the entity is jointly managed by companies in the KION Group and one or more partners. Joint control differs from significant influence insofar as it is governed by a contractual agreement.

Associates are entities in which companies in the KION Group are able to exercise significant influence, either directly or indirectly, over the financial and operating policies of the entity concerned. Significant influence is assumed when KION Holding 1 GmbH holds between 20 per cent and 50 per cent of the voting rights.

All other equity interests over which KION Holding 1 GmbH is unable to exercise control or significant influence, or that are not jointly controlled by KION Holding 1 GmbH are classified as financial investments and are not consolidated.

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

Shareholdings by categories

	1/1/2011	Addtions	Disposals	31/12/2011
Full consolidated subsidiaries	**88**	**6**	**1**	**93**
Domestic	16	1	–	17
Foreign	72	5	1	76
Equity investments in Joint Ventures and Associates	**12**	**–**	**1**	**11**
Domestic	7	–	–	7
Foreign	5	–	1	4
Subsidiaries and financial investments recorded at cost	**68**	**12**	**10**	**70**
Domestic	15	2	1	16
Foreign	53	10	9	54

A total of 17 German and 76 foreign subsidiaries were fully consolidated in addition to KION Holding 1 GmbH as at 31 December 2011. KION Finance S.A., Luxembourg, has been included in the KION Group's consolidated financial statements for the first time since April 2011 as required by IAS 27 in conjunction with SIC-12 ('Consolidation - special-purpose entities'). In addition, Eisenwerk Weilbach GmbH, Wiesbaden, Germany, has been included in the consolidation for the first time since December 2011 because it had become more financially significant.

IBERCARRETILLAS, S.A., El Prat de Llobregat, Spain, was deconsolidated in April 2011 when it merged with STILL, S.A., Barcelona, Spain.

Eleven joint ventures and associates were accounted for under the equity method as at 31 December 2011 (31 December 2010: twelve). In each case, valuation was based on the lastest available annual financial statements.

70 (2010: 68) subsidiaries with minimal business volume or no business operations were not included in the consolidation. The unconsolidated subsidiaries and the associates not accounted for using the equity method are not material to the financial position and financial performance of the KION Group, both individually and in the aggregate.

Due to certain circumstances, the following fully consolidated companies are exempt from the requirement to prepare annual financial statements and management reports in accordance with sections 264 (3) and 264b HGB on account of their inclusion in the consolidated financial statements:

German entities exempted from disclosure requirements

Entities exempted	Head office
KION Holding 2 GmbH	Wiesbaden
Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan
Schrader Industriefahrzeuge GmbH & Co. KG	Essen
LMH Immobilien GmbH & Co. KG	Aschaffenburg
LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg

A detailed overview of all the direct and indirect shareholdings of KION Holding 1 GmbH is presented in the list of shareholdings in the annex to these notes.

[5] Acquisitions

Voltas Material Handling Private Limited

In April 2011, the KION Group and Voltas Limited, Mumbai, India, together established a company to develop, manufacture, sell and service forklift trucks and warehouse trucks. This company, which trades under the name of Voltas Material Handling Private Limited, Mumbai, India ('VMH'), acquired the forklift truck and warehouse technology business of Voltas Limited on 1 May 2011. KION Holding 1 GmbH indirectly holds 66 per cent of the share capital and voting rights in VMH via Linde Material Handling Asia Pacific Pte. Ltd., Singapore.

As a KION Group brand that manufactures in India, Voltas will focus most of its efforts on this market. Its product range includes warehouse trucks, diesel trucks and electric forklift trucks with load capacities of between 1.5 tonnes and 16 tonnes. VMH has a network of 25 branches and authorised dealers throughout India. Since becoming part of the KION Group, VMH has in eight months generated revenue of €22,027 thousand and earned net income of roughly €19 thousand. It is not possible to calculate the revenue and net income that would have been earned if VMH had been acquired at the beginning of the reporting period because no reliable IFRS figures are available for the period prior to April 2011.

A total of 131 Voltas Limited employees were taken on.

The incidental acquisition costs incurred by this business combination amounted to €780 thousand and have been recognised as an expense for the current period and reported as administrative expenses on the face of the consolidated income statement.

Owing to further contractual arrangements, the newly established company has been fully consolidated and, consequently, a liability of €8,920 thousand was recognised at the acquisition date. This estimated fair value also represents the upper limit for the purchase price. This purchase price obligation may decrease consistent with defined key figures. The table below shows the provisional impact of the acquisition of Voltas Limited's forklift truck and warehouse technology business on the consolidated financial statements of KION Holding 1 GmbH.

Impact of the acquisition of VMH on the financial position of the KION Group

€ thousand	Fair value at the acquisition date
Goodwill	14,700
Other intangible assets	5,102
Property, plant and equipment	974
Deferred taxes (net)	2,306
Inventories	4,312
Trade receivables	3,040
Other assets	32
Total assets	**30,465**
Provisions	1,199
Liabilities	4,205
Total liabilities	**5,404**
Total net assets	**25,061**
Consideration transferred	**25,061**
thereof: paid in cash	16,141

The gross amounts of the receivables acquired as part of this transaction, which largely constitute trade receivables, totalled €3,164 thousand. At the acquisition date it was estimated that €70 thousand of these trade receivables was irrecoverable. The goodwill arising from the acquisition of VMH is expected to be tax deductible.

Other acquisitions

The dealer Cailotto Carrelli S.p.A., Verona, Italy (100 per cent of the company's share capital and voting rights) was acquired on 4 April 2011.

In addition, by acquiring 100 per cent of the share capital and voting rights in Sterling Mechanical Handling Ltd., Heswall, United Kingdom, the remaining share capital and voting rights (51 per cent) in the dealer Linde Sterling Ltd., Basingstoke, United Kingdom, were acquired effective 15 June 2011.

The carrying amount of the equity investment in Linde Sterling Ltd. immediately prior to the acquisition date was €3,238 thousand. As a result of the remeasurement of the equity investment (49 per cent) on the date of acquisition, €4,102 thousand was recognised in the income statement and reported as profit from equity investments.

Furthermore, the newly established company OOO ''Linde Material Handling Rus'', Moscow, Russian Federation, acquired the business of the dealer Liftec in Russia on 2 December 2011. The consideration paid included trade receivables in the amount of €5,039 thousand that were offset, a cash payment of €4,903 thousand and contingent consideration with a fair value of €2,879 thousand. This estimated fair value at the acquisition date also represents the upper limit for the purchase price. The contingent consideration may be reduced in line with defined revenue targets for 2012 and 2013 and is payable in 2014 if targets are met.

The incidental acquisition costs incurred by these business combinations total €1,720 thousand and have been recognised as an expense for the current period and reported as administrative expenses in the consolidated income statement.

The table below shows the overall impact of these acquisitions on the consolidated financial statements of KION Holding 1 GmbH based on the provisional figures available at the respective acquisition date.

Impact of the other acquisitions on the financial position of the KION Group

€ thousand	Fair value at the acquisition date
Goodwill	16,710
Other intangible assets	8,556
Property, plant and equipment	15,704
Deferred taxes (net)	290
Inventories	5,967
Trade receivables	8,079
Cash and cash equivalents	23
Other assets	1,702
Total assets	**57,030**
Provisions	1,449
Liabilities	25,360
Deferred taxes (net)	525
Total liabilities	**27,334**
Total net assets	**29,696**
Consideration transferred	**29,696**
thereof: paid in cash	16,798

Revenue increased by €35,720 thousand as a result of the remaining acquisitions. The net loss reported for 2011 contains a loss of approximately €70 thousand for the entities acquired. If these business combinations had been completed by 1 January 2011, this would have had no material impact on either the revenue or the net loss reported by the KION Group.

The purchase price allocations for the acquisitions described above were only provisional as at 31 December 2011 because some details had not yet been fully evaluated. Goodwill represents the strategic, technological and geographical synergies that the KION Group is able to derive from the business combinations. None of the goodwill arising from the other acquisitions is currently tax deductible.

[6] Currency translation

The financial statements in foreign currencies are translated in accordance with the functional currency concept (IAS 21 'The Effects of Changes in Foreign Exchange Rates'). The functional currency is the currency of the primary economic environment in which a company operates. The 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 for the year. With the exception of income and expenses recognised as other comprehensive income (loss), equity is recognised at historical rates. The resulting translation differences are not recorded in income but are recognised in other comprehensive income (loss) until subsidiaries are disposed of.

Transactions of the consolidated companies in foreign currencies 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 are translated at the rate prevailing on the transaction date. Currency translation differences are recorded in income and included in other income/expenses.
The following translation rates were used for currencies that are material to the financial statements:

Major foreign currency rates in €

	Average rate		Closing rate	
	2011	2010	2011	2010
Australian dollar (AUD)	1.3480	1.4440	1.2683	1.3075
Brazilian real (BRL)	2.3273	2.3348	2.4142	2.2203
Chinese yuan (CNY)	9.0018	8.9863	8.1551	8.8173
Pound sterling (GBP)	0.8680	0.8584	0.8343	0.8575
Polish zloty (PLN)	4.1210	3.9941	4.4675	3.9666
Swiss franc (CHF)	1.2327	1.3815	1.2154	1.2496
Czech koruna (CZK)	24.5807	25.2775	25.5990	25.0415
Hungarian forint (HUF)	279.3808	275.3971	315.5400	278.3900
US dollar (USD)	1.3929	1.3275	1.2957	1.3380

[7] Accounting policies

The consolidated financial statements are prepared based on the financial statements of the parent and the consolidated subsidiaries, which are prepared in accordance with uniform KION Group accounting policies.

Revenue recognition

Revenue is the fair value received for the sale of products and services and lease income (excluding VAT) after deduction of trade discounts and rebates. In accordance with IAS 18, revenue is recognised when it is sufficiently probable that a future economic benefit will flow to the company and that benefit can be reliably measured. Additional criteria also apply, depending on each individual transaction, such as:

<u>Sale of goods</u>
With the exception of items classified as 'sale with risk', revenue from the sale of goods is recognised when the KION Group delivers goods to a customer, the goods are accepted by the customer and the flow of benefits to the Group is considered to be probable. If a customer is expected to accept goods but has yet to do so, the corresponding revenue is only recognised when the goods are accepted. Appropriate provisions are recognised for risks relating to the sale of goods. In the case of revenue from agreements classified as 'sale with risk', the revenue is deferred over the term of the agreement if the risks and rewards remain substantially with the KION Group. The term 'sale with risk' is discussed in the following section and under 'Leases' below.

<u>Rendering of services</u>
Revenue from services is recognised in the year in which the services are rendered. For services provided over several periods, revenue is recognised in accordance with the proportion of the total services rendered in each period (stage of completion). Unrealised revenue from long-term service agreements is therefore deferred over the average term of the agreements concerned and recognised in line with progressive cost trends.

Revenue from financial service transactions is recognised in the amount of the sales value of the leased asset if classified as a finance lease and in the amount of the lease payments if classified as an operating lease. As part of the financial services business, industrial trucks are also sold to finance partners who then enter into leases directly with the end customer (sale with risk). If significant risks and rewards remain with the KION Group as a result of an agreed residual value guarantee that accounts for more than 10 per cent of the asset's value or as a result of an agreed default guarantee, the proceeds from the sale are deferred and recognised as revenue on a straight-line basis over the term until the residual value guarantee or the default guarantee expires.

<u>Interest income and royalties</u>
Interest income is recognised proportionately in accordance with the effective interest method. Income from royalties is deferred in accordance with the substance of the relevant agreements and recognised pro rata.

Information on the deferral of lease income is contained in the disclosures on the accounting treatment of leases.

Cost of sales

The cost of sales comprises the cost of goods and services sold and includes directly attributable material and labour costs as well as directly attributable overhead, including depreciation of production equipment and amortisation of certain intangible assets, as well as write-downs of inventories. Cost of sales also includes additions to warranty provisions, which are recognised in the amount of the estimated cost at the date on which the related product is sold.

Government grants

Government grants are recognised at fair value provided that the Group has satisfied the necessary conditions for receiving the grant. Grants not related to capital expenditures are recognised in the income statement, under other income, in the period in which the expense intended to be covered by the grant is incurred. Grants for capital expenditures are deducted from the cost of the asset concerned and result in a corresponding reduction in depreciation over the subsequent periods.

Financial income and expenses

Net financial income mainly consists of interest expense on financial liabilities, interest income from financial receivables, gains and losses on financial instruments recognised through profit or loss, exchange rate gains and losses on financial activities and the interest expense on pension provisions. The expected return on plan assets relating to pension provisions is also included in financial income.

Interest income and expense are recognised in profit and loss in accordance with the effective interest method. The effective interest method is used for calculating the amortised cost of a financial asset or financial liability and the allocation of interest income and interest expense over the relevant periods. The effective interest rate is the interest rate at which the estimated future payments (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) are discounted to the net carrying amount of the financial asset or liability over the expected term of the financial instrument.

Dividends are recognised in income when a resolution on distribution has been passed. They are reported in the income statement under other financial income/expenses.

Goodwill

Goodwill has an indefinite useful life and is not amortised. Instead, it is tested for impairment in accordance with IAS 36 ('Impairment of Assets') at least once a year, and more frequently if there are indications that the asset might be impaired.

Impairment testing is performed at the level of the individual cash-generating units (CGUs) or groups of CGUs. A CGU is defined as the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. CGUs are generally based on the lowest level of an entity at which – for internal management purposes – the management systematically monitors and controls the contribution to earnings made by the assets concerned, including goodwill. However, a CGU may not be larger than an operating segment as defined in IFRS 8 'Operating Segments'. In particular, CGUs are considered to be clearly defined and independent if the entity's management has prepared independent forecasts relevant to decision-making for the individual CGUs.

For the purposes of internal and external reporting, the activities of the KION Group are broken down into the LMH, STILL and Other segments on the basis of their characteristics and risk profile.

The relevant CGUs for the purpose of goodwill impairment testing are the LMH and STILL segments and the VMH CGU, which is assigned to the Other segment, as the structure of the internal reporting and management system, including the decision-relevant forecasts by the KION Group, is based on these CGUs.

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 used in the calculation are the operating cash flows taken from financial forecasts approved by KION's management and also used for internal management purposes. The cash flows forecast for the next five years are included in the calculation for the impairment test in accordance with IAS 36.33 (b). The financial forecasts are based on assumptions relating to the development of the global economy, commodity prices and exchange rates. The budget for 2012, the medium-term planning for 2013 to 2014 and the market forecasts for 2015 to 2016 were used to determine the cash flows. Cash flows beyond the five-year planning horizon were extrapolated for the LMH and STILL CGUs using a growth rate of 1 per cent (2010: 1 per cent). A growth rate of 2 per cent for VMH was used for determining cash flows into perpetuity to reflect forecasted trends for the high-growth market of India.

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 underlying capital structure for the LMH and STILL CGUs is determined by comparing peer group companies in the same sector. The beta factor derived from the peer group was 1.03 (2010: 1.09). Yield curve data from the European Central Bank as at 31 December 2011 was used to determine a risk-free interest rate; this interest rate was 3.40 per cent (2010: 3.45 per cent). The market risk premium taken from empirical studies of the capital markets by the Institute of Public Auditors in Germany (IDW) was set at 5.5 per cent, which was unchanged in 2010 and reflects the increased uncertainty currently to be observed in the capital markets. A country risk premium was not taken into consideration for the LMH and STILL CGUs because the KION Group mainly operates in the European market. The risk-adjusted cost of borrowing before tax was based on an interest rate of 5.3 per cent (2010: 5.5 per cent). A leverage ratio of 25.4 per cent (2010: 32.2 per cent) was calculated based on the capital structure determined for the peer group.

The pre-tax interest rate determined on the basis of these parameters and used to discount the estimated cash flows was 10.5 per cent for LMH and 10.4 per cent for STILL (7.7 per cent after tax for both LMH and STILL). The interest rates determined in 2010 for LMH and STILL were 10.3 per cent before tax and 7.6 per cent after tax. A country-specific discount rate was determined for the VMH CGU of 14.6 per cent before tax and 11.0 per cent after tax.

Goodwill as at 31 December 2011 had been allocated as follows: €971,873 thousand to the LMH CGU (31 December 2010: €954,802 thousand), €552,208 thousand to the STILL CGU (31 December 2010: €552,208 thousand) and €13,915 thousand to the VMH CGU. The impairment test carried out as of 31 December 2011 did not reveal any need to recognise impairment losses for the existing goodwill of the LMH, STILL and VMH CGUs. Sensitivity analysis has enabled us to determine that no impairment losses need to be recognised for goodwill, even if key assumptions vary within realistic limits.

Other intangible assets

Other purchased intangible assets with a finite useful life are carried at cost less all cumulative amortisation and all cumulative 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, which is defined as the higher of its value in use and its fair value net of costs to sell. If the reasons for recognising impairment losses in the past no longer apply, impairment losses not exceeding the amortised cost of the assets are reversed.

Other intangible assets with an indefinite useful life are carried at cost and are mainly capitalised brand names. As of 31 December 2011, the brand names had been allocated as follows: €477,182 thousand to the LMH CGU (31 December 2010: €468,400 thousand) and €115,700 thousand to the STILL CGU (31 December 2010: €115,700 thousand). Brand names are not amortised provided 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 whenever there are indications that the asset might be impaired. The impairment test is performed in the same way as the impairment test for goodwill. Assessments of indefinite useful life are carried out in each year.

The brand name obtained from the acquisition of VMH amounted to €1,497 thousand as of 31 December 2011 and is reported in the Other segment. The VMH brand name has a limited useful life of five years and is therefore not subject to IAS 36.

Development costs are capitalised if the following can be demonstrated:

- the technical feasibility of the intangible asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the extent to which the intangible asset is expected to generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development costs include all costs and overhead directly attributable to the development process. Once they have been initially capitalised, these costs and internally generated intangible assets – particularly internally generated software – are carried at cost less cumulative amortisation and cumulative impairment losses. Internally generated intangible assets are not qualifying assets so finance costs are not capitalised. All non-qualifying research and development costs are expensed as incurred and reported on the income statement under research and development costs together with the amortisation on capitalised development costs.

The following useful lives are applied in determining the carrying amounts of other intangible assets:

Useful life of other intangible assets

	Years
Customer relationships/client base	10
Technology	10
Development costs	5-7
Patents and licences	3-15
Software	3-8

Leases

As part of the financial services business, companies in the KION Group enter into leases as lessors and as lessees. In line with IAS 17, leases are classified as finance leases if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. All other leases are classified as operating leases, again in accordance with IAS 17.

Sales leases

KION Group companies lease equipment, mainly various industrial trucks, to their customers in order to promote sales. The leases may be of a short-term or long-term nature.

For long-term leases, industrial trucks are generally sold to leasing companies. The assets are then either leased back by KION Group companies and sub-leased to customers (described below as 'sale and leaseback sub-leases') or the leasing company itself enters into the lease with the customer (described below as 'sales with risk'). Long-term leases generally have a term of four to five years.

Short-term leases are entered into directly with customers, with economic ownership of the leased assets remaining with the KION Group companies. The assets are reported as leased assets as a separate item on the face of the statement of financial position. Short-term leases usually have a term of one day to one year.

If a KION Group company enters into a finance lease as the lessor, the future lease payments to be paid by the lessee are recognised as lease receivables at an amount equal to the net investment in the lease. Interest income is allocated to each reporting period in order to ensure a constant return on the outstanding net investment in the lease.

If the economic ownership of leased assets remains with a KION Group company as the lessor under an operating lease, the assets are reported as leased assets in a separate item on the face of the statement of financial position. The leased assets are carried at cost and depreciated in accordance with the accounting policies for property, plant and equipment. Lease-related income is recognised on a straight-line basis over the terms of the lease.

If the risks and rewards incidental to sale and leaseback sub-leases are substantially borne by KION Group companies, the corresponding assets are reported as non-current leased assets and are depreciated over the term of the underlying leases. If substantially all of the risks and rewards are transferred to the end customer, a corresponding lease receivable is recognised. Long-term customer leases are funded for terms that match those of the leases; funding items are recognised as lease liabilities.

As part of the financial services provided by the Group, industrial trucks are also sold to finance partners who then enter into leases directly with end customers.

If KION Group entities provide material residual value guarantees or a customer default guarantee, these transactions, which are classified as sale agreements under civil law, are recognised in accordance with the provisions on lessors with operating leases in conjunction with the IFRS principles for revenue recognition ('sale with risk'). Accordingly, the vehicles are recognised as assets in the statement of financial position at their cost on the date of the sale and depreciated to their guaranteed residual value, or zero, over the term of the lease between the finance partner and end customer. If the KION Group provides a residual value guarantee, a lease liability equivalent to the residual value obligation is recognised.

Procurement leases

In addition to entering into leases for sales purposes, KION Group companies also lease buildings, machinery, office furniture and operating equipment for their own use, primarily using operating leases. The corresponding lease payments are recognised in the income statement on a straight-line basis over the term of the lease.

KION Group companies also lease assets for their own use using finance leases. In this case, the lesser of the fair value of the leased asset or the present value of future lease payments is recognised at the inception of the lease under leased assets. A corresponding liability to the lessor is recognised as a lease liability in the statement of financial position.
Leased 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 leased assets are depreciated and the lease liabilities are reversed over the useful life of the leased assets.

The difference between total lease liabilities and the fair value of leased assets represents the finance charge which is recognised in the income statement over the term of the leases at a constant rate of interest on the outstanding balance in each period.
At the end of the lease term, the leased assets are either returned or purchased, or the contract is extended.

Other property, plant and equipment

Property, plant and equipment are carried at cost less straight-line 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 overhead. This includes production-related depreciation and proportionate costs for administration and social insurance / employee benefits.

The cost of property, plant and equipment is reduced by the amount of any government grants received. Expenses for maintenance and repairs are recognised in income to the extent that they are not required to be capitalised. Borrowing costs are capitalised for certain items of property, plant and equipment whose acquisition or production exceeds one year and the definition of a qualifying asset is met. As was the case in the previous year, there were no qualifying assets in 2011.

Depreciation of property, plant and equipment is recognised on a straight-line basis and reported in functional costs. The useful lives and depreciation methods are reviewed annually and adjusted to reflect changes in conditions.

The following 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	10-25
Plant and machinery	6-15
Office furniture and equipment	3-15

If there are certain indications of impairment, property, plant and equipment assets are tested for impairment by comparing the residual carrying amount of the assets with their recoverable amount, which is defined as the higher of value in use and fair value less costs to sell. If the residual carrying amount is greater than the recoverable amount, an impairment loss is recognised for the asset.

The KION Group calculates the recoverable amount primarily on the basis of value in use. In determining value in use, the expected future cash flows are discounted using a risk-adjusted discount rate, taking into account the current and future level of earnings and segment-specific, technological, economic and general trends.

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 recognised in prior years no longer applies, impairment losses not exceeding the amortised cost of the asset concerned are reversed. This does not apply to goodwill.

Equity 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. In subsequent periods, the KION Group's interest in the profit or loss generated after acquisition is recognised in income. Other changes in the equity of associates and joint ventures are recognised in other comprehensive income (loss) 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 made by an associate or joint venture exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognised. 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. When an associate or joint venture is sold, the Group's interest in its goodwill is taken into account in determining the gain or loss on disposal.

If there is evidence that an associate or joint venture may be impaired, the carrying amount of the investment in question is tested for impairment.

Other financial assets

The investments in non-consolidated affiliated companies and (long-term) equity investments that are reported in other non-current financial assets are carried at cost less impairment losses, as observable fair values are not available and reliable results cannot be obtained using other permitted measurement techniques. At present there is no intention to sell these financial instruments. At each reporting date, financial assets or groups of financial assets are tested for impairment. Impairment losses are recognised in income as appropriate.

Primary financial assets are initially recognised and derecognised in the financial statements on their settlement dates.

Under IAS 39 ('Financial Instruments: Recognition and Measurement'), securities allocated to current or non-current financial assets are classified according to those carried at fair value through profit and loss (FAHfT), available for sale (AfS) and held to maturity (HtM).

The KION Group did not designate any securities as carried at fair value through profit and loss (FAHfT) in the reporting year. The FAHfT category therefore only includes financial derivatives that do not form part of a formally documented hedge.

Available-for-sale financial instruments (AfS) are carried at fair value. Equity investments for which no market price is available, are recorded at cost. Unrealised gains and losses, including deferred taxes, are reported in other comprehensive income (loss) until they are realised.

Carrying amounts are tested for impairment on every reporting date and whenever indications of impairment arise. If there is an objective indication of impairment (such as a borrower being in significant financial difficulties), an impairment loss must be recognised directly in the income statement.

If objective facts in favour of reversing impairment losses are present on the reporting date, reversals are recognised in an appropriate amount. Reversals may not exceed the amortised cost that would have been recorded if the impairment loss had not been recognised. In the case of debt instruments, reversals of impairment losses are recognised in the income statement.

Held-to-maturity financial assets are carried at amortised cost less impairment losses in accordance with the effective interest method.

Income taxes

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

Deferred tax assets and liabilities are recognised 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 from the expected utilisation of existing tax loss carryforwards and interest carryforwards in subsequent years and whose utilisation is reasonably certain according to current forecasts. On the basis of this estimate, deferred tax assets were recognised on certain interest carryforwards for the first time in 2010.

Deferred taxes are determined on the basis of the tax rates that will apply or are expected to apply at the realisation date in accordance with the current legal situation in each country concerned. In accordance with the provisions in IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets are offset against deferred tax liabilities to the extent that they have the same maturity and relate to the same taxation authority.

Inventories

Inventories are carried at the lower of cost and net realisable value.

The acquisition costs of raw materials and merchandise are calculated on the basis of an average.

The cost of finished goods and work in progress includes direct costs and an appropriate portion of the material and production overhead 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. Borrowing costs as defined by IAS 23 are not a component of cost as inventories are not qualifying assets as defined by IAS 23.4. The amount recognised is an average value or a value determined in accordance with the FIFO method.

Net realisable value is the selling price that can be realised less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-downs are recognised for inventory risks resulting from duration of storage, impaired recoverability, etc. Write-downs are reversed up to a maximum of cost if the reasons for their recognition no longer apply.

Receivables

In the first period they are recognised, receivables and other assets are carried at fair value including directly attributable transaction costs. In subsequent periods they are measured at amortised cost using the effective interest method. Appropriate valuation allowances are recognised for identifiable individual risks. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

Derivative financial instruments

Derivative financial instruments comprise currency forwards and interest-rate swaps and are used for hedging purposes to mitigate exchange-rate and interest-rate risks.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), all derivative financial instruments are measured at their fair value irrespective of an entity's purpose or intention in entering into the derivative contract. Changes in the fair value of derivative financial instruments in a formally documented hedge are reported in the income statement (for fair value hedges) or in other comprehensive income (loss) (for cash flow hedges).

The KION Group currently only uses cash flow hedges for exchange-rate and interest-rate risks.

In the case of cash flow hedges, derivatives are employed to hedge future cash flow risks from existing underlying transactions or planned transactions. The effective portion of changes in the fair value of derivatives is initially recognised in other comprehensive income (loss), and is subsequently reclassified to the income statement when the revenue from the corresponding underlying transaction is realised. The ineffective portion of the changes in fair value is recognised immediately in net financial income/expenses.

If the criteria for hedge accounting are not satisfied, changes in the fair value of derivative financial instruments are recognised in the income statement.

In the case of hedges of net investments in foreign subsidiaries, the translation risks resulting from investments with a different functional currency are hedged. Unrealised gains and losses on hedging instruments are reported in other comprehensive income (loss) until the company is sold. In the past financial year, KION Group companies have not entered into any hedges for net investments in foreign subsidiaries.

Further information on risk management and accounting for derivative financial instruments can be found under note [33].

Retirement benefit obligation

The retirement benefit obligation is calculated in accordance with the projected unit credit method. Future pension obligations are measured on the basis of the pro rata vested benefit entitlements as at the reporting date and discounted to their present value. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases and biometric factors affecting the amount of future benefits. Pension provisions are reduced by the fair value of the plan assets used to cover the Group's benefit obligations. Plan assets are measured at fair value.

Actuarial gains and losses, including deferred taxes, are recognised in other comprehensive income (loss). The cost of additions to pension provisions is allocated to functional costs. The interest cost on pension obligations and the expected return on plan assets are reported in net financial income/expenses. Further details can be found in note [26].

Other provisions

Other provisions are recognised when the Group has a legal or constructive obligation to a third party as the result of a past event that is probable to lead to a future outflow of resources and that can be reliably estimated. A provision is recognised in the amount of the mean of the range of probabilities. Measurement includes indirect and direct costs.
Provisions for identifiable risks and contingent liabilities are recognised in the amount that represents the best estimate of the cost required to settle the obligations existing on the reporting date. Recourse claims are not taken into account. The settlement amount also includes estimated future cost increases as of 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 rate that reflects current market expectations for the time value of money and the specific risks inherent in the liability. Accrued interest is recognised in interest expense.

Warranty provisions are recognised on the basis of past or estimated future claim statistics. Individual provisions are recognised for claims that are known to the Group. The corresponding expense is recognised in cost of sales at the date on which the revenue is recognised.

Provisions for expected losses from onerous contracts and other business obligations are measured on the basis of the work yet to be performed.

A restructuring provision is recognised when a KION Group company has prepared a detailed, formal restructuring plan and this plan has raised a valid expectation in those affected that the company 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 company concerned.

Shareholder loan, financial liabilities, other financial liabilities, trade payables

These liabilities are initially recognised at fair value at the time they are entered into. Directly attributable transaction costs are deducted for all financial liabilities that are not subsequently designated as at fair value through profit or loss.
The shareholder loan, non-current financial liabilities and other financial liabilities are then carried at amortised cost. Any differences between historical cost and the settlement amount are recognised in accordance with the effective interest method.

Assumptions and estimates

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

- in assessing the need for and the amount of impairment losses on intangible assets, property, plant and equipment and inventories;
- in determining the useful life of non-current assets;
- in classifying leases;
- recognising and measuring defined benefit pension obligations, provisions for tax and other provisions; and
- in assessing the recoverability of deferred tax assets.

Goodwill is tested for impairment annually at the level of the cash-generating unit to which goodwill is allocated, by considering the Group's three-year planning combined with the growth forecasts for 2015 to 2016 and assuming division-specific growth rates for the period thereafter. Any material changes to these factors might result in the recognition of impairment losses. Further information on goodwill can be found in note [16].

Information on leases can be found in the sections on sales leases and procurement leases in this note.

Defined benefit pension obligations are calculated on the basis of actuarial parameters. As differences due to actuarial gains and losses are recorded in other comprehensive income (loss), any change in these parameters would not affect the net profit for the current period. For further details about sensitivity analysis of the impact of certain assumptions, please refer to the information about provisions in note [26].

Significant estimates are involved in calculating provisions for tax. These estimates may change on the basis of new information and experience. Where necessary, the KION Group's accounting departments receive assistance from external legal advisers and tax consultants when making the estimates required.

The recognition and measurement of other provisions is 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 recognised in other provisions. Further details can be found in note [29].

Deferred tax assets on tax loss carryforwards and interest carryforwards are recognised 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 utilised. The actual amount of taxable income in future periods, and hence the actual utilisation of tax loss carryforwards and interest carryforwards, may be different from the estimates made when the corresponding deferred tax assets were recognised.

Changes are recognised in profit or loss when they become known and assumptions are adjusted accordingly.

Notes to the consolidated income statement

[8] Revenue

The revenue earned by the KION Group in the year under review broken down by product category is as follows:

Revenue by product category		
€ thousand	2011	2010
New business	2,364,235	1,775,628
Hydraulics	172,662	119,901
Service offering	1,831,498	1,638,945
- After sales	1,065,731	970,668
- Rental business	441,152	402,361
- Used trucks	218,982	187,246
- Other	105,633	78,670
Total revenue	**4,368,395**	**3,534,474**

Further information on revenue can be found in note [36] Segment report.

[9] Other income

The breakdown of other income is as follows:

Other income		
€ thousand	2011	2010
Foreign currency exchange rate gains	22,600	18,554
Remeasurement of purchase price obligations	11,971	0
Profit from release of deferred lease profits	6,886	6,952
Income from reversal of provisions	6,638	5,038
Rental income	2,155	2,231
Gains on disposal of non-current assets	1,381	1,077
Gains from revaluation of non-current assets	0	1,546
Sundry income	29,872	24,187
Total other income	**81,503**	**59,585**

The foreign currency exchange rate gains and losses result from the measurement of financial receivables and liabilities denominated in foreign currency and the measurement of the related derivatives. The year-over-year increase in foreign currency exchange rate gains and losses (see also note [10] Other expenses) is primarily attributable to more volatile exchange rates compared with 2010.

The remeasurement of purchase price obligations relates to shares held for two UK dealers. The gains on the remeasurement of purchase price obligations result from the significantly improved market environment and the resulting increase in the value of the shareholdings.

[10] Other expenses

The breakdown of other expenses is as follows:

Other expenses

€ thousand	2011	2010
Impairment of non-current assets	27,032	8,522
Foreign currency exchange rate losses	19,467	16,949
Losses on disposal of property, plant and equipment	7,963	5,966
Sundry other expenses	15,581	14,442
Total other expenses	**70,043**	**45,879**

The impairment recognised on non-current assets in the reporting year comprised impairment losses of €10,261 thousand on intangible assets (2010: €8,464 thousand) and impairment of €16,771 thousand on other property, plant and equipment (2010: €58 thousand). The loss was largely caused by the planned transfer of production.

Gains and losses on foreign currency exchange rate differences (gains are presented in Other income) include losses of €188 thousand on derivative financial instruments used to hedge exchange-rate risk resulting from our operations (2010: €3,947 thousand). These losses on derivatives are offset by gains on the currency translation of the corresponding underlying transactions.

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

The share of profit of equity investments amounted to €11,192 thousand in the reporting year (2010: €3,569 thousand). This amount includes income of €4,102 thousand from the remeasurement of an existing equity investment of 49 per cent held in Linde Sterling Ltd., Basingstoke, United Kingdom, for which a controlling influence was obtained following the acquisition of the remaining shares. Further details can be found in note [19].

[12] Financial income

Financial income is comprised of the following:

Financial income

€ thousand	2011	2010
Interest income from leases	24,414	25,528
Foreign currency exchange rate gains (financing)	23,149	36,141
Return on pension plan assets	22,732	23,247
Other interest and similar income	3,369	3,433
Total financial income	**73,664**	**88,349**

The interest income from leases relates to the interest portion of lease payments in financial services transactions in which KION Group companies operate as the lessor (finance leases).

The foreign currency exchange rate gains include gains on hedging transactions amounting to €22,883 thousand (2010: €36,048 thousand).

The return on pension plan assets item shows the expected return on plan assets used to fund pension obligations.

[13] Financial expense

The financial expense is comprised of the following:

Financial expense

€ thousand	2011	2010
Interest expense from loans	135,737	167,347
Foreign currency exchange rate losses (financing)	52,264	53,877
Interest cost of defined benefit obligation	42,436	41,434
Interest cost of leases	37,738	35,951
Interest cost of shareholder loan	27,882	27,882
Interest expense from corporate bond	25,395	–
Amortisation of finance costs	11,359	8,333
Interest cost of non-current financial liabilities	2,574	3,263
Other interest expense and similar charges	10,324	16,318
Total financial expense	**345,709**	**354,405**

Interest expense include interest cost of €117,273 thousand arising from variable-rate loan liabilities under the senior facilities agreement (2010: €129,260 thousand) and losses of €18,464 thousand on interest-rate swaps (2010: €38,087 thousand).

The foreign currency exchange rate losses include a loss of €19,022 thousand on the translation of a foreign-currency loan denominated in US dollars (2010: €38,219 thousand) and losses of €31,843 thousand on derivative financial instruments (2010: €15,641 thousand).

The interest cost of the defined benefit obligation is the annual interest expense in connection with the change in the non-current pension obligations.

The interest cost of leases relates to the interest portion of lease payments in financial services transactions in which risks and rewards are borne by KION Group companies as the lessee (finance leases). Sale-finance lease-back-operating sub-leases (SALB-FL-OL) incurred interest expense of €19,587 thousand (2010: €16,615 thousand). This interest expense was not directly offset by any interest income. The interest income is a component of the lease payments reported within revenue.

[14] Income taxes

The income tax expense of €34,041 thousand (2010: income of €34,722 thousand) consisted of €49,349 thousand (2010: €14,997 thousand) in current tax expense and €15,308 thousand (2010: €49,719 thousand) in deferred tax income. The current tax expense includes expenses of €2,602 thousand (2010: income of €11,868 thousand) relating to previous financial years.

At the reporting date there were income tax assets of €4,953 thousand receivable from tax authorities (2010: €4,550 thousand) and income tax liabilities of €15,439 thousand (2010: €6,661 thousand).

Deferred taxes are recognised for temporary differences between the tax base and IFRS carrying amounts. Deferred taxes are determined on the basis of the tax rates that will apply or are expected to apply at the realisation date in accordance with the current legal situation in each country concerned. The current corporate income tax rate in Germany is 15.0 per cent. Taking into account the average trade tax rate of 13.9 per cent and the solidarity surcharge (5.5 per cent of corporate income tax), the combined tax rate for companies in Germany was unchanged on 2010 at 29.8 per cent. The income tax rates for foreign companies used in the calculation of deferred taxes are between 10.0 per cent and 38.5 per cent (2010: 10.0 per cent and 37.8 per cent).

No deferred taxes have been recognised on differences of €100,146 thousand between the IFRS carrying amounts and the tax base for equity investments (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 investments in the foreseeable future.

Deferred tax assets include the following items in the statement of financial position:

Deferred tax assets

€ thousand	2011	2010
Intangible assets and property, plant and equipment	86,789	65,130
Financial assets	1	705
Current assets	34,697	26,485
Deferred charges and prepaid expenses	6,065	2,922
Provisions	101,669	88,501
Liabilities	200,678	163,136
Deferred income	46,386	47,953
Tax loss carryforwards and interest carryforwards	70,230	95,341
Offsetting	-284,552	-248,401
Total deferred tax assets	**261,963**	**241,772**

Deferred tax liabilities include the following items in the statement of financial position:

Deferred tax liabilities

€ thousand	2011	2010
Intangible assets and property, plant and equipment	456,138	444,580
Financial assets	3,139	3,097
Current assets	113,340	97,701
Deferred charges and prepaid expenses	8,588	15
Provisions	29,838	28,837
Liabilities	9,749	8,003
Deferred income	2,814	1,098
Offsetting	-284,552	-248,401
Total deferred tax liabilities	**339,054**	**334,930**

The deferred tax liabilities essentially relate to the purchase price allocation in the acquisition of the KION Group, particularly for intangible assets and property, plant and equipment.

Deferred tax assets amounting to €211,398 thousand (2010: €161,119 thousand) have not been recognised because it is unlikely that the corresponding benefit can be utilised. Unrecognised deferred tax assets relate to tax loss carryforwards of €91,636 thousand (2010: €74,263 thousand), interest carryforwards of €116,060 thousand (2010: €81,844 thousand) and other temporary differences of €3,702 thousand (2010: €5,012 thousand).

Deferred taxes are recognised on tax loss carryforwards and interest carryforwards to the extent that sufficient future taxable income is expected to be generated against which the losses can be utilised. Of the deferred tax assets amounting to €9,198 thousand recognised on interest carryforwards for the first time in 2010, €2,243 thousand was written down in 2011 because, based on the information available at the reporting date, a lower amount was expected to be used in future. The total amount of unrecognised deferred tax assets relating to loss carryforwards of €91,636 thousand (2010: €74,263 thousand) concerns tax losses that can be carried forward indefinitely.

As of 31 December 2011, the KION Group's tax loss carryforwards in Germany amounted to €381,941 thousand (31 December 2010: €400,286 thousand) for corporate income tax and €263,525 thousand (31 December 2010: €288,910 thousand) for trade tax. There were also foreign tax loss carryforwards totalling €187,438 thousand (31 December 2010: €183,353 thousand).

As of 31 December 2011, the interest carryforwards in Germany that can be carried forward indefinitely amounted to €464,939 thousand (31 December 2010: €342,252 thousand).

The table below shows the reconciliation of expected income tax expense to effective income tax expense. 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 recognised in income. The expected tax rate applied in the reconciliation is unchanged on 2010 at 29.8 per cent.

Income taxes

€ thousand	2011	2010
Earnings before taxes	**-58,885**	**-231,420**
Anticipated income taxes	17,548	68,894
Deviations due to the trade tax base	-3,087	-2,026
Deviations from the anticipated tax rate	13,560	3,289
Change in valuation allowance on deferred taxes	-9,765	-1,999
Losses for which deferred taxes have not been recognised	-17,372	-11,108
Change in tax rates and tax legislation	-1,404	-311
Interest carryforwards without the recognition of deferred taxes	-31,786	-34,073
Non-deductible expenses	-8,556	-14,608
Tax-exempt income	1,903	34
Tax relating to other periods	-2,602	11,868
Deferred taxes prior periods	5,001	16,055
Other	2,519	-1,293
Effective income taxes (current and deferred taxes)	**-34,041**	**34,722**

[15] Other income statement disclosures

The cost of materials rose by €530,162 thousand in the reporting year to €2,244,069 thousand (2010: €1,713,907 thousand).

Personnel expenses increased by €95,516 thousand in 2011 to €1,063,726 thousand (2010: €968,210 thousand). Personnel expenses include wages and salaries of €833,585 thousand (2010: €755,923 thousand) as well as social security contributions and expenses for pensions and other benefits of €230,141 thousand (2010: €212,287 thousand). The accretion of interest cost related to the discount on estimated pension obligations is not recognised under personnel expenses but is instead reported under financial expense as a component of interest cost of the defined benefit obligation. The pension expenses of €29,741 thousand (2010: €25,774 thousand) is essentially comprised of the pension entitlements of €16,242 thousand vested in 2011 (2010: €14,315 thousand) and the unrecognised past service cost of €177 thousand (2010: €79 thousand).

Impairment losses and depreciation expenses on property, plant and equipment together with impairment losses and amortisation expense of intangible assets amounted to €356,021 thousand in the reporting year (2010: €347,117 thousand). Inventories were written down by €6,179 thousand (2010: €6,311 thousand).

The breakdown of lease payments expensed in the period and related to operating leases where KION Group companies are the lessee is as follows:

Lessee: Expenses recognised for operating lease payments

€ thousand	2011	2010
Procurement lease contracts	67,043	57,913
Sublease contracts	38,181	43,015
Total recognised expenses for lease payments	**105,224**	**100,928**

The expenses in connection with sub-leases relate to leases in which KION Group companies are both the lessor and lessee. These expenses were offset by income of €51,072 thousand in 2011 (2010: €52,806 thousand).

Notes to the consolidated statement of financial position

[16] Goodwill and other intangible assets

Goodwill is allocated to the segments as follows:

Goodwill broken down by segment

€ thousand	2011	2010
LMH	971,873	954,802
STILL	552,208	552,208
Other	13,915	–
Total goodwill	**1,537,996**	**1,507,010**

The change in goodwill resulted mainly from business combinations amounting to €31,535 thousand in 2011. The goodwill of €13,915 thousand arising from the acquisition of the forklift truck and warehouse technology business of Voltas Limited, Mumbai, India, has been allocated to the 'Other' segment.

Intangible assets

€ thousand	Goodwill	Brand names	Technology & development	Sundry intangible assets	Total
Balance as at 1/1/2010	**1,504,796**	**590,340**	**263,463**	**142,655**	**2,501,254**
Group changes	0	0	0	234	234
Currency translation adjustments	778	678	304	2,744	4,504
Additions	1,511	0	47,538	21,582	70,631
Disposals	-75	0	0	3	-72
Amortisation	0	0	-47,328	-27,360	-74,688
Impairment	0	0	-3,044	-5,420	-8,464
Reversal of impairment	0	0	0	21	21
Reclassification	0	0	261	-261	0
Balance as at 31/12/2010	**1,507,010**	**591,018**	**261,194**	**134,198**	**2,493,420**
Gross carrying amount as at 31/12/2010	1,507,010	591,018	406,879	214,386	2,719,293
Accumulated amortisation	0	0	-145,685	-80,188	-225,873
Balance as at 1/1/2011	**1,507,010**	**591,018**	**261,194**	**134,198**	**2,493,420**
Group changes	24,256	2,982	0	7,634	34,872
Currency translation adjustments	150	524	-14	225	885
Additions	6,580	99	53,363	16,755	76,797
Disposals	0	0	-1	-163	-164
Amortisation	0	-244	-52,544	-27,359	-80,147
Impairment	0	0	-10,236	-25	-10,261
Reclassification	0	0	-39	188	149
Balance as at 31/12/2011	**1,537,996**	**594,379**	**251,723**	**131,453**	**2,515,551**
Gross carrying amount as at 31/12/2011	1,537,996	594,609	449,864	236,275	2,818,744
Accumulated amortisation	0	-230	-198,141	-104,822	-303,193

The Group intends to retain and further strengthen the Linde, STILL, OM and KION brand names on a long-term basis. Brand names worth €473,782 thousand (31 December 2010: €471,918 thousand) are assigned to the LMH segment. The value of brand names allocated to the STILL segment was unchanged year over year at €114,000 thousand. These assets are not amortised as they have an indefinite useful life. A value of €1,830 thousand was attributed to the Voltas brand name in 2011 as part of the purchase price allocation. Unlike the other brand names, the Voltas brand is amortised over its useful life. Brand names worth €6,597 thousand (31 December 2010: €5,100 thousand) have been allocated to the 'Other' segment.

The total carrying amount for technology and development assets as of 31 December 2011 was €251,723 thousand (31 December 2010: €261,194 thousand). Development costs of €53,363 thousand were capitalised in the reporting year (31 December 2010: €47,538 thousand). Total research and development costs of €119,526 thousand (31 December 2010: €103,255 thousand) were expensed. Of this amount, €62,780 thousand (31 December 2010: €50,372 thousand) related to amortisation and impairment losses.

Impairment losses of €10,261 thousand were recognised on these assets in 2011 to reflect the lack of opportunities to use them in future as a result of the planned transfers of production. €10,236 thousand of this amount was attributable to technology and development assets. The impairment losses related to the STILL segment.

Other intangible assets relate primarily to the intangible assets identified through the purchase price allocation for the acquisition of the KION Group, such as the customer base.

The amortisation expense and impairment losses on intangible assets are reported under functional costs.

[17] Leased assets

The changes in leased assets in 2011 and 2010 were as follows:

Leased assets

€ thousand	2011	2010
Balance as at 1/1/	**501,164**	**536,224**
Group changes	10,690	0
Currency translation adjustments	-1,449	16,830
Additions	287,722	188,832
Disposals	-86,623	-65,140
Depreciation	-169,452	-176,558
Reclassification	-2,321	976
Balance as at 31/12/	**539,731**	**501,164**
Gross carrying amount as at 31/12/	1,436,849	1,443,182
Accumulated depreciation	-897,118	-942,018

The segment breakdown of leased assets is as follows:

Leased assets broken down by segment

€ thousand	LMH	STILL	Other	Total
Balance as at 1/1/2010	**312,271**	**220,035**	**3,918**	**536,224**
Currency translation adjustments	14,230	2,600	0	16,830
Additions	103,549	84,240	1,043	188,832
Disposals	-39,660	-25,480	0	-65,140
Depreciation	-103,939	-70,261	-2,358	-176,558
Reclassification	-157	1,133	0	976
Balance as at 31/12/2010	**286,294**	**212,267**	**2,603**	**501,164**
Gross carrying amount as at 31/12/2010	871,633	562,603	8,946	1,443,182
Accumulated depreciation	-585,339	-350,336	-6,343	-942,018
Balance as at 1/1/2011	**286,294**	**212,267**	**2,603**	**501,164**
Group changes	10,690	0	0	10,690
Currency translation adjustments	387	-1,836	0	-1,449
Additions	152,280	133,689	1,753	287,722
Disposals	-51,931	-34,371	-321	-86,623
Depreciation	-102,152	-65,802	-1,498	-169,452
Reclassification	199	-2,520	0	-2,321
Balance as at 31/12/2011	**295,767**	**241,427**	**2,537**	**539,731**
Gross carrying amount as at 31/12/2011	841,619	586,699	8,532	1,436,850
Accumulated depreciation	-545,852	-345,272	-5,995	-897,119

The breakdown of leased assets by contract type is shown in the following table:

Leased assets broken down by contract types

	Operating leases as lessor		Sale with risk		Finance leases as lessee		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Land and buildings	–	–	–	–	6,798	12,426	6,798	12,426
Industrial trucks	455,075	386,971	66,464	86,322	33	25	521,572	473,318
Plant and machinery	–	–	–	–	301	2,671	301	2,671
Office furniture and equipment	2,261	3,375	237	641	8,562	8,733	11,060	12,749
Total leased assets	**457,336**	**390,346**	**66,701**	**86,963**	**15,694**	**23,855**	**539,731**	**501,164**

Assets held under operating leases include leased assets with a residual value of €333,153 thousand (31 December 2010: €274,877 thousand) that are funded by means of sale and leaseback transactions with leasing companies and leased assets with a residual value of €124,183 thousand (31 December 2010: €115,469 thousand) that are largely funded internally or by means of bank loans.

Total operating leases resulted in non-cancellable lease obligations from customers amounting to €162,140 thousand (31 December 2010: €129,946 thousand).

The following table shows the maturity structure of the minimum lease payments:

Minimum lease payments

€ thousand	2011	2010
Cash receipts from minimum lease payments	**162,140**	**129,946**
due within one year	66,613	53,965
due in one to five years	94,768	75,510
due in more than five years	759	471

The buildings, plant and machinery, and office furniture and equipment leased under finance leases are reported in leased assets with a residual value of €15,694 thousand (31 December 2010: €23,855 thousand). The corresponding liabilities are reported as lease liabilities.

[18] Other property, plant and equipment

The changes in the carrying amounts of other property, plant and equipment were as follows:

Other property, plant and equipment				
€ thousand	Land and buildings	Plant, machinery, and office furniture and equipment	Advances paid and assets under construction	Total
Balance as at 1/1/2010	**348,277**	**233,000**	**9,227**	**590,504**
Group changes	0	1,019	0	1,019
Exchange rate adjustments	9,353	3,176	212	12,741
Additions	7,892	34,045	10,835	52,772
Disposals	-57	-816	-2,813	-3,686
Depreciation	-16,193	-71,156	0	-87,349
Impairment	0	-58	0	-58
Reversal of impairment	203	1,322	0	1,525
Reclassification	4,709	431	-6,116	-976
Balance as at 31/12/2010	**354,184**	**200,963**	**11,345**	**566,492**
Gross carrying amount as at 31/12/2010	619,066	923,997	11,345	1,554,408
Accumulated depreciation	-264,882	-723,034	0	-987,916
Balance as at 1/1/2011	**354,184**	**200,963**	**11,345**	**566,492**
Group changes	4,404	1,061	779	6,244
Exchange rate adjustments	3,722	1,198	-291	4,629
Additions	4,148	46,132	13,627	63,907
Disposals	-6,595	-1,957	-609	-9,161
Depreciation	-15,908	-63,482	0	-79,390
Impairment	-8,796	-7,975	0	-16,771
Reclassification	3,280	3,666	-4,775	2,171
Balance as at 31/12/2011	**338,439**	**179,606**	**20,076**	**538,121**
Gross carrying amount as at 31/12/2011	625,996	983,898	20,076	1,629,970
Accumulated depreciation	-287,557	-804,292	0	-1,091,849

Land and buildings in the amount of €12,168 thousand (31 December 2010: €12,293 thousand) were largely pledged as collateral for accrued retirement benefits under partial retirement agreements.

The KION Group recognised impairment losses of €16,771 thousand in accordance with IAS 36 in 2011, predominantly in connection with the planned transfers of production. Of this amount, €8,796 thousand related to land and buildings, and €7,975 thousand to plant and machinery as well as office furniture and equipment. The impairment losses related to the STILL segment.

[19] Equity investments

As of 31 December 2011, the Group reported equity investments with a total carrying amount of €36,545 thousand (31 December 2010: €37,841 thousand). These associates and joint ventures can be seen in the list of shareholdings in the annex to these notes. Their key figures are as follows:

Equity investments

€ thousand	2011	2010
Associates (100 percent)		
Revenue	540,068	562,596
Net income	10,960	9,214
Assets	576,103	611,561
Liabilities	494,021	529,526
Joint ventures (100 percent)		
Revenue	107,874	77,086
Net income	5,612	1,321
Assets	51,546	46,410
non-current assets	25,115	28,070
current assets	26,431	18,340
Liabilities	26,223	26,419
non-current liabilities	2,699	2,053
current liabilities	23,524	24,366

The figures presented in the table are based on a 100 per cent investment.

[20] Lease receivables

For leases where KION Group companies lease assets directly to customers as part of the Group's financing activities, the Group's net investment in the lease is reported as a lease receivable.

The amounts recognised as lease receivables are based on the following data:

Lease receivables

€ thousand	2011	2010
Gross investments	**399,726**	**411,116**
due within one year	135,897	140,737
due in one to five years	254,724	260,835
due in more than five years	9,105	9,544
Present value of outstanding minimum lease payments	**361,221**	**367,758**
due within one year	118,381	120,950
due in one to five years	234,043	237,571
due in more than five years	8,797	9,237
Unrealised financial income	**38,505**	**43,358**

Gross investments include minimum lease payments from non-cancellable sub-leases amounting to €326,930 thousand (31 December 2010: €336,585 thousand).

Lease receivables include the unguaranteed residual values accruing to the benefit of the KION Group in the amount of €38,714 thousand (31 December 2010: €39,640 thousand).

Lease receivables also include receivables in the amount of €1,684 thousand (31 December 2010: €3,013 thousand) that have been sold but whose significant risks and rewards remain with the KION Group due to default and residual-value guarantees. Corresponding liabilities in the same amounts have been recognised.

[21] Other financial assets

Other financial assets of €132,828 thousand (31 December 2010: €124,264 thousand) comprise the following:

Other financial assets		
€ thousand	2011	2010
Pension assets	19,958	10,263
Investments in affiliated companies	1,956	2,224
Other investments	2,253	2,253
Loans receivable	795	1,907
Non-current securities	770	827
Other non-current financial assets	**25,732**	**17,474**
Derivative financial instruments	23,277	23,706
Financial receivables from affiliated companies and related companies	4,277	7,459
Financial receivables from third parties	1,074	658
Deferred charges and prepaid expenses	14,030	16,647
Sundry financial assets	64,438	58,320
Other current financial assets	**107,096**	**106,790**
Total other financial assets	**132,828**	**124,264**

Pension assets relate to asset surpluses from defined benefit plans. As at the reporting date, the present values of defined benefit obligations are netted against the fair value of plan assets. If the plan assets exceed the obligation, this results in an asset.

The sundry financial assets essentially include receivables from value added tax amounting to €21,782 thousand (2001: €20,864 thousand).

Other financial assets include non-derivative financial receivables amounting to €36,237 thousand (31 December 2010: €35,416 thousand) that fall within the scope of IFRS 7.

[22] Inventories

The reported inventories are categorised as follows:

Inventories		
€ thousand	2011	2010
Materials and supplies	150,949	120,019
Work in progress	98,387	72,294
Finished goods and merchandise	370,714	337,249
Advances paid	5,319	5,967
Total inventories	**625,369**	**535,529**

The increase in inventories compared with 2010 largely results from the higher volume of business in 2011.

The KION Group recognised impairment losses of €6,179 thousand in 2011, predominantly in connection with the planned transfers of production. The impairment losses related to the STILL segment.

[23] Trade receivables

The trade receivables consist of the following:

Trade receivables		
€ thousand	2011	2010
Receivables from third parties	651,560	601,214
thereof receivables from third parties before valuation allowances	701,125	648,339
thereof valuation allowances for overdue receivables > 90 days ≤ 180 days	-9,242	-9,213
thereof valuation allowances for overdue receivables > 180 days	-27,988	-28,836
thereof other valuation allowances for receivables	-12,335	-9,076
Trade receivables from affiliated companies	3,150	4,011
Trade receivables from investments in associated companies and joint ventures	21,843	28,040
Total trade receivables	**676,553**	**633,265**

Valuation allowances of €49,565 thousand (31 December 2010: €47,125 thousand) were recognised for trade receivables.

[24] Cash and cash equivalents

Cash and cash equivalents		
€ thousand	2011	2010
Cash held by banks, on hand and cheque	372,957	252,572
Pledged cash	494	–
Current securities	–	312
Total cash and cash equivalents	**373,451**	**252,884**

The change in cash and cash equivalents is shown in the consolidated statement of cash flows. For more detailed information, please also refer to note [32].

[25] Equity

Subscribed capital and capital reserve

As at the reporting date, the Company's subscribed capital was fully contributed and amounted to €500 thousand and was unchanged from prior year. Also, as in the previous year, capital reserve amounted to €348,483 thousand as at the reporting date. The capital reserve resulted from a capital contribution by a share-holder.

Retained earnings

The development of retained earnings is shown in the consolidated statement of changes in equity. The retained earnings comprise the net loss for the financial year and past contributions to earnings by the consolidated com-panies, provided they have not been distributed.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) includes the currency translation differences arising from the translation of the financial statements of foreign subsidiaries, the effects of the fair value measurement of deriva-tive financial instruments designated in cash flow hedge relationships, the company´s proportionate share of other comprehensive income adjustments related to equity investments, and the actuarial gains and losses in connec-tion with defined benefit pension obligations.

Non-controlling interests

Non-controlling interests in companies in the KION Group amounted to €7,077 thousand (31 December 2010: €7,070 thousand).

[26] Retirement benefit obligation

The retirement benefit obligation is recognised for obligations to provide current and future post-employment benefits. Post-employment benefit plans are classified as either defined benefit plans or defined contribution plans, depending on the substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

In the case of defined-contribution pension plans, the Group pays contributions to government or private pension insurance providers based on statutory or contractual provisions, or on a voluntary basis. The Group does not enter into any obligations above and beyond the payment of contributions to an external pension fund. The amount of future benefits is based solely on the amount of the contributions paid by the employer (and in some cases the beneficiaries themselves) to the external pension fund, including income from the investment of these contributions. The total expense arising from defined contribution plans amounted to €56,118 thousand in 2011 (2010: €48,867 thousand). Of this total, contributions paid by employers into government-run plans amounted to €53,337 thousand (2010: €46,480 thousand). The defined contribution plan expense is reported within the functional costs.

Defined benefit plans

The KION Group currently 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. 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.

In accordance with IAS 19 ('Employee Benefits'), pension provisions are recognised to cover obligations arising from the current and future pension entitlements of active and former employees of the KION Group and their surviving dependants.

Some of KION Group's pension obligations in Germany are financed by way of contractual trust arrangements (CTAs), which qualify as plan assets within the meaning of IAS 19. In the United Kingdom, Switzerland and the Netherlands, significant plan assets are invested in external pension funds with restricted access.

In the case of defined benefit plans, the beneficiaries are granted a specific benefit by the Group or an external pension fund. Due to future salary increases, the benefit entitlement at the retirement age of the beneficiary is likely to be higher than the amount granted at the reporting date. Pensions are often adjusted after an employee reaches retirement age. The amount of the Group's obligation, which is defined as the actuarial present value of the obligation to provide the level of benefits currently earned by each beneficiary, is expressed as the present value of the defined benefit obligation, which includes adjustments for future salary and pension increases.

Measurement assumptions

The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current mortality probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service and about the probability of retirement. The defined benefit obligation is calculated on the basis of the following weighted-average assumptions as at the reporting date:

Assumptions underlying provisions for pensions and other postemployment benefits

	Germany		UK		Other	
	2011	2010	2011	2010	2011	2010
Discount rate	5.65%	5.45%	4.85%	5.45%	4.01%	4.15%
Expected return on plan assets	5.71%	5.54%	4.43%	5.21%	4.51%	4.26%
Rate of remuneration increase	2.75%	2.75%	4.18%	4.17%	2.31%	2.28%
Rate of pension increase	1.75%	1.75%	3.18%	3.65%	0.38%	0.76%

The assumed discount rate is determined on the basis of the yield as at the reporting date on investment-grade, fixed-interest corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign companies are calculated on a comparable basis taking into account any country-specific requirements.

The expected return on plan assets is determined on the basis of the plan's policy regarding the asset classes in which it invests. Expected returns are based on the current yields on government bonds with corresponding maturities, adjusted for specific credit spreads for the different asset classes. The expected return on plan assets is recognised as income in the relevant period. The differences between expected and actual income on plan assets represent experience adjustments and are recognised in other comprehensive income in the year in which they arise.

The rate of remuneration increase relates to expected future increases in salaries, which are estimated on an annual basis taking into account factors such as inflation and the overall economic situation.

The mortality rates used in the calculation are based on published country-specific statistics and empirical values. Since 31 December 2009, the modified Heubeck 2005 G mortality tables have been used in Germany as the basis; the modified tables include a somewhat higher life expectancy for males than the unmodified tables.

The actuarial assumptions not listed in the table above, such as employee turnover, invalidity, etc., are determined in accordance with recognised forecasts in each country, taking into account the circumstances and forecasts of the companies concerned.

The assumptions applied in calculating the defined benefit obligation as at 31 December 2010 also apply to the calculation of the interest cost and the current service cost in 2011.

Differences between the forecast and actual change in the defined benefit obligation and changes in related assets (actuarial gains and losses) are recognised immediately in other comprehensive income in accordance with IAS 19. This serves to ensure that the pension liability on the face of the statement of financial position is always the actuarial present value of obligations not funded by plan assets.

In the case of external pension funds, the actuarial present value of the pension obligations, as calculated in accordance with the projected unit credit method, is reduced by the fair value of the assets of the external pension funds. If the assets of the external pension funds exceed the pension obligations, a corresponding asset is recognised in accordance with IAS 19. IAS 19.58 in conjunction with supplementary explanatory guidance in IFRIC 14 states that the recognition of an asset for this excess of pension plan assets over pension obligations is only permitted if the company concerned is entitled to receive a refund of this excess or a reduction in future contributions in its function as the employer responsible for the benefits under the plan. If pension obligations are not covered by the assets of an external pension fund, the net obligation is reported in pension provisions.

Plan assets for the defined benefit plans in the UK exceed the pension obligations. The requirements which limit the asset to be recognised on the statement of financial position do not apply.

Statement of financial position

The change in the present value of the defined benefit obligation is as follows:

Changes in defined benefit obligation

	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Present value of defined benefit as at January 1	**381,913**	**331,745**	**362,716**	**328,057**	**75,681**	**62,977**	**820,310**	**722,779**
Group changes	–	1,890	–	–	284	–	284	1,890
Exchange differences	–	–	10,769	11,005	973	5,135	11,742	16,140
Current service cost	11,894	10,411	1,245	1,514	3,103	2,390	16,242	14,315
Interest cost	20,526	19,733	19,132	18,801	2,778	2,900	42,436	41,434
Employee contributions	–	–	135	174	781	708	916	882
Actuarial gains (-) and losses (+)	-14,150	28,081	12,665	22,471	103	4,617	-1,382	55,169
Acquisitions/Divestments			–	–	–	–	–	–
Pension benefits paid by the Company	-10,697	-9,947	–	–	-1,946	-1,693	-12,643	-11,640
Pension benefits paid from plan assets	–	–	-16,312	-19,306	-1,584	-2,361	-17,896	-21,667
Liability transfer out to third parties	-215	–	–	–	–	–	-215	–
Past service cost (+) and income (-)	–	–	46	–	–	1,442	46	1,442
Gains (-) / losses (+) on the curtailment of a plan	–	–	–	–	-811	-434	-811	-434
Present value of defined benefit as at December 31	**389,271**	**381,913**	**390,396**	**362,716**	**79,362**	**75,681**	**859,029**	**820,310**
thereof unfunded	177,739	173,889	–	–	22,148	22,245	199,887	196,134
thereof funded	211,532	208,024	390,396	362,716	57,214	53,436	659,142	624,176

The reduction in the present value of defined benefit obligations arising from actuarial gains relate to the year-over-year increase in the discount rates applicable to pension plans in Germany (€14,150 thousand) and is almost totally offset by the increase in the present value of defined benefit obligations arising from actuarial losses relating to the year-over-year decrease in the discount rates applicable to pension plans in the United Kingdom (€12,665 thousand).

The effects of the restructuring programme on the defined benefit obligation are reported in the relevant financial year as gains on the curtailment of a plan in accordance with IAS 19.

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

Changes in plan assets

	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Fair value of plan assets as at 1 January	**34,956**	**25,322**	**369,270**	**336,095**	**50,907**	**40,093**	**455,133**	**401,510**
Exchange differences	–	–	11,309	11,272	842	4,759	12,151	16,031
Expected return on plan assets	1,936	1,443	18,736	19,868	2,060	1,936	22,732	23,247
Actuarial gains (+) and losses (-)	1,325	-809	17,364	14,766	-4,975	3,393	13,714	17,350
Employer contributions	–	9,000	5,902	6,401	2,278	2,379	8,180	17,780
Employee contributions	–	–	135	174	781	708	916	882
Pension benefits paid by funds	–	–	-16,312	-19,306	-1,584	-2,361	-17,896	-21,667
Fair value of plan assets as at 31 December	**38,217**	**34,956**	**406,404**	**369,270**	**50,309**	**50,907**	**494,930**	**455,133**

In 2010, employer contributions included a non-recurring payment of €9,000 thousand into a German CTA. Decisions on additions to plan assets take into account the change in plan assets and pension obligations. For companies outside Germany, decisions also take into account the statutory minimum coverage requirements and the amounts deductible under local tax rules.

The payments expected for the following year amount to €21,845 thousand (2011: €20,571 thousand), which include expected employer contributions of €8,831 thousand to plan assets (2011: €8,156 thousand) and expected direct payments of pension benefits amounting to €13,014 thousand (2011: €12,415 thousand) that are not covered by corresponding reimbursements from plan assets.

The reconciliation of funded status and net defined benefit obligation to the amounts reported on the face of the consolidated statement of financial position as at 31 December is shown in the following table:

Funded status and net defined benefit obligation

	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Present value of the partially or fully funded defined benefit obligation	211,532	208,024	390,396	362,716	57,214	53,436	659,142	624,176
Fair value of plan assets	38,217	34,956	406,404	369,270	50,309	50,907	494,930	455,133
Surplus (-) / deficit (+)	**173,315**	**173,068**	**-16,008**	**-6,554**	**6,905**	**2,529**	**164,212**	**169,043**
Present value of the unfunded defined benefit obligation	177,739	173,889	–	–	22,148	22,245	199,887	196,134
Surplus (-) / deficit (+) total	**351,054**	**346,957**	**-16,008**	**-6,554**	**29,053**	**24,774**	**364,099**	**365,177**
Unrecognised past service cost (+) and income (-)	–	–	–	–	-1,143	-1,377	-1,143	-1,377
Net defined benefit obligation as at 31 December	**351,054**	**346,957**	**-16,008**	**-6,554**	**27,910**	**23,397**	**362,956**	**363,800**
Reported as "retirement benefit obligation"	351,054	346,957	3,950	3,709	27,910	23,397	382,914	374,063
Reported as "Other non-current financial assets"	–	–	-19,958	-10,263	–	–	-19,958	-10,263

In addition, the KION pension plan for employees of the KION Group in Germany holds plan assets of €18,474 thousand (2010: €16,840 thousand) which are wholly offset by corresponding liabilities relating to the direct pension entitlement plan.

Statement of cash flows

In the case of obligations not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flows from operating activities. If the benefit obligations are backed by external assets, the payments are made from existing plan assets and have no effect on the Company's cash flow. Instead, any contributions made to the external pension fund by the Company result in net cash used for operating activities.

During the reporting year, pension benefits of €30,539 thousand (2010: €33,307 thousand) were paid in connection with the main pension entitlements in the Group, of which €12,643 thousand (2010: €11,640 thousand) was paid directly by the Company and €17,896 thousand (2010: €21,667 thousand) was paid from plan assets. Cash contributions to plan assets in 2011 amounted to €8,180 thousand (2010: €17,780 thousand). Furthermore, pension benefit payments totalling €215 thousand (2010: €0) were transferred to external pension funds.

Income statement

In accordance with IAS 19, actuarial computations are performed for benefit obligations in order to determine the amount to be expensed in each period in a systematic way. The expenses recognised in the income statement for pensions and similar obligations consist of a number of components that are calculated and disclosed separately.

The service cost is the new pension entitlement arising in the financial year and is recognised in the income statement. It is calculated as the actuarial present value of that proportion of the expected defined benefit obligation when the pension is paid attributable to the year under review on the basis of the maximum length of service achievable by each employee.

The interest cost (i.e. the expense arising from increase in the defined benefit obligation since the end of the previous year because the benefits are one period closer to settlement using the discount rate assumed for the year under review) is recognised in the income statement, as is the expected return on plan assets in the case of benefits covered by external plan assets.

An unrecognised past service cost arises if there is a change to the pension entitlement.

The breakdown of the net cost of the defined benefit obligation (expenses less income) recognised in the income statement for 2011 is as follows:

Cost of defined benefit obligation

	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Current service cost	11,894	10,411	1,245	1,514	3,103	2,390	16,242	14,315
Interest cost	20,526	19,733	19,132	18,801	2,778	2,900	42,436	41,434
Expected return on plan assets	-1,936	-1,443	-18,736	-19,868	-2,060	-1,936	-22,732	-23,247
Past service cost (+) and income (-)	–	–	46	–	131	79	177	79
Gains (-) or losses (+) on the curtailment of a plan	–	–	–	–	-708	-434	-708	-434
Total cost of defined benefit obligation	**30,484**	**28,701**	**1,687**	**447**	**3,244**	**2,999**	**35,415**	**32,147**

Overall, the KION Group reported an expense of €19,704 thousand (2010: €18,187 thousand) under net financial income/expenses. This amount comprised the interest cost and the expected return on plan assets. All other components of pension expenses are recognised under functional costs.

The actual total return on plan assets in 2011 was €36,446 thousand (2010: €40,597 thousand).

Other comprehensive income (loss)

The breakdown of actuarial gains and losses on the defined benefit obligation recognised in the statement of comprehensive income in 2011 are as follows:

Accumulated other comprehensive income (loss)	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Accumulated other comprehensive income/loss as at 1 January	**65,983**	**94,873**	**-40,769**	**-31,985**	**-4,925**	**-3,137**	**20,289**	**59,751**
Gains (+) and losses (-) on the measurement of defined benefit obligation	14,150	-28,081	-12,665	-22,471	-103	-4,617	1,382	-55,169
Gains (+) and losses (-) on plan assets	1,325	-809	17,364	14,766	-4,975	3,393	13,714	17,350
Exchange differences	–	–	-944	-1,079	-157	-564	-1,101	-1,643
Accumulated other comprehensive income/loss as at 31 December	**81,458**	**65,983**	**-37,014**	**-40,769**	**-10,160**	**-4,925**	**34,284**	**20,289**
thereof actuarial gains and losses	81,458	65,983	-37,014	-40,769	-10,160	-6,830	34,284	18,384
thereof effect of reduction in future contributions (IFRIC 14)	–	–	–	–	–	1,904	–	1,904

Primarily experience adjustments to plan assets had increased other comprehensive income by a total of €8,394 thousand as at 31 December 2011 (after deferred taxes).

Additional disclosures

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

Fair value of plan assets

	Germany		UK		Other		Total	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010
Securities	6,862	6,123	73,583	78,395	7,187	7,020	87,632	91,538
Fixed-income securities	12,580	12,754	267,739	258,959	11,499	11,233	291,818	282,946
Real estate	2,859	2,552	331	282	3,593	3,510	6,783	6,344
Insurance policies	–	–	–	–	26,353	27,506	26,353	27,506
Other	15,916	13,527	64,751	31,634	1,677	1,638	82,344	46,799
Total plan assets	**38,217**	**34,956**	**406,404**	**369,270**	**50,309**	**50,907**	**494,930**	**455,133**

The plan assets do not include any real estate or other assets used by the KION Group itself. The increase in the Other category is largely attributable to the change in the portfolio structure of the four large plans in the United Kingdom and concerns inflation-linked UK government bonds.

The expected return in 2012 for the main investment categories of plan assets are as follows:

Expected return on plan assets

	Germany		UK		Other	
	2012	2011	2012	2011	2012	2011
Securities	7.35%	7.45%	5.77%	6.73%	6.80%	7.10%
Fixed-income securities	3.74%	3.50%	4.31%	4.81%	2.40%	2.90%
Real estate	5.10%	5.20%	6.50%	6.50%	4.60%	4.60%
Insurance policies	–	–	–	–	4.69%	3.88%
Other	6.68%	6.68%	3.19%	4.17%	6.00%	6.40%
Weighted average expected return	**5.71%**	**5.54%**	**4.43%**	**5.21%**	**4.51%**	**4.26%**

The total expected return is calculated from the weighted average expected returns from the investment categories in the plan assets.

The present value of the defined benefit obligation is based on the assumptions detailed above. If the discount rate were to increase or decrease by a quarter of one percentage point (rising to 5.9 per cent or falling to 5.4 per cent in the case of Germany as at 31 December 2011), pension entitlements would be €35,632 thousand (2010: €32,312 thousand) lower or €35,747 thousand (2010: €34,559 thousand) higher, respectively. Other comprehensive income, after tax, would be €25,999 thousand (2010: €23,147 thousand) higher or €26,036 thousand (2010: €24,757 thousand) lower.

Five-year overview

The following table shows a five-year overview of experience adjustments arising from the differences between actuarial assumptions and actual circumstances:

History of experience adjustments

€ thousand	2011	2010	2009	2008	2007
Present value of defined benefit obligation as at 31 December	**859,029**	**820,310**	**722,779**	**629,198**	**750,713**
Experience adjustments arising on the plan liabilities	144	-76	4,858	39	4,747
Fair value of plan assets as at 31 December	**494,930**	**455,133**	**401,510**	**320,248**	**495,639**
Experience adjustments arising on the plan assets	13,714	17,350	51,763	-107,388	-4,641
Surplus (-) / deficit (+) in total	**364,099**	**365,177**	**321,269**	**308,950**	**255,074**
Unrecognised past service cost (+) and income (-)	-1,143	-1,377	40	–	–
Cumulative effect of the asset ceiling	–	–	–	–	3,258
Net defined benefit obligation as at 31 December	**362,956**	**363,800**	**321,309**	**308,950**	**258,332**

While the actuarial gains and losses on the present value of the obligation only result in part from experience adjustments, the actuarial gains or losses on the fair value of the plan assets are entirely attributable to experience adjustments.

[27] Financial liabilities and shareholder loan

The financial liabilities reported by the KION Group essentially comprise interest-bearing liabilities to banks and capital market liabilities in connection with the corporate bond that was issued. The liabilities to banks stem largely from a loan agreement. Interest is also payable on the shareholder loan, which is reported as a separate line item.

The table below shows the contractual maturity structure of the financial liabilities and the shareholder loan.

Maturity structure of financial liabilities and shareholder loan

€ thousand	2011	2010
Liabilities to banks	**2,509,889**	**2,871,887**
due within one year	223,979	103,282
due in one to five years	2,285,910	2,464,124
due in more than five years	0	304,481
Capital market liability	**487,508**	**0**
due within one year	0	0
due in one to five years	0	0
due in more than five years	487,508	0
Other financial liabilities	**7,333**	**7,000**
due within one year	3,397	3,188
due in one to five years	0	0
due in more than five years	3,936	3,812
Total current financial liabilities	**227,376**	**106,470**
Total non-current financial liabilities	**2,777,354**	**2,772,417**
Liabilities from shareholder loan	**643,132**	**615,250**
due within one year	0	0
due in one to five years	0	0
due in more than five years	643,132	615,250

Loan agreement

In connection with its acquisition of Linde AG's material-handling business the KION Group signed a loan agreement (a senior facilities agreement and a subordinated facility agreement, referred to below as 'SFA') for a total original amount of €3,300,000 thousand with the lead banks Barclays Bank Plc, Bayerische Hypo- und Vereinsbank AG, Credit Suisse (London branch), Goldman Sachs International Bank, Lehman Commercial Paper Inc. (UK branch) and Mizuho Corporate Bank Ltd. on 23 December 2006. The loans provided under the SFA carry variable interest rates. Transaction costs of €20,175 thousand reduced the carrying amount of the loans as at the reporting date. These costs have been allocated pro rata to each of the tranches and expensed over their respective terms.

The following material amendments were made to the SFA in subsequent years:

- Under amendments made to the SFA on 8 March 2007 the subordinated facility agreement was totally replaced by a senior facilities agreement and unused credit lines totalling €200,000 thousand were returned, thereby reducing the total amount of the SFA to €3,100,000 thousand.
- Under amendments made to the SFA on 23 September 2009 the financial covenants applicable during the term of the loan were modified. At the same time, an additional credit line of €100,000 thousand and an increase in the collateral security provided for this facility were agreed. Furthermore, the interest rates payable on existing credit lines were raised by between 0.25 and 1.50 percentage points. The amounts of these interest-rate increases primarily fall due in the form of bullet payments at maturity (payments in kind, or PIKs). All the interest payable on the new credit line of €100,000 thousand falls due in the form of a bullet payment at maturity. The company making this credit line available is Superlift Funding S.à r.l., Luxembourg, which is a related party to the KION Group.

Corporate bond

The KION Group issued a corporate bond for €500,000 thousand through the consolidated subsidiary KION Finance S.A., Luxembourg, in April 2011. Of the bond's total par value of €500,000 thousand, €325,000 thousand is repayable at a fixed interest rate of 7.875 per cent p.a., while €175,000 thousand carries a floating interest rate based on three-month EURIBOR plus a margin of 4.25 percentage points. The interest on the fixed-rate tranche is paid semi-annually, while interest on the floating-rate tranche is paid once a quarter. The bond's principal is redeemed as a bullet payment on maturity. Borrowing costs of €12,492 thousand reduced the carrying amount of the bond as at the reporting date. These costs have been allocated pro rata to each of the tranches and expensed over their respective terms. The corresponding liability is reported as a capital market liability.

Shareholder loan

KION Holding 1 GmbH and Superlift Holding S.à r.l., Luxembourg, signed an agreement on a shareholder loan for the amount of €500,000 thousand on 27 December 2006. The last maturity date for repayment of the loan was most recently (in April 2011) stipulated as 31 December 2021. The loan principal and the associated interest are both unsecured and are repayable on the due date. The interest rate was fixed at 5.5 per cent p.a. effective 1 September 2007 and is payable on the outstanding loan principal.

Changes in net financial debt

The KION Group uses its financial debt as a key internal figure for analysing the changes in its financial liabilities. Financial liabilities take into account the gross carrying amounts of the liabilities to banks and the capital market liability before borrowing costs. The key figure 'net financial debt' is calculated by deducting cash and cash equivalents.

The table below gives a breakdown of the KION Group's net financial debt as at 31 December 2011:

Net financial debt

€ thousand	2011	2010
Corporate bond - fixed rate (2011/2018) - gross	325,000	–
Corporate bond - floating rate (2011/2018) - gross	175,000	–
Liabilities to banks (gross)	2,530,064	2,893,713
Financial debt	**3,030,064**	**2,893,713**
./. Cash and cash equivalents	373,451	252,884
Net financial debt	**2,656,613**	**2,640,829**
./. Capitalized borrowing costs	32,667	21,826
Net financial debt after borrowing costs	**2,623,946**	**2,619,003**
Financial debt after borrowing costs	**2,997,397**	**2,871,887**

€483,000 thousand of the total corporate bond issue proceeds of €500,000 thousand was used to repay existing SFA liabilities. In addition, loans made available under a SFA credit line (the capex line) were reduced by an additional €54,018 thousand to €71,596 thousand in 2011 in accordance with the contractual repayment agreement. On 7 November 2011, the KION Group reacted to the uncertainty prevailing in financial and banking markets by drawing down €132,691 thousand under a revolving SFA credit line and holding it as cash.

The table below gives details of the changes in financial debt and lists the applicable terms and conditions:

Credit terms

	Interest rate	Notional amount		Maturity
		2011	2010	
Term Loan Facility Term B (EUR)	EURIBOR + MARGIN	690,881	911,162	2014
Term Loan Facility Term B (USD)	LIBOR + MARGIN	310,560	296,873	2014
Term Loan Facility Term C (EUR)	EURIBOR + MARGIN	663,033	869,985	2015
Term Loan Facility Term C (USD)	LIBOR + MARGIN	310,560	296,873	2015
Term Loan Facility Term D	EURIBOR + MARGIN	201,742	201,167	2016
Term Loan Facility Term G	EURIBOR + MARGIN	111,210	105,779	2016
Term Loan Facility H1a (Corporate bond - fixed rate)	Fixed rate	325,000	–	2018
Term Loan Facility H1b (Corporate bond - floating rate)	3-M-EURIBOR+MARGIN	175,000	–	2018
Multicurrency Revolving Credit Facility	EURIBOR + MARGIN	132,691	–	2013
Multicurrency Capex Restructuring and Acquisition Facility	EURIBOR + MARGIN	71,596	162,131	2013
Other liabilities to banks	Various currencies and interest terms	37,791	49,743	
Total financial debt		3,030,064	2,893,713	
./. Capitalized borrowing costs		-32,667	-21,826	
Total financial debt after borrowing costs		2,997,397	2,871,887	

Financial covenants

The SFA and the contractual terms and conditions governing the issuance of the corporate bond require compliance with certain requirements, or undertakings and certain covenants among other things. The SFA also requires compliance with specific financial covenants during the term of the agreement. The financial covenants specify required ratios for the financial position and financial performance of the KION Group. The covenants are expressed in the form of key figures relating to leverage, available liquidity, EBITDA, interest paid and capital expenditures. If these requirements or financial covenants are breached, this may, for example, give lenders the right to terminate the SFA or permit bondholders to call the corporate bond prior to its maturity date.

All the financial covenants were met in the past financial year.

Loan collateral

Under the SFA, the KION Group is under an obligation to provide collateral for its obligations and liabilities. This obligation also includes to the corporate bond (newly added SFA tranches H1a und H1b), under which the funds from the corporate bond accrued to the KION Group. By the reporting date a total of 26 (31 December 2010: 21) KION Group companies (guarantors) in five countries – Germany, the UK, France, Spain and Italy – had provided the necessary collateral. The year-over-year change in the companies participating in the SFAS was largely attributable to the fact that the financial services companies established in 2011 had become a party to the SFA.

The collateral includes guarantees, the assignment of shares in the guarantors (with the exception of shares in KION GROUP GmbH), the assignment of bank accounts and guarantor receivables, the assignment of claims arising from and in connection with the share purchase agreement between Linde Material Handling GmbH and Linde AG dated November 5, 2006, relating to the shares in the former KION GROUP GmbH, the assignment of shares in KION Information Management Services GmbH and assignments and transfers of title to intellectual property rights by guarantors in Germany. The statutory provisions in the United Kingdom and the agreements entered into require that all the assets of the UK guarantor are pledged as security.

The carrying amounts of the financial assets pledged as collateral amounted to €791,985 thousand as at the reporting date (31 December 2010: €709,051 thousand).

No liabilities to banks were secured by pledges of real property at the end of 2011 (31 December 2010: €125 thousand).

[28] Lease liabilities

Lease liabilities primarily relate to finance lease obligations of €669,035 thousand (31 December 2010: €617,547 thousand) arising from sale and leaseback transactions for funding leases with customers.

Lease liabilities also include obligations of €15,765 thousand (31 December 2010: €17,814 thousand) arising from residual-value guarantees that were provided when leased assets were sold to leasing companies.

The KION Group has recognised lease liabilities amounting to €16,712 thousand (31 December 2010: €26,288 thousand) arising from procurement leases, which are classified as finance leases due to their terms and conditions.

The amounts recognised as lease liabilities are based on the following data:

Minimum lease payments

€ thousand	2011	2010
Total minimum lease payments (gross)	**769,603**	**724,220**
due within one year	260,230	278,967
due in one to five years	490,680	427,041
due in more than five years	18,693	18,212
Present value of minimum lease payments	**701,512**	**661,649**
due within one year	230,381	250,552
due in one to five years	452,988	393,335
due in more than five years	18,143	17,762
Interest included in minimum lease payments	**68,091**	**62,571**

[29] Other provisions

Other provisions relate to the following items:

Other provisions

€ thousand	Provisions for product warranties	Provisions for personnel	Other obligations	**Total other provisions**
Balance as at 1/1/2011	**60,455**	**133,893**	**65,853**	**260,201**
thereof non-current	60,455	94,750	9,094	164,299
thereof current	0	39,143	56,759	95,902
Changes in group of consolidated entities	150	134	811	1,095
Additions	34,864	75,844	24,297	135,005
Utilisations	-18,964	-61,592	-23,405	-103,961
Reversals	-2,454	-2,816	-11,255	-16,525
Additions to accrued interest	136	2,630	39	2,805
Exchange differences	419	10	274	703
Other adjustments	343	0	180	523
Balance as at 31/12/2011	**74,949**	**148,103**	**56,794**	**279,846**
thereof non-current	69,729	16,935	9,504	96,168
thereof current	5,220	131,168	47,290	183,678

The provisions for product warranties include contractual and statutory obligations arising from the sale of industrial trucks and spare parts. It is expected that the bulk of the costs will be incurred within the next two years after the reporting date.

The provisions for personnel comprise provisions for partial retirement obligations, long-service awards, annual bonuses and severance pay. The provision for partial retirement obligations is recognised on the basis of individual contractual arrangements. The KION Group recognised restructuring provisions of €74,465 thousand in 2011, predominantly in connection with the planned transfers of production.

Other obligations largely comprise provisions for guarantees and litigation.

[30] Other financial liabilities

Other financial liabilities include the following items:

Other financial liabilities

€ thousand	2011	2010
Deferred income	118,455	124,948
Sundry other liabilities	14,264	2,922
Other non-current financial liabilities	**132,719**	**127,870**
Deferred income	86,551	81,274
Personnel liabilities	128,349	94,573
Derivative financial instruments	17,742	30,030
Social security liabilities	38,894	35,460
Tax liabilities	50,269	35,683
Advances received from third parties	41,981	40,682
Liabilities on bills of exchange	3,799	2,303
Liabilities from accrued interest	10,360	2,049
Sundry current financial liabilities	42,490	69,188
Other current financial liabilities	**420,435**	**391,242**
Total other financial liabilities	**553,154**	**519,112**

Other financial liabilities include non-derivative liabilities of €180,226 thousand (31 December 2010: €156,053 thousand) that fall within the scope of IFRS 7.

[31] Contingent liabilities and other financial obligations

Contingent liabilities

Contingent liabilities		
€ thousand	2011	2010
Liabilities on bills of exchange	3,516	2,303
Liabilities on guarantees	2,129	1,098
Collateral security for third-party liabilities	69	–
Total contingent liabilities	**5,714**	**3,401**

Litigation

The legal risks arising from the KION Group's business are typical of those faced by any company operating in this sector. The Company is a party in a number of pending lawsuits in various countries. It cannot assume with any degree of certainty that it 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 Company believes it is remote that these ongoing lawsuits will result in additional provisions.

Other financial commitments

Other financial commitments		
€ thousand	2011	2010
Liabilities under non-cancellable operating leases	205,394	208,874
Capital expenditure commitments in property, plant and equipment	6,109	5,660
Capital expenditure commitments in intangible assets	1,630	1,205
Other financial commitments	16,958	17,290
Total other financial commitments	**230,091**	**233,029**

The maturity structure of the total future minimum lease payments under non-cancellable operating leases is as follows:

Minimum lease payments		
€ thousand	2011	2010
Nominal minimum lease payments (gross)	**205,394**	**208,874**
due within one year	58,856	63,621
due in one to five years	104,634	96,175
due in more than five years	41,904	49,078

The minimum lease payments relate to payments for leased buildings, machinery, office furniture and equipment (procurement leases) as well as payments for industrial trucks refinanced with a sale and leaseback and sub-leased to end customers (sale and leaseback sub-leases).

Minimum lease payments broken down into procurement leases & sale-and-leaseback subleases

	Procurement leases		Sale-and-leaseback subleases	
€ thousand	2011	2010	2011	2010
Minimum lease payments (cash out)	**151,486**	**158,406**	**53,908**	**50,468**
due within one year	38,134	39,844	20,722	23,777
due in one to five years	71,452	69,484	33,182	26,691
due in more than five years	41,900	49,078	4	–
Minimum lease payments (cash in)	**–**	**–**	**11,257**	**16,795**
due within one year	–	–	5,813	8,358
due in one to five years	–	–	5,440	8,437
due in more than five years	–	–	4	–

The future minimum lease payments for sale and leaseback transactions not recognised on the statement of financial position amounting to €53,908 thousand are partially offset by payments received under non-cancellable sub-leases amounting to €11,257 thousand. The future payments also include obligations arising from the refinancing of industrial trucks for which there are no offsetting receipts under short-term sub-leases.

Other disclosures

[32] Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash 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 in which the profit or loss for the year is adjusted for non-cash operating items.

Cash flow from operating activities increased by 94 per cent to €386,810 thousand in 2011 (2010: €199,289 thousand). The underlying reason for this improvement was that earnings before interest and tax (EBIT) increased to €213,160 thousand in the reporting year (2010: €34,636 thousand).

The net cash used for investing activities in the KION Group increased by 24 per cent to €152,580 thousand in 2011 (2010: €123,248 thousand). Cash payments for capital expenditures on non-current assets and property, plant and equipment came to a total of €133,005 thousand (2010: €123,462 thousand). The net cash used for acquisitions totalled €32,916 thousand (2010: €7,638 thousand) and essentially related to the acquisition of the forklift truck and warehouse technology business of Voltas Limited, Mumbai, India (€16,141 thousand), the purchase of the remaining shares (51 per cent) in Linde Sterling Ltd., Basingstoke, United Kingdom (€9,795 thousand), the investment in Liftec's business in Russia (€4,903 thousand) and a smaller acquisition in Italy. The proceeds from the disposal of assets primarily related to disposals of assets no longer required for the Group's operating activities.

The net cash used for financing activities amounted to €114,715 thousand (2010: €290,210 thousand). Whereas the main factors affecting this cash flow in 2010 were the net repayment of loans (€95,705 thousand) and the repayment of other funding by individual Group companies (€42,133 thousand), the net outflow of cash in 2011 was largely attributable to the net inflows resulting from the issuance of a corporate bond (inflow of €500,000 thousand), the funds drawn down under a revolving SFA credit line (inflow of €132,691 thousand) and the repayment of SFA liabilities (outflow of €537,018 thousand). Interest payments increased by €12,739 thousand to €147,455 thousand as a result of higher interest arising from financial liabilities and capital market liabilities. In 2011, there were also payments of €13,714 thousand for currency hedges (2010: €0).

The KION Group acquired an additional 5.34 per cent of the shares in KION Baoli (Jiangsu) Forklift Co. Ltd., China, for a total of €1,461 thousand in 2011. The cash used for this transaction is reported in cash flow from financing activities as required by IAS 7.

Cash and cash equivalents increased by a total of €120,567 thousand, €1,052 thousand of which was attributable to exchange-rate movements for the year ended 31 December 2011. This sharp increase stemmed largely from the funds drawn down under the revolving SFA credit line. Cash and cash equivalents totalled at €373,451 thousand as at the reporting date.

[33] Information on financial instruments

The KION Group uses both primary and derivative financial instruments.

The following section summarises the relevance of these financial instruments for the KION Group.

The following table shows the measurement categories defined by IAS 39. In line with IFRS 7, the table shows the carrying amounts and fair values of financial assets and liabilities:

Carrying amounts broken down by class and category

Classes	Carrying amount	Categories						Fair value
		FAHfT	AfS	LaR	HtM	FLaC	FLHfT	
€ thousand	2011							
Financial assets								
Loans receivable	795			795				795
Financial receivables	5,351			5,351				5,351
Available-for-sale investments	768		768					768
Lease receivables*	361,221							362,319
Trade receivables	676,553			676,553				676,553
Other receivables	59,514							59,514
thereof non-derivative receivables	36,237			36,237				36,237
thereof derivative financial instrumer	23,277	21,500						23,277
Cash and cash equivalents	373,451							373,451
Financial liabilities								
Liabilities to banks	2,509,889					2,509,889		2,509,889
Capital market liability	487,508					487,508		388,750
Other financial liabilities	7,333					7,333		7,333
Shareholder loan	643,132					643,132		530,045
Lease liabilities*	701,512							700,785
Trade payables	634,092					634,092		634,092
Other liabilities	197,968							197,968
thereof non-derivative liabilities	180,226					180,226		180,226
thereof derivative financial instrumer	17,742						2,471	17,742

* as defined by IAS 17

Carrying amounts broken down by class and category

Classes	Carrying amount	Categories						Fair Value
		FAHfT	AfS	LaR	HtM	FLaC	FLHfT	
€ thousand	2010							
Financial assets								
Loan receivable	1,907			1,907				1,907
Financial receivables	8,117			8,117				8,117
Available-for-sale investments	825		825					825
Lease receivables*	367,758							374,358
Trade receivables	633,265			633,265				633,265
Other receivables	59,122							59,122
thereof non-derivative receivables	35,416			35,416				35,416
thereof derivative financial instrumer	23,706	19,900						23,706
Cash and cash equivalents	252,884							252,884
Financial liabilities								
Liabilities to banks	2,871,887					2,871,887		2,871,887
Capital market liability	0					0		0
Other financial liabilities	7,000					7,000		7,000
Shareholder loan	615,250					615,250		554,358
Lease liabilities*	661,649							666,622
Trade payables	508,108					508,108		508,108
Other liabilities	186,083							186,083
thereof non-derivative liabilities	156,053					156,053		156,053
instruments	30,030						5,029	30,030

* as defined by IAS 17

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

Change in valuation allowances

€ thousand	2011	2010
Valuation allowances as at 1 January	**47,125**	**48,614**
Group changes	626	–
Additions (cost of valuation allowances)	10,547	13,912
Reversals	-3,092	-9,466
Utilisations	-5,425	-4,212
Currency translation adjustments	-216	-1,723
Valuation allowances as at 31 December	**49,565**	**47,125**

The net gains and losses on financial instruments by IAS 39 category are as follows:

Net gains and losses on financial instruments broken down by category

€ thousand	2011	2010
Loans and receivables (LaR)	2,062	9,223
Available-for-sale investments (AfS)	13	15
Financial assets held for trading (FAHfT)	14,360	39,381
Financial liabilities held for trading (FLHfT)	-10,109	-27,063
Financial liabilities carried at amortised cost (FLaC)	-225,277	-220,979

The above gains and losses do not include losses arising on hedging transactions amounting to €18,464 thousand (2010: €38,087 thousand) because these losses relate to a documented hedge.

Fair value measurement

The majority of the funding, loans, investments, other non-derivative receivables and liabilities, trade receivables and trade payables held by the Group have short remaining terms to maturity. The carrying amounts of these financial instruments approximate their fair values.

The fair value of derivative financial instruments is determined using appropriate valuation methods on the basis of observable market information at the reporting date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forwards is calculated on the basis of the forward rates at the reporting date. In the KION Group, all derivative financial instruments are classified as level 2 measurements as defined by IFRS 7.
In order to minimise default risk to the greatest possible extent, the KION Group only enters into derivatives with counterparties holding a high credit rating.

With the exception of derivative financial instruments and available-for-sale assets, all financial assets and liabilities are measured at amortised cost.

Financial assets measured at fair value

€ thousand	2011	2010
Financial assets	**24,045**	**24,531**
thereof available-for-sale	768	825
thereof derivative instruments	23,277	23,706

Financial liabilities measured at fair value

€ thousand	2011	2010
Financial liabilities	**17,742**	**30,030**
thereof derivative instruments	17,742	30,030

The fair value of available-for-sale assets is determined on the basis of quoted prices in an active market. These assets are classified as level 1 as defined by IFRS 7.

[34] 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 optimisation of the capital structure, the reduction of liabilities and ongoing Group cash flow planning and management. Besides the supplementary agreement to the SFA in 2009, long-term financing requirements were also covered by the issuance of the corporate bond (see 'Credit terms' table).

Close cooperation between local units and the Group head office ensures that the local legal and regulatory requirements faced by foreign group companies are considered in the capital management process.

Net financial debt before borrowing costs – defined as the difference between financial liabilities and cash and cash equivalents – is the key performance measure used in liquidity planning at Group level. Lease liabilities and other financial liabilities are excluded from this figure, which were €2,656,613 thousand in 2011 (2010: €2,640,829 thousand).

Credit risk

In certain finance and operating 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 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. Counterparty risks involving our customers are managed by the individual Group companies.

The following table shows the age structure of receivables as at the reporting date.

Age structure analysis of receivables

	Carrying amount	Thereof: Neither overdue nor impaired at the reporting date	Thereof: Overdue and impaired at the reporting date	Thereof: Not impaired at the reporting date, but up to and including 90 days overdue	Thereof: Not impaired at the reporting date, but more than 90 days overdue
€ thousand 2011					
Financial receivables	5,351	5,351			
Lease receivables	361,221	361,221	–	–	–
Trade receivables	676,553	539,560	4,286	117,666	10,727
Other non-derivative receivables	36,237	35,189	643	–	41
€ thousand 2010					
Financial receivables	8,117	8,117			
Lease receivables	367,758	367,758	–	–	–
Trade receivables	633,265	493,781	10,101	114,472	13,896
Other non-derivative receivables	35,416	35,060	21	–	83

Impairment losses are based on the credit risk associated with the receivables and are assessed primarily using factors such as a customer's credit rating and historical pattern of meeting payment terms.

Some of the receivables that were overdue as at the reporting date, but for which no impairment losses had been reported, were offset by corresponding trade payables or collateral. Apart from this item, the Group did not hold any significant collateral.

Liquidity risk

Based on IFRS 7, a liquidity risk arises if a company is unable to meet its financial liabilities. The KION Group maintains a liquidity reserve in the form of lines of credit and cash in order to ensure financial flexibility and solvency. The age structure of financial liabilities is reviewed continuously and was improved by issuing the corporate bond.

The following table shows all of the contractually agreed payments under recognised financial liabilities as at 31 December 2011, including derivative financial instruments with negative fair values.

Liquidity analysis of financial liabilities and derivatives

€ thousand	2011			
	Carrying amount 2011	Cash flow 2012	Cash flow 2013 - 2016	Cash flow from 2017
Primary financial liabilities				
Gross liabilities to banks	2,530,064	-307,224	-2,643,650	–
Borrowing costs	-20,175			
Net liabilities to banks	2,509,889			
Capital market liability	500,000	-34,864	-143,062	-556,723
Borrowing costs	-12,492			
	487,508			
Other financial liabilities	7,333	-3,397	0	-6,090
Shareholder loan	643,132	–	–	-928,194
Trade payables	634,092	-634,092	0	–
Lease liabilities	701,512	-260,230	-490,680	-18,693
Other financial liabilities	180,225	-180,225	–	–
Derivative financial liabilities				
Derivatives with negative fair value	17,742			
+ Cash in		295,698	32,127	–
- Cash out		-291,278	-36,919	–

Liquidity analysis of financial liabilities and derivatives

€ thousand	2010			
	Carrying amount 2010	Cash flow 2011	Cash flow 2012 - 2015	Cash flow from 2016
Primary financial liabilities				
Gross liabilities to banks	2,893,713	-192,543	-3,132,989	-370,561
Borrowing costs	-21,826			
Net liabilities to banks	2,871,887			
Other financial liabilities	7,000	-3,188	–	-6,059
Shareholder loan	615,250	–	–	-782,618
Trade payables	508,108	-508,108	–	–
Lease liabilities	661,649	-278,967	-427,041	-18,212
Other financial liabilities	156,053	-156,053	–	–
Derivative financial liabilities				
Derivatives with negative fair value	30,033			
+ Cash in		175,364	40,867	–
- Cash out		-203,057	-41,809	–

The calculation of future cash flows for derivative financial liabilities includes all currency forwards and interest-rate swaps that have negative fair values as at the reporting date.

Bank guarantee lines (e.g. sureties, performance bonds) had been issued under the ancillary facility agreements for a total amount in the low double-digit millions as at 31 December 2011. They included guarantees payable 'on first demand'. No guarantees were utilised in 2011.

The volume of business for which factoring was used in 2011 was €17,844 thousand (2010: €19,853 thousand). Because all material risks and rewards are assigned to the purchaser, these assets are derecognised in full.

Default risk

For financial assets, default risk is defined as the risk that a counterparty will default, and therefore is limited to a maximum of the carrying amount of the assets relating to the counterparty involved. The potential default risk attaching to financial assets is mitigated by secured forms of lending such as reservation of title, credit insurance and guarantees.

Specific valuation allowances for defaults are recognised to reflect the risk arising from primary financial instruments. Financial transactions are only entered into with selected partners holding good credit ratings. Investments in interest-bearing securities are limited to investment-grade securities.

Risks from financial services

The KION Group's leasing activities mean that it may be exposed to residual value risks from the marketing of machinery and equipment that is returned by the lessee at the end of a long-term lease and subsequently sold or re-leased. Residual values in the markets for used trucks are therefore constantly monitored and forecasted.

KION regularly assesses its overall risk position arising from financial services, recognising write-downs, valuation allowances or provisions to cover the risks it identifies. It immediately takes into account any changes in residual values when calculating new leases.
The increased marketing activities for used trucks and the overall increase in demand help to stabilise the residual values of the KION Group's industrial trucks and therefore serve to mitigate risk.

In addition, residual values are mainly based on remarketing agreements that continued to achieve positive outcomes in 2011. Under these agreements, any residual-value risk is transferred to the leasing company concerned. Group-wide standards to ensure that residual values are calculated conservatively reduce risk and provide the basis on which to create the transparency required. KION also has an IT system for residual-value risk management.

The KION Group mitigates its liquidity risk and interest-rate risk by ensuring that most of its transactions and funding loans have comparable maturities. Long-term leases are primarily based on fixed-interest agreements. The credit facilities provided by various banks ensure that the Group has sufficient liquidity.

In order to eliminate exchange-rate risk, KION generally funds its leasing business in the local currency used in each market.

Because of low default rates, counterparty risk has not been significant to date in the KION Group. The Company did not identify any material year-over-year changes in 2011. KION's losses from defaults are also mitigated by its receipt of the proceeds from the sale of repossessed trucks. In addition, it primarily offers financial services indirectly via selected funding partners, and KION bears the counterparty risk in less than 5 per cent of cases. The credit risk management system was refined as part of the work involved in transferring financial services activities to a separate segment. In particular, this involved revising procedures on operational and organisational structure as well as processes for risk management and control.

Exchange-rate risk

In accordance with its treasury risk policy, the KION Group hedges exchange rate risks both locally at the level of the individual companies and centrally via KION GROUP GmbH in order to meet the prescribed minimum hedging ratios.

The main hedging instruments employed are foreign-currency forwards, provided that there are no country-specific restrictions on their use.

At an entity level, hedges are entered into for highly probable future transactions on the basis of rolling 15-month forecasts, as well as for firm obligations not reported in the statement of financial position. In accordance with IAS 39, these hedges are generally classified as cash flow hedges for accounting purposes (see note [35]).

Foreign-currency forwards are also employed to hedge the exchange rate risks resulting from internal financing.

The following table shows an overview of the foreign-currency forwards entered into by the KION Group.

Foreign-currency forwards

		Fair value		Notional amount	
€ thousand		2011	2010	2011	2010
Foreign-currency forwards (assets)	Hedge	1,765	3,762	73,758	109,653
	Trading	21,500	19,824	363,277	639,473
Foreign-currency forwards (liabilities)	Hedge	8,650	4,236	189,351	89,900
	Trading	2,471	3,595	103,018	79,335

The currency options bought and sold in 2008, each with a notional value of US$ 780,000 thousand, were closed in 2011. The income generated by the sale totalled €1,649 thousand. No new options have been entered into.

Significant exchange rate risks from financial instruments are measured on the basis of value at risk (VaR) as part of internal Group management. VaR figures are calculated using historical variance-covariance analyses. Correlations and volatilities are calculated on the basis of the 250 working days prior to the reporting date (unweighted).

Exchange rate risks from financial instruments as defined by IFRS 7, are only included in calculating value at risk if the financial instruments are denominated in a currency other than the functional currency of the reporting entity concerned. This means that exchange rate risks resulting from the translation of the separate financial statements of subsidiaries into the Group reporting currency, i.e. currency translation risk, are not included.

Value-at-Risk

€ thousand	2011	2010
Currency risk	54,676	19,968

The value at risk in respect of currency risk as at 31 December 2011 was €54,676 thousand (31 December 2010: €19,968 thousand). Value at risk is the loss that is not expected to be exceeded over a holding period of one year with a confidence level of 97.7 per cent (2010: 97.7 per cent).

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 table below shows the cumulative effect of an increase or decrease of 100 basis points (bps) in the relevant interest-rate curves, with a rate of 0 per cent constituting the lower limit of the calculation.

Interest-rate sensitivity

	+100 bps	-100 bps	+100 bps	-100 bps
€ thousand	2011	2011	2010	2010
Other comprehensive income (loss)	28,702	-18,031	34,714	-32,600
Net income	-9,358	9,358	-17,226	18,454

The Group essentially funds itself by drawing down loans under its agreed credit facilities. Interest-rate derivatives - mainly interest-rate swaps - are used to hedge the resulting interest-rate risk.

Interest-rate swaps

		Fair value		Notional amount	
€ thousand		2011	2010	2011	2010
Interest-rate swaps (assets)	Hedge	–	46	–	70,000
	Trading	–	–	–	–
Interest-rate swaps (liabilities)	Hedge	6,621	20,769	2,070,000	2,493,706
	Trading	–	–	–	–

The interest-rate caps purchased in 2009 and with a notional value of €1,250,000 thousand expired in 2011 as planned. No new interest-rate options have been entered into.

[35] Hedge accounting

Hedging currency risk

In accordance with its treasury risk policy, the KION Group applies hedge accounting in hedging the exchange rate risks arising from highly probable future revenues in various currencies. Foreign-currency derivatives with settlement dates in the same month as the expected cash flows from the Group's operating activities are used as hedges.

The effectiveness of the Group's hedging transactions is assessed on the basis of forward rates using the hypothetical derivative approach under the cumulative dollar-offset method. The effective portion of the changes in the fair value of foreign-currency derivatives is recognised in accumulated other comprehensive income (loss) and only reversed when the corresponding hedged item is recognised in income.

Because of the short-term nature of the Group's payment terms, reclassifications to the income statement and the recognition of the corresponding cash flows generally take place in the same reporting period. A foreign-currency receivable or liability is recognised when goods are dispatched or received. Hedge accounting continues until the corresponding payment is received, with the changes in the fair value of the derivative being recognised in the income statement, thereby largely offsetting the effect of the measurement of the receivable at the reporting date.

The changes in fair value recognised and reclassified in other comprehensive income in 2011 are shown in the consolidated statement of comprehensive income. The ineffective portion of the changes in the fair value of the hedging transactions is recognised directly in the income statement. There were no significant ineffective portions in 2011.

In total, foreign-currency cash flows of €263,109 thousand (2010: €199,554 thousand) were hedged and designated as hedged items, of which €187,298 thousand is expected to be settled by 30 September 2012 (2010: €161,820 thousand expected by 30 September 2011). The remaining cash flows designated as hedged items fall due in the period up to 19 December 2013.

Hedging of interest-rate risk

The KION Group uses hedge accounting in connection with the hedging of interest-rate risk.

The KION Group is essentially financed by the utilisation of loans with variable interest rates and in different currencies. Interest-rate derivatives denominated in various currencies were used to hedge the resulting interest-rate risk in 2011. Because the KION Group used interest-rate swaps to transform 51 per cent of its variable-rate exposure into fixed-rate obligations as at the reporting date, it is not fully benefiting from the low level of market interest rates. The individual hedges were designated at the time the swaps were entered into.

The effective portion of the hedges was recognised in other comprehensive income (loss). As in the previous year, the cumulative effectiveness of the hedging transactions was almost 100 per cent. Again, as in 2010, there were no ineffective portions.
In total, variable portions of future interest payments amounting to €27,196 thousand (2010: €54,999 thousand) were designated as hedged items, of which €8,126 thousand is expected to be paid by 30 September 2012 (2010: €14,196 thousand fell due by 30 September 2011). The remaining cash flows designated as hedged items fall due by 31 December 2014.

[36] Segment report

IFRS 8 specifies the 'management approach' for defining operating segments. Under this approach, the internal reports that are regularly used by the chief operating decision-maker to make decisions on the allocation of resources to a segment and to assess the performance of a segment are used as the basis for determing the operating segments. The chief operating decision-maker in the KION Group is its Executive Board comprising Gordon Riske (CEO), Otmar Hauck (COO), Klaus Hofer (CHRO) and Harald Pinger (CFO).

Since the 2011 financial year, the chief operating decision-makers have divided the KION Group into the Linde Material Handling (LMH) and STILL brands for management purposes. Segment reporting follows the same breakdown, taking into account the relevant organisational structures and corporate strategy of the KION Group.

Linde Material Handling (LMH)
Linde Material Handling manufactures material-handling products under the Linde, Fenwick and Baoli brands and also produces hydraulic components that are used both in its own trucks and in the products of external manufacturers.

Baoli operates in the market as an independent brand focusing on the economy segment in China and other growth markets.

STILL
The STILL brand has positioned itself as a leading provider of intelligent intralogistics management tools. In addition to core products (forklifts, warehouse handling equipment and tow tractors), the product range includes pioneering material flow services.

As a leading Italian manufacturer, OM provides customers in the value segment with reliable, technologically advanced electric and diesel trucks as well as warehouse handling equipment.

In 2010, the STILL and OM brands began to bundle their activities, enabling them to boost their competitiveness by benefiting from each other's product range and distribution capability. OM focuses on its home Italian market and is integrating the STILL Group's activities in Italy into its operations. In the medium-term, STILL will integrate the OM Group's activities outside Italy into its network. STILL is also using attractive products from OM to supplement its own product range. It is therefore significantly expanding its coverage of the market for these products and greatly improving their market penetration via its excellent distribution network. The STILL and OM brands have been merged and managed jointly under the STILL segment since the 2011 financial year.

Other
The 'Other' segment comprises the companies operating under the Voltas brand as well as holding and service companies in the KION Group. Voltas is a KION Group brand company whose manufacturing is based in India and whose business activities focus primarily on this market. The service companies perform cross-segment services for the KION Group. The bulk of the revenue in this segment is generated by internal IT and logistics services rendered by the service companies.

The basis for internal reporting is a presentation of the financial position and financial performance based on data from continuing operations, excluding items relating to the KION Group in December 2006 and excluding non-recurring items. In addition to the above items, other net financial income/expenses and the share of profit (loss) of equity investments are also excluded from the performance indicator known as 'management reporting EBIT'. Segment reporting therefore includes a reconciliation of externally reported consolidated earnings before interest and tax (EBIT) including KION acquisition items and non-recurring items with the adjusted EBIT for the segments ('management reporting EBIT').

Segment reports are prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7]. Intra-group transactions are generally conducted on an arm's length basis. The following tables show information for the KION Group's operating segments for 2011 and 2010:

Segment report

€ thousand 2011	LMH	STILL	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,778,835	1,549,616	39,944	–	4,368,395
Intersegment revenue	76,761	116,313	183,365	-376,439	–
Total revenue	2,855,596	1,665,929	223,309	-376,439	4,368,395
Earnings before taxes	250,444	-29,629	-192,493	-87,207	-58,885
Financial income	46,351	13,249	32,371	-18,307	73,664
Financial expense	-57,142	-39,345	-267,529	18,307	-345,709
= Financial result	-10,791	-26,096	-235,158	–	-272,045
EBIT	261,235	-3,533	42,665	-87,207	213,160
+ Non-recurring items	-4,830	97,308	23,005	–	115,483
+ KION acquisition items	26,468	7,960	1,537	–	35,965
= Adjusted EBIT	282,873	101,735	67,207	-87,207	364,608
./. Other financial result	1,027	375	83,885	-83,401	1,886
./. Equity result*	5,533	1,557	–	–	7,090
Management Reported EBIT	276,313	99,803	-16,678	-3,806	355,632
Carrying amount of equity investments	31,898	4,647	–	–	36,545
Capital expenditures**	75,952	43,270	13,783	–	133,005
Depreciation**	98,400	46,315	14,822	–	159,537
Order intake	3,107,037	1,752,394	223,153	-400,728	4,681,856
Number of employees***	13,838	7,328	696	–	21,862

* Already adjusted by non-recurring items
** Excluding leased assets
***Number of employees in full-time equivalents as at 31 December

Segment report

€ thousand 2010	LMH	STILL	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,191,490	1,333,489	9,495	–	3,534,474
Intersegment revenue	62,399	86,899	150,373	-299,671	–
Total revenue	2,253,889	1,420,388	159,868	-299,671	3,534,474
Earnings before taxes	69,831	-44,664	-230,230	-26,357	-231,420
Financial income	42,572	13,045	47,378	-14,646	88,349
Financial expense	-59,227	-38,424	-243,518	-13,236	-354,405
= Financial result	-16,655	-25,379	-196,140	-27,882	-266,056
EBIT	86,486	-19,285	-34,090	1,525	34,636
+ Non-recurring items	26,922	36,794	11,979	–	75,695
+ KION acquisition items	25,712	2,763	556	–	29,031
= Adjusted EBIT	139,120	20,272	-21,555	1,525	139,362
./. Other financial result	1,197	558	-3,305	3,210	1,660
./. Equity result	3,838	-269	–	–	3,569
Management Reported EBIT	134,085	19,983	-18,250	-1,685	134,133
Carrying amount of equity investments	33,433	4,408	–	–	37,841
Capital expenditures*	70,477	34,150	18,835	–	123,462
Depreciation*	103,596	43,844	14,597	–	162,037
Order intake	2,509,672	1,518,378	159,868	-328,238	3,859,680
Number of employees**	12,240	7,235	493	–	19,968

* Excluding leased assets
**Number of employees in full-time equivalents as at 31 December

The breakdown of segment revenue by region is as follows

Segment revenue broken down by customer location

€ thousand	2011	2010
Germany	1,174,777	899,817
EU excl. Germany	2,114,588	1,820,151
Rest of Europe	203,530	151,807
America	280,611	232,673
Asia	434,814	301,879
Rest of world	160,075	128,147
Total segment revenue	**4,368,395**	**3,534,474**

There are no relationships with individual customers that generate revenue deemed to be significant as a proportion of total consolidated revenue.

Financial income and expenses including all interest income and expenses are described in notes [12] and [13].

The non-recurring items mainly comprise severance payments, social plan costs, costs relating to the planned transfers of production and consultancy costs. Also included for 2011 are the remeasurement of purchase price obligations and the remeasurement of an existing equity investment in an entity, over which a controlling influence can be exerted following the acquisition of additional shares. The KION acquisition items comprise a net write-down on the fair value adjustments identified as part of the purchase price allocation (PPA).

Segment capital expenditures include additions to intangible assets and property, plant and equipment, but not additions to leased assets. A separate segment report for leased assets is presented in note [17].

Depreciation/amortisation relates to intangible assets with finite useful lives and property, plant and equipment.

Capital expenditures broken down by company location (excl. leased assets)

€ thousand	2011	2010
Germany	92,340	88,875
EU excl. Germany	27,796	25,688
Rest of Europe	233	187
America	5,849	4,364
Asia	5,378	3,870
Rest of world	1,409	478
Total capital expenditures	**133,005**	**123,462**

The regional breakdown of non-current assets excluding financial assets, financial instruments, deferred tax assets and post-employment benefits is as follows:

Non-current assets broken down by company location

€ thousand	2011	2010
Germany	2,703,550	2,711,755
EU excl. Germany	665,590	661,375
Rest of Europe	24,492	19,992
America	34,672	30,609
Asia	116,428	88,213
Rest of world	48,671	49,132
Total non-current assets	**3,593,403**	**3,561,076**

Supplementary disclosures based on future segment structure

In 2011 the KION Group put in place the organisational structures to manage and report the Group's financial services (FS) activities separately in 2012.

To this end, separate financial services companies have been established in the key markets of France, Germany, Italy, Spain and the United Kingdom. Further companies will be gradually introduced in countries with a high proportion of finance and leasing business. In countries with lower levels of FS activity, sales and service companies will continue to engage in financial services operations as well.

During the course of 2011 the Group also developed a reporting model for the discrete reporting and management of financial services business. Future reporting in the KION Group will be based on this model. The sections below include voluntary additional disclosures based on the new reporting model and the associated revised breakdown of business activities in order to give prominence to the greater importance of financial services activities in the KION Group and to the future segment structure. These voluntary supplementary disclosures for the reporting year follow the principles required by IFRS 8.

Financial services activities will form a separate Financial Services segment alongside the LMH, STILL and Other brand segments described above:

Financial Services (FS)
The purpose of the FS segment is to act as an internal partner for the brand segments, providing finance solutions that promote sales. The FS activities include internal financing of short-term rental fleets, the financing of long-term leasing business for KION Group customers, and risk management. When long-term leasing business is being conducted, FS operates as a contractual partner to external customers and provides the necessary funding in conjunction with external financial partners. When short-term business is being transacted, FS's contractual relationship is with the LMH and STILL brand segments or with the external financial partners. Besides management of residual-value risk, risk management also includes the credit risk management system, which was refined as part of the work involved in transferring financial services activities to a separate segment. The key performance indicator used to manage the FS segment is earnings before tax (EBT).

The underlying business management model into which FS has been integrated views FS as an internal finance partner that operates as the interface between the brand segments and external finance providers or the capital markets. LMH, STILL and FS are therefore reported as independent operating subgroups, and transactions between these segments are presented in the same way as business conducted on an arm's-length basis. The regular (interest) margin income that FS generates from its business activities reflects prevailing market conditions. Surpluses from leasing that exceed this interest rate are reflected in the producer margin within the operating profit generated by the LMH and STILL brand segments.

Segment reports are generally prepared in accordance with the same accounting policies as the consolidated financial statements, as described in note [7]. Contrary to these policies, however, the LMH and STILL brands' intersegment sales to FS are always treated as revenue for the brand segments.

Assets and/or liabilities associated with the long-term leasing business are assigned to the FS segment. The expenses in the FS segment's income statement therefore reflect, in particular, depreciation/amortisation on the assets, interest expense relating to the funding of these assets as well as operating expenses. These expenses are offset under income by the finance instalments paid by the customer (lease payments excluding service portion).

Whereas the main feature of long-term leasing business is the provision of a financial service for the external lessee, the focus in short-term leasing is on the service function. External customers are offered flexible arrangements involving rental trucks from a rental pool – including associated services – for short-term use. Unlike the situation in long-term leasing, financial performance in the short-term business is largely dependent on the achieved level of utilisation of the rental fleet, management of which lies entirely within the responsibility of the brand segments. Given this structure, the assets associated with the short-term business remain on the balance sheets of the brand segments and the related income and expenses remain on the brand segments' income statements.

In an indirect leasing arrangement ('sale with risk'), which forms part of the long-term leasing business, the otherwise typical financing function of the FS segment as a lender for the leasing transaction no longer applies. As a result of the sale of the leased asset to the external finance provider in such transactions, the brand segments view the transactions in the same way as a sale to an end-user. Consequently, these transactions and all the revenue that they generate are recognised in the LMH and STILL brand segments.
The breakdown of segment information for 2011 and 2010 is as follows:

Segment Report - Voluntary Additional Information

€ thousand 2011	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,601,587	1,461,968	264,896	39,944	–	4,368,395
Intersegment revenue	251,927	204,836	214,864	183,365	-854,992	–
Total revenue	2,853,514	1,666,804	479,760	223,309	-854,992	4,368,395
Earnings before taxes	246,450	-30,586	6,160	-191,729	-89,180	-58,885
Financial income	29,380	5,804	45,360	32,371	-39,251	73,664
Financial expense	-40,651	-31,302	-41,901	-267,529	35,674	-345,709
= Financial result	-11,271	-25,498	3,459	-235,158	-3,577	-272,045
EBIT	257,721	-5,088	2,701	43,429	-85,603	213,160
+ Non-recurring items	-4,830	97,308	–	23,005	–	115,483
+ KION acquisition items	26,468	7,960	–	1,537	–	35,965
= Adjusted EBIT	279,359	100,180	2,701	67,971	-85,603	364,608
./. Other financial result	1,027	375	–	83,885	-83,401	1,886
./. Equity result	5,533	1,557	–	–	–	7,090
Management Reported EBIT	272,799	98,248	2,701	-15,914	-2,202	355,632
Segment assets	4,425,263	1,983,278	840,005	708,616	-1,890,876	6,066,286
Segment liabilities	1,495,301	1,064,798	798,845	5,043,405	-1,848,476	6,553,873
Carrying amount of equity investments	31,898	4,647	–	–	–	36,545
Capital expenditures*	75,952	43,270	–	13,783	–	133,005
Depreciation**	167,602	95,111	71,020	16,319	-21,060	328,992

* Excluding leased assets
** Including leased assets

Segment Report - Voluntary Additional Information

€ thousand 2010	LMH	STILL	FS	Other	Consolidation/ Reconciliation	Total
Revenue from external customers	2,042,427	1,256,836	225,716	9,495	–	3,534,474
Intersegment revenue	204,868	151,742	127,874	150,373	-634,857	–
Total revenue	2,247,295	1,408,578	353,590	159,868	-634,857	3,534,474
Earnings before taxes	66,886	-46,823	6,230	-258,567	854	-231,420
Financial income	26,209	3,878	43,657	47,378	-32,773	88,349
Financial expense	-43,485	-29,483	-39,588	-271,400	29,551	-354,405
= Financial result	-17,276	-25,605	4,069	-224,022	-3,222	-266,056
EBIT	84,162	-21,218	2,161	-34,545	4,076	34,636
+ Non-recurring items	26,922	36,794	–	11,979	–	75,695
+ KION acquisition items	25,712	2,763	–	556	–	29,031
= Adjusted EBIT	136,796	18,339	2,161	-22,010	4,076	139,362
./. Other financial result	1,197	558	–	-3,305	3,210	1,660
./. Equity result	3,838	-269	–	–	–	3,569
Management Reported EBIT	131,761	18,050	2,161	-18,705	866	134,133
Segment assets	4,086,051	1,951,953	774,824	632,090	-1,685,979	5,758,939
Segment liabilities	1,404,059	968,884	733,594	4,700,799	-1,648,475	6,158,861
Carrying amount of equity investments	33,433	4,408	–	–	–	37,841
Capital expenditures*	70,477	34,150	–	18,835	–	123,462
Depreciation**	176,363	99,196	64,175	16,956	-18,096	338,594

* Excluding leased assets
** Including leased assets

[37] Employees

The KION Group employed an average of 20,797 people in the reporting year (2010: 19,764). The number of employees (including part-time employees expressed as a proportion of full-time equivalents) is broken down by region as follows:

Employees (average)

	2011	2010
Germany	8,145	7,785
France	3,196	3,172
UK	1,423	1,467
Italy	1,030	1,044
Rest of Europe	3,194	3,073
Asia	2,816	2,319
Rest of world	993	904
Total employees	**20,797**	**19,764**

The first-time consolidations of Cailotto Carrelli S.p.A., Verona, Italy, and Linde Sterling Ltd., Basingstoke, United Kingdom, increased the number of employees by 46 and 282, respectively. In addition, a total of 131 employees were taken on from Voltas Limited in India and 147 members of staff were acquired from Russia-based dealer Liftec.

[38] Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, the KION Group has direct or indirect business relationships with a number of unconsolidated subsidiaries, joint ventures and associates in the course of its ordinary business activities. Transactions with these companies are conducted on an arm's length basis. The related companies that are controlled by the KION Group or that are able to exercise significant influence over the KION Group are included in the list of shareholdings in the annex to these notes and in the following table:

Related parties

Superlift Holding S.à r.l., Luxembourg	Parent company
Kohlberg Kravis Roberts & Co. L.P., New York, USA	Entity with significant influence
Goldman, Sachs & Co., New York, USA	Entity with significant influence
Superlift Funding S.à r.l., Luxembourg	Affiliated company

Superlift Funding S.à r.l., Luxembourg

Under a supplementary loan agreement dated 23 September 2009, investment funds advised by Kohlberg Kravis Roberts & Co. L.P. ('KKR') and Goldman Sachs Capital Partners extended the SFA to include an additional loan of €100,000 thousand to be paid via Superlift Funding S.à r.l., Luxembourg. The purpose of the supplementary loan was to further strengthen the operational and strategic options for the KION Group. Both the loan amount and the associated interest are repayable as a bullet payment on maturity (payment in kind, 'PIK').

Shareholder loan agreement

On 27 December 2006, KION Holding 1 GmbH (then Neggio Holding 1 GmbH) entered into a shareholder loan agreement with Superlift Holding S.à r.l., Luxembourg, for €500,000 thousand of principal. The maturity date for the loan is 31 December 2021. Both the unsecured loan principal and the associated interest are repayable as a bullet payment on maturity (payment in kind, 'PIK'). Since 1 September 2007, the loan has been subject to interest at a rate of 5.5 per cent per annum. The carrying amount of the loan including accrued interest was €643,132 thousand as at 31 December 2011 (31 December 2010: €615,250 thousand).

Advisory agreement

On 8 May 2007, KION Group GmbH, Kohlberg, Kravis Roberts & Co. L.P. ('KKR') and Goldman, Sachs & Co. entered into an advisory agreement under the terms of which KKR and Goldman Sachs are to perform advisory services for the KION Group. These advisory services relate, in particular, to financial and strategic issues. The annual advisory fee payable to KKR and Goldman, Sachs & Co. is €4,624 thousand (2010: €4,609 thousand) and it has been recognised as an expense.

As at the reporting date, the receivables due from related parties were as follows:

Receivables from related parties

€ thousand	2011	2010
Non-consolidated subsidiaries	4,403	7,059
Associates	17,262	22,249
Joint ventures	2,964	2,880
Other related parties	4,825	7,545
Total receivables from related parties	**29,454**	**39,733**

As at the reporting date, liabilities to related parties were as follows:

Liabilities to related parties

€ thousand	2011	2010
Non-consolidated subsidiaries	4,188	3,771
Associates	39,955	41,537
Joint ventures	4,719	3,490
Other related parties	769,255	730,686
Total liabilities to related parties	**818,117**	**779,484**

[39] KION management partnership plan ('MPP')

Arrangements for managers to invest in the Company have been in place since 2007. These arrangements are governed by the 'Shareholders' and co-investment agreement on the implementation of the management partnership plan for the KION Group' (the co-invest agreement) dated 14 June 2007, entered into by Superlift Holding S.à r.l., KION Holding 1 GmbH and KION Management Beteiligungs GmbH & Co. KG. The managers who have joined the management partnership plan are also parties to the co-invest agreement.

KION Management Beteiligungs GmbH & Co. KG holds an equity interest of 14.61 per cent in KION Holding 1 GmbH. In total, the Executive Board holds an interest of €3,400 thousand in the limited partner capital of KION Management Beteiligungs GmbH & Co. KG, which equates to an indirect interest of 3.31 per cent in the share capital of KION Holding 1 GmbH. In addition to the KION Group's Executive Board, around 300 executives around the world have purchased shares in KION Management Beteiligungs GmbH & Co. KG. The shares are sold at their fair value and shareholdings are divided into virtual 'A', 'B', and 'C' shares. Different terms and conditions concerning payment of the purchase price and rights to purchase attach to these virtual shares. The purchase price for 'A' shares became payable when participants joined the programme, while KION Management Beteiligungs GmbH granted participants interest-bearing loans for the purchase price of the 'B' and 'C' shares. The vesting conditions and resulting purchase rights for 'B' shares accrue to participants in equal, annual tranches over a period of five years. By contrast, managers become eligible to purchase 'C' shares if the targets for revenue, EBITA and operating cash flow set in the business plan are achieved over a five-year period or predefined target returns are achieved if the Group is sold or there is a change of control.

In 2010, the performance-related vesting conditions for the 'C' shares relating to the 2009–2012 bonus period were adjusted to take into account the revised long-term KION business plan, which is in turn based on the amended loan terms in the supplementary agreement to the SFA dated 23 September 2009. The change in vesting conditions affects a total of 1,034 shares with an expected exercise price of €16 thousand each. The agreement had one year remaining as at 31 December 2011. The total fair value of this adjustment was €1,044 thousand. The fair value of the individual purchase rights amounted to €1 thousand. The number of purchase options outstanding as at the reporting date remained unchanged at 1,034, of which 584 (31 December 2010: 292) were exercisable.

The fair value of the new vesting conditions was calculated using the Black-Scholes model based on a share price of €11 thousand. The risk-free interest rate on the reference date for the calculation was 1.6 per cent. The expected holding period for the options is three years. The expected volatility is 32 per cent and it was calculated by taking the implied volatility of a peer group. Expected dividends were not taken into account.

Expenses of €295 thousand were incurred by the management partnership plan in 2011 (2010: €590 thousand).

[40] Remuneration of key management

Executive Board

Gordon Riske, Chief Executive Officer (CEO), is responsible, among other things, for the strategic management of the Group, communications, governance and compliance, and the Group's Asian business.

Harald Pinger, Chief Financial Officer (CFO), is responsible, among other things, for finance including financial services, IT activities, business development, mergers & acquisitions, and the Americas region.

Otmar Hauck (member of the Executive Board of KION GROUP GmbH, Wiesbaden), Chief Operating Officer (COO), is responsible for quality and central operations (operational excellence/production control), purchasing, logistics, health & safety and environmental issues in the Group.

Klaus Hofer has been a member of the Executive Board since 1 October 2011 and, as Chief Human Resources Officer (CHRO), is responsible for human resources, legal affairs and internal audit, which previously formed part of the CFO's responsibilities.

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 are paid each year on the basis of the Group's performance. The pension entitlements consist of retirement, invalidity and surviving dependants' benefits.

The total remuneration paid to the members of the Executive Board in 2011 amounted to €5,209 thousand (2010: €5,049 thousand). This consisted of short-term remuneration amounting to €4,755 thousand (2010: €4,550 thousand), post-employment benefits totalling €386 thousand (2010: €366 thousand) and share-based payments of €68 thousand (2010: €133 thousand). The current service cost resulting from pension provisions for the Executive Board is reported under the retirement benefit obligation. No loans or advances were made to members of the Executive Board in 2011 (2010: loans and advances totalling €151 thousand).

The total remuneration paid to former members of the Executive Board in 2011 amounted to €162 thousand (2010: €0). Provisions for pension obligations to former members of the Executive Board or their surviving dependants amounting to €2,819 thousand (2010: €2,953 thousand) were recognised in accordance with IAS 19.

Supervisory Board

The total remuneration paid to the members of the Supervisory Board for the performance of their duties at the parent company and subsidiaries in 2011 amounted to €1,071 thousand including VAT (2010: €822 thousand). There were no loans or advances to members of the Supervisory Board in 2011. Furthermore, the members of the Supervisory Board did not receive any remuneration or benefits for services provided as individuals, such as consulting or brokerage activities.

In addition to their remuneration as members of the Supervisory Board, the employee representatives also receive remuneration as employees of the KION Group that is unrelated to their work on the Supervisory Board. Remuneration paid to employee representatives for their work as employees totalled €514 thousand in 2011 (2010: €539 thousand).

[41] Members of the Executive Board and Supervisory Board

Executive Board

Gordon Riske
CEO

Klaus Hofer
(since 1 October 2011)
CHRO

Harald Pinger
CFO

Supervisory Board

Dr John Feldmann
(Chairman of the Supervisory Board since 28 September 2011)
Member of the Supervisory Board and member of the Presiding Committee of the Supervisory Board of Bilfinger Berger SE, Mannheim

Manfred Wennemer
(Chairman of the Supervisory Board until 28 June 2011)
Former Chief Executive Officer, Continental AG, Hannover

Joachim Hartig[1]
Deputy Chairman of the Supervisory Board
Chairman of the Plant I & II Works Council, Linde Material Handling GmbH, Aschaffenburg

Dr Alexander Dibelius
Chief Executive Officer of Goldman Sachs AG, Frankfurt am Main

Denis Heljic[1]
Deputy Chairman of the Works Council of STILL GmbH, Dortmund plant
Service Technician at STILL, Dortmund plant

Dr Martin Hintze
Managing Director of Goldman Sachs Capital Partners, London

Johannes P. Huth
(Chairman of the Supervisory Board from 29 June to 28 September 2011)
Member of Kohlberg Kravis Roberts & Co. L.P., New York

Thilo Kämmerer[1]
Trade Union Secretary on the Executive Board of IG Metall, Frankfurt am Main

Dr Roland Köstler[1]
Head of Business Law at Hans-Böckler-Stiftung, Düsseldorf

Peter Kolb[1]
Head of Facility Management, Linde Material Handling GmbH, Aschaffenburg

Kay Pietsch[1]
Chairman of the KION Group Works Council and Chairman of the Works Council of STILL GmbH, Hamburg

Silke Scheiber
Director of Kohlberg Kravis Roberts & Co. L.P., New York

Dr Michael Süß
Member of the Managing Board and CEO of the Energy Sector of Siemens AG, Munich

Philip Wack
(from 29 June to 27 September 2011)
Associate of Kohlberg Kravis Roberts & Co. L.P., New York

[1] Employee representatives

[42] Auditors' fees

The fees recognised as an expense and paid to the auditors of the consolidated financial statements in 2011 amounted to €970 thousand (2010: €800 thousand) for the audit of the financial statements, €892 thousand (2010: €88 thousand) for other assurance services, €206 thousand (2010: €32 thousand) for tax consultancy services and €63 thousand (2010: €20 thousand) for other services.

[43] Events after the reporting date

In the period after the end of the 2011 financial year up to 15 March 2012 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 as at 31 December 2011 or that it would be necessary to disclose.

[44] Information on preparation and approval

The Executive Board of KION Holding 1 GmbH prepared the consolidated financial statements on 15 March 2012 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.

Wiesbaden, 15 March 2012

The Executive Board

Gordon Riske Klaus Hofer Harald Pinger

KION Holding 1 GmbH

List of shareholdings for the year ended 31 December 2011

List of shareholdings as of 31 December 2011
according to section 313 para. 2 No. 1-4 Commercial Code (HGB)

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
1	KION Holding 1 GmbH	Wiesbaden	Germany			200,816	-29,174	
	Consolidated affiliated companies							
	Domestic							
2	BlackForxx GmbH	Stuhr	Germany	17	100.00%	757	0	[B]
3	Eisenwerk Weilbach GmbH	Wiesbaden	Germany	10	100.00%	288	0	[A]
4	Fahrzeugbau GmbH Geisa	Geisa	Germany	17	100.00%	7,329	0	[B]
5	KION GROUP GmbH	Wiesbaden	Germany	6	100.00%	276,413	-56,235	
6	KION Holding 2 GmbH	Wiesbaden	Germany	1	100.00%	848,331	0	[F]
7	KION Information Management Services GmbH	Wiesbaden	Germany	5	100.00%	129	0	[E]
8	KION Warehouse Systems GmbH	Reutlingen	Germany	17	100.00%	22,670	0	[B]
9	Klaus Pahlke GmbH & Co. Fördertechnik KG	Haan	Germany	10	100.00%	9,675	1,715	
10	Linde Material Handling GmbH	Aschaffenburg	Germany	5	100.00%	281,522	-61,438	
11	LMH Immobilien GmbH & Co. KG	Aschaffenburg	Germany	10 & 12	99.64%	29,982	1,013	
12	LMH Immobilien Holding GmbH & Co. KG	Aschaffenburg	Germany	10	94.00%	180	67	
13	LMH Immobilien Holding Verwaltungs-GmbH	Aschaffenburg	Germany	10	100.00%	27	1	
14	LMH Immobilien Verwaltungs-GmbH	Aschaffenburg	Germany	10	100.00%	28	1	
15	OM Deutschland GmbH	Neuhausen a.d. Fildern	Germany	60	100.00%	-1,165	-211	
16	Schrader Industriefahrzeuge GmbH & Co. KG	Essen	Germany	10	100.00%	2,322	1,700	
17	STILL GmbH	Hamburg	Germany	10	100.00%	206,250	0	[A]
18	URBAN-TRANSPORTE GmbH	Unterschleißheim	Germany	10	100.00%	3,181	0	[A]
	Foreign							
19	Linde Material Handling Pty. Ltd.	Huntingwood	Australia	10	100.00%	39,380	3,076	
20	STILL N.V.	Wijnegem	Belgium	17 & 65	100.00%	7,262	1,848	
21	KION South America Fabricação de Equipamentos para Armazenagem Ltda.	Rio de Janeiro	Brazil	17	100.00%	22,790	5,328	
22	Linde (China) Forklift Truck Corporation Ltd.	Xiamen	China	10	100.00%	110,241	35,163	
23	KION Baoli (Jiangsu) Forklift Co., Ltd.	Jiangjiang	China	54	97.34%	26,932	-2,114	
24	STILL DANMARK A/S	Kolding	Denmark	17	100.00%	4,470	38	
25	BARTHELEMY MANUTENTION SAS	Vitrolles	France	28	90.41%	3,186	1,150	
26	Bastide Manutention SAS	Toulouse	France	28	100.00%	2,097	429	
27	Bretagne Manutention S.A.	Pacé	France	28	54.27%	7,389	3,821	
28	FENWICK-LINDE S.A.R.L.	Elancourt	France	36 & 10	100.00%	181,470	29,405	
29	LOIRE OCEAN MANUTENTION SAS	St. Herblain	France	28	88.98%	4,305	1,361	
30	Manuchar S.A.	Gond Pontouvre	France	28	80.00%	3,576	1,774	
31	OM PIMESPO FRANCE S.A.S.	Mitry Mory	France	60	100.00%	-257	31	
32	SAS Société Angoumoisine de Manutention - SAMA	Champniers	France	35	100.00%	13,688	925	
33	MANUSOM SAS	Rivery	France	35	50.13%	482	195	
34	SM Rental SAS	Roissy Charles de Gaulle	France	28	100.00%	1,129	516	
35	STILL SAS	Marne la Vallée	France	36	100.00%	-7,573	-29,396	
36	KION France SERVICES SAS	Elancourt	France	10	100.00%	110,417	88	
37	Lansing Linde Severnside Ltd.	Basingstoke	U.K.	48	100.00%	4,687	0	[R]
38	Linde Castle Ltd.	Basingstoke	U.K.	40 & 108	100.00%	6,191	1,470	
39	Linde Heavy Truck Division Ltd.	Basingstoke	U.K.	44	100.00%	57,216	-19,866	
40	Linde Holdings Ltd.	Basingstoke	U.K.	51	100.00%	237,053	2,225	
41	Linde Hydraulics Ltd.	Abingdon	U.K.	44	100.00%	6,071	-21	
42	Linde Jewsbury's Ltd.	Basingstoke	U.K.	40	100.00%	6,864	2,649	
43	Linde Sterling Ltd.	Basingstoke	U.K.	40 & 129	100.00%	7,307	651	
44	Linde Material Handling (UK) Ltd.	Basingstoke	U.K.	40	100.00%	58,646	8,931	
45	Linde Material Handling East Ltd.	Basingstoke	U.K.	40 & 52	100.00%	-1,410	2,345	
46	Linde Material Handling Scotland Ltd.	Basingstoke	U.K.	44	100.00%	6,608	1,348	
47	Linde Material Handling South East Ltd.	Basingstoke	U.K.	44	100.00%	2,703	1,159	
48	Linde Severnside Ltd.	Basingstoke	U.K.	44	100.00%	7,073	1,143	
49	OM PIMESPO (UK) Ltd.	Basingstoke	U.K.	60	100.00%	-198	1,120	
50	STILL Materials Handling Ltd.	Leyland	U.K.	51	100.00%	9,441	-1,033	
51	Superlift UK Ltd.	Basingstoke	U.K.	10	100.00%	53,936	-14,036	
52	Trifik Services Ltd.	Basingstoke	U.K.	40	100.00%	0	0	
53	Linde Material Handling Hong Kong Ltd.	Kwai Chung	Hong-Kong	10	100.00%	2,426	457	
54	KION ASIA (HONG KONG) Ltd.	Kwai Chung	Hong-Kong	10	100.00%	28,571	-313	
55	Voltas Material Handling Private Limited	Mumbai	India	78	66.00%	1,900	1,048	[3]
56	Linde Material Handling (Ireland) Ltd.	Walkinstown	Ireland	40	100.00%	5,836	-140	
57	COMMERCIALE CARRELLI S.r.l.	Lainate	Italy	61 & 62	100.00%	531	-119	
58	Linde Material Handling Italia S.p.A.	Buguggiate	Italy	10	100.00%	16,537	-271	
59	Cailotto Carrelli S.p.A.	Verona	Italy	58	100.00%	1,647	-541	[3]
60	OM Carrelli Elevatori S.p.A.	Lainate	Italy	10 & 61	100.00%	67,408	-23,481	[1]
61	STILL ITALIA S.p.A.	Lainate	Italy	17	100.00%	8,895	-150	
62	KION Rental Services S.p.A. (formerly: STILL NOLO S.r.l.)	Milan	Italy	61	100.00%	1,127	79	
63	Linde Vilicari Hrvatska d.o.o.	Samobor	Croatia	10	100.00%	168	20	

KION Holding 1 GmbH

List of shareholdings for the year ended 31 December 2011

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
	Consolidated affiliated companies							
	Foreign							
64	KION Finance S.A.	Luxembourg	Luxembourg	-	-	29	-2	[3], [4]
65	STILL Intern Transport B.V.	Hendrik Ido Ambacht	Netherlands	17	100.00%	12,479	3,168	
66	Linde Fördertechnik GmbH	Linz	Austria	10 & 68	100.00%	9,211	775	
67	STILL Ges.m.b.H.	Wiener Neudorf	Austria	17	100.00%	4,553	849	
68	AUSTRO OM PIMESPO Fördertechnik GmbH	Linz	Austria	60	100.00%	9,875	-383	
69	Linde Material Handling Polska Sp. z o.o.	Warschau	Poland	10	100.00%	12,511	3,769	
70	STILL POLSKA Spólka z o.o.	Gadki	Poland	17	100.00%	9,554	1,202	
71	OOO "STILL Forklifttrucks"	Moskau	Russia	10 & 17	100.00%	1,224	90	
72	OOO "Linde Material Handling Rus"	Moskau	Russia	10 & 3	100.00%	-	-	[3]
73	STILL MOTOSTIVUITOARE S.R.L.	Giurgiu County	Romania	10 & 17	100.00%	-549	-42	
74	Linde Material Handling AB	Örebro	Sweden	10	100.00%	30,350	6,542	
75	STILL Sverige AB	Stockamöllan	Sweden	17	100.00%	2,015	-414	
76	Linde Lansing Fördertechnik AG	Dietlikon	Switzerland	10	100.00%	12,030	3,711	
77	STILL AG	Otelfingen	Switzerland	17	100.00%	7,189	2,907	
78	Linde Material Handling Asia Pacific Pte. Ltd.	Singapore	Singapore	10	100.00%	20,571	593	
79	Linde Material Handling Slovenska republika s.r.o.	Trencin	Slovakia	10 & 88	100.00%	2,052	225	
80	STILL SR, spol. s r.o.	Nitra	Slovakia	17 & 90	100.00%	1,775	441	
81	Linde Vilicar d.o.o.	Celje	Slovenia	10	100.00%	1,353	3	[1]
82	IBER-MICAR S.L.	Gava	Spain	10	100.00%	2,559	-21	[1]
83	Islavista Spain S.A.U.	Barcelona	Spain	10	100.00%	19,877	-2,961	
84	Linde Holding de Inversiones, SRL	Pallejá	Spain	83	100.00%	30,999	40	[1]
85	Linde Material Handling Ibérica, S.A.U.	Pallejá	Spain	84	100.00%	1,462	3,054	
86	STILL, S.A.	Barcelona	Spain	83 & 60	100.00%	12,322	-4,003	
87	Linde Material Handling (Pty) Ltd.	Linbro Park	South Africa	10	100.00%	18,845	865	
88	Linde Material Handling Ceská republika s r.o.	Prag	Czech Republic	10 & 17	100.00%	8,407	2,167	
89	Linde Pohony s r.o.	Ceský Krumlov	Czech Republic	10	100.00%	31,956	7,216	
90	STILL CR spol. s r.o.	Prag	Czech Republic	10 & 17	100.00%	4,726	401	
91	Linde Magyarország Anyagmozgatási Kft. (formerly: Linde Fördertechnik Ungarn GmbH)	Dunaharaszti	Hungary	10	100.00%	1,300	429	
92	STILL Kft.	Környe	Hungary	17	100.00%	1,310	36	
93	Linde Hydraulics Corporation	Canfield	United States	10	100.00%	8,047	1,388	
94	Linde Material Handling North America Corporation	Summerville	United States	10	100.00%	-4,554	-1,838	
	Non-consolidated affiliated companies							
	Domestic							
95	KION Financial Services GmbH	Wiesbaden	Germany	10	100.00%	50	0	[3], [A]
96	Klaus Pahlke Betriebsführungs-GmbH	Haan	Germany	10	100.00%	46	1	[1]
97	PAGEMA Miet- und Gebrauchtstapler GmbH	Haan	Germany	9	100.00%	62	0	[1], [L]
98	proplan Transport- und Lagersysteme GmbH	Aschaffenburg	Germany	1	100.00%	573	0	[F]
99	Schrader Industriefahrzeuge Verwaltung GmbH	Essen	Germany	10	100.00%	68	4	[1]
100	STILL Financial Services GmbH	Hamburg	Germany	95	100.00%	24	0	[3], [C]
	Foreign							
101	Lansing Bagnall (Aust.) Pty. Ltd.	Huntingwood	Australia	44 & 10	100.00%	-2,143	0	[1]
102	Urban Transporte spol. s.r.o.	Moravany / Brna	Czech Republic	18	100.00%	1,353	369	[1]
103	Baoli Material Handling Ceská republika s r.o.	Teplice	Czech Republic	88	100.00%	-	-	[3]
104	SCI Champ Lagarde	Elancourt	France	28	100.00%	103	0	[1]
105	FENWICK FINANCIAL SERVICES SAS (formerly: OTHEA SAS)	Elancourt	France	36	100.00%	0	-3	[1]
106	STILL Location Services SAS	Marne la Vallée	France	36	100.00%	-	-	[3]
107	URBAN LOGISTIQUE SAS	Elancourt	France	18	100.00%	1,018	273	[1]
108	Castle Lift Trucks Ltd.	Newton Aycliffe	U.K.	40	100.00%	1,210	481	[2]
109	Claymore Fork Truck Services Ltd.	East Kilbride	U.K.	122	100.00%	0	0	[1], [R]
110	Fork Truck Rentals Ltd.	Basingstoke	U.K.	44	100.00%	347	0	[1], [R]
111	Fork Truck Training Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
112	HFT Lift Trucks (South West) Ltd.	Basingstoke	U.K.	48	100.00%	-5	0	[1], [R]
113	Lansing Bagnall Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
114	Lansing Linde Castle Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
115	Lansing Linde Creighton Ltd.	Basingstoke	U.K.	44	100.00%	1	0	[1], [R]
116	Lansing Linde Jewsbury's Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
117	Lansing Linde Ltd.	Basingstoke	U.K.	44	100.00%	117	0	[1], [R]
118	Lansing Linde Scotland Ltd.	Basingstoke	U.K.	44	100.00%	155	0	[1], [R]
119	Lansing Linde South East Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
120	Lansing Linde Sterling Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
121	Lansing Linde Trifik Ltd.	Basingstoke	U.K.	44	100.00%	0	0	[1], [R]
122	Leader Lift Trucks Ltd.	East Kilbride	U.K.	40	100.00%	62	0	[1], [R]
123	Linde Trifik Limited	Basingstoke	U.K.	45	100.00%	0	0	[1]
124	M.D.A. (GB) Ltd.	Liverpool	U.K.	44 et al.	94.33%	198	32	[1]
125	Regentruck Ltd.	Basingstoke	U.K.	44	100.00%	1	0	[1], [R]
126	Severnside Mechanical Handling Group Ltd.	Basingstoke	U.K.	48	100.00%	2,032	0	[1], [R]
127	Stephensons Lift Trucks Ltd.	Newton Aycliffe	U.K.	38	100.00%	68	3	[1]

KION Holding 1 GmbH

List of shareholdings for the year ended 31 December 2011

Annex to the notes

No.	Name	Registered office	Country	Parent company	Holding in (%)	Equity, Local GAAP, TEUR	Earnings, Local GAAP, TEUR	Note
	Non-consolidated affiliated companies							
	Foreign							
128	Urban Logistics (UK) Ltd.	Basingstoke	U.K.	18	100.00%	95	180	[2]
129	Sterling Mechanical Handling Ltd.	Heswall	U.K.	40	100.00%	-	-	[3]
130	Lancashire (Fork Truck) Services Ltd.	Basingstoke	U.K.	43	100.00%	0	0	[1], [R]
131	KION FINANCIAL SERVICES Ltd.	Basingstoke	U.K.	51	100.00%	-	-	[3]
132	D.B.S. Brand Factors Ltd.	Basingstoke	U.K.	43	100.00%	0	0	[2], [R]
133	Stephensons Enterprise Fork Trucks Ltd.	St. Helens, Merseyside	U.K.	43	100.00%	0	0	[2], [R]
134	Handling & Storage Equipment (Ireland) Ltd.	Walkinstown	Ireland	56	100.00%	0	0	[1], [R]
135	Carest SRL	Lainate	Italy	60	100.00%	11	-1	[1], [R]
136	Milano Carrelli Elevatori S.r.l.	Monza	Italy	60	100.00%	21	-9	[1], [R]
137	URBAN LOGISTIKA S.R.L.	Lainate	Italy	18	100.00%	42	-1	[1], [R]
138	TOO "Linde Material Handling Kazakhstan"	Almaty	Kazakhstan	10 & 3	100.00%	-	-	[3]
139	Linde Viljuskari d.o.o.	Belgrad - Zemun	Serbia	66	100.00%	86	15	
140	STILL viljuškari d.o.o.	Belgrad	Serbia	141	100.00%	99	-173	[1]
141	STILL VILICAR d.o.o.	Ljubljana	Slovenia	17	100.00%	-1,087	-91	
142	KION Rental Services S.A.U.	Barcelona	Spain	83	100.00%	-	-	[3]
143	TOV "Linde Material Handling Ukraine"	Kyiv	Ukraine	10 & 3	100.00%	-	-	[3]
	Associates (equity investments)							
	Domestic							
144	Beutlhauser-Bassewitz GmbH & Co. KG	Hagelstadt	Germany	10	25.00%	5,894	1,527	[1]
145	Hans Joachim Jetschke Industriefahrzeuge (GmbH & Co.) KG	Hamburg	Germany	10	21.00%	4,940	2,840	[1]
146	Linde Leasing GmbH	Wiesbaden	Germany	10	45.00%	29,118	2,021	[1]
147	MV Fördertechnik GmbH	Blankenhain	Germany	10	25.00%	1,026	115	[1]
148	Pelzer Fördertechnik GmbH	Kerpen-Sindorf	Germany	10	24.96%	15,654	-375	[1]
149	Willenbrock Fördertechnik Holding GmbH	Bremen	Germany	10	23.00%	10,138	2,138	[1]
	Foreign							
150	Linde High Lift Chile S.A.	Santiago de Chile	Chile	10	45.00%	12,653	1,353	
151	Linde Creighton Ltd.	Basingstoke	U.K.	40	49.00%	5,117	1,311	[1]
152	Linde High Lift Peru S.A.C.	Lima	Peru	150	45.00%	200	77	
	Joint Ventures (equity investments)							
	Domestic							
153	Eisengießerei Dinklage GmbH	Dinklage	Germany	17	50.00%	3,986	496	[1]
	Foreign							
154	JULI Motorenwerk s.r.o.	Moravany	Czech Republic	10 & 17	50.00%	21,812	4,975	[1]
	Associates (accounted at cost)							
	Domestic							
155	Carl Beutlhauser Verwaltungs GmbH	Hagelstadt	Germany	144	25.00%	33	2	[2]
156	JETSCHKE GmbH	Hamburg	Germany	10	22.00%	67	5	[2]
157	Supralift Beteiligungs- und Kommunikationsgesellschaft mbH	Hofheim am Taunus	Germany	10	50.00%	19	1	
158	Supralift GmbH & Co. KG	Hofheim am Taunus	Germany	10	50.00%	797	39	
159	Trainingscenter für Sicherheit und Transport GmbH	Bremen	Germany	149	23.00%	25	0	[1], [D]
160	Willenbrock Arbeitsbühnen GmbH & Co. KG	Bremen	Germany	149	23.00%	18	-252	[1]
161	Willenbrock Fördertechnik Beteiligungs-GmbH	Bremen	Germany	149	23.00%	29	-4	[1]
162	Willenbrock Fördertechnik Beteiligungs-GmbH	Hannover	Germany	149	23.00%	37	2	[1]
163	Willenbrock Fördertechnik GmbH & Co. KG	Hannover	Germany	149	23.00%	3,600	1,250	[1]
164	Willenbrock Fördertechnik GmbH & Co. KG	Bremen	Germany	149	23.00%	2,400	1,011	[1]
	Foreign							
165	WHO Real Estate OÜ	Tallinn	Estonia	149	23.00%	2	0	[1]
166	Labrosse Equipement S.A.	Saint Peray	France	28	34.00%	4,548	1,105	[2]
167	Normandie Manutention S.A.	Le Grand Quevilly	France	28	34.00%	13,614	3,148	[2]
168	Chadwick Materials Handling Ltd.	Corsham	U.K.	44	48.00%	1,257	15	[1]
169	McLEMAN FORK LIFT SERVICES LTD.	Basingstoke	U.K.	151	49.00%	1,355	115	[1]
170	EUROPA CARRELLI S.R.L.	Bastia Umbra	Italy	61	40.00%	562	-14	[2]
171	WHO Real Estate UAB	Vilnius	Lithuania	149	23.00%	-6	-3	[1]
172	Nordtruck AB	Örnsköldsvik	Sweden	74	25.00%	632	291	[2]
173	Carretillas Elevadoras Sudeste S.A.	Murcia	Spain	85	38.53%	3,626	392	[1]
174	CAYSA MANUTENCION S.L.	Valladolid	Spain	85 & 173	46.71%	162	50	[1]
175	Motorové závody JULI CZ s r.o.	Moravany	Czech Republic	10	50.00%	7	0	[2]

[1] Financial figures as of 31 December 2010
[2] Last provided financial statement
[3] New during 2011
[4] Consolidated as required by IAS 27 in conjunction with SIC-12 ("Consolidation - special purpose entities")

[A] Profit and loss transfer agreement with Linde Material Handling GmbH
[B] Profit and loss transfer agreement with STILL GmbH
[C] Profit and loss transfer agreement with KION Financial Services GmbH
[D] Profit and loss transfer agreement with Willenbrock Fördertechnik Holding GmbH
[E] Profit and loss transfer agreement with KION GROUP GmbH
[F] Profit and loss transfer agreement with KION Holding 1 GmbH

[L] In liquidation
[R] Dormant company

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of KION Holding 1 GmbH as of and for the fiscal year ended December 31, 2011 and the group management report.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the KION Holding 1 GmbH, Wiesbaden, – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the KION Holding 1 GmbH, Wiesbaden, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 15, 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: (Kompenhans)	Signed: (J. Löffler)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]